

Monday, 19 October 2020

SUMMARY:

- The Company recorded consolidated revenue for September 2020 of A\$2.6 million, in a strong result for an expected slower month; up from August (A\$2.0 million) and down from September 2019 (A\$2.8 million)
- EBITDA for September was a record A\$510k, which beat management forecasts (up from -A\$514k in August, and up significantly from -A\$978k in September 2019)
- Government subsidies & rebates were A\$1.3m, up from August (A\$276k)
- Q1FY21 was the Company's first EBITDA positive quarter, with consolidated revenues for the quarter of A\$9.5m (up from A\$7.9m for Q1FY20), and quarterly EBITDA of A\$32k (up significantly from -A\$2.9m for Q1FY20)
- Total current assets were A\$9.5 million, down from August (A\$9.8 million), comprising A\$4.6 million of trade receivables, A\$2.3 million of inventory and \$2.6 million of cash.

Dear Shareholders,

Please find attached herein our monthly unaudited summary of the Buddy Technologies business. As has become a recent custom with the advent of the COVID-19 pandemic in 2020, I committed to provide investors with a monthly update on our progress in light of the external factors which are currently influencing our business. Consistent with that commitment, I present to you a summary of the month of September 2020, and Q1FY21.

Commentary

With the majority of the Company's employees based in and around Melbourne, Australia, it is no exaggeration to suggest that the impact of COVID-19 on the business has been material. For those unaware, Melbourne has been subjected to extended lockdowns that have confined our Victorian team to their homes well beyond the "working from home" model employed by the rest of our worldwide team. This has been incredibly challenging for those affected, and while as a business we've done our best to help support and soften the impact, it continues to be difficult regardless.

This is true also of our manufacturing and supply chain. While we took steps to adjust our financing facilities, and to secure in-advance orders from customers, there's no escaping the current impact on our supply chain which we continue to work to mitigate on a daily basis. Just as shelves are empty everywhere from craft stores to hardware stores to car dealerships, so too are we at a low-stock level in many of our retailers. This of course will be rectified as stock which is now in production makes its way into the retail channel, but try as we might, that is not a fast process, despite all that we're doing. I'm pleased to see though, that all hands are on deck, and manufacturing is proceeding as fast as it possibly can.

For this reason however, I am especially pleased to be presenting these unaudited results for September 2020 and Q1FY21. To achieve record monthly and quarterly results in a period of uncertain supply (but unquestionably record demand!) is a testament to the dedication and commitment of the Buddy team, and the quality products we're bringing to market.

September 2020 Unaudited Results

Consolidated revenue for September 2020 was A\$2.6 million – up 30% from August (A\$2.0 million) and down 7% from September 2019 (A\$2.8 million); this was a very strong result given the shortage of supply in our consumer business. While revenues were down very slightly from the year ago month, this was a very EBITDA positive month whereas the year ago month was not.

The impact of government subsidies and rebates included the Australian Federal Government's annual Research & Development Rebate - which together with the Company's COVID-19 subsidies, amounted to A\$1.3m for September.

EBITDA in September was a record A\$510k, beating management forecasts and a strong improvement over August 2020 (up over A\$1m from -A\$514k) and up nearly A\$1.5m from September 2019 (-A\$978k).

Consolidated margins were especially strong in September, at over 62% (up from 41% in August - largely due to the impact of rebates and reduced consumer revenue making commercial margins unusually larger in the blend). Margin-wise, the commercial business continues to return highly attractive margins, and the business stands to be rewarded once commercial installations are able to resume in Latin America and the Caribbean. In the meantime, the commercial business slightly outperformed expectations as the Company continues to deliver upon SaaS revenue sold before the pandemic, and continues to progress its Airstream relationship (with whom the Company is presently in negotiations for a contract renewal).

Throughout the pandemic, we have been particularly focused on expense management and the month of September was no exception, coming more than 25% under management forecasts. This was driven by the conclusion of some LIFX Clean related expenses, R&D winding back gently in advance of product launches, and staff costs being down on account of the compensation cuts that employees have been accommodating during the pandemic. As has consistently been the case, the voluntary employee salary cut program is being reviewed on a monthly basis, and we anticipate lifting COVID-19 cuts to just 5% shortly, with a view to returning the team to full compensation upon the return of the business to full inventory levels to support holiday sales.

Total current assets at 30 September 2020 were A\$9.5 million, comprising trade receivables of A\$4.6 million, inventories of \$2.3 million, and a doubling of cash on hand from last month, to A\$2.6 million.

Q1FY21 Unaudited Results.

The Company is delighted to report its first positive EBITDA quarter, following a very productive quarter in a challenging time. These results are further buoyed by the very strong demand the Company is seeing in-market for its products - both consumer (LIFX) and commercial (in particular, Buddy Ohm). To the latter, our Buddy Ohm team is reporting increased interest in the product, and anticipates significant installations to commence once these are permitted according to local COVID-19 restrictions and limitations.

Consolidated revenues for the quarter were A\$9.5m (up from A\$7.9m for Q1FY20), and quarterly EBITDA was A\$32k (up significantly from -A\$2.9m for Q1FY20).

As a team, we are delighted to share these results with you, and remain very excited by not just the coming months, but 2021. We are making very tractable progress on the refinancing of the debt related to the Company's acquisition of LIFX in March 2019, with this really being the last

deliverable standing between where we are today, and unfettered access to manufacturing supply, multiples of manufacturing scale, commercial terms in complete alignment with our financing facilities, ability to dramatically increase the number of SKUs sold and supported by the business, and a deepening and extension of our retail relationships worldwide (but especially in our primary markets of the U.S. and Europe).

On behalf of our team around the world, thank you for your continued support of our business.

For and on behalf of Buddy Technologies Limited,



David P. McLauchlan

Chief Executive Officer
Buddy Technologies Limited.