

Scout Security (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telco providers in the world.



## ASX RELEASE

31 January 2024

# Scout Security Quarterly Update and Appendix 4C

Home security provider Scout Security Ltd (ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C — Quarterly Cash Flow Report for the period ending 31 December 2023 and update on business progress.

## Highlights of the December Quarter

- **Scout secures new white label partnership deal with Origin Wireless AI**
- **Cash receipts of AU\$654k in December quarter (+82% from September quarter), with quarterly net cash flow significantly improved at (AU\$263k)**
- **Recurring monthly revenue streams total AU\$1.14m in annualised recurring revenue (ARR)**
- **Telco rollout through Windstream e-commerce continues to gather pace, growing subscribers 4.5% during the quarter**
- **Scout's Wi-Fi sensing-based solution is expected to proceed to commercialisation in 2024 through Lumen Technologies and is extendable to other ISPs and telco carriers globally**
- **Raised AU\$228k in additional funding via existing debt facility to support working capital**

## Financial Highlights

Scout generated quarterly cash inflows from operations of AU\$654k, primarily through monthly recurring revenue and white label development fees. Administration and corporate costs, staff costs and product manufacturing and operating costs all continued to trend lower quarter-on-quarter, reflecting ongoing operational improvements in the business.

Monthly recurring revenue (MRR) totalled \$286k for the quarter.

The Company remains focused on growing subscriptions through its white label program, which continues to yield net new customer adds each month. Growth in Scout's MRR through its white label program reflects sell-through and activation of Scout-powered



security systems, and over time, growth in MRR also decreases the significance of hardware purchase orders to the Company's cash flows.

In December, Scout agreed with investors holding AU\$1.475m of the Convertible Notes due on 31 December 2023 that, subject to shareholder approval, the maturity date of the Notes would be extended to 31 December 2024 on terms detailed in the ASX announcement dated 29 December 2023.

The Company continues to progress opportunities with current partners and its sales pipeline to deliver meaningful revenue growth that will support the potential conversion, redemption or refinancing of the New Convertible Notes before or at the end of the extended term.

The Company held cash at bank of AU\$58k as at 31 December 2023 and, having subsequently raised AU\$228k via its existing debt facility. The Company is currently engaged in discussions with multiple parties in relation to additional debt funding and strategic investment. Scout has appointed middle market corporate advisor Westlake Securities to explore strategic opportunities.

## Operational Achievements

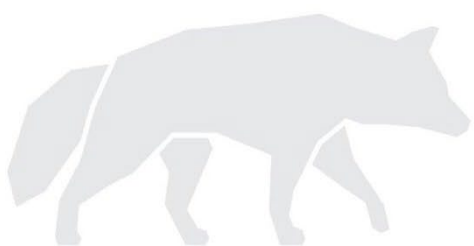
In November, Scout secured a new white label partnership deal with Origin Wireless AI ("Origin"). Canadian-based Origin is the pioneer in transforming WiFi signals into innovative WiFi Sensing technology and the category leader in providing precise presence sensing solutions for Fortune 500 business service providers, security, and Internet-of-Things (IoT) companies, leveraging its patented and award-winning AI to detect and verify human presence for eldercare, smart automations and security.

Origin has agreed to a Statement of Work (SoW) under which Scout will develop a version of its white-label Wi-Fi sensing home security solution on behalf of Origin, under a brand of Origin's choosing. Origin has committed to fund the near-term development of the branded solution in collaboration with Scout up to an initial value of US\$250k. There is scope for additional revenue as Scout further develops the platform.

During the quarter, US sales of the Scout-powered white labelled telco home security solution continued to develop. Sales through the Company's first US ISP white label partner, Windstream, continued to grow through the quarter as Windstream actively marketed the Scout-powered DIY home security solution via e-commerce to its existing customer base. A marketing push in January has driven stronger growth in sales which will accrue to recurring monthly revenue (RMR) in the March quarter.

With the value of this channel now proven, Scout and Windstream are in discussions regarding offering more Scout products on the Windstream platform, and potentially transitioning Windstream to Wi-Fi Motion Sense and moving beyond the hub model.

The partnership between Scout and Lumen Technologies, Inc ((NYSE: LUMN), "Lumen") continued productively during the quarter as the parties work towards agreeing a Statement



of Work (SoW) as a next step following the Master Services Agreement signed in September 2023. Lumen is a full-service US telco with 5 million broadband subscribers, adding 20,000 new broadband subscribers monthly, and US\$20bn in annual revenue.

Scout and Lumen management met in mid-January at the Consumer Electronics Show in Las Vegas and discussed the parties' shared commitment to rolling out the Scout-powered smart security and control platform under Lumen's brand in the months ahead, with recurring revenues to follow. Commercial launch of Scout's motion sense home security product will open a new addressable market for Scout of users who could purchase a "light" home security system as a stepping stone that can be built up over time.

A SoW and wider rollout with Lumen following the recent successful pilot program would represent the largest expansion in Scout's white label partner group to date. In collaboration with Origin, the pilot program tested the Scout-powered motion sense home security app with Lumen customers, bringing cutting-edge Wi-Fi sensing capability to detect motion in homes through the disruption of Wi-Fi waves. Scout received strong positive user feedback through the pilot program, with as many as 65% of responders indicating that they would be willing to pay for the Scout-powered home security service after experiencing a free trial.

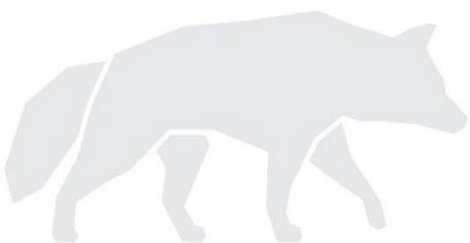
Scout was also proud to be named the market's best contract-free home security provider of 2024 by CBS Essentials, the online shopping guide of major US broadcaster CBS.

Scout Security CEO Ryan McCall, said:

*"The December quarter saw Scout achieve new milestones which further validate our white label home security strategy and technology platform. We have hit the ground running with our latest partner, Origin Wireless AI. Origin's commitment underlines the strategic value of Scout's technology platform for Do-It-Yourself (DIY) home security and our white-label proposition within the realm of Wi-Fi motion sensing."*

*"Our white label sales continue to expand in partnership with regional US telco provider Windstream. The progress of our partnership with larger US telco, Lumen Technologies, is providing encouraging signs that there is a very real opportunity not only to take what we are doing with Windstream to a much larger market, but also to commercialise our leadership position in applying Wi-Fi motion sensing technology. In 2024, we are focusing on maintaining and expanding this leadership position to multiple multi-billion-dollar global markets: home awareness, security, health and aging in place. It is Scout's goal to launch our white label DIY solution in Australia during calendar year 2024."*

*"We continue to work multiple exciting opportunities through Scout's sales pipeline, which remains the most robust it has been in the history of the Company. We are grateful for the continued support of our investors, particularly Scout's noteholders who recently replaced and extended the term of their expiring Notes. This provides Scout with the least dilutive capital available to ensure that the Company is sufficiently funded to execute its near-term growth strategy."*



## Statements pursuant to ASX Listing Rule 4.7C.1

Payments to related parties and their associates during the quarter totalled AU\$155k, relating to directors' salaries and convertible note and secured debt interest accruing to directors.

Quarterly expenditure was in line with internal budgets and was focused on these areas:

- In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totaling AU\$152k were lower than the previous quarter while within the average quarterly range for these costs.
- In reference to item 1.2(e) of the Appendix 4C, staff costs totaling AU\$475k were lower than the previous quarter while within the average quarterly range for employee expenses.
- In reference to item 1.2(b) of the Appendix 4C, product manufacturing and operating costs totaling AU\$200k were lower than the prior quarter while within the average quarterly range for these costs.

The Company retains sufficient funding to carry out its activities over the coming quarters based on current cashflow funding initiatives as described elsewhere in this report.

An Appendix 4C report follows.

This ASX release has been authorised by CEO Ryan McCall and the Board of Directors of Scout Security Ltd.

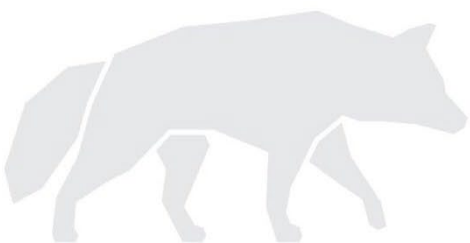
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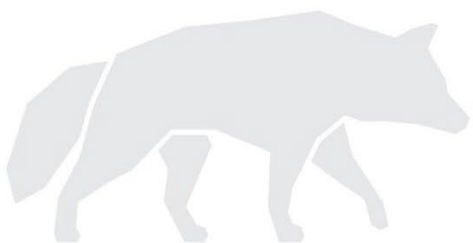
### About Scout Security Limited

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. Scout's simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multi-tenant buildings.



Scout was recognised as one of Forbes' "Best Home Security Companies of 2022" and was named the "Best Contract-Free Home Security System Provider of 2024" by CBS Essentials. 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 and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.



## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

SCOUT SECURITY LIMITED (ASX: SCT)

**ABN**

13 615 321 189

**Quarter ended ("current quarter")**

31 DECEMBER 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	654	1,013
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(200)	(414)
(c) advertising and marketing	(7)	(11)
(d) leased assets	-	-
(e) staff costs	(475)	(1,157)
(f) administration and corporate costs	(152)	(409)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(83)	(196)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(263)</b>	<b>(1,174)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 Months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	187	518
3.6	Repayment of borrowings	(23)	(327)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>164</b>	<b>191</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	195	1,052
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(263)	(1,174)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 Months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	164	191
4.5	Effect of movement in exchange rates on cash held	(38)	(11)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>58</b>	<b>58</b>

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	58	195
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>58</b>	<b>195</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	155
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Note to 6.1: Salaries and con note and secured debt interest to Directors</p>		



<b>7.</b>	<b>Financing facilities</b> <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A’000</b>	<b>Amount drawn at quarter end \$A’000</b>
7.1	Loan facilities	3,270	3,270
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	1,475	1,475
7.4	<b>Total financing facilities</b>	<b>4,745</b>	<b>4,745</b>
7.5	<b>Unused financing facilities available at quarter end</b>	<b>-</b>	
<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>			
<p>7.1 In the June 2023 Quarter, the company entered into a new finance facility with a syndicate of mostly US-based investors. (Refer to ASX announcement dated 28 April 2023). Facility includes rollover of previous debts and additional funds totalling \$3.255M AUD drawn at 31 December 2023. Interest rate is 12.0% per annum with a term of five (5) years.</p> <p>Remaining \$15k AUD includes short term lending from Stripe credit card processor for a loan being repaid from ARR receipts.</p> <p>7.3 On 16 July 2020, the company entered into a convertible note deed to raise up to \$2M (Refer ASX announcement dated 16 July 2020). During the March 2021 quarter, the Company secured a new Convertible Note Facility to raise \$450k on the same terms as the existing facility.</p> <p>A total net drawdown of \$1,475,000 has been completed. The original term matured on 31 December 2023, interest of 5% p.a. was payable on drawn funds. Investors entered into an extension of the notes with mature date of 31 December 2024, interest of 12.5% p.a. payable on drawn funds. (Refer to ASX announcement dated 28 December 2023).</p>			

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(263)
8.2	Cash and cash equivalents at quarter end (item 4.6)	58
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	58
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	.22
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>Answer: Yes</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The company has a debt facility currently being funded. Refer to ASX announcement dated 28 April 2023. The Company is currently engaged in discussions with multiple parties in relation to additional debt funding and strategic investment. Scout has appointed middle market corporate advisor Westlake Securities to explore strategic opportunities in North America.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the company continues to fill the open debt facility and investigate all avenues of future funding.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.

Date: .....31 January 2024.....

Authorised by: .....Board of Directors.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.