



ASX MARKET RELEASE

Buddy Technologies Limited – December Quarterly 4C Review (Q2FY21)

28 January 2021 – Adelaide, South Australia

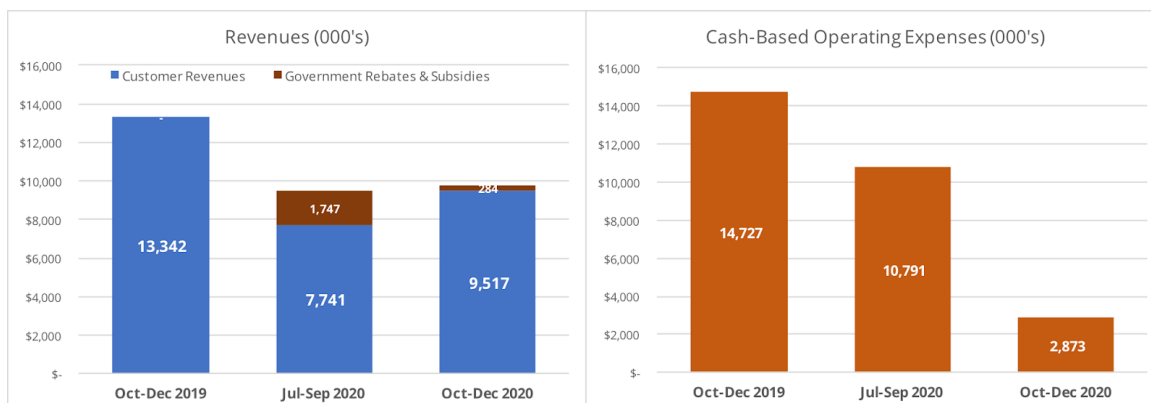
Buddy Technologies Limited (Company) (ASX:BUD), a leading provider of solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the December 2020 quarter (Q2FY21).

SUMMARY

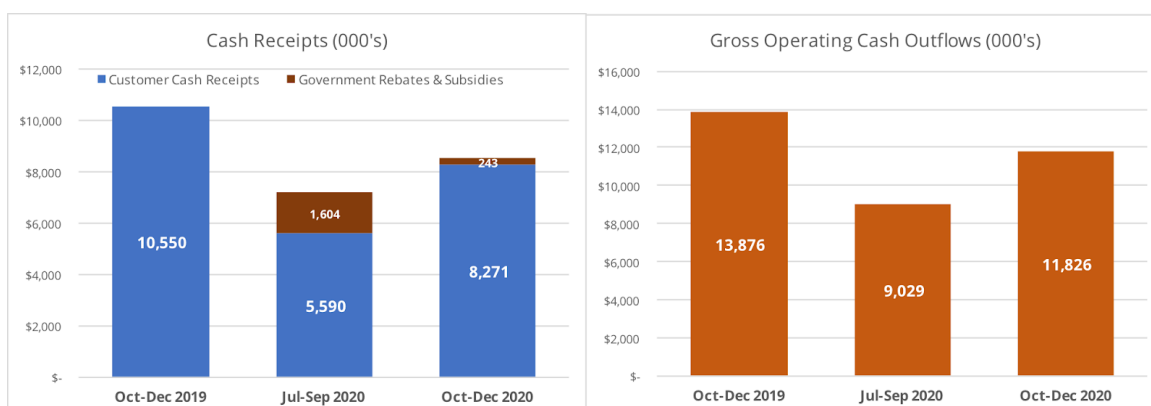
- **Customer revenues: A\$9.5 million** for the quarter (up 23% over the prior quarter, and down 29% from the prior year)
 - Not including an additional A\$284k of government rebates and subsidies (A\$1.7 million last quarter and nil in the year-ago quarter)
- **Customer cash receipts: A\$8.3 million** for the quarter (up 48% from the prior quarter and down 22% from the prior year)
 - Not including an additional A\$1.6 million of government rebates and subsidies (A\$27k last quarter and nil in the year-ago quarter)
- **Adjusted EBITDA: negative A\$990k** for the quarter (compared to positive A\$32k for prior quarter and negative A\$1.4 million for the year-ago quarter)
- **Net cash change in quarter: increase of A\$4.6 million** even after making major deposits for product to fulfill outstanding customer orders
- **Cash on hand** at 31 December 2020 totalled A\$7.2 million, trade receivables totalled A\$6.0 million and inventories (and prepayments for inventories in process or in-transit) totalled A\$8.4 million
 - As of 31 December 2020, the Company had utilised none of its trade finance facility and A\$3.6 million of its inventory/PO finance facilities.
- **Major milestones**
 - Completed an equity placement for A\$13.0 million
 - Achieved another EBITDA positive month in November
 - Entered into binding term sheet for a refinancing of the Company's vendor debt relating to the acquisition of LIFX in March 2019, on to a 40-month term debt facility (refer to the ASX announcement dated 21 October 2020)
 - Entered into an arrangement to forgive US\$10m of outstanding vendor debt relating to the acquisition of LIFX + cancellation of 50 million options held by the vendor debt holders (to subsequently be reissued to Partners for Growth ("PFG"), the party with whom the refinancing was to occur)
 - Final documentation consistent with the refinancing and debt forgiveness was executed after the period (refer to the ASX announcement dated 6 January 2021).

QUICK LOOK

Revenues and Cash-based Operating Expenses*

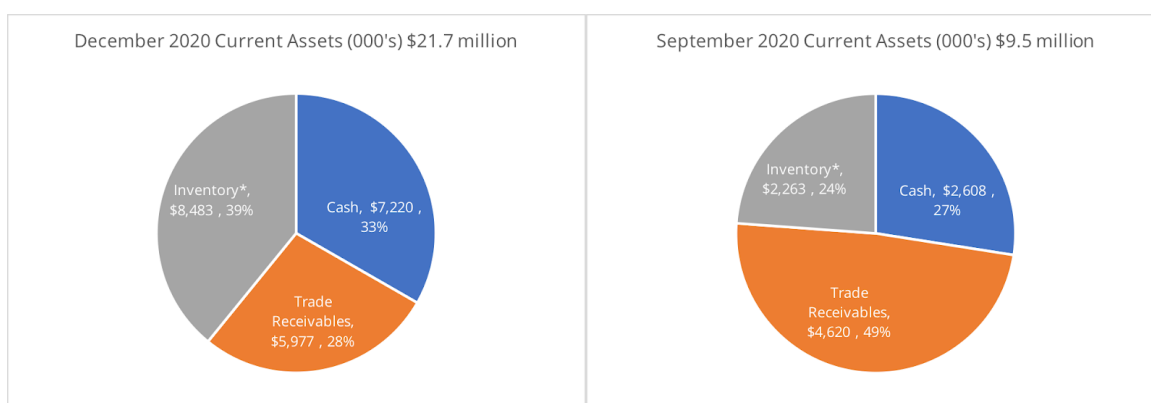


Cash Receipts and Gross Operating Cash Outflows*



*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.

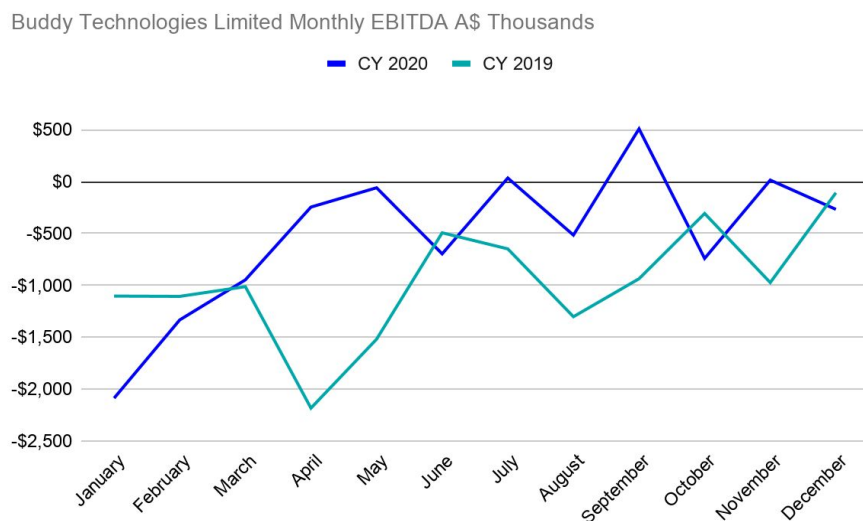
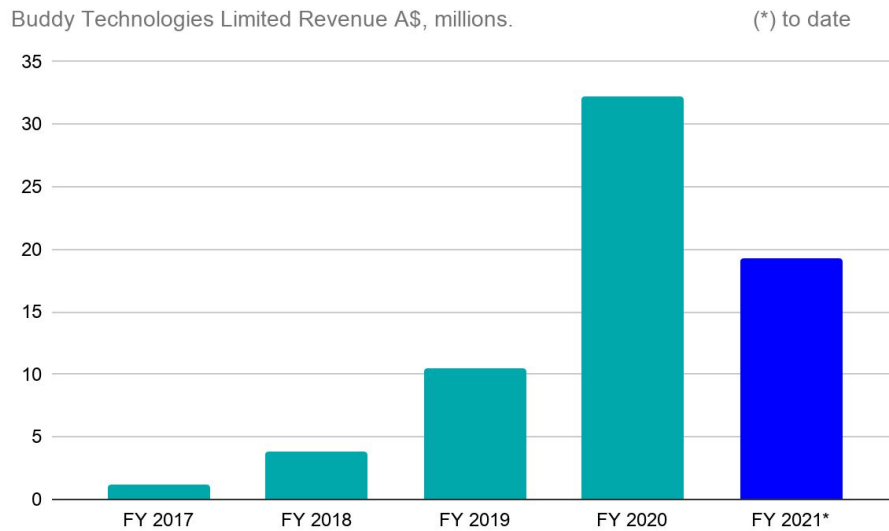
Cash Position and Current Assets



Current assets increased A\$12.2 million quarter-on-quarter while current liabilities (including the trade finance and inventory finance facilities) increased A\$2.7 million. As of 31 December 2020, the company had utilized none of its A\$20 million trade finance facility and A\$3.6 million of its US\$6.0 million inventory finance facilities.

Q2FY21 FINANCIALS COMMENTARY

Despite a challenging quarter with severe stock shortages, we are pleased to report meaningful growth in both revenues and receipts on the prior quarter. We are particularly pleased to have recorded another **EBITDA positive month in November**, which is the **third EBITDA positive month in the calendar year**, joining the September quarter which was also EBITDA positive. This is a testament to considerable work done by the broader Buddy team to manage expenses across the business.



With two strong quarters expected to come, FY2021 is well on track to show meaningful revenue growth over FY2020, despite the effects of the COVID-19 pandemic and significant shortages of supply in the back half of the 2020 calendar year.

From an EBITDA point of view, it is evident from the chart above just how significant the Company's efforts have been to manage expenses, maintain margins and ensure fiscal discipline across the business. CY2020's EBITDA loss of -A\$6.3 million was a dramatic improvement from CY2019's EBITDA loss of -A\$11.6 million, and with a quarter of all months this calendar year being EBITDA positive (and the third calendar quarter itself being EBITDA positive), this places the business in a strong position to record positive EBITDA in both halves of CY2021.

To that end, in the 2021 Annual CEO Letter to Shareholders (refer ASX announcement dated 28 January 2021), the **Company gave notice that it would proceed to provide revenue**

and EBITDA guidance to the market for the first time in 2021, and that this guidance would include **positive EBITDA guidance for both halves of CY2021**.

From the Annual CEO Letter:

"In 2020, the most significant factor that limited the Company's revenues and earnings was a highly constrained supply chain and non-commercial trading terms from an exclusive supplier. With all of these restrictions now lifted, the Company has now placed orders for all forecast inventory needed through H1 of CY2021, and in concert with product that was ordered in November and December of 2020, shipments of products will be landing at warehouses around the world each month starting January 2021, with orders expected to be placed and in turn, delivered, on a never-ending (but at least monthly) basis moving forward."

As a result of the release from manufacturer exclusivity and the installation of standard commercial trading terms (including 45-day payment terms with all manufacturers presently engaged) orders are now placed to supply customer needs through June 2021. The quantum of these manufacturing orders currently in place exceeds all orders that were able to be placed in CY2020.

COVID-19 UPDATE

As with prior quarters, Buddy has been able to navigate the changing dynamics of the COVID-19 pandemic through work from home arrangements, and extensive usage of enterprise communication tools to facilitate remote or distributed work. The result has actually been an increase in team productivity, and a significant number of Buddy team members have indicated that they wish to pursue a work from home model well into the future.

Management has taken the view that since productivity has been strong, the Company is able to support a largely WFH employee base, and has indicated that while office space is and will continue to be made available for those who seek it, employees will not be required to use it, and there is no mandated office hours concept being contemplated at this juncture. The Company will continue to monitor the broader office situation worldwide, as well as the needs of the business going forward, but does not consider a full-time return to offices in the near future for the business.

The team continues to take a 10% reduction in compensation to help support the business during this period of reduced revenue, however as revenues and EBITDA are expected to lift in this first half of 2021, management is committed to reverting staff back to 95% compensation and then 100% compensation at the earliest opportunity.

ASX LISTING RULE DISCLOSURES

CASH FLOW DISCUSSION

As at 31 December 2020 the Company's cash balance was A\$7.2 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\$8.3 million from the sale of LIFX products and provision of commercial services/products
- Expenditure of A\$385k 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\$7.6 million. This included substantial (A\$6 million) deposits made with our manufacturer for product to be delivered in future quarters
- Staff costs totaling A\$2.5 million
- Administration and corporate costs of A\$667k

- Interest and other income received of A\$92k
- Payment of interest, other finance costs and the like of A\$590k
- Receipt of A\$243k of government rebates and subsidies - mostly COVID-19 support.

Cash flows from investing activities during the quarter was primarily made up of the payment of A\$143k for capital expenditures.

Cash flows from financing activities included:

- A\$12.8 million of proceeds from issuing equity securities before subtracting A\$640k for transaction costs
- Borrowings on debt facilities of A\$1.6 million
- A\$3.6 million repaying borrowings on debt facilities.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q2FY21, payments to related parties and their associates totalled A\$77k during the quarter for the CEO's cash salary (which is fixed and paid in US\$, but may fluctuate with changes in exchange rate as it is reported here in A\$). This salary was reduced in the quarter (along with other executives) as part of the Company's COVID-19 response measures.

WHAT'S NEXT

Starting in November, and primarily using funds raised during the recent capital raising, the Company began to place orders for inventory to meet 1HCY2021 requirements. Accordingly, deliveries are about to recommence, and following the completion of the refinancing in the first week of this calendar year, orders have now been placed for all projected retail customer demand through June 2021 (with the exception of new products to release in that timeframe and also with the exception of any volume of product needed to support promotional events like Amazon Prime Day).

It is the expectation of the Board and Management, that with manufacturing back underway and fueled by the combination of consistent and reliable financing, with commercially standard and reasonable payment terms - orders will continually be placed, and the flow of product from factory to distribution centres to retail customers will become smooth and predictable.

It is anticipated that orders of inventory purchased from the first drawdowns on the PFG working capital facility will not arrive at company warehouses until April (with stock arriving prior to that coming from Nov/Dec 2020 orders using cash raised in the equity placement) and a fully smoothed supply chain likely won't be in place until after June 2021. However, to have the line of sight we have through our supply chain, and the guidance we can now share with retail partners on how we will maintain their stock levels... is a radical shift from how our operations teams have had to manage stock, forecasting and finances since even before the LIFX acquisition in March 2019.

On behalf of the Board, Management and Buddy worldwide team, I wish you health and happiness.

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:
Vicky Allinson, 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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,271	13,861
1.2 Payments for		
(a) research and development & web costs	(385)	(915)
(b) product manufacturing and operating costs	(7571)	(12,625)
(c) advertising and marketing	(683)	(1220)
(d) leased assets		
(e) staff costs	(2,520)	(4,938)
(f) administration and corporate costs	(667)	(1,157)
1.3 Dividends received (see note 3)		
1.4 Interest received	92	108
1.5 Interest and other costs of finance paid	(590)	(1,252)
1.6 Income taxes paid	1	-
1.7 Government grants and tax incentives	243	1,847
1.8 Other (FX & restructuring costs)	(818)	(404)
1.9 Net cash from / (used in) operating activities	(4,627)	(6,695)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(149)	(601)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	(f) other non-current assets Proceeds from disposal of: (a) entities (b) businesses (c) property, plant and equipment (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)	6	-
2.6	Net cash from / (used in) investing activities	(143)	(601)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	12,824	12,824
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	(640)	(640)
3.5	Proceeds from borrowings	1,585	2,997
3.6	Repayment of borrowings	(3,633)	(3,871)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	10,136	11,310

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,608	2,502
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,627)	(6,695)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(143)	(601)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,136	11,310
4.5	Effect of movement in exchange rates on cash held	(754)	704
4.6	Cash and cash equivalents at end of period	7,220	7,220

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,220	2,608
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)	7,220	2,608

**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**

77

Explanation of amounts in 6.1:

A\$ equivalent of compensation paid to CEO of US\$55,208.33 which is 90% of his contracted salary

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
37,581	13,395
37,581	13,395

7.5 **Unused financing facilities available at quarter end**

3,952

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 31 December 2020: US\$7.541 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 was refinanced in January 2021.

Trade Finance Facility

Total drawn at 31 December 2020: nil

Loan: Trade Finance Facility

Total Facility Amount: A\$20 million

Use of funds: Working capital

Lender: Scottish Pacific Bank

Interest Rate: Prime rate plus 6.5%.

Secured or unsecured: secured by receivables

Term: This facility was replaced by one from PFG in January 2021 – See related announcement.

Working Capital Finance Facilities

Total drawn at 31 December 2020: A\$2.776 million

Loan: Working Capital Finance Facility

Total Facility Amount: US\$6 million

Use of funds: Working capital and repayment of above LoC

Lenders: The Challenger Trade Finance Segregated Portfolio of the South Africa Alpha SPC and Moss Ridge

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: This facility was replaced by one from PFG in January 2021 – See related announcement.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,627)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,220
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,952
8.4 Total available funding (Item 8.2 + Item 8.3)	11,172
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.4

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

1. 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:

2. 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:

3. 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

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

Date:28 January 2021.....

Authorised by:David McLauchlan.....
(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.