



ASX RELEASE

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Scout delivers strong growth in recurring revenue in H1 FY18

Highlights of the half-year ended 31 December 2017 included:

- **Scout achieves half-year revenue of AU\$957k, up 20% year-on-year**
- **Cash receipts of AU\$758k for the period**
- **Annualised recurring monthly revenue (RMR) rising to AU\$844k, having achieved year-on-year growth of 41% and continuing to rise into CY18**
- **Scout receiving weekly purchase orders from key channel partner and shareholder Amazon, driving growth in hardware and monitoring revenue**
- **Resale deal with largest US alarm monitoring provider COPS Monitoring and DIY system launched to \$23bn US alarm dealer network**
- **Strong growth potential in multi-family dwelling market as Zego orders increase**
- **Scout appoints Scale2Shelf to accelerate entry into US brick and mortar retail**
- **Scout to launch 1080p camera and verified video solution for home security in Q1 CY18**
- **Scout partners with US insurer Hanover Insurance Group, providing access to a potential customer base of more than 2 million policy holders**
- **Scout sees a positive outlook for growth in recurring revenue, ideally positioned at the intersection of the fast-growing DIY home security and IoT markets**

Corporate

- **Scout lists on the Australian Security Exchange (ASX) following a successful Initial Public Offer which raised \$5 million at \$0.20 per share**
- **Scout completes \$1.75m in an oversubscribed share placement to invest in further product and business development.**

Home security provider Scout Security Limited ((**ASX: SCT**), "**Scout**" or "**the Company**") is pleased to present its Appendix 4D for the period ending 31 December 2017 and a commentary on results.



Financial Highlights

Scout achieved half-year revenue of AU\$957k, driven primarily by growth in system sales through the Company's direct and Amazon sales channels, following a successful listing on the ASX. Cash receipts were AU\$758k for the period. On the back of increasing hardware sales over the period, the Company saw consistent growth in annualised recurring monthly revenue (RMR) to AU\$844k.

After successfully completing the initial public offering, Scout has been able to acquire additional inventory and deploy marketing dollars to track against the Company's growth plan. Inventory purchased subsequent to the IPO arrived in December 2017 and the company has shown positive growth in both hardware sales and recurring monthly revenue updates since.

As additional hardware units have sold through, the Company is happy to report that recurring monthly revenue continues to grow. As at year end, annualised recurring monthly revenue of AU\$844k represents a 41% increase from December 2016, and has continued to rise to stand at \$873k currently.

Operational highlights

During the half-year period to 31 December 2017, Scout achieved:

- **Strong sales growth with Amazon**, with first orders since IPO filled in the December quarter and weekly purchase orders received from Amazon since then, contributing to Scout's revenue for the period. Amazon remains a top 5 shareholder and key distribution partner of the Company. Scout's mid-December restocking of Amazon enabled the Company to expand its marketing activities on the Amazon Marketing Services (AMS) platform, which represents an important additional channel for Scout.
- **Launch of its DIY security system** to 13,000 alarm dealers in the US, as well as a resale deal with COPS Monitoring, one of the largest home security monitoring providers with 3,500 alarm dealers.
- **More than 2,000 units ordered by Zego** after Scout signed a sales partnership with the company (formerly CasalQ) in October 2017. Zego, a leading US provider of smart home device and service packages to apartment residents and managers, is on track to deploy up to 10,000 Scout units by October 2018.
- **Partnership with top 25 US insurance provider** Hanover Insurance Group Inc. to resell Scout's self-installed security kits to its customers and employees,



representing a market of more than 2 million policy holders and 5,000 employees.

- **Integration with ASSA ABLOY's Yale Smart Living** connected smart locks, allowing Scout customers will be able to integrate Yale Smart Living locks with Scout's own branded products as well as its white label range.

Further details on Scout's operations for the period are available in the Operational Review contained within the Company's Half-Yearly Report, also lodged today.

Outlook

Scout has seen a positive start to 2H18, with normalised January sales (ie. excluding Zego) exceeding expectations by being higher than each of the months in the December quarter, with is seasonally a stronger quarter, with the March quarter typically slower.

Scout continues to see growth in recurring revenue as it is retaining an increasing proportion of its growing customer base as monitoring clients. This is reducing the Company's reliance on upfront hardware revenue to drive profitability.

Marketing through Amazon's search platform has commenced in earnest, and traffic to Scout's own website has also materially increased, providing a solid platform for material sales growth in CY18.

Scout continues to enhance its restocking ability to meet strong customer demand and rapidly convert inventory to cash. This will enable Scout to deliver into demand which is expected to rise into the June quarter, which is the prime US home moving season.

New product innovation will develop Scout's offering further in CY18, starting with the launch of a 1080p connected home camera system (expected late March 2018). The camera will give the Company the opportunity to recognise additional hardware revenue and associated recurring revenue through the sale of video cloud storage.

The Company continues to progress negotiations toward a number of potential partnerships in attractive distribution channels, including online, brick and mortar retail, home security resellers, telco and utility partners.

In CY18, Scout expects to deliver value for customers and shareholders as marketing ramps up through new sales partnerships, device integrations and upgrades to the Scout Alarm system's capability.



For more information, please contact:

Dan Roberts

Chief Executive Officer

investors@scoutalarm.com

Tim Dohrmann

Investor and Media Enquiries

+61 468 420 846

tim@nwrcommunications.com.au

Michael Shaw-Taylor

Corporate Advisor

+61 477 383 390

michael.shaw-taylor@armadacapital.com.au

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