



ASX RELEASE

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Scout Investor Conference Call Audio Recording Available

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") thanks all participants who attended the Company's investor update conference call on Wednesday 21 February.

The Company invites investors to access a full replay of the Scout business update with CEO Dan Roberts at this link:

<https://register.gotowebinar.com/register/5988372821696326658>
(registration required)

As part of the conference call, Scout CEO Dan Roberts discussed the Company's cash flow cycle with reference to a sample financial model prepared for investors.

The following chart describes Scout's model and illustrates the cash receipts which flow from a given inventory order and drive long-term growth in recurring monthly revenue.

The chart on the following page visualises a hypothetical AU\$1 million spent on inventory (red bar) and breaks out how quickly that investment flows back to the Company in the form of hardware sales (green bar) and recurring revenue (blue bar).

The model, which assumes a modest month-on-month growth in sales over time (flowing from increased marketing and exposure), indicates how **each** \$1 million of inventory spend can generate \$2 million of cash for the Company over 12 months. The company notes that it has multiple inventory orders flowing through at any one time, not just one.

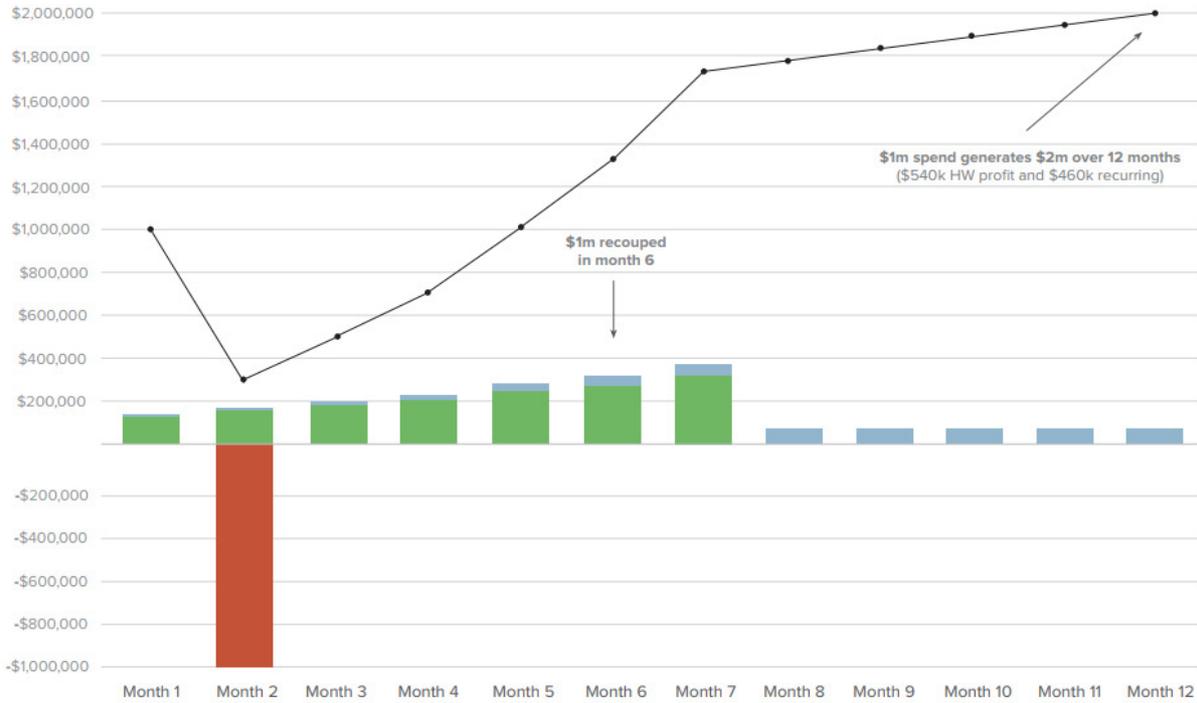
NOTE: this is a working example and does not contain actual numbers or forecasts relating to the Scout business. In practice, the Company is turning multiple inventory orders into cash receipts at any given time, which has a multiplying effect on the cash flow cycle depicted.

A larger version of the chart below is available here: <http://bit.ly/2o3k114>

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Simplified \$1m AUD Inventory Order Cash Flow Example (Net30 / Net45 terms)



Main Takeaways

- Cash poor situation is temporary
- \$1m investment, turns into +\$2m cash, plus continued annuity (\$650k pa)
- Initial investment is fully recouped in approximately 6 months

Key

- Sales - Recurring Revenue
- Sales - Hardware
- Cash balance
- Spent on inventory purchase

Notes & Assumptions

- Using simple gross margin ex-factory
- Assume \$19.20 ARPU/mo. on RMR
- Assume \$53760 avg. hardware sale
- Includes monthly sales growth
- 1.28 AUD to 1 USD conversion used

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As this model indicates, the value of Scout's prepaid and on-hand inventory is directly relevant in assessing expected future cash flows, as it represents cash expected to flow back to the Company in a matter of months.

Although the chart above reflects typical cash conversion for Scout, from time to time the Company may need to pre-purchase inventory. With Net45 terms secured, Scout anticipates the majority of its inventory orders moving forward to follow the pattern above, which drives faster cash generation and enables stronger and smoother growth.

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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. In 2016, the Scout system was recognised by CNet as one of the Best Smart Home Devices of the year.

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 Works With Nest and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.

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