

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 March 2018

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	405	1,163
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(319)	(3,273)
(c) advertising and marketing	(18)	(84)
(d) leased assets	-	-
(e) staff costs	(434)	(1,044)
(f) administration and corporate costs	(492)	(1,187)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (US Consulting & Professional costs in relation to the acquisition of Scout Security Ltd)	-	(260)
1.9 Net cash from / (used in) operating activities	(857)	(4,682)

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

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date* \$A'000s
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	-	(402)
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash acquired on acquisition))	-	156
2.6	Net cash from / (used in) investing activities	-	(246)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	6,911
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	(10)	(1,196)
3.5	Proceeds from borrowings	-	-
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	(10)	5,715

* The operations of Scout Security Inc are reflected from acquisition date of 22-Aug 2017

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	1,815	161
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(857)	(4,682)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(246)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10)	5,715
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	948	948

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	948	1,815
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)	948	1,815

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
82
-

Director Salaries – 47k
Director fees – 35k

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	-	-
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(150)
9.3 Advertising and marketing	(30)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(200)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(780)

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	-	-

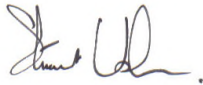
Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

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2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 27 April 2018
(Company Secretary)

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.

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ASX RELEASE

27 April 2018

Scout Security March 2018 Quarter Update and Appendix 4C

Highlights:

- Scout has delivered a strong start to CY18, booking more than AU\$405k of cash receipts from connected home products and home monitoring services in the March quarter
- Cash receipts in the March quarter of AU\$405k represented a quarter-on-quarter increase of 27% over the December quarter
- Scout has progressed discussions with lenders regarding a credit facility to support more capital-efficient inventory management
- The Company's base of annualised recurring revenue grew to more than AU\$0.9 million at quarter end, representing year-on-year growth in recurring revenue of 27%
- The Company has raised Scout's profile and engaged with several existing and new potential channel partners at the 2018 ISC West security industry trade fair and conference
- Cash balance of AU\$0.95 million at 31 March 2018, with a further AU\$0.15 million expected from the December placement through director buying on shareholder approval, and an additional AU\$0.1 million cash expected in GST reimbursements

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C — Quarterly Cash Flow Report for period ending 31 March 2018 and an update on business progress.

Scout Security co-founder and CEO, Dan Roberts, said:

"Scout had a great start to the year and we are particularly pleased to see recurring revenue form a growing component of our revenue. That quarter-on-quarter and year-on-year RMR growth highlights the growing power of the Scout subscriber base and the scalability of the business."

"With the holiday period typically driving our strongest quarterly revenue, for Scout to have revenue in the March quarter exceed the December quarter by 27% represents pleasing growth and a strong start to the year."

"The extent to which Scout grew its base of customers and recurring revenue this quarter underscores the interest in DIY home security solutions and the power of Scout's sales channels when fully in stock, bolstered by proactive marketing."

"We are well positioned heading into the US spring and early summer, which is peak moving season, and continue to develop encouraging momentum. The Company is pushing every day to execute our growth plan, and each quarter we expect to see sales increasing further as we penetrate deeper into the home security market."

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Operational Highlights

Scout had a strong start to 2018 with quarterly revenue of AU\$405k. This reflects the Company's ability to continue gaining scale and service an unmet need for smart wireless connected home security, and signals growing acceptance of Scout's DIY home security offering among US consumers.

The Company's sales mix continues to shift toward monitoring services which yield high-margin recurring monthly revenue (RMR). This component represented more than 50% of Scout's overall book of business in each month of the March quarter.

Amazon sales continue to gain momentum as the company is fully stocked and actively advertising on the Amazon AMS marketing platform.

During the quarter, the Company boosted its marketing efforts through the Amazon Search Marketing platform, coinciding with rising inbound traffic and interest in the Scout Security online store.

Scout has received positive customer and partner feedback on its recently strengthened product suite, which now includes smart lock integrations and will shortly make available a 1080p HD camera add-on. The Company expects this expanded product offering to expand Scout's market reach and encourage customer adoption and retention, while boosting average revenue per user (ARPU) over time.

Continued growth in recurring monthly revenue

At the end of the quarter, the Company's annualised recurring monthly revenue had grown 27% year-on-year to exceed AU\$900k.

The Company is pleased to note that an increased percentage of new customers are opting to subscribe to higher-value US\$20/month professional monitoring plans and over 50% of the user base now opts for an annual plan.

Corporate

Scout has progressed discussions with lenders regarding a credit facility to support inventory ordering on a move-forward basis. Management hosted meetings with multiple lenders in March at the Company's headquarters in Chicago. Additional meetings will be taking place in the coming weeks. The lenders meeting with Scout represent a wide array of specialties, offering the Company significant potential flexibility as to financing options.

As Scout's continued business growth calls from time to time for bulk outlays of cash for inventory, the Company could gain a material potential benefit from more capital-efficient inventory financing in terms of smoothing and strengthening positive cash flow should an appropriate lending solution emerge.

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The Company will continue to update the market as these discussions progress.

The Company is soon to dispatch a shareholder Notice of Meeting to seek approval for two directors to buy shares in the Company to the value of AU\$150k on the same terms and conditions as the share placement completed in December 2017, the subscription being at 30 cents per share. The directors' intention to participate in the placement was announced to the ASX on 13 December 2017.

An Investor conference call took place Wednesday 21 February with Scout co-founder and CEO Dan Roberts providing an update on sales, marketing, distribution partnerships and the Company's recent progress.

A full replay of the business update is available here;

<https://register.gotowebinar.com/register/598837282196326658>
(registration required)

ISC West security industry trade fair

The Company's co-founders, CEO Dan Roberts and CTO Dave Shapiro, Head of Sales Noah Ney and Australian-based Director Anthony Brown represented Scout at the 2018 ISC West security trade fair and conference in Las Vegas, Nevada from 10 April to 13 April. ISC West is the largest security industry trade show in the US bringing together providers, customers and stakeholders in the physical IT and Internet of Things security industries.

Scout secured a full slate of meetings at the conference with existing and potential new channel partners. These parties span several industries and offer potential to significantly broaden the Company's addressable market and accelerate Scout's path to scale.

Scout led a session hosted by its alarm dealer channel partner, COPS, the leading provider of security monitoring services to independent alarm dealers across North America. This presented a strong opportunity for the Company to promote its white-labeled DIY home security solution with influencers within the dealer channel.

Outlook

The Company is focused on delivering into demand, which is expected to rise amongst consumers into the June quarter (the prime US home moving season). Scout also anticipates increased demand during this period from leading security monitoring centres, alarm dealers and enterprise partners across the USA for their white label line of products, with material revenue starting to be generated over the course of the summer of 2018.

The Company expects a large GST refund in the March quarter of approximately \$100k attributable to being its first BAS lodgment since listing on ASX in 2017.

The Company sees strong prospects for near-term growth in both hardware sales and continued growth in recurring monthly revenue through high-margin monitoring services.

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Scout plans to further expand its product suite as a response to pent-up customer demand, with the next addition to be a high-definition camera line with built-in night vision, two-way audio and video cloud storage as a service. With the ability to offer homeowners and renters a full suite of smart connected home security products and services at an affordable price, Scout expects to continue to grow market share and revenue in 2018 as it builds toward positive net cash flow.

The Company's cash balance was AU\$0.95 million at 31 March 2018, with a further AU\$0.15 million expected from the December placement through director buying on shareholder approval, and an additional AU\$0.1 million cash expected in GST reimbursements during the June quarter.

Appendix 4C follows.

For more information, please contact:

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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. The Scout system is consistently recognised as one of the best smart home security devices, most recently being labeled 2018 Best DIY Home Security System by TopTenReviews.com.

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.

www.scoutalarm.com

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