

ASX RELEASE

20 January 2020

Scout Security December 2019 Quarter Update & Appendix 4C

Highlights:

- **Scout has achieved a cashflow positive December quarter, generating AU\$0.5 million in net cash from operations on AU\$1.4 million of cash receipts**
- **Scout's white label development program continues to deliver on contractual milestones, generating AU\$800k in cash during the quarter through partner development fees**
- **Hardware sales generated in excess of AU\$500,000 in cash during the quarter**
- **Scout released three new home security products, further empowering users to personalise their home security systems with a Panic Button, Remote Control and Siren**
- **Early sales of all three devices achieved through Scout's website and now available to white label partners for inclusion in their product mix**

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C - Quarterly Cash Flow Report for the period ending 31 December 2019 and an update on business progress.

Scout Security co-founder and CEO Dan Roberts said:

"Scout's direct business continues to generate cash and industry recognition of our technology, that we are now leveraging through significant emphasis on white label programs that bring scale to our operations. We have seen the impact of that focus in the December quarter, as large and well positioned partners seek to benefit from Scout's capability in their own businesses. Our positive cashflow result has highlighted that even a small number of such partners can dramatically boost Scout's trajectory."

"We were excited to achieve several operational milestones in our white label program during the quarter. This triggered the payment of development fees from multiple partners, including one new partner which we secured in November as announced to ASX on 11 November 2019. These fees substantially offset Scout's engineering costs and empower the Company to continue to develop its platform."

"We are beginning to see the potential of our business when it fires on all cylinders, taking multiple white label partners through the phases of development, launch and scale. We are pursuing a full pipeline of potential white label partners and look forward to updating investors on our progress."

Operational Highlights

During the quarter, Scout released three new smart home security products: the Scout Panic Button, Remote Control and Siren. The Company has designed these products to complement its existing smart home product suite and provide consumers with more robust security options that fit conveniently into their daily lives.

In an emergency, the Scout Panic Button allows users to discreetly trigger their existing Scout security system at the push of a button within a range of 300ft. With a subscription to *Always On+* professional monitoring, police will also be dispatched by Scout to the user's location if the panic button is activated.

The Company recently achieved press coverage of the positive change this new product is bringing to the lives of domestic violence victims. A police department in Maine has become a repeat Scout customer, buying the Company's alarm systems to place in victims' homes and provide them with another layer of protection. The article is available to read on the Company's website.

The Scout Remote Control is a compact, easy to use way for consumers to control their Scout security system, with the ability to arm and disarm when leaving or arriving at home and optionally trigger a panic alarm. As with the Panic Button, an *Always On+* subscription will allow Scout to dispatch police on the user's behalf when the panic alarm is activated.

The Scout Siren is designed to deter intruders with a powerful 95 dB siren which synchronises with a user's existing Scout system. The device can be installed in any power outlet and houses a 12-hour backup battery to ensure continuous safety during a power outage. The Siren also acts as a Zigbee repeater, strengthening the signal between a user's existing Scout Hub and sensors.

The Company has released these devices to allow consumers to functionally accessorise their security with existing components of the Scout system. Scout expects these products to contribute to the Company's revenue growth as consumers increasingly embrace the smart home.

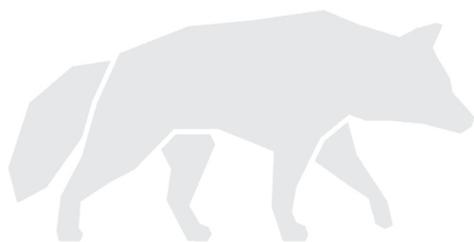
Scout commenced marketing the Panic Button, Remote and Siren during the quarter to its existing customers and achieved first sales through the company's recently upgraded website. A broader release has now been made to white label partners for inclusion in their product mix.

In its white label development program, Scout completed several contractual milestones during the quarter, generating the Company approximately AU\$800,000 in cash for the period.

This cash was generated through from previously announced partners and early stage works with new partners. Scout also received AU\$532,000 in the quarter for hardware sales under the white label program.

Through its while label development, Scout leverages everything the Company has built to gain scale independent of available capital. It sees the Company partner with well-resourced players in the security and connected home industries, with Scout gaining access to their iconic branding, global distribution networks and unique product development capabilities to accelerate growth in the Company's business.

Multiple Scout white label partners are expected to announce commercialisation plans in 2020. The Company will update the market as material details of those plans become available.



Corporate

Results of Annual General Meeting

At Scout's Annual General Meeting of shareholders, held on 29 November 2019, all resolutions put to the meeting passed on a show of hands. Resolution 2 was withdrawn.

Resolutions were as follows:

- Resolution 1: Approval of remuneration report
- Resolution 2: Spill resolution (withdrawn)
- Resolution 3: Re-election of Director - Sol Majteles
- Resolution 4: Ratification of prior issue – Prosegur shares
- Resolution 5: Ratification of prior issue – Prosegur options
- Resolution 6: Ratification of prior issue – 2018 loan options
- Resolution 7: Approval of issue - 2018 loan options
- Resolution 8: Approval of issue - 2019 loan options
- Resolution 9: Approval of 10% Placement Facility
- Resolution 10: Replacement of constitution.

Outlook

Scout will continue to invest heavily in the Company's white label line of business heading into the first half of calendar year 2020. Building on the momentum from the December quarter, Scout believes that white labelling its platform will continue to represent the least capital-intensive path to scale and, in the process, cement a strategic position for the Company within the smart security and smart home industries.

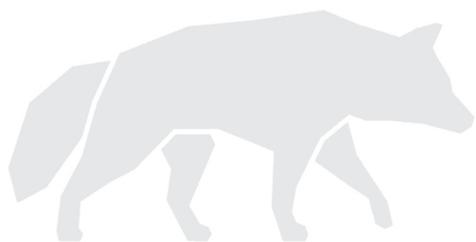
The Company's cashflow positive December quarter displays the significant potential of Scout's white label opportunity. As Scout continues to develop its pipeline of opportunities, the Company will aim to simultaneously have multiple partners in development, multiple partners launching and multiple partners scaling. Scout's progress towards developing its white label program to this extent underpins the Company's expectations of becoming consistently cashflow positive by the end of 2020.

The Company anticipates multiple partner launches in 2020 that will demonstrate the scalability of the white label model.

An Appendix 4C follows.

This ASX release has been authorised by the Board of Directors of Scout Security Ltd.

For more information, please contact:



Dan Roberts
Chief Executive Officer
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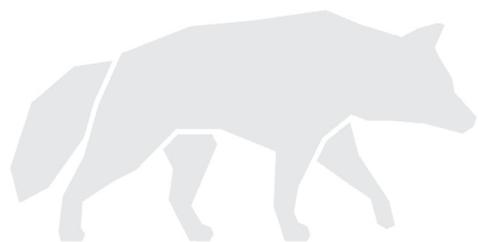
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About Scout Security Limited

Scout Security Limited (ASX: SCT) sells the Scout Alarm, a self-installed, wireless home security system that is making security more modern, open and affordable. Scout was named “Best App-Based Security System” in 2019 by US News and World Report.

Scout’s design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class IoT devices and offering flexible monitoring options.

Scout is an official partner of Amazon Alexa, Google's Assistant and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Scout Security Limited

ABN

13 615 321 1189

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
1. Cash flows from operating activities		
1.1 Receipts from customers	1,439	1,844
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(208)	(297)
(c) advertising and marketing	(54)	(196)
(d) leased assets	-	-
(e) staff costs	(430)	(735)
(f) administration and corporate costs	(241)	(847)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(14)	(19)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	492	(250)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Cash acquired on acquisition))	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	500
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	500

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	122	365
4.2 Net cash from / (used in) operating activities (item 1.9 above)	492	(250)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	500

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
4.5	Effect of movement in exchange rates on cash held	4	3
4.6	Cash and cash equivalents at end of quarter	618	618

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	618	122
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	618	122

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
128
-

Director Salaries – 118k
Director fees – 10k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,000	500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Working Capital Facility – Tranche 1 of \$500,000 drawn during the Sep19 quarter, Tranche 2 \$500,000 available to draw down 150 days after 27 August 2019 being the draw down date of tranche 1.

Fixed Interest rate of 11.25%

(Refer to ASX announcement dated 26 August 2019 for full details of the facility)

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(540)
9.3 Advertising and marketing	(40)
9.4 Leased assets	-
9.5 Staff costs	(325)
9.6 Administration and corporate costs	(254)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,159)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company Secretary)

Date: 20 January 2020

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.