



ASX RELEASE

31 July 2018

## Scout Security June 2018 Quarter Update and Appendix 4C

### Highlights:

- **Scout earned cash receipts in the June quarter of AU\$602K, up 49% quarter-on-quarter**
- **Launch of high-definition 1080p Scout Camera with first sales generated through marketing to the existing Scout user base**
- **Scout Camera fills out the Company's connected home security product suite with a strong feature set at a compelling price point, with verified video option a unique value-add for new and existing customers**
- **Scout named Best DIY Home Security System by TopTenReviews.com**
- **Scout received a new purchase order for 1,000 smart home security hubs from Zego, the premier digital amenity platform for US apartments**

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 30 June 2018 and an update on business progress.

Scout Security co-founder and CEO Dan Roberts said:

*"The June quarter has seen us grow Scout's cash receipts materially. We've been pleased with the results of increasing our marketing efforts and working with partners to expand their offerings. We see significant scope for further growth in upfront and recurring revenue as the Company expands across multiple channels.*

*"Releasing the 1080p Scout Camera to the market represented a key milestone for the Company, as it has validated us with the large segment of customers who want a camera as part of their home security system. Early customer feedback has been very encouraging.*

*"Through our partnership with smart apartment provider Zego, our sales and orders have both continued to increase, and we were excited to receive a material new purchase order which helped to accelerate Scout's healthy recent sales momentum. This order and further anticipated future orders have a cumulative positive effect on our ability to grow security service sales and recurring revenue.*

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*“Scout’s success is increasingly being recognised on a global level, and we were thrilled to be rated above our industry peers and named the 2018 Best DIY Home Security System by leading reviews website TopTenReviews.com, reflecting the traction we are gaining.”*

## **Operational Highlights**

### **Corporate**

Subsequent to the end of the quarter, the Company held a General Meeting to consider Resolutions relating to issues of securities, the adoption of an Employee Performance Plan and a selective share buy-back.

With all Resolutions passed, the company expects to receive up to AU\$150,000 in the current quarter as consideration for issuing up to a total of 500,000 shares at AU\$0.30 per share to Mr. John Strong and Mr. Anthony Brown, both Directors of the Company.

Scout’s cash position has also recently improved through a GST refund of AU\$91K.

### **Industry-first 1080p Scout Camera launched**

At the end of June, Scout added a camera to its product suite with the release of the 1080p Scout Camera. This high-definition camera integrates with and bolsters the Company’s comprehensive product suite with a crisp, clear, remote view into what is happening in the home through the Scout mobile app.



Key features of the Scout Camera include:

- high definition 1080p video
- two-way audio
- built-in infrared for night vision
- sleek, modern design
- wireless lithium-ion battery power.

Scout is the only home security provider to offer verified video with a DIY camera plan, enabling

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highly prioritised police response to verified incidents. The Scout Camera expands the Company's addressable market to target the 63% of US customers who want a network-connected camera as part of their smart home security service.

If a customer adds one Scout Camera with video cloud storage to their order, the Company will boost its upfront hardware sales revenue by approximately 25%, with recurring monthly revenue to increase proportionally, depending on the monitoring plan chosen.

Camera orders are enabling Scout to achieve growth in new customers' average spend, and bring potential to accelerate the Company's growth in recurring monthly revenue by offering video cloud storage as a service, a key point of difference for Scout.

The Company commenced marketing the Scout Camera initially to existing Scout customers and is now making it available for purchase through the Company's website as an add-on to the modular Scout Alarm system. A broader release to the Amazon online store will follow.

### **Industry Trends**

Building on the full slate of meetings from the ISC West security industry tradeshow this quarter, the Scout team has continued to progress conversations with numerous potential channel partners. These partners span several industries and the team is of the belief that securing these partnerships would significantly broaden the Company's addressable market and accelerate Scout's path to scale.

Recent merger and acquisition activity in the security industry demonstrates, in the Company's opinion, that home security focused solutions and subscription-based business models are being accepted as the preferred gateway into the Internet of Things (IOT). On this basis, the Company believes it is well-positioned to capitalise on the growth of both the number of IOT connected devices and the growth in home security in the coming years.

### **Scout named 2018 best DIY home security system**

During April, Scout was named the Best Overall DIY Home Security System of 2018 by leading independent reviews website TopTenReviews.com. In winning the award, Scout's system rated highest across categories including Security & Monitoring, Set-Up & Equipment, Add-On Equipment and Warranty & Support, with an overall rating of 9.2 points out of 10 points.

The unpaid review praised the Scout system's ease of installation, app user experience design and integration with smart home devices from Amazon and Nest.

Scout's winning review is available here: <http://www.toptenreviews.com/home/smart-home/best-diy-home-security>.

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### **Strong quarterly growth in cash receipts**

Scout achieved quarter-on-quarter growth in cash receipts of 49%, with a similar split to the prior period of revenue from hardware sales and monitoring services.

During the quarter, Scout's partnership with key resale partner Zego helped maintain sales momentum. The Company received a material new purchase order for 1,000 hubs from Zego, a leading US provider of smart home device and service packages to apartment residents and managers..

This is the third material purchase order Zego has made with Scout since the parties commenced their sales partnership in October 2017 to meet smart home security demand in the 18.8 million-unit apartment community market in the US.

Zego has ordered more than 3,000 Scout hubs and remains one of the Company's key resale partners, targeting deployment of 5,000 to 10,000 Scout systems in the 12 months to October 2018.

### **Outlook**

Following Zego's order during the quarter for 1,000 smart home security hubs, Scout's focus is to continue growing the business through this channel and work to integrate its product suite more closely with Zego's smart home solution. As this and other channel partnerships continue to flourish, the Company expects to achieve ongoing growth in upfront and recurring revenue as the Scout installed base expands.

The Company anticipates that continued development of voice-controlled devices will stoke broad consumer interest in connected intelligence in the home, which Scout expects will fuel sales growth for the Company over time.

The Company's cash balance at 30 June 2018 was AU\$271K. The Company expects to receive a further AU\$150K having gained shareholder approval for Director buying as part of the December 2017 share placement.

Scout is making strong progress on its path to generating positive cash flow from operating activities, having kept staff and administration costs flat quarter-on-quarter as the business has gained scale.

Appendix 4C follows.

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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.

[www.scoutalarm.com](http://www.scoutalarm.com)

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## 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")**

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date* \$A'000s
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	602	1,765
1.2 Payments for		
(a) research and development	(1)	(1)
(b) product manufacturing and operating costs	(442)	(3,714)
(c) advertising and marketing	(94)	(177)
(d) leased assets	-	-
(e) staff costs	(424)	(1,468)
(f) administration and corporate costs	(319)	(1,508)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
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)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(677)</b>	<b>(5,359)</b>

<b>2. Cash flows from investing activities</b>		
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	-	-

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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
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(246)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	(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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>5,715</b>

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

<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 quarter/year to date	948	161
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(677)	(5,359)
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)	-	5,715
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>271</b>	<b>271</b>

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5. <b>Reconciliation of cash and cash equivalents</b> 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	271	948
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>271</b>	<b>948</b>

**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
150
-

Director Salaries – 115k  
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
-
-

-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end SA'000	Amount drawn at quarter end SA'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. <b>Estimated cash outflows for next quarter</b>	SA'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(400)
9.3 Advertising and marketing	(90)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(250)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,140)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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	-	-

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**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:



Date: 31 July 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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