



ASX MARKET RELEASE

Buddy Completes US\$20m Loan Facility with PFG; Secures US\$10m Debt Forgiveness

SUMMARY

- Buddy has closed on a US\$20 million loan facility with San Francisco-based Partners for Growth comprising a US\$10 million term loan and a US\$10 million working capital facility, for the purposes of both refinancing its short-term debt obligations and funding growth
- The Company has also entered into a new manufacturing agreement with Eastfield Lighting (Hong Kong) Co., Limited, which contains no terms of exclusivity and provides for commercially standard and competitive purchasing terms
- With this new arrangement, the Company is now free to execute manufacturing agreements with additional suppliers, to increase LIFX's scale of supply and decrease its cost of goods sold
- PFG will take a no-discount equity stake in the business, in exchange for allowing the two tranche term loan to be fully drawn at closing (but not increasing the total indebtedness of the Company) and manufacturing exclusivity to cease immediately, demonstrating PFG's commitment to partner with the business to achieve financial success; funds from any shares sold will pay down the outstanding principal
- With the closure of this loan facility, the vendor debt holders (associated with the acquisition of LIFX in 2019) will be forgiving more than 40%, or US\$10 million, of vendor debt.

5 January 2021 - Adelaide, Australia

Buddy Technologies Limited ("Company") (ASX:BUD), a leader in IoT and cloud-based solutions for making spaces smarter, is pleased to advise that it has closed on a US\$20 million loan facility ("Loan Facility") with San Francisco-based Partners for Growth VI, L.P. ("PFG"). The loan facility consists of a US\$10 million term loan ("Term Loan") and a US\$10 million revolving line of credit ("LoC") to fund the working capital and growth needs of the business (refer to the ASX announcement dated 21 October 2020).

The Term Loan will be used to totally refinance the vendor debt held by Luminous Wide Limited ("Luminous") and to partially refinance the vendor debt held by Eastfield Lighting (Hong Kong) Co., Limited ("Eastfield"), with vendor debt being subject to a US\$10 million

reduction in total indebtedness (for nil consideration) as part of these arrangements (refer to the ASX announcement dated 21 October 2020 for further details).

The key terms of the Term Loan are detailed in the ASX announcement on 21 October 2020, save that the two Term Loan tranches have now been combined into a single drawdown funded in full at close, with fewer performance criteria, and partially funded by PFG taking an equity stake in the business, to the value of the second tranche (US\$2.5 million), notably:

- (a) the US\$10 million Term Loan, paid in a single drawdown at close, has a maturity date 40 months from funding an interest rate of 12.5% per annum, and will be repaid in monthly payments over the term of the loan;
- (b) the Term Loan may be prepaid at any time with the payment of a prepayment fee equal to the remaining interest payments owed, discounted back at the U.S. 10-year Treasury rate (as quoted by Bloomberg); and
- (c) PFG will be issued 62,421,439 fully paid ordinary shares in the Company ("Shares"), each at an issue price of \$0.052 (and with an aggregate value of US\$2.5 million based on an exchange rate of USD/AUD 0.7702), which if sold by PFG, the proceeds from which must pay down the outstanding tranche 2 loan principal on a dollar-for-dollar basis.

The Shares will be issued under the Company's existing Listing Rule 7.1 capacity and an Appendix 3B accompanies this announcement.

The key terms of the revolving LoC are also detailed in the ASX announcement on 21 October 2020, notably:

- (a) the US\$10 million revolving LoC (which may be increased at PFG's discretion) can be drawn down for working capital purposes in amounts that are subject to a borrowing base calculation which considers the Company's level of accounts receivables, finished goods and inventory purchase orders;
- (b) the LoC has a term of 36 months from transaction close and a fixed annual interest rate of 12.5% payable monthly only on the balance outstanding; and
- (c) the terms by which the Company may draw down upon the LoC are more flexible than prior arrangements, are aligned to the payment terms offered by Eastfield and are consistent with commercially standard payment terms offered by other manufacturers.

Where previously the Company has been able only to draw down upon approximately US\$3.5 million of its inventory and trade financing facilities, management now expects to be able to deploy the full US\$10 million of the revolving LoC as inventory and receivables increase. In support of this, orders are being placed immediately for new inventory to support H1 2021 retailer needs.

Subject to the Company obtaining shareholder approval at the forthcoming Annual General Meeting ("AGM", 29 January 2021), the Company will issue to PFG 50 million warrants in the Company exercisable into 50 million Shares with an expiry date 5 years from closing and an exercise price of A\$0.058 per warrant (being a 15% premium to the 5-day volume weighted average price of BUD shares prior to the date of financial close). Refer to the notice of meeting dated 30 December 2020 for further details in respect to the terms of the warrants.

In addition, Luminous has agreed to the cancellation of 50 million of its options for nil consideration, following the release of US\$10 million outstanding under the vendor debt associated with Buddy's acquisition of LIFX in 2019 (refer to the ASX announcement dated 21 October 2020 for further details). Accordingly, the issue of warrants to PFG will have no net dilutionary effect on shareholders.

"This is a remarkable milestone in the history of our business", said Buddy Technologies CEO, David McLauchlan. "With this package of finance facilities, a new manufacturing agreement, the release of all our trade and inventory finance facilities, and the forgiveness of more than 40% of our outstanding vendor debt, Buddy is today very much positioned for strength. We will now increase our production rates while cutting costs, grow supply and inventory, and once the new orders that we've now immediately placed with our manufacturer begin to be delivered, be in a position to meet the extraordinary and growing demand for smart lighting worldwide."

The new manufacturing agreement with Eastfield is on commercially standard terms and the Company has achieved a complete elimination of the exclusivity restrictions that formerly bound the Company to a single manufacturer under the previous terms. Having regard to these new terms, the Company intends to reduce its cash-to-cash cycle, cut its cost of goods sold for existing products, set up multiple sources of supply and initiate a competitive bidding process to award contracts for the manufacture of new products.

These new arrangements dovetail with the terms of the Company's new revolving LoC and accordingly is anticipated to provide the business with a material increase in its manufacturing scale capacity in 2021 compared to previous years. The Company's previous trade and inventory financing facilities have been closed (refer to the ASX announcement on 17 December 2020), with the parties negotiating no exit fees.

As new manufacturing relationships are initiated, the Company will advise shareholders by way of further ASX announcements.

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 well over a million homes, and considered to be the #2 brand of smart lights globally. 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 US 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.

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