



ASX MARKET RELEASE

Buddy Technologies Limited – June Quarterly 4C Review (Q4FY20)

31 July 2020 – Adelaide, South Australia

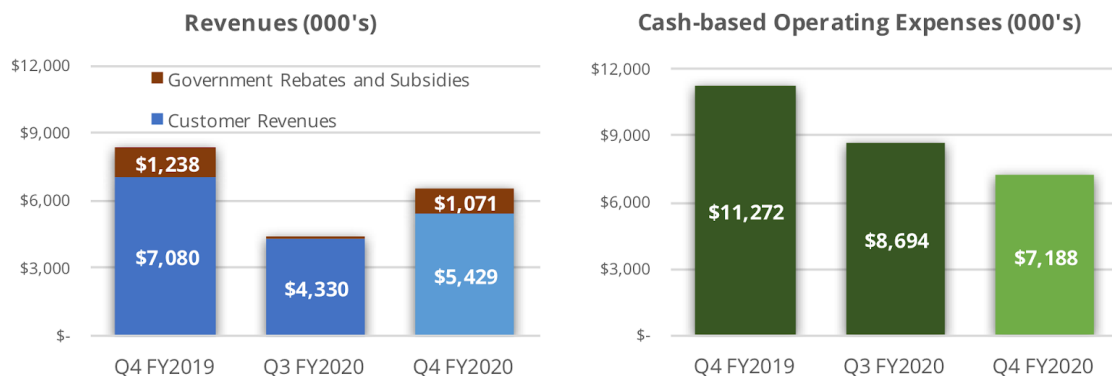
Buddy Technologies Limited (ASX: BUD) ("Buddy" or the "Company"), a leader in IoT and cloud-based solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the June 2020 quarter (Q4FY20).

SUMMARY

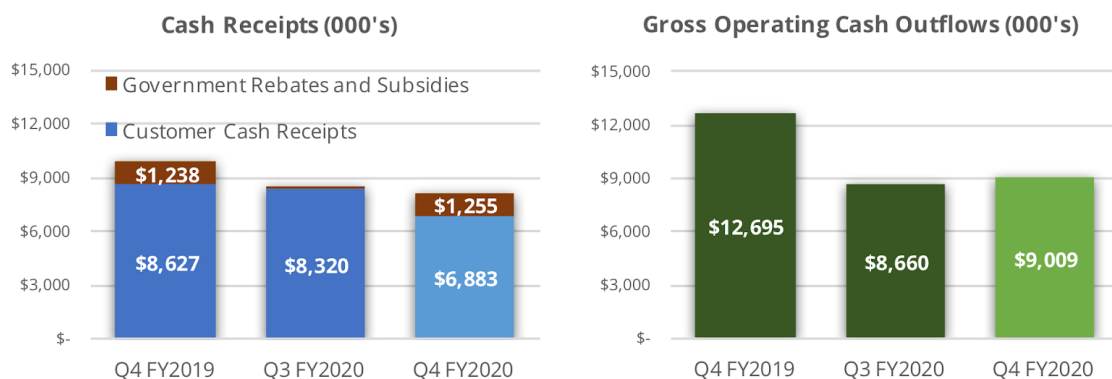
- **Customer revenues: A\$5.4 million** for the quarter (down 23% from the prior year and up 25% over the prior quarter)
 - Not including A\$3.8 million of revenue from the sales of the Company's new LIFX White product that was deferred to Q1FY21 due to the factory delivery of this product slipping from late June to July (100% now shipped)
 - Not including an additional A\$1.1 million of government rebates and subsidies (down from A\$1.2 million in the year-ago quarter) recognized by the Company
- **Customer cash receipts: A\$6.9 million** for the quarter (down 20% from the prior year and down 17% from the prior quarter)
 - Not including an additional A\$1.3 million of government rebates and subsidies (roughly flat on the year-ago quarter) recognized by the Company
- **Net cash burned in quarter: A\$369k** (net of capital raise and FX impact, an 8.5% increase over the prior quarter)
- **Adjusted EBITDA: negative A\$688k** for the quarter (compared to negative A\$4.4 million last quarter and negative A\$3.0 million for the year-ago quarter)
 - Q4FY20 was the Company's best ever quarter on an EBITDA-basis
- **Cash on hand** at 30 June 2020 totalled A\$2.5 million, trade receivables totalled A\$2.5 million and inventories totalled A\$4.1 million
 - As of 30 June 2020, the company had utilized none of its trade finance facility and A\$2.5 million of its inventory finance facility

QUICK LOOK

Customer Revenues and Cash-based Operating Expenses*



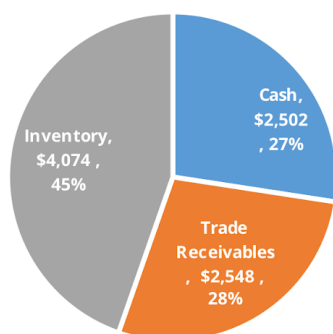
Customer Cash Receipts and Gross Operating Cash Outflows*



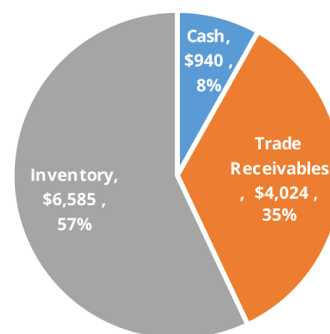
*Cash-based operating expenses exclude any non-recurring items such as acquisition-related costs, restructuring costs, costs relating to finance facilities and any share-based expenses. Gross operating cash outflows are the amounts listed under item 1.2 in the Appendix 4C report.

Cash Position and Current Assets

Q4 FY2020 Current Assets (000's) = \$9 million



Q3 FY2020 Current Assets (000's) = \$12 million



Current assets decreased A\$2.4 million quarter-on-quarter while current liabilities (including the trade finance and inventory finance facilities) also decreased A\$2.4 million. As of 30 June 2020, the company had utilized none of its A\$20 million trade finance facility and A\$2.5 million of its US\$6.0 million inventory finance facility.

Q4FY20 FINANCIALS COMMENTARY

In spite of the headwinds presented by the ongoing COVID-19 pandemic, the Board and Management of Buddy are very pleased with this quarter's results. In fact, from an EBITDA perspective, Q4FY20 was the Company's best ever quarter (and April was the Company's best ever non-holiday month on an EBITDA basis, despite our largest customer - Best Buy - not placing a single order in that month, something that had never happened before).

Achieving this result despite significant reductions in expected revenues stemmed from a combination of disciplined expense management and elevation of margins. In fact Q4FY20 saw a blended gross margin of just over 50%, which was significantly better than internal management forecasts of just over 33%. While consumer margins were very strong (reflecting a forced shift from physical retail to online channels due to COVID-19 related store closures), commercial margins were exceptional due to a COVID-19 related shift away from lower margin service revenues.

It is worth noting that while the commercial business continues to be much smaller than the consumer business, it is EBITDA positive on a stand-alone basis and has outsized margin contribution as well. In Q4FY20, the commercial business was responsible for just 8.5% of customer revenue, but it was responsible for nearly 20% of margin contribution - and that was constrained due to the team's inability to complete product installations given the regional lockdowns in place around the world.

Turning to expense management, while it was true that the Company was the beneficiary of considerable U.S. and Australian government rebates and subsidies due to COVID-19, in fact the sum total of those rebates was less than those received in the year-ago quarter (then largely due to the Australian Federal Government R&D Tax Rebate). The Company is expecting to receive this year's R&D Tax Rebate this quarter.

Rebates and subsidies aside, total expenses in Q4FY20 were over 21% less than those in Q3FY20, demonstrating the Company's discipline in containing costs and our people's commitment to getting the business to profitability at pace. Factoring in the COVID-19 related subsidies, and including voluntary staff temporary wage cuts, the Company's largest individual operating expense - staff costs - dropped over 55% in Q4FY20 vs. the prior quarter.

With a large portion of our expense reductions being sustainable, as with improvements in margins (which may also benefit from a stark shift in the physical vs. online shopping mix), reductions in bill of materials ("BOM") costs and demonstrable customer demand for our products, I join our Board and Management in maintaining real confidence in our business, our products, our people and our ability to navigate these COVID-19 waters which clearly have some ways to go.

BUSINESS UPDATE

OVERVIEW

While the reader is referred to each of the Company's monthly updates that were published for each of April, May and June for detailed specifics (refer to ASX announcements on 28 May 2020, 25 June 2020, and 27 July 2020), what is abundantly clear is that Q4FY2020 was certainly a quarter unlike any we'd seen or could even have contemplated prior to 2020.

At the outset, it should be noted that every member of the Buddy team contributed to the Company's ability to urgently cut costs, pivot roles where this was needed, and respond accordingly to position the business as best as possible to face this crisis. An enormous thank you is extended to the worldwide Buddy team, whose ability to make snap changes to the business resulted in zero job losses, no material cuts in customer service and no real product R&D cuts either. What is even more impressive is that the team as a group

self-nominated their own compensation cuts in response to the crisis, and did so at levels that required no management intervention to hit needed targets.

To our shareholders - I cannot commend our team more highly to you; a Company's people are the most important asset it has, and you should feel rightly proud that we have amongst the best in our ranks.

Across the business, while revenue was down this quarter relative to prior comparable periods, intrinsic demand was not. We could have sold more LIFX lights were it not for supply chain limitations due to COVID-19 and finance-related supply issues with our manufacturer, and the flow of purchase orders from our customers all through the quarter confirms this. Likewise, our commercial team could have sold more Buddy Ohm implementations if we were able to perform installations (which were blocked by COVID-19 related lockdowns), since we only can recognize such services revenue once the service is being provided.

While we will offer no guidance or forecast on H1FY21 - and frankly, with the advent of second and third pandemic waves in various regions around the world - it would be impossible to plausibly claim to know anyhow, we can say that inbound purchase orders for the coming months are strong and directionally in line with our pre-COVID-19 internal management forecasts. There will unquestionably be continued pressure on global supply chains overall - our retail customer partners are telling us that a great many of their vendors are navigating the same challenges as we are - and as always we will keep investors apprised by way of ASX announcements as timely and appropriate.

COMMERCIAL DIVISION (BUDDY OHM & MANAGED SERVICES) UPDATE

During the quarter just gone, there was a great deal of outbound focus on the consumer business, but it should be noted that Buddy's commercial business kept its head down, pushed forward and delivered. The commercial business remains EBITDA-positive, were it to be a standalone business, and continues to deliver margin contribution that punches above its weight. We anticipate a return to growth once COVID-19 related lockdowns subside, and appreciate the work that the commercial team is doing during these lockdowns, to prime the pump for subsequent periods.

It is also important to acknowledge that the primary markets for products like Buddy Ohm are second world markets like the Caribbean, where the impact of COVID-19 should be expected to be deeper than markets like Australia. That said, this has been an opportunity for the team to look afield, and new opportunities have presented themselves in the U.K., U.S. and first world Europe.

While it is true that services revenue took a growth hit due to lockdowns preventing the installation of systems for new customers (and the cancellation of some customer accounts due to unoccupied buildings during the lockdown), the remaining revenue streams in the commercial business were largely protected.

Following customer input and feedback, several new product offerings for Buddy Ohm were launched in the quarter. In summary:

- Launched new Ohm Operational Efficiency scenario for monitoring manufacturing efficiency of production lines (deployed in paid customer sites)
- Launched new Ultrasonic Works-with-Ohm scenario for non-intrusive water metering for greater fidelity of monitoring - we can now monitor branch pipes for specific locations within buildings (e.g. restaurant in hotels, different floors of commercial properties, and tenant monitoring in multi-tenant residential properties - deployed in paid customer sites)
- Launched new Leak-Detection scenario for supporting businesses that are shutdown to serve as early warning for flooding from broken pipes, hurricanes, and other unexpected water in buildings (now available for purchase)
- Launched new Lighting Monitoring and Control scenario at a very competitive price (vs. very expensive wired solutions for commercial properties using LIFX Switch over Wi-Fi for control, scheduling, and monitoring (now available for purchase)

Despite the challenging circumstances, the Buddy Ohm sales team continues to push forward with bringing in new business, as well as positioning the product for wins in larger or partnered deployments. Some examples of live customers having success with their Buddy Ohm implementations today include:

- A Caribbean customer using Buddy Ohm to monitor temperature and power consumed by servers in their data centres - expanding after being a customer for two years already
- A medical customer who uses Buddy Ohm to capture the exact moment of electrical failures impacting a very expensive MRI machine
- Our first Mexican food industry customer now monitoring their cold storage warehouses for the protection of their food inventory and their equipment
- A new banking customer in Bogota, Colombia who this week will have their Buddy Ohm deployment installed (our largest in Colombia), to monitor 45 different measurement points across servers, uninterruptible power supplies, diesel power generators, transfer switches, HVAC systems and more.

However, it is instructive to consider the case of a customer in the Caribbean which manufactures household cleaning products. All across their production lines (as seen in the background of the Buddy Ohm Dashboard image below), they've installed Buddy Ohm or Link devices to monitor energy consumption as a proxy for that line being "in-use".

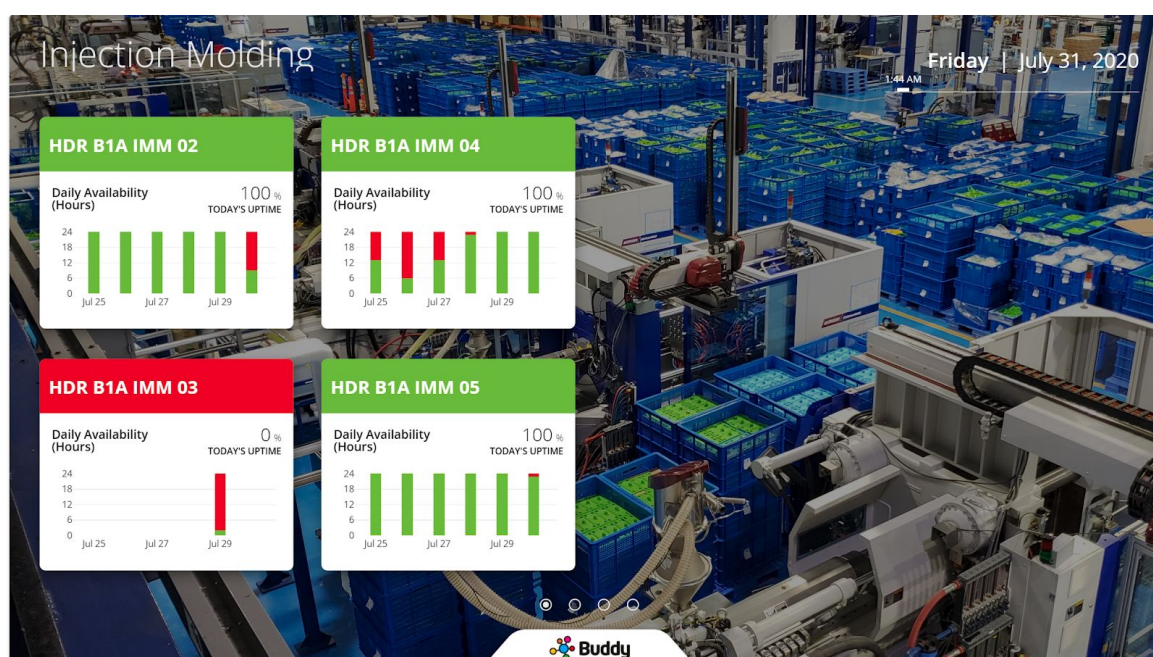


Figure 1. A cleaning products manufacturing facility using Buddy Ohm to improve operational efficiency.

This customer displays Buddy Ohm Dashboards like the one above all around their manufacturing facility, while at the same time importing this monitoring data into their SAP system. Their SAP system then compares machine uptime against unit volumes manufactured to determine the operating efficiency of their infrastructure. While this display only shows four of the machines being monitored, that facility has over 80 such monitors in place and counting. More operational efficiency customers are in the pipeline, with a Mexican customer in the contracting process as we speak.

These are great customer use cases, and speak to the real flexibility of the Buddy Ohm platform to deliver customer wins well beyond the original design intent of the product.

Both the consumer and commercial teams were delighted to release LIFX Switch to customers at the end of June, which is the first new product from the merged business to be released to market. LIFX Switch also debuted the Company's new themed packaging, and early customers have reported very positive feedback with lots of suggestions on new updates and features for the Company to consider adding to the product. With initial shipments delivered to customers directly, and JB Hi-Fi for retail, the Company is ramping up production to meet backlogged demand, entry into the U.S. market and entry into trade sales channels.



Figure 2. LIFX Switch is now commercially available and will soon be distributed through trade channels as well as retail. The Company looks forward to jointly selling LIFX Switch with Buddy Ohm implementations as a premium energy monitoring product.

Finally, congratulations are due to our commercial customer Airstream (NYSE:THO) as they've recently released version 2.0 of the Airstream Smart RV Control mobile app, designed and developed entirely by Buddy. We continue to enjoy a very strong relationship with this customer and were delighted to see Airstream reopen their manufacturing facilities and benefit from a renewed focus by the American consumer on domestic travel and the use of recreational vehicles during this COVID-19 pandemic.

Whether through Buddy Ohm implementations in a office environment, in a factory environment, through LIFX Switch rollouts independently or as sophisticated energy monitors, or even through mobile monitoring and control of a mobile home/RV environment, the Buddy commercial business is quietly but very certainly making spaces smarter for our customers around the world. Well done to the team for a very strong quarter.

CONSUMER DIVISION UPDATE

One of the more interesting aspects of the impact of COVID-19 on the economy in the markets in which we compete, is the shift in consumer spending towards investments in the home, in the work-from-home environment and in personal comfort and self-care. Here in Australia, the major consumer electronics retailers have reported brisk sales, and do-it-yourself and home improvement stores are reportedly growing their businesses. This trend appears to be largely holding true in Europe and the United States, and especially in Europe where many countries seem to have managed a reasonable level of control over the virus, there is reason to believe this trend may continue.

Certainly from the perspective of our retail customers, there remains continued positivity about the upcoming holiday quarter and plans remain firmly in place for holiday promotions, investments and stock levels.

To that end, investors will be pleased to see that not only is the LIFX sales team growing the retailers through which we sell, but will have a selection of new products in-market this year. A significant contributor to CY2019 underperforming was the absence of new products, since new products always represent 100% growth and can attract both new and existing

customers back to the platform. With the new LIFX Downlight White to Warm, LIFX Candle White to Warm, LIFX White (the new low cost US\$9.99 smart light), and upcoming LIFX Filament product range, there is real opportunity to sell both to new customers, and more lights to existing customers.

The Company has taken the opportunity that COVID-19 has presented to refine its product development processes, and plan for next generation products to be released in 2021 and beyond. This is an ongoing work in progress, but involves members of the team in Melbourne, Adelaide, Seattle and China. LIFX, as with Buddy as a whole, is fortunate that working remotely and via video conferencing software in no way limits the business, or reduces productivity.

Unquestionably, the greatest challenge facing the consumer business - and frankly the business overall - is supply of LIFX products. Due to constraints around the vendor financing and debt owed to Eastfield, as well as the macro economic environment and the impact of COVID-19 on the supply chain and materials purchasing terms, the Company has been unable to purchase sufficient manufactured product as is needed to meet demand.

While this is clearly a strong indicator of the underlying strength of the smart lighting business, and reflects the ability of this sector to withstand some of the worst pain of the current climate, fundamentally this is not acceptable and has had to be addressed. Management has been relentlessly focussed on this, and all parties were pleased to announce the restructuring of the Company's trade finance facility (refer ASX announcement on 30 July 2020) to support purchase order financing moving forward. We anticipate that starting as soon as next week, this will free up the Company's ability to place larger and longer-lead time purchase orders to meet customer demand. It also enables the Company to commit to certain delivery dates for customers and to forecast availability of product quantities with much greater certainty.

While COVID-19 has caused all manner of disruption in retail, it has also created opportunities and, in effect, a "re-writing of the rules". For some of our customers, we will be moving them to a direct import model of product delivery, which means they will pick up their orders of our smart lights directly from the factory and assume their own responsibility for shipping, taxes, tariffs and warehousing before achieving a retail sale. For retail customers significantly larger than Buddy, who may have global contracts for the movement of vast quantities of product out of China to locations around the world, this can represent real savings for their business, and clearly for ours too.



Figure 3. LIFX White - the Company's new low-cost \$9.99 smart light has just launched in the United States market.

While we were delighted to launch pre-sales for new lighting products such as LIFX Downlight White to Warm and LIFX Candle White to Warm, the most impactful new product that LIFX has released in recent years may be the new low-cost LIFX White. Targeted at a retail price point of US\$9.99, it has been designed to appeal to a consumer entering the smart lighting space for the first time.

While it is far too early to draw any material conclusions from LIFX White sales to date, the clear majority of LIFX White sales from LIFX.com are not sold alone, ie: customers are buying this product along with another. This means the average shopping cart value is significantly higher than US\$9.99, but notably, the lights that are most commonly sold with LIFX White are not necessarily the next cheapest in the range. There is a trend emerging that LIFX White customers tend to buy white or white to warm companion lights (ie: only a small percentage of customers buy LIFX White and then add a colour light to the cart). This lends credence to the notion that LIFX White appeals to a customer entering the smart light space for the first time, which if true, means LIFX White may truly be a gateway product for the business.

ASIA PACIFIC

Sales of LIFX products in the Company's home market continue to reflect strong growth, even with the impact of COVID-19 during the quarter. Growth across all retail channels in the market (over the same period last year), including the two largest - JB Hi-Fi and Bunnings - ranged from 22% to nearly 40% - which is remarkable given the extent of lockdowns in Australia and New Zealand in April and May. Even more remarkable is that these growth figures were achieved with 20% discounting across the entire range in Q4FY19. This quarter saw only very limited promotional pricing.

Beacon Lighting (ASX:BLX) is an important channel for the business in this region, and we were pleased that they just recorded their best ever quarter of LIFX light sales - congratulations to the team at Beacon!

For the first time, a bundle was offered at New Zealand retailer Noel Leeming with an Amazon Alexa and a LIFX light. This bundle offer was so successful that Amazon has decided to launch this bundle nationwide during August.

While not in Q4FY20, the Company was very pleased to recently announce the launch of sales of LIFX lights in Apple Stores in Hong Kong and Singapore (refer to the ASX announcement on 15 July 2020).



Figure 4. JB Hi-Fi Amazon Echo (Alexa) and LIFX Mini White promotional bundle.

Our retail partner JB Hi-Fi is currently running an Amazon Echo (Dot or Show) + LIFX Mini White bundle across Australia that is performing very well. Bundles are a wonderful way for consumers to first get exposed to the benefits of smart lighting in an affordable and approachable way. Look to LIFX to continue to bundle products in the coming quarters.

UNITED STATES/CANADA

With major retail locations shut down during significant portions of the quarter - including all 1,000+ Best Buy locations around the U.S., we saw a meaningful shift in purchasing behaviour from bricks and mortar to online. While this shift wasn't as pronounced as in Europe, it did result in a meaningful uptick in sales on LIFX.com and Amazon.com (as well as the online portals of major retailers, such as BestBuy.com).

We did see challenges with Amazon - related to the fact that Amazon itself was inundated with customers shopping for basic supplies and necessities in April, and so they were obligated to prioritise shipping groceries, cleaning supplies and emergency or medical supplies. However, once this backlog was cleared, orders from Amazon to LIFX flowed again, resulting in the highest ordered revenue/ordered units from Amazon since the peak ordering period for holiday 2019. Again, this is remarkable given the pandemic (and occurring in a historically quieter quarter), and thanks are extended to our account team at Amazon and those of our supply and sales teams servicing this very important account.

As with the Asia Pacific market, the Company executed Amazon Echo bundles with LIFX Mini White as a US\$5 add-on, with a very high attach rate. We expect to see bundles with other LIFX products in the coming quarters, given the appetite our partners have for bundling, and the clear value proposition to the customer.

Best Buy Canada continues to be a strong account for our North American sales team, with Amazon Echo bundles with a CA\$5 add-on LIFX Mini White being offered both online and offline. As with all of our bundle offerings, this bundle package was extremely popular and we expect to do more of these in the Canadian market as well.

LIFX.com - our direct to consumer channel was a clear beneficiary of many retail stores closing down during the pandemic. Our online retail team took the opportunity to offer unique bundles of our own, while also clearing out a significant volume of refurbished stock. This helped drive LIFX.com (and the various worldwide versions) to record non-holiday revenue and in some weeks during the quarter, record online/offline revenue mix as well. We were also pleased to launch pre-sales for several new products - including LIFX Candle White to Warm and LIFX Downlight White to Warm joining LIFX Switch - U.S.

EUROPE

It was a busy quarter for the business in Europe, perhaps the most affected region operationally given that no travel was possible between our base in Dublin, and the broader European market (and that Europe is our most segmented marketplace). Europe is a market dominated by a single competitor, which by some estimates may have as much as 95% market share. It is a region that begs for competition, and LIFX intends to provide it this year.

The Company was pleased to launch LIFX smart lights in Costco U.K. (refer to ASX announcement dated 18 June 2020), as well as launch in Argos U.K., the largest catalogue retailer in the U.K.

LIFX White will shortly be heading to Europe, with an initial stocking order of some A\$700k worth, placed back in March (refer to ASX announcement dated 22 March 2020), and expectations are high that it will find a strong home in this significant growth market for the business.

The Company continues to maintain a very strong relationship with major Nordic retailer, Elkjop, where this quarter we've made major investments in staff training to help educate sales associates in a timely and cost effective way. It has been shown that retail staff who understand the product, sell it vastly better - and so we look forward to continuing to work with Elkjop to present LIFX as a very compelling alternative to the dominant market share holder in Europe.

In Germany, the Company announced the first “add to bill” sales option with a telecom retailer in Europe, Telefonica (branded O2 in Germany and the UK), which allows the customer to add the cost of the product to their monthly phone bill. This opens up a lot of interesting retail scenarios for partnerships with telcos, utility and service providers.

The Company has expanded sales in Italy, doing so in partnership with MediaWorld, a subsidiary of leading German consumer electronics retailer, MediaMarkt.

Finally, the Company announced earlier this week that LIFX has displaced Osram smart lights in German DIY retailer, Bauhaus (refer to ASX announcement on 29 July 2020). Initially deployed with brand new point of sale hardware in 15 major retail locations, it is expected that these will continue to roll out across retail partners in France, Russia, Norway, Sweden, Denmark and Finland.

KEY PARTNERSHIPS UPDATE

There were no other material changes to key partnerships.

EASTFIELD/LUMINOUS DEBT UPDATE

When Buddy acquired LIFX back in March 2019, a portion of the transaction was vendor financed, with the intention of re-financing that portion into three year term debt at the anniversary of the acquisition. The Company published expected general terms of such a debt refinancing (refer to ASX announcement on 18 March 2019), and made clear to shareholders that there was no intent or expectation that this debt would be repaid in full in anything less than approximately four years after the acquisition.

Practically speaking, while the vendor financing term was for one year, any refinancing of that debt was always going to come following the publication of results from the 2019 holiday quarter, ie: Q2FY20, and thus would be completed in the first calendar quarter of 2020. This was because the acquisition of LIFX made Buddy's overall revenues quite seasonal (with a heavy weighting on Q2, the holiday quarter), and those results would be required by financiers in order to agree a deal.

When COVID-19 became an issue in early Q3FY20, introducing enormous uncertainty into the balance of the calendar year and making projections for 2020 nearly impossible, the debt refinancing became challenging. This was exacerbated by supply chain challenges, retail shutdowns, inconsistent customer ordering patterns (such as our largest retailer placing no orders at all in April), and it was clear that more time was needed to secure a commercially attractive refinancing deal.

We were pleased to report today that the lenders of the vendor financing further extended the debt maturity date (most recently to 30 October 2020, refer to ASX announcement dated 31 July 2020 for details), which will allow us to take advantage of a much more predictable order flow now coming into the business from customers, as well as purchase order financing that will allow the Company to upscale manufacturing to accommodate these orders (refer to ASX announcement on 30 July 2020).

While it remains amongst the highest priorities of Buddy management to achieve the refinancing of this vendor debt and reposition it into a multi-year term debt facility, the existence of the debt itself is not a threat to the business, and the cost of that debt has always been accounted for as we make forward plans for the business. Management remains very confident in the Company's ability to refinance this debt, has engaged professionals to assist with placing this debt with a new party and in the meantime considers this a distraction to neither Buddy nor the lenders who are fully focused on manufacturing LIFX lights for the coming holiday demand.

COVID-19 UPDATE

Buddy has had the good fortune of being able to nimbly respond to the COVID-19 situation, including and most importantly, the Company has been able to support our team members working from home. While the team is currently taking a 10% reduction in compensation to help support the business during this time of reduced revenue, productivity and morale amongst the team remains very strong.

It is our expectation that the worldwide Buddy team will work from home for at least the balance of 2020, and there is no certainty that offices will reopen immediately in 2021. In Seattle, we have taken the decision to terminate our office lease (which was at a WeWork facility) until we can gauge when the most appropriate time would be to revisit our office needs, and in other locations we are looking at options to reduce expenses further. There is no plan to eliminate offices in general, and our remaining offices do remain accessible for staff who may wish to periodically stop by for a change of pace or to access materials or devices.

As a tech-first, internationally deployed team, the use of technology such as video conferencing and group chat tools is second nature, and some groups have even reported productivity improvements from not having to commute to the office. We've committed to our team that the business will do everything in its power to facilitate a safe, comfortable and productive working environment wherever that may be, and whatever form that may take.

ASX LISTING RULE DISCLOSURES

CASH FLOW DISCUSSION

As at 30 June 2020 the Company's cash balance was \$2.5 million, and cash flows regarding the Company's activities reported above are summarised below.

Cash flows from operating activities during the quarter comprised:

- Receipts from customers of A\$6.9 million from the sale of LIFX products and provision of commercial services/products
- Expenditure of A\$553k on research and development and web costs for new products and the Company's online presence
- Product manufacturing and operating costs for manufacturing LIFX and commercial products of A\$5.1 million
- Staff costs totaling A\$2.3 million
- Administration and corporate costs of \$620k
- Interest received of A\$15k
- Payment of interest and other finance costs of A\$448k
- Receipt of \$1.3 million of government rebates and subsidies, substantially all of which was for COVID-19 support from several jurisdictions in which the Company operates
- Cash flows from investing activities during the quarter included receipt of A\$58k for non operating receivables
- Cash flows from financing activities during the quarter included A\$2 million received from the issue of shares (before deducting A\$69k for transaction costs), A\$419k in borrowings and the Company spent A\$834k repaying borrowings.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q4FY20, payments to related parties and their associates totalled A\$71k during the quarter for the CEO's cash salary of US\$43k plus related U.S. employer taxes and health benefit costs. This salary was reduced in the quarter (along with other executives) as part of the Company's COVID-19 response measures.

WHAT'S NEXT

As we now look to the first half of FY2021, historically the busiest period for the consumer business, our attention turns to preparations that must be made to ensure stock levels, marketing and promotional plans are in place to support our retailers during this busy time. As with last year, we will have a very busy FYQ2 (calendar Q4). Between Halloween at the end of October, the "Turkey 5" shopping period of Thanksgiving, Black Friday, Thanksgiving weekend and Cyber Monday, and then the lead up to Christmas and Boxing Day in Australia/NZ and the UK, all bode well for a busy time all round. Perhaps uniquely for 2020 however, is a consumer spending profile that may be elevated given the inability of people to take overseas holidays, or even simply travel to see family at this time. Consumer spending on eating out has dropped dramatically, and if that spend is redirected towards the holidays, towards gift-giving, towards online shopping and towards home improvements or personal well-being, then there may be a very significant opportunity for Buddy's consumer business.

For the commercial business - the release of lockdown protocols in primary markets will be key to unlocking further growth in 2020. While this is unknowable at this time, I'm highly encouraged by the work our commercial sales team is doing to queue up business, and customer use cases such as outlined in this report only serve to underscore the value we can offer our customers to help optimise their business by making their spaces smarter.

On behalf of the Board, Management and Buddy worldwide team, please be well, and be safe.

For and on behalf of Buddy Technologies Limited.



David P. McLauchlan

Chief Executive Officer
Buddy Technologies Limited.

About Buddy

Buddy Technologies Limited (BUD.ASX) helps customers of any size “make every space smarter”. Buddy has two core businesses – its Commercial Business and Consumer Business. **Buddy Ohm** and **Buddy Managed Services** are the company’s core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services licenses Buddy’s technology platforms to customers for integration into their own products.

Buddy’s Consumer Business trades under the **LIFX** brand and has established a leading market position as a provider of smart lighting solutions. The company’s suite of Wi-Fi enabled lights are currently used in nearly one million homes, viewed as second only to lighting giant Philips Hue. LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the U.S. and Canada).

Buddy is headquartered in Adelaide, Australia, with offices in Melbourne (AU), Seattle (US), Dublin (IE), Shenzhen (CN) and Silicon Valley (US).

For more information, visit www.buddy.com and www.lifx.com.

###

Buddy Technologies Contact:
Ben Secrett, Company Secretary
Email: cosec@buddy.com

Buddy Technologies Limited
Level 3, 12 Pirie Street
Adelaide, SA 5000
AUSTRALIA



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Buddy Technologies Limited

ABN

21 121 184 316

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,883	32,183
1.2 Payments for		
(a) research and development & web costs	(553)	(2,039)
(b) product manufacturing and operating costs	(5,145)	(19,124)
(c) advertising and marketing	(372)	(4,840)
(d) leased assets		
(e) staff costs	(2,319)	(10,713)
(f) administration and corporate costs	(620)	(2,429)
1.3 Dividends received (see note 3)		
1.4 Interest received	15	122
1.5 Interest and other costs of finance paid	(448)	(1,707)
1.6 Income taxes paid	(2)	(29)
1.7 Government grants and tax incentives	1,255	1,294
1.8 Other (FX & acquisition costs)	(359)	(1,472)
1.9 Net cash from / (used in) operating activities	(1,665)	(8,754)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(221)
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (notes receivable)	58	389
2.6	Net cash from / (used in) investing activities	58	168

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,000	11,437
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(69)	(528)
3.5	Proceeds from borrowings	419	7,785
3.6	Repayment of borrowings	(834)	(7,243)
3.7	Transaction costs related to loans and borrowings		(840)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	1,516	10,611

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	940	2,958
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,665)	(8,754)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	58	168
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,516	10,611
4.5	Effect of movement in exchange rates on cash held	1,653	(2,481)
4.6	Cash and cash equivalents at end of period	2,502	2,502

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	2,502	940

Quarterly cash flow report for entities subject to Listing Rule 4.7B

5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,502	940

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

71

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
41,494	15,273
41,494	15,273

7.5 Unused financing facilities available at quarter end

1,289

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facility: Line of Credit (LoC)

Total drawn at 30 June 2020: A\$12.751 million

Use of funds: Working capital

Lender: Eastfield/Luminous (from acquisition of Lifi Labs, Inc. dba LIFX)

Interest Rate: 12% + 5% on late payments

Secured or unsecured: secured by second position on receivables and inventory

Payment: The remaining balance is due in October 2020.

Trade Finance Facility

Total drawn at 30 June 2020: Nil

Loan: Trade Finance Facility

Total Facility Amount: A\$20 million

Use of funds: Working capital and repayment of above LoC

Lender: Scottish Pacific Bank

Interest Rate: Prime rate plus 6.5%.

Secured or unsecured: secured by receivables

Term: 24 months

Inventory Finance Facility

Total drawn at 30 June 2020: A\$2.522 million

Loan: inventory Finance Facility

Total Facility Amount: US\$6 million (A\$8.743 million at 30 June 2020)

Use of funds: Working capital and repayment of above LoC

Lender: The Challenger Trade Finance Segregated Portfolio of the South Africa Alpha SPC

Interest Rate: LIBOR plus 9.5%. Plus a drawdown fee of 0.5% of the balance drawn, not to exceed 3% in any year

Secured or unsecured: secured by inventory at specific locations

Term: 24 months

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,665)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,502
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,289
8.4	Total available funding (Item 8.2 + Item 8.3)	3,791
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: Chief Executive Officer
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.