



ASX RELEASE

12 December 2018

Scout to form strategic partnership with global security leader Prosegur, secures up to AU\$7.4M investment

Highlights:

- **Proposed strategic partnership to see multinational security company Prosegur distribute Scout's full suite of branded security products into Prosegur's key security markets both in Europe and South America**
- **Strategic equity investment from Prosegur of up to US\$5.3 million (AU\$7.4 million) via two tranches, supporting and financially securing immediate growth in Scout's US market position with a long-term view to international expansion**
- **Strategic partnership presents the potential for Scout to co-develop new products with Prosegur**
- **Partnership validates and accelerates Scout's international go-to-market strategy, representing a first step in seizing the potential of several countries' DIY home security markets**

Home security provider Scout Security Limited (**ASX: SCT**), ("**Scout**" or "**the Company**") is pleased to announce a strategic partnership and an investment of up to US\$5.3 million (AU\$7.4 million based on an agreed exchange rate of US\$1:A\$0.71) with multinational security company Prosegur Compañía de Seguridad, S.A (BMAD: PSG, "**Prosegur**").

Prosegur is a global leader in security services with more than 175,000 employees and active in the manned guarding and technology, cash-in-transit, and alarms businesses through Prosegur Security, Prosegur Cash, and Prosegur Alarms. The Prosegur Alarms segment generates more than €250 million (AU\$391 million¹) in annual revenue from over 500,000 alarm connections in 11 countries.

The investment has been structured by way of a placement of 10,837,368 shares at an issue price of \$0.275 per share to raise approximately AU\$2.9 million and a contemporaneous issue of 16,005,508 options to acquire shares (exercisable at A\$0.28 on or before 31 December 2019) ("**Subscription Options**"). If all of the options are exercised, the Company will receive further funding of approximately AU\$4.5 million. Further details with respect to the terms and conditions of the subscription agreement are set out in Schedule 1.

¹ AUD 0.6412 : EUR 1

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The Company and Prosegur have also entered into a commercial agreement under which they have agreed to negotiate a formal arrangement over the next 18 months to grant Prosegur exclusive rights to distribute Scout's full suite of branded security products into Prosegur's key monitoring business markets of Spain, Portugal, Argentina, Peru and Chile. It is also anticipated that the Company will grant Prosegur exclusive rights in relation to Company products and technology, and Prosegur will provide the Company access to a range of opportunities and strategic services. The parties have identified a large opportunity to increase the customer base in the alarms industry by offering a broader range of products and services such as DIY security systems in these markets. Further details with respect to the terms and conditions of the commercial agreement are set out in Schedule 2.

Prosegur's proposed investment in Scout will support the Company's marketing activities in Scout's home market of the US with the aim of growing Scout's market share, and over time increasing sales by penetrating new international markets.

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

"We are excited to be partnering with such a strong global security player, both commercially and as an investor, and welcome Prosegur to our register as a shareholder. Working with such a well-regarded global company to help grow sales of our products in Europe and Latin America is another key milestone validating Scout's offering and represents a huge opportunity to jointly expand our market presence."

"The investment side of the partnership will ensure we are well-funded to execute on our go-to-market plans and will allow us to tap into what we believe is outstanding potential to build a strong book of business in the fast-growing DIY home security space."

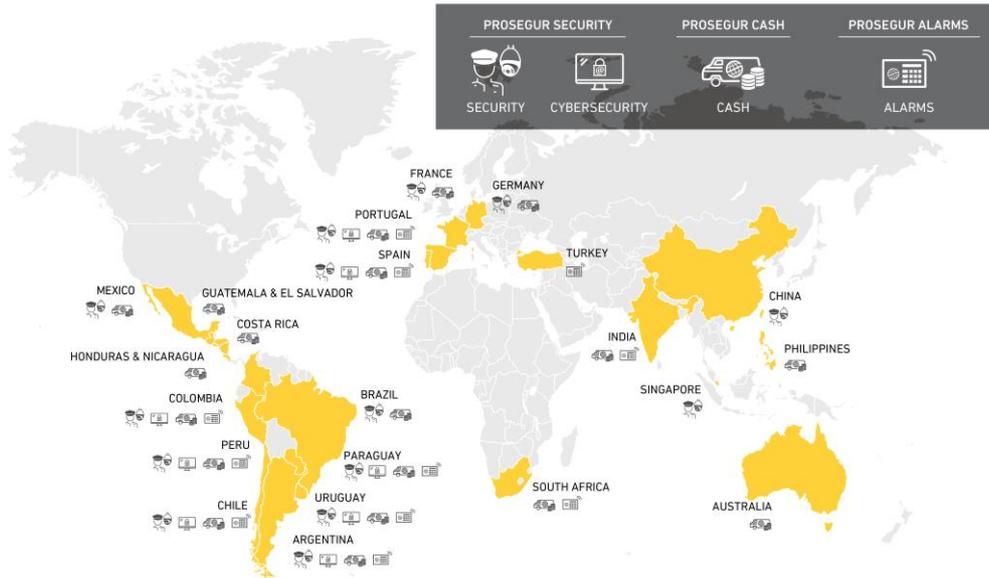
"This strategic partnership and investment with Prosegur adds another significant partner to our growing list on both the branded and white label sides of the business. We believe this is further validation of the growing interest in our technology and our capabilities as a smart connected home security provider."

From Prosegur, Leonardo Gutiérrez, CTO of Prosegur Alarms, stated:

"The dynamics observed in the US market are the path to future developments in our markets in the residential monitoring business. We are partnering with one of the most innovative and client-oriented companies in this segment, from whom we are keen to learn and to open our ecosystems to boost their growth. We are aligned with Scout's team on how we envision the future of our industry and we have high expectations for this partnership".

Scout is unable to forecast the potential revenue from this arrangement or its financial materiality. The Company however considers this to be a strategically important agreement offering additional potential revenue streams and paths to scale in large, attractive markets.

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Prosegur's global footprint

About Prosegur:

Prosegur is a global leader in the private security sector. Across its three business lines - Prosegur Security, Prosegur Cash and Prosegur Alarms - Prosegur provides companies and households with reliable security services using the most advanced market solutions. With a global presence, Prosegur reported sales of 4.291 billion euros in 2017 and is listed on the Madrid and Barcelona stock exchanges under the ticker code PSG, currently having a team of over 175,000 employees.

The company directs its social action through the Prosegur Foundation, which, with more than 39,900 beneficiaries in 2017, works on four focal points: education, employment inclusion of people with intellectual disabilities, corporate volunteering and cultural development.

For more information, visit www.prosegur.com

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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



SCHEDULE 1 – SUBSCRIPTION AGREEMENT

Under the subscription agreement, the Company has also agreed to grant the following rights to Prosegur:

- **Future Financing:** For so long as the Subscription Options remain on issue, the Company agrees that it will not issue any shares or any other securities with a view to raising capital without first providing Prosegur written notice setting out the funds that it will be seeking to raise and offering Prosegur the opportunity to exercise such number of Subscription Options as would be required to meet the Company's funding needs.
- **Board Representation:** Prosegur will be entitled to representation on the Company's board in the manner set out below:
 - for so long as Prosegur holds at least 5% of the issued shares in the Company, Prosegur will be entitled to have an observer attend board meetings (other than as they relate to matters concerning Prosegur's relationship with the Company);
 - for so long as Prosegur holds at least 10% of the issued shares in the Company, Prosegur will be entitled to appoint one nominee director to a 6-person board; and
 - for so long as Prosegur holds at least 19.9% of the issued shares in the Company, Prosegur will be entitled to appoint a second nominee director to a 6-person board.
- **Participation Right:** Subject to the Company receiving a waiver of ASX Listing Rule 6.18, Prosegur will be granted a right to participate in future issues of capital by the Company, which shall remain in place for so long as Prosegur holds at least 5% of the issued shares in the Company and otherwise subject to such conditions as are imposed by ASX under the waiver (if granted). Prosegur will be required to pay the same price as any other person to be issued shares, or a cash equivalent where non-cash consideration is paid, under the terms of the subscription agreement. Further details with respect to the participation right granted to Prosegur will be released if, and when, the waiver is granted by ASX.
- **Buy-back Right:** Prosegur will have the right to have its entire holding of securities bought-back and cancelled by the Company for a total consideration of \$1, subject to shareholders approving the proposed arrangements.

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SCHEDULE 2 – COMMERCIAL AGREEMENT

Under the commercial agreement the Company and the Company's USA based wholly owned subsidiary, Scout Security, Inc. (**Scout US**) have agreed to the following:

- **Negotiation of Formal Agreement:** Subject to Prosegur having paid the subscription price under the subscription agreement, the Company, Scout US and Prosegur will use reasonable commercial endeavours throughout an 18 month term (commencing on the date of the commercial agreement) to negotiate and enter into an agreement on mutually agreeable terms under which the Company and Scout US will grant to Prosegur exclusive rights in relation to Company products and technology within Spain, Portugal, Argentina, Peru and Chile ("**Formal Agreement**") for at least 5 years after such Formal Agreement is signed.
- **Intellectual Property:**
 - Any Company products or technology developed independently or in collaboration with one or more third parties, subject to any exclusivity provisions granted to third parties or in respect of white labelled goods, shall be made available to Prosegur in accordance with the terms of the Formal Agreement.
 - In the event that Prosegur and the Company jointly conceive or develop any products or services, these will be owned by and remain exclusive to Prosegur unless otherwise agreed.
 - The parties are obliged to work together to enter into a licence agreement on mutually agreeable terms whereby Prosegur shall grant to the Company a licence to use these jointly developed products and/or services.
 - All intellectual property owned or controlled by a party prior to the date of the commercial agreement and any intellectual property independently developed will remain the property of that party.
- **Company Insolvency and Escrow:**
 - Under the Formal Agreement, and subject to any necessary shareholder approvals, the Company will grant to Prosegur a licence to commercialise the Company products the subject of the Formal Agreement ("**Prosegur Products**"). Prosegur agrees to not exercise its rights pursuant to the foregoing license unless and until an insolvency event has occurred.
 - After execution of the Formal Agreement, and subject to any regulatory or shareholder approvals, at Prosegur's request, the Company shall hold all source code related to the Prosegur Products in escrow for Prosegur's benefit to be released if an insolvency event occurs in respect of the Company. This escrow obligation will survive termination of the Formal Agreement.