



ASX RELEASE

30 October 2018

Scout Security September 2018 Quarter Update and Appendix 4C

Highlights:

- Scout earned cash receipts in the September quarter of \$962k, up 60% quarter-on-quarter
- Scout secures the world's second largest home security provider, Stanley Black and Decker, as a partner to licence and sell Scout's home security suite of products
- Scout receives purchase orders from key resale partner Zego in each of the months in the September quarter worth A\$498k
- In addition to purchase orders placed, Zego took delivery of an additional 785 units worth A\$151k to address demand above and beyond initial forecasts
- New A\$500k working capital facility secured to help Scout improve inventory turnover and grow the Company's white label platform
- Cash balance of \$664k as at 30 September 2018

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 September 2018 and an update on business progress.

Scout Security co-founder and CEO Dan Roberts said:

"Our new partnership with Stanley Black and Decker is a transformational opportunity for Scout, giving us the chance to work on the future of home security platforms with a global leader in the industry. The growing interest in our white label platform demonstrates the power of the asset we have created.

"Orders continue to flow in from our key resale partner Zego and surpassed the minimum target of 5,000 orders over 12 months. We are pleased to see our business growing through the tenant block channel, and we look forward to these systems coming online in 2019 to add to our recurring monthly revenue.

"Securing our working capital credit facility was a critical step achieved during the quarter, allowing



Scout to maximise its growth efforts. With an expanding base of systems and key partnerships secured, we are now working hard to build our operational momentum.”

Operational Highlights

Partnership with Stanley Black and Decker

In August, Scout announced it had signed a partnership deal with Stanley Black & Decker, Inc. ((NYSE: SWK), “SBD”) for SBD to license Scout’s home security platform and hardware suite.

Stanley Black & Decker has been in business for 175 years and is the 2nd largest provider of security services globally, protecting more than 500,000 buildings around the world. SBD manages a powerful portfolio of trusted brands in residential and commercial security, complemented by market-leading technologies in tools, healthcare and industrial applications.

Its business units operating in the security industry provide solutions for residential, commercial, alarm dealer and monitoring center customers. These are all segments in which Scout has spent the past five years targeting opportunities and developing a robust product set built on its do-it-yourself software platform.

The companies have identified several short-term and long-term potential applications of using the Scout platform to augment SBD’s existing and planned customer solutions.

The partnership is expected to start materially contributing to Scout revenue in the March 2019 quarter.

Multiple orders from partner Zego

Scout’s key resale partner Zego ordered 1,000 smart home security hubs in each of the months in the September quarter, in addition to taking delivery on 785 additional hubs to meet demand above and beyond forecasts. In total, Zego has ordered nearly 7,000 units from Scout, meeting the target of 5,000 to 10,000 Scout systems ordered in a 12-month period. The orders delivered during the quarter represented A\$280k in cash receipts for Scout, with an additional A\$498k to be received in due course.

Scout anticipates working with Zego in early 2019 to switch on recurring revenue generating devices and services.

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Corporate

Working Capital Facility

As announced on 28 September, Scout entered a binding agreement providing access to an A\$500k working capital facility to ease Scout's supply chain constraints and maximise the Company's growth potential. The facility supports Scout's general operational expenditures and will allow the Company to boost inventory orders, increase turnover and drive expansion in its white label-connected security platform. As new business opportunities continue to build around Scout's offerings, the working capital facility will provide additional resources to maintain Scout service obligations.

Outlook

Scout continues to push growth initiatives on the direct-to-consumer side of the business and to add recurring revenue through sales to end users. In addition to selling direct on the Scout website and Amazon, the Company will look to ramp their efforts with online affiliates and online retailers in the December quarter and heading into early 2019.

As Scout's white label program continues to gain momentum, the company is focused on securing additional partnerships and adding additional sales volume with current partners. The Company has seen interest from numerous potential enterprise clients that have a reason to be in the self-installed security space, but do not have a platform to support a product rollout presently. Given Scout's platform flexibility and capabilities, the ability to quickly enter the market under an established brand and service existing client bases is proving appealing for both the partners and Scout.

The Company's cash balance at 30 September 2018 was \$664k.

An 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. 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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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 September 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	962	962
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(214)	(214)
(c) advertising and marketing	(72)	(72)
(d) leased assets	-	-
(e) staff costs	(349)	(349)
(f) administration and corporate costs	(502)	(502)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(8)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(181)	(181)

2. Cash flows from investing activities

2.1 Payments to acquire:

- (a) property, plant and equipment
- (b) businesses (see item 10)
- (c) investments

	-	-
	-	-

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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	75	75
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	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	575	575

* 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	270	270
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(181)	(181)
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)	575	575

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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		
4.6	Cash and cash equivalents at end of quarter	664	664

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	664	270
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)	664	270

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**

106

-

Director Salaries – 75k
Director fees – 31k

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. 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	(200)
9.3 Advertising and marketing	(90)
9.4 Leased assets	-
9.5 Staff costs	(340)
9.6 Administration and corporate costs	(250)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(880)

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	-	-

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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: 30 October 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.