

Scout Security (ASX: SCT) provides modern, curated home security experiences with end-to-end solutions that are smart, simple and affordable.



**ASX RELEASE**

26 February 2021

## Financial Results for the Half-Year Ended 31 December 2020

Home security provider Scout Security Ltd ((ASX: SCT), "Scout" or "the Company") is pleased to provide its Interim Financial Report for the six months ending 31 December 2020.

### Highlights

During H1 FY21, Scout:

- **Signed a five-year Commercial Agreement with Prosegur, following which Scout progressed product customisation work leading to Prosegur's first Purchase Order in October**
- **Signed an agreement with a leading US telco company to launch smart home security products and services under their branding, with initial orders totalling more than US\$1 million placed after period close**
- **Announced integration of its system with the Amazon Alexa Guard offering and was named by Amazon as a Guard Plus launch partner for its 2021 rollout**
- **Completed a placement and SPP to raise \$3.5m (including \$298k which completed post period end)**

### Financial and Operational Performance

During the half year period, the Scout team transitioned from signing white label agreements with prepayments into execution mode, building towards early CY21 product launches on multiple continents.

Revenue to date has been generated in waves, coming in the form of large development fees and pre-payments. However, as product launches are implemented, the Company expects the revenue mix will change, transitioning from development fee revenues to product and service revenues. Initially Scout expects to see an increase in hardware sales, and then ultimately an increase in recurring monthly subscription revenue. Revenue in H1 FY21 was \$0.9 million, a decrease of \$0.7 million from H1 FY20 reflecting the emphasis on preparations for product launches in the most recent period.

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EBITDA in the period was a loss of \$989,105 (H1 FY20 loss \$1,147,437). Expenditure was consistent with the previous period, apart from an increase of legal and regulatory fees totalling approximately \$170,000 which related to engagement of corporate advisers, execution of convertible notes and all the associated legal costs of such agreements and additional costs in connection with the new partnership agreements.

At 31 December 2020, following a successful capital raising, the Company had a cash balance of \$2.3 million which is sufficient capital to meet the demands of servicing existing and targeted potential customers, while continuing to translate development work revenue into hardware and subscription revenue. Pro-forma for the completion of the SPP and underwriting in January, the Company's cash balance would have been \$2.8 million.

## Strategy Delivery

Scout has made considerable progress in the two years since changing its strategic path from B2C to seeking to scale via white label partnerships (B2B). This journey began when the Company secured commercial agreements with Zego and Stanley Black & Decker as cornerstone white label partners – overlapping with a strategic investment from Prosegur to power the growth of the DIY business.

Along the way, and through the depths of the COVID-19 pandemic that delayed the Stanley Black & Decker expansion plans, the Zego-Paylease installations continued and the Company advanced aggressively with Prosegur, securing both a commercial program launch in a new country and a sizable development fee. The Company was also able to attract a new telco partner in a complementary vertical to join its white label program and has since announced a sizable set of orders from them with a view to a near-term market launch.

Two years on from establishing white label as the Company's primary growth driver, H1 FY21 has been a period of intense execution for Scout. The Company's efforts have been focussed on market launches with multiple multi-billion-dollar partners on two different continents. The first of these launches is now imminent.

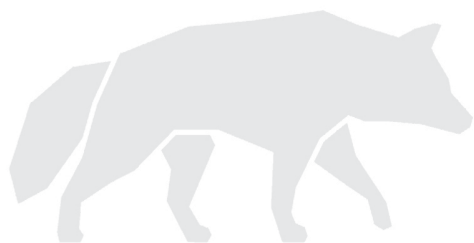
With four major partners secured, Scout has been able to demonstrate the market demand for both its products and its white label model, which allows partners to defy typical enterprise development cycles.

## Outlook

Scout holds a positive outlook for growth in CY21, having announced the first set of orders for upcoming partner launches and with an expectation of additional orders to follow. Initial hardware sales will be reflected in Q3 FY21 (i.e the current quarter) and should grow through the calendar year. In the second half of the calendar year, the Company expects these hardware sales to result in increasing recurring revenue.

As the operations team works with existing partners to scale their programs across CY21, the Scout team is working to bring on additional sales resources to accelerate pipeline conversion of new white label partners. The Company believes the current pace of adding one or two major white

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label partners per year can be accelerated with additional team members building relationships concurrent to the existing team. The Company will put extra emphasis on the telco industry in CY21, given the alignment of the Scout white label model with the needs of major telco providers in the US and globally.

## Management Commentary

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

*"Over the last two years, we have proved to the market that we have a product suite and business model that is attractive to immense companies from around the globe. Having previously secured multiple key partnerships leading into the year end, the last quarter of CY20 was an intense period of building. Our team was singularly focused on achieving the supply chain and software optimisations necessary to meet our partners' unique white label program requirements. The complexities of a typical launch workload were compounded by the fact that we were building channels in multiple geographies and languages.*

*"I am pleased to report we have been successful in progressing our program of works. Our first partner launch of 2021 is imminent, and we look forward to advising of the progress of this and additional product launches in the months ahead.*

*"As 2021 unfolds, we expect to begin reaping the rewards of our efforts and anticipate seeing increasing hardware sales translate into increasing recurring revenue across the duration of the year."*

This ASX release has been authorised by the Board of Directors of Scout Security Ltd.

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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. Scout was named "Best App-Based Security System" in 2019 by US News and World Report.

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 Assistant and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.

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