ASX MARKET RELEASE

Buddy Technologies Limited – March Quarterly 4C Review (Q3FY21)

27 April 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 March 2021 quarter (Q3FY21).

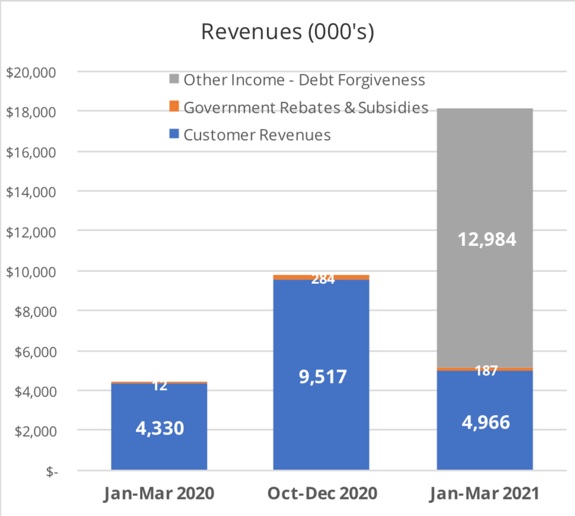
SUMMARY

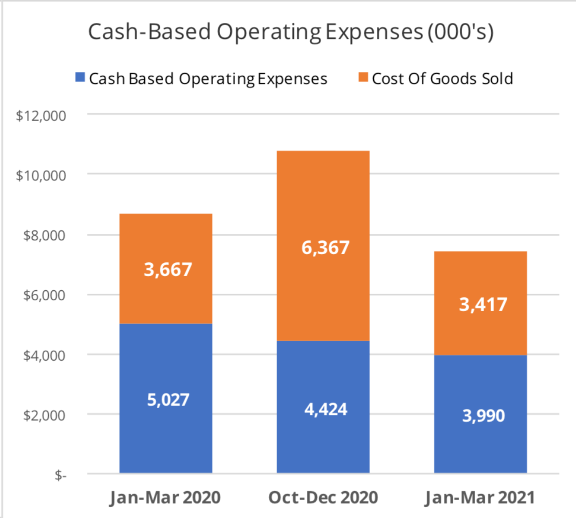
- **Total revenues: A$18.1 million including customer revenues of A$5.0 million, government rebates and subsidies of A$187k and other revenue (debt forgiveness) of A$13.0 million**
    - While total revenues (which includes the debt forgiveness) were up significantly over both the prior quarter and prior year, customer revenues were down 48% from the prior (holiday) quarter and 15% up over the prior year
- **Customer cash receipts: A$4.1 million** for the quarter (down 50% from the prior quarter and 51% down from the prior year)
- **EBITDA: A$10.7 million including adjusted EBITDA* of negative A$2.3 million (not including other income)** for the quarter (compared to negative A$990k for prior quarter and negative A$4.4 million for the year-ago quarter)
- **Cash on hand at 31 March 2021 totalled A$1.6 million, trade receivables totalled A$6.8 million and inventories** (and prepayments for inventories in process or in-transit) **totalled A$12.9 million**
- **Other major milestones**
    - Completed debt refinancing resulting in a decrease of current liabilities from A$43.9 million to A$21.8 million including cash payments of A$4.7 million for accumulated interest and A$4.2 million to reduce obligations to our main supplier
    - Invested A$4.4 million to increase inventory on hand and future shipments of inventory to meet demand
    - Cut year-over-year EBITDA loss by nearly half (not including other income)
    - Increased margins (revenues increased 15% while COGS decreased 7%)
    - Decreased operating expenses 21% year-over-year.

*Adjusted EBITDA is equal to revenues (not including other income) less cash-based operating expenses (which excludes any non-recurring items such as acquisition-related costs, restructuring costs, costs relating to finance facilities and any share-based expenses).

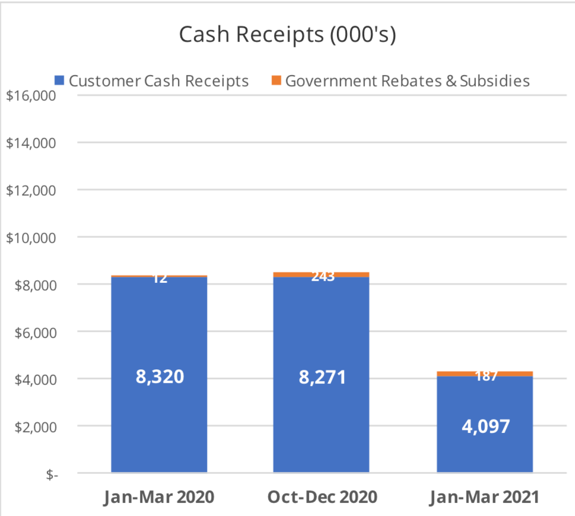
QUICK LOOK

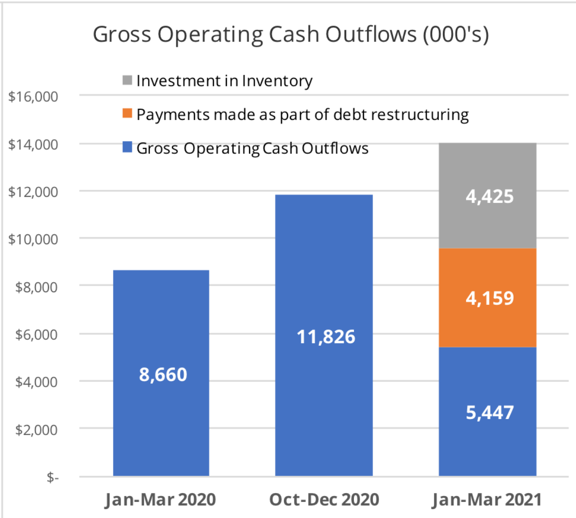
Revenues and Cash-based Operating Expenses*





Cash Receipts and Gross Operating Cash Outflows*

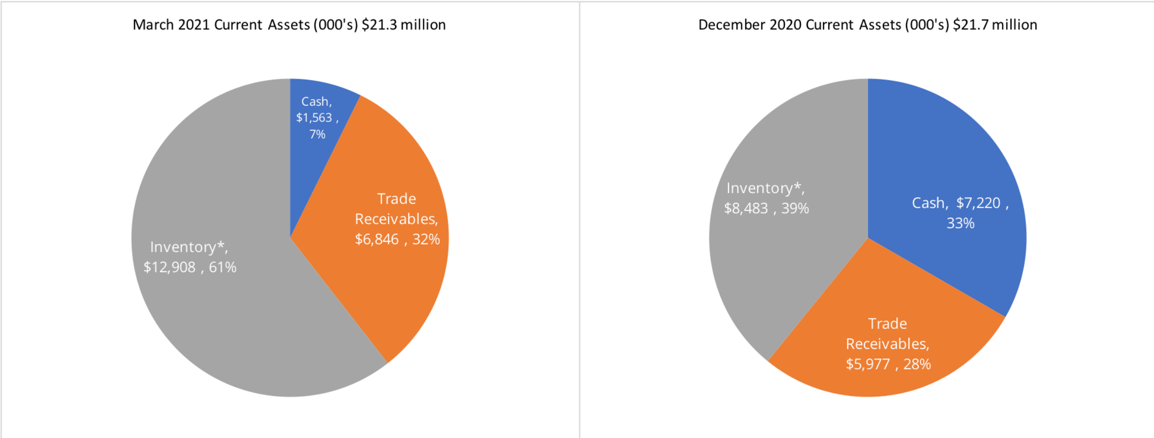




*Cash-based operating expenses exclude any non-recurring items such as acquisition-related costs, restructuring costs, costs relating to finance facilities and any share-based expenses. Gross operating cash outflows are the amounts listed under item 1.2 in the Appendix 4C report.

Cash Position and Current Assets

Current assets decreased A$363k quarter-on-quarter while current liabilities decreased A$21.8 million. As of 31 March 2021, the company had utilised all of its US$10 million trade and inventory finance facility.



Q3FY21 FINANCIALS COMMENTARY

We were pleased to announce early in the quarter that the Company had closed on its US$20 million loan facility (comprising a US$10 million term loan and a US$10 million working capital facility) with Partners for Growth ("PFG") (refer to the ASX announcement dated 5 January 2021). Immediately after the facility was secured, our teams commenced placing large orders with our manufacturers, in order to supplement the product orders that had been placed in November and December 2020 (and for the most part, were not due to arrive until March 2021). The PFG financing permitted the Company to order more product in that period of time than we'd had the financial capacity to order previously, with the vast majority of quarterly delivery schedules beginning in late March.

Given the very low stock levels that the Company was sustaining after the holiday buying period at the end of 2020, management had forecast very light revenues in January and February 2021 while new stock was being manufactured and shipped, and indeed revenues nearly exactly matched management forecasts in that period.

The Company has identified that March revenues were lower than management forecasts due to the mismatch of delivery timings (largely due to various component delays on some LIFX SKUs), however inbound customer orders from retailers slightly beat management forecasts for the month. While over 92% of the product ordered with manufacturers and expected in March was delivered to LIFX warehouses in that month, unfortunately much of it came too late in the month to achieve sales against the orders placed. Nearly 43% of the entire quarter's supply arrived in warehouses between 19 March and 26 March - which while pleasing to finally have meaningful quantities of inventory back in stock, just arrived too late to meet the customer orders that had been placed earlier in the quarter/month.

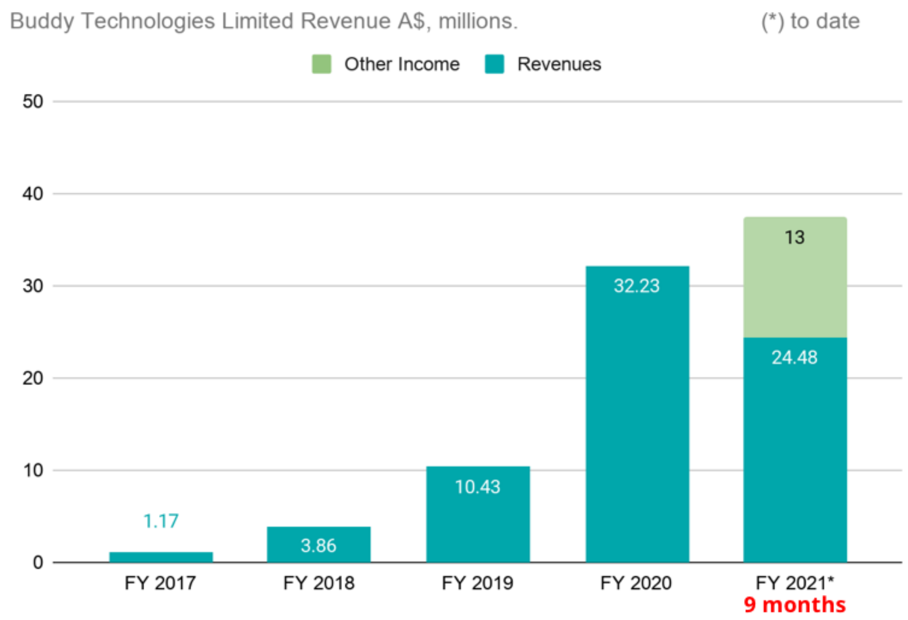
For this reason, customer revenues for March, and therefore Q3FY21 were lower than management forecasts, but inventories are higher, and that inventory is now positioned to be sold through the current Q4FY21 period - especially filling backorders of product placed on LIFX.com and outstanding orders that can be filled.

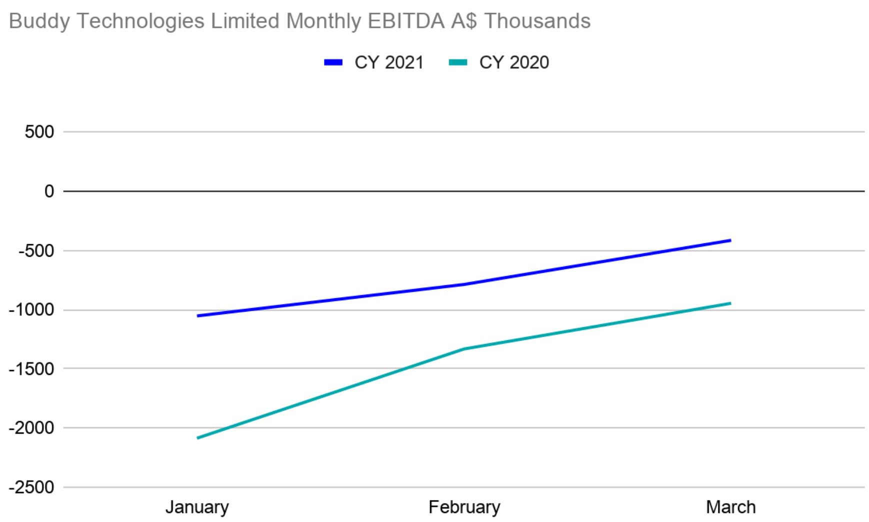
Investors should note that the large spike of manufacturer purchase orders that LIFX placed in the quarter has disproportionately increased gross operating cash outflows. With respect to current assets, it is evident that the Company has turned cash into inventory (with $12.9 million of inventory and prepayments on hand as at 31 March 2021), and the highest priority of the business in Q4 FY2021 is therefore to turn that inventory back into cash through filling customer orders and to use that cash to place replenishment orders with our manufacturers for product to meet 2H CY2021 needs.

An interesting data point from US retail sales for the quarter was that the trend towards online shopping remained intact from the pandemic-initiated shift in 2020. Amazon has now become the Company's largest customer, and regionally that is now true in both the U.S. and U.K./E.U. markets as well. Historically, and by way of example, LIFX has sold less than 15% of its inventory allocated to Best Buy through its online portal (bestbuy.com), but that shifted to more than 66% in 2020 and early 2021, despite Best Buy offering customers contactless front-door pickup from their retail stores. Only in early April has that online vs. in-store shift reverted - with LIFX sales in-store at Best Buy having just exceeded bestbuy.com for the first time this year. Given the investments made by the Company in new packaging, seeing product being replenished on physical store shelves is pleasing, and we look forward to seeing that channel continue to grow.

To that end, the Company will be further increasing its investments in our highest-margin direct to consumer sales strategies, principally through LIFX.com and its regional variants, but also by introducing direct purchasing of LIFX products through the LIFX mobile application. Consumer behaviour towards online and mobile has shifted in remarkable ways over the past 12 months and we have and will continue to make meaningful investments to capture that opportunity more fully. The Company has a significant back-log of orders on LIFX.com from customers who sought product during our stock-out period, and we are currently working to backfill those orders as our inventory and stock position has greatly improved.

In terms of physical stores, the Company's bold new packaging was also a factor in Q3FY21 sales, as some retailers elected not to proceed with ordering new SKUs until both their existing inventory was sold out and our warehouses were fully in stock with new packaged SKUs. This was to avoid the optics of having a mix of old and new packaging on-shelf, and should largely be resolved by this point. Europe is the laggard here - but reports are that this issue has largely been addressed and new packaging SKU orders are on the increase accordingly.





COVID-19 UPDATE
As the world begins to resume a new operating normal, the Buddy team worldwide continues to work largely from home. This continues to work well, and has afforded the team extra flexibility and cost-savings at the same time.

In mid-April, the Company took the 10% reductions in compensation for staff back to 5%.

The balance of staff compensation cuts aside, it is clear that while much progress has been made to mitigate the devastating impact of the COVID pandemic around the world, the impact on supply chains and customer purchasing behaviour remains significant. Navigating constant fluctuations in component availability, manufacturing lead times and shipping schedules are all things the business manages on a daily basis. It has been widely & publicly reported that semiconductor shortages are a major focus for the industry right now (including the U.S. Biden administration, which launched a 100-day review of the semiconductor supply chain and its impact on the U.S. economy, back in February 2021.

As released today, the Company is currently experiencing a critical component shortage which has paused manufacturing across the product range (refer to the ASX announcement dated 27 April 2021 for details). Buddy uses contract manufacturers and does not employ production line staff, so any period of production shutdown will not impact ongoing R&D, future product development and customer service/support.

Clearly, this is an all-hands on deck situation, and while our supply team is highly experienced in navigating component purchasing challenges, we've not previously ever had to deal with a situation of this nature. While it does introduce a very material uncertainty for the business, and may require the business to substantially adjust selling plans for this quarter (to ensure inventory can last through a shutdown period and therefore maintain our assortment at retail partners), we have confidence that parts will ultimately be found, or we will switch to a new component (pushing inventory into 2H CY2021).

BUDDY OHM UPDATE
Despite the ongoing shutdowns across Central and Latin America, we did welcome new customers to the Buddy Ohm platform in the quarter. We've added several new customers in the region who are using the product to perform vaccine cold-storage monitoring, with the healthcare/pharmaceutical space being one where we can play a particular role.

We also closed a deal in Spain with well-known supermarket Carrefour Group for 16 initial locations of a 55 site project on the basis of Buddy Ohm's Building Envelope monitoring product. This deployment will be conducted with the third largest listed owner of commercial property in continental Europe, Carmila Group (owned by Carrefour) in the coming months.

ASX LISTING RULE DISCLOSURES

CASH FLOW DISCUSSION

As at 31 March 2021 the Company's cash balance was A$1.6 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$4.1 million from the sale of LIFX products and provision of commercial services/products
- Expenditure of A$410k 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$10.1 million. This included payments made to our main supplier of A$4.2 million to reduce our liabilities as part of the debt restructuring and an investment of $4.4 million to increase the amount of inventory on and as well as work in process
- Advertising & marketing costs of A$688k
- Staff costs totaling A$2.6 million
- Administration and corporate costs of A$427k
- Interest and other income received of A$15k
- Payment of interest of A$5.1 million (A$4.7 million had been accrued at 31 December and was paid in the debt restructuring)
- Receipt of A$187k of government rebates and subsidies for COVID-19 support.
- Payment of A$665k for non-recurring costs related to the debt restructuring (such as legal fees) and FX costs.

Cash flows from investing activities during the quarter was primarily made up of the payment of A$24k for capital expenditures.

Cash flows from financing activities included:

- A$176k of proceeds from issuing equity securities for Directors who participated in the A$13 million fundraise at the end of 2020.
- Borrowings of A$30.1 million and repayments of A$20.3 million - most of which was part of the debt restructuring.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q3FY21, payments to related parties and their associates totalled A$73k during the quarter for the CEO's cash salary (which is fixed and paid in US$, 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

The Company's operational strategy in recent months has been clear - restructure the debt arrangements for the business, use the finance facilities available to order as much product as possible, and put as much product on retail shelves around the world as we can. That continues to be the primary drive for the business, and combined with an enhanced focus on direct to consumer and online sales, we continue to progress down this path.

Looking ahead, we have new products such as LIFX Switch U.S. coming to market in the next half, as well as new retailers and additional SKUs. We anticipate our Home Shopping Network TV spots to commence (after a last minute shift in scheduling) in May, and we were very pleased to be included as part of the United Kingdom's National Grid Green Light Signal campaign, where LIFX smart lights turn green to indicate a home is utilising a green/clean energy source.

Despite our current challenges, the Buddy team has never been more focussed, more committed nor more excited to get our newly repackaged products in consumer hands. Customers continue to have "surprise & delight" experiences with our products, and the investments we're making in our mobile experience, in-wall switching and partnerships with Amazon, Apple and Google on voice control are all yielding results. There is an unprecedented demand worldwide from consumers of smart lighting, and LIFX's smart lights remain amongst the best value, premium experience products in the category. We look forward to reporting on additional progress during the quarter, especially as we work to sell through our current inventory levels, resolve the critical parts shortage and grow our share of smart home retail around the world.

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	Quarter ended ("current quarter")
21 121 184 316	31 March 2021

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		4,096	17,958
1.2	Payments for			
	(a)	research and development & web costs	(410)	(1,326)
	(b)	product manufacturing and operating costs	(10,051)	(22,542)
	(c)	advertising and marketing	(688)	(1,908)
	(d)	leased assets		
	(e)	staff costs	(2,587)	(7,526)
	(f)	administration and corporate costs	(427)	(1,584)
1.3	Dividends received (see note 3)			
1.4	Interest received		15	123
1.5	Interest and other costs of finance paid		(5,146)	(6,399)
1.6	Income taxes paid			
1.7	Government grants and tax incentives		187	2,034
1.8	Other (FX & restructuring costs)		(665)	(1,070)
1.9	**Net cash from / (used in) operating activities**		**(15,545)**	**(22,240)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	entities		
	(b)	businesses		
	(c)	property, plant and equipment	(24)	(625)
	(d)	investments		
	(e)	intellectual property		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(f) other non-current assets		
2.2	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)		
2.6	**Net cash from / (used in) investing activities**	**(24)**	**(625)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	176	13,000
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)
3.5	Proceeds from borrowings	30,094	33,091
3.6	Repayment of borrowings	(20,314)	(24,185)
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**	**9,956**	**21,266**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,220	2,502
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(15,545)	(22,240)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(625)

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)	9,956	21,266
4.5	Effect of movement in exchange rates on cash held	(44)	659
4.6	**Cash and cash equivalents at end of period**	**1,563**	**1,563**

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	1,563	7,220
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)**	**1,563**	**7,220**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	73
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Explanation of amounts in 6.1:

A$ equivalent of payroll compensation paid to CEO of US$56,250 which is 90% of his contracted salary

		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
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	23,591	23,591
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	23,591	23,591

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

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: **Eastfield Line of Credit (LoC)**
Total facility US$3.0 million
Total drawn at 31 March 2021: US$3.0 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 assets
Payment: Payment is due in October 2021.

Loan facility: **PFG Line of Credit**
Total drawn at 31 March 2021: US$10.0 million
Total Facility Amount: US$10 million
Use of funds: Working capital
Lender: Partners For Growth
Interest Rate: 12.5%.
Secured or unsecured: secured by receivables and inventory
Payment: Revolving LoC
Term: December 2023

Loan facility: **PFG Term Loan**
Total drawn at 31 March 2021: US$7.5 million *
Loan: Term Loan
Total Facility Amount: US$7.5 million *
Payments:
Use of funds: refinancing previously existing debt
Lenders: Partners For Growth
Interest Rate: 12.5%
Secured or unsecured: secured by company assets
Payment: monthly payments of principal of US$197,368 plus interest due
Term: April 2024

*a second tranche of US$2.5 million was made and offset by payment of BUD shares. This tranche had the same terms as the PFG Term Loan above

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(15,545)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,563
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,563
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	0.1

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: The level of operating cash outflows in this quarter will be much lower in the upcoming quarters for the following reasons:

1.) Cash collections (item 1.1 above) should have been $875 thousand higher due to a payment from a customer that was sent to a closed bank account prior to 31 March but was not redirected to the correct account (and therefore received by the Company) until April 2021 and thus was not included in operating cash.
2.) Operating cash outflows in item 1.5 above included a one-time payment of $4.7 million for accrued interest as part of the 4 January debt refinancing. Based on our current balances of PFG debt, our interest payments would equate to US$182 thousand per month or less.
3.) Operating cash outflows in item 1.8 above included a one-time payment of $627 thousand for costs (including legal fees) associated with restructuring the debt and 4 January debt and payables refinancing.
4.) Operating cash outflows (item 1.2b) included a one-time payment of $4.2 million to our main supplier as part of the 4 January debt and payables refinancing
5.) For the quarter-ended 31 March, the Company invested $4.4 million in increasing inventory work in process levels from the end of the previous quarter. These investments were included in product manufacturing and operating costs (item 1.2b above)

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: Yes. In addition to the fact that much of our upcoming Cost Of Goods Sold has been prepaid (and thus minimizing future cash outflows), the Company will or may:

1.) Shift more inventory to direct customer sales, which is converted to cash more quickly than sales to retailers
2.) Take advantage of existing (or offering new) payment discounts from our retail partners for quick payment of their obligations to the Company
3.) Reduce cash-based expenses where appropriate
4.) Draw on a pre-existing share-based agreement

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: Yes, on the basis that the company will be able to generate cash sufficient to operate as a going concern.

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: 27 April 2021

Authorised by: ....
David McLauchlan for the Board

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.