

ASX RELEASE

16 July 2020

Scout secures \$2.0 million Convertible Note Facility

Highlights:

- **\$2 million Convertible Note Facility secured with Institutional and Sophisticated Investors**
- **Structure of Note designed to minimise dilution and allow for maximum future funding flexibility**
 - **The Note comprises multiple tranches allowing Scout to drawdown small amounts only if required.**

Home security provider Scout Security Limited (ASX: SCT) ("**Scout**" or "**the Company**") is pleased to advise it has entered into a Convertible Note Deed ("**Note**") with clients of Gleneagle Securities (Aust) Pty Limited ("**Gleneagle**") and existing shareholders of the Company, to raise up to \$2 million.

The investors in the Note include institutional and sophisticated investors. The key features of the Note are summarised below. The Note's net proceeds will provide balance sheet support to fund growth initiatives.

Commenting on the facility, Scout Security CEO, Dan Roberts, said:

"We are pleased to gain the support of several new and existing institutional and sophisticated investors at an exciting stage of the Company's growth story. The capital we have raised through this process will empower us to accelerate our work programs with multiple white label partners and execute our global expansion strategy in collaboration with Prosegur."

"The Note allows us to minimise our interest expenses by drawing funds only as we require them. It is unsecured, at an attractive interest rate and doesn't restrict us from raising additional debt or equity. We are pleased to have struck the Note's initial conversion price at 7c, being a significant premium to our recent share price. This premium rewards our shareholders for their patience as we negotiated Scout's commercial agreement with Prosegur, announced today, and also reflects new investors' confidence in the Company's prospects. Further, we believe the Note serves to minimise dilution, whilst we retain maximum funding flexibility."

Commenting on the Company's operational performance, Mr Roberts said:

"Since early March, Scout has witnessed an uptick in direct-to-consumer sales as consumers sought contactless home security options during the pandemic. This trend is also stoking growth in our white label partner pipeline, as service-based and retail-focused organisations are increasingly seeking to diversify away from in-person offerings."

"Generally speaking, home security as a category outperforms during times of uncertainty and recession. As companies see the value in a work-from-home atmosphere and consumers continue to socially distance

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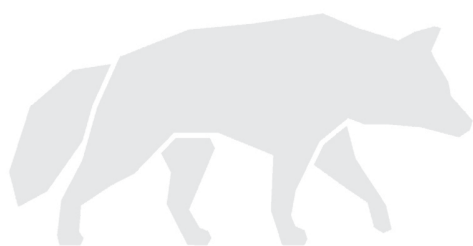
themselves, the Company anticipates that the customer behaviour changes we have seen in the June quarter will have staying power and continue to benefit the self-installed security market well into the future.

“As we have proven through our Prosegur commercial deal released today, partner development fees can materially offset Scout’s operational costs as our white label partners launch and scale. As our business continues to expand, we expect the timing and size of these white label fee prepayments to have a decreasing ability to swing an entire quarter. Importantly, Scout is well on track towards achieving its CY20 revenue goals.”

\$2 million Convertible Note: Key Features

- **Term:** The term of the Note is 2 years.
- **Conversion:** Each Note may be converted into one fully paid ordinary share in the capital of the Company at the Conversion Price (below).
- **Conversion Price:** The conversion price of the Note will be the lower of:
 - 7c (which is a 40% premium to Scout’s last traded price of 5c) and;
 - a 20% discount to any future equity issuance by the Company, subject to a floor price of 3c.
- **Variation to Conversion Price:** In the event the Company undertakes a bonus issue, rights issue or capital reorganization (including consolidation, subdivision, reduction or return), the conversion price (including the floor price) will be varied to the extent applicable and subject to the ASX Listing Rules to place investors in substantially the same position as they would have been had no such event occurred.
- **Facility Options:** In consideration for participation in the Note, Investors will be paid a Facility Fee in the form of 2,980,276 Options (issued proportionate to their individual investment).
- **Initial Installment:** Scout will draw \$750,000 in an Initial Installment at completion:
 - In consideration for participation in the Initial Installment, Investors will be issued a total of 8,035,715 Options (proportionate to their investment in the Initial Installment), subject to Shareholder approval for the issue being obtained.
 - The Investors will have the right to convert the Initial Installment at any time.
- **Subsequent Installments:** Scout may draw, but is under no obligation to draw, Subsequent Installments totaling \$1.25 million. Until such time as Scout elects to draw a Subsequent Installment, Scout will be under no obligation to issue any securities beyond those issued to investors under the Initial Installment and will not be penalized in any way should it elect not to draw any Subsequent Installment.
 - It is a condition precedent to Scout electing to draw a Subsequent Installment that it has sufficient placement capacity at the time the drawing is made to issue the Subsequent Installment, including all shares and options to be issued in connection with the Subsequent Installment.
 - Subsequent Installments may be drawn monthly on 21 days’ notice in installments of either \$250,000 or \$500,000, subject to Scout’s share price being greater than 80% of the conversion price (determined based on the conversion price as at the date of the drawdown request and the proposed issue date of the Note, respectively).
 - In consideration for participation a Subsequent Installment, Investors will be issued a number of Options proportionate to their investment, calculated on the basis that 2 Options will be issued for the equivalent of 1 converted share, with the potential of issuing a total of 35,714,286 Options.
 - The Company may elect to redeem any Subsequent Installments ahead of any conversion rights.
- **Interest:** Interest of 5% p.a. is payable on drawn funds, accruing daily and payable quarterly.
- **Gleneagle Fee:** A further 2,384,221 Options will be issued to Gleneagle and supporting brokers as part

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of their fee.

- **Option terms:** All Options in the transaction will be exercisable at 7c and will expire on [16 July 2024] 2024.

An entity associated with Anthony Brown, a director of the Company, has agreed, subject to shareholder approval, to take up Initial Convertible Notes to the value of \$18,750 and has committed, subject to the Company electing to draw Subsequent Instalments, to subscribing for Subsequent Convertible Notes to the value of \$31,250.

Any subscription for Convertible Notes by Mr Brown, together with any issue of other securities in connection therewith, is subject to shareholders approving his participation in the Convertible Note issue. No subscription funds will be paid to the Company by Mr Brown in subscription for Convertible Notes, and no debt will be payable to Mr Brown by the Company, unless and until such shareholder approval has been obtained for the issue of Convertible Notes to Mr Brown.

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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