

Scout Security (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telco providers in the world.



ASX RELEASE

1 November 2024

Proposed acquisition of Roo Inc as a Merger of Equals

Highlights

- **Scout has signed a Non-Binding Letter of Intent to acquire New York-based DIY home security technology company Roo Inc**
- **Roo's product suite and user base are highly complementary to Scout, with its 800,000 users and 35,000 paying subscribers providing approximately US\$1.5m of annualised recurring revenue (ARR) in addition to revenue from hardware sales, along with a commercial presence in Australia**
- **Material cost and revenue synergies identified which are sufficient to sustain the combined entity post integration at positive EBITDA and breakeven-to-positive cash flow, excluding one-off transaction costs**
- **Proposed transaction values Roo at A\$10.3m and is to be completed through the issue of securities and consolidation of the parties' debt arrangements.**
- **Subject to complementary due diligence and negotiating a definitive binding agreement, completion is expected to be achieved in January 2025**

Home security provider Scout Security Ltd (ASX: SCT), "Scout" or "the Company") is pleased to announce that the Company has signed a Non-Binding Letter of Intent ("LOI") outlining the terms for its potential acquisition of home security technology company Roo Inc ("Roo") as a merger of equals.

About Roo

Roo Inc is the holding company for Kangaroo, a New York-based DIY home security technology company. Like Scout, Kangaroo offers a simple, secure and low-cost DIY home security service that connects security hardware to a smartphone monitoring app. Kangaroo

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offers a suite of camera, doorbell and sensor hardware connected to its mobile app, along with professional monitoring plans.

Roo was incorporated in February 2018 and has invested over \$US20m in R&D, including the development of a "Privacy Camera" with patent protection. The company has pioneered the packaging theft coverage with its offering, and has also incubated a new business, Dory an automated online platform offered through a web application that finds and matches customers of security and smart home companies with hidden insurance policy savings, offering recurring discounts to customers every time their policies renew.

Kangaroo has 800,000 total users primarily in the United States, with 35,000 paying subscribers providing approximately US\$1.5m of annualised recurring revenue ("ARR"), in addition to revenue from hardware sales. Kangaroo has also built a commercial presence in Australia, with its hardware available online through retailers including JB HiFi and Harvey Norman. Its team has a presence in New York City, Wroclaw, Shenzhen and Manila.

Strategic rationale and synergies

Based on preliminary due diligence, the parties have identified material cost and revenue synergies which are expected to be sufficient to sustain the combined entity post integration at breakeven-to-positive cash flow and positive EBITDA, excluding the one-off costs of implementing the merger and realising cost initiatives.

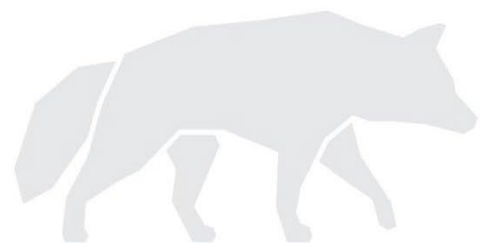
Scout expects to realise synergies from product development, corporate overheads, management, customer support, sales and marketing activities and through the cross-sell of insurance, hardware and motion sensing security products. Although Kangaroo's Dory business is in pilot stage, the Company has also identified potential to offer Dory to Scout's direct and white-label customers, as well as to other industry participants.

Transaction summary

It is proposed that the Company will acquire Roo via one of the two following structures, each of which value Roo at \$US7.1m (A\$10.3m):

- (a) all debt and equity in Roo to be acquired for scrip (ordinary shares in SCT), effectively converting debt in Roo into equity in the proposed merged entity (SCT); or
- (b) SCT acquires Roo's equity for shares in the merged entity and inherits Roo's debt, subject to SCT raising sufficient equity to support the debt and SCT coming to an agreement with the lenders of Roo, on revised terms that are satisfactory to all parties.

It is also proposed that the Company will issue 1 option to acquire a SCT Share for each share in the merged entity issued as part of the proposed transaction. The terms of the options to be issued are expected to be the same as those issued under the Company's recently completed capital raising.



Roo's estimated net debt is ~\$US2.21m at the anticipated merger close (December 2024); Roo's equity has been priced at \$US4.89m, implying an estimated enterprise value (EV) of US\$7.1m.

No changes to the Board or management of the Company will occur as part of the proposed transaction. Completion is expected to be achieved in January 2025.

Scout Security Managing Director, Ryan McCall, said:

"We are delighted to have the opportunity to welcome Roo and its customers to the Scout Security group. Kangaroo has a great brand and is an established provider of DIY home security solutions. This business strongly complements our existing Scout Alarm footprint, presenting investors with an EBITDA positive combined entity with a rapid path to positive cash flow generation.

"With approximately 800,000 total users and 35,000 paying subscribers, acquiring Roo would allow Scout to take a further step towards increasing its financial and operational scale while diversifying its asset portfolio and growing Scout's base of annualised recurring revenue by more than 100%.

"We expect this acquisition to expand the Company's reach to a larger and more diversified international market and also unlock potential for investors to materially re-rate the valuation of our businesses. Combining Scout and Roo is the first step in a new stage for the group as we endeavour to further evaluate more roll-up opportunities in the security, IoT, and camera markets. We are therefore excited by the opportunity, and we thank our investors for their ongoing support."

Completion of the proposed transaction is subject to entry into a definitive agreement, the completion of due diligence by both the Company and Roo, receipt of any necessary shareholder, third party and regulatory approvals, negotiation of a restructuring of the parties' debt arrangements and the satisfaction of other conditions precedent typical for a transaction of this type, along with the Company successfully raising \$950,000 in new capital (intended to be completed by way of placement and accompanying share purchase plan), in order to provide equity support and working capital for the merged entity.

For more information, please contact:

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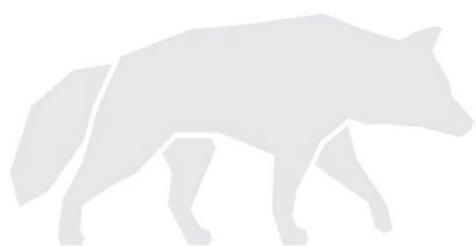
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About Scout Security Limited

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. Scout's simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multitenant buildings.

Scout was recognised as one of Forbes' "Best Home Security Companies of 2022" and was named the "Best Contract-Free Home Security System Provider of 2024" by CBS Essentials. 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 and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.

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