



Company Update and Entitlement Offer

Buddy Technologies Limited

BUD.ASX

July 2021

BUDDY TECHNOLOGIES LIMITED

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By attending an investor presentation or briefing, or accepting, accessing or reviewing this document you acknowledge and agree to the "Disclaimer" as detailed above.

BUDDY TECHNOLOGIES LIMITED - GROUP MISSION

Making Every Space Smarter

The Buddy Technologies group mission is to “make every space smarter”.

Buddy’s go-to-market brand, **LIFX**, achieves this with a range of smarter light and power solutions.

In time, we believe most LED light bulbs sold worldwide will be “smart”.

We have an opportunity to be a leading brand in that already multi billion-dollar market.



The Last 3 Months

Debt Restructure

- The Company has refinanced its US\$10m term debt facility with PFG, whereby (amongst other matters) BUD has agreed to make a pre-payment of US\$2.5 million of outstanding amounts owing to PFG (PFG Payment); and negotiated a settlement with its primary manufacturer, Eastfield, of amounts owing under a line of credit and old accounts payables (which totaled ~US\$5.6m) via the payment of US\$2.75m payment to Eastfield (being, US\$3.02m of debt forgiveness) (Eastfield Payment).
- As part of the debt restructure, proceeds from Placement and the Entitlement Offer will be utilised as follows:
 - US\$1 million raised under the Placement will be utilised to pay a proportion of the Eastfield Payment
 - the first US\$1.75 million raised under the Entitlement Offer will be utilised to pay the remainder of the Eastfield Payment
 - the next US\$2.5 million raised under the Entitlement Offer will be utilised to make PFG Payment
- If BUD does not raise sufficient funds under the Entitlement Offer to pay the remainder of the Eastfield Payment and/or make the PFG Payment, BUD will either issue to PFG promissory notes with a face value of up to US\$4.25 million (Promissory Notes) or convertible notes which are convertible into Shares, at a conversion price of A\$0.025 per Shares, at the election of PFG (Convertible Notes) and proceeds from the Promissory Notes or the Convertible Notes will be utilised to pay the remainder of the Eastfield Payment and/or make the PFG Payment.
- Buddy will seek Shareholder approval to approve the issue of the Convertible Notes and, if Shareholder approval is not obtained, Buddy will issue Promissory Notes to PFG (if required).
- If BUD makes the PFG Payment in cash via proceeds from the Entitlement Offer it will have repaid nearly half of the facility (~US\$4.8m), with 34 months remaining on the 40-month facility, and will have realised a savings of over A\$600k in interest payments over the remaining term of the facility.
- PFG and Buddy have made no changes to the US\$10m working capital facility that will continue to be used to fund manufacturing and other working capital requirements.
- Fees payable to PFG under the debt restructure include:
 - a 3.5% back-end restructure fee based on the outstanding balance of the loan (being approximately US\$500,000) payable either in cash at maturity or BUD can elect to pay 50% of this fee via the issue of shares subject to shareholder approval
 - a 0.5% restructuring fee payable in cash following completion of the Entitlement Offer
 - a commitment fee of US\$875,000 plus 50% of any amount over US\$1.75m drawn down under the Promissory Notes or Convertible Notes, to be satisfied by the issue of equity at A\$0.025 (plus the issue of options on the same terms as the options issued under the Offer) (subject to shareholder approval).

The Last 3 Months

Debt Restructure (cont'd)

- Terms of the PFG promissory notes are as follows:
 - Security: Senior Secured, pro rata with existing PFG debt
 - Maturity: 4 May 2024
 - Interest Rate: 12.50% payable monthly
 - Buddy will be required to repay PFG an amount equivalent to 1.5 times of the principal amount and any accrued interest on the maturity date
 - Terms of the PFG convertible notes are as follows:
 - Security: Senior Secured, pro rata with existing PFG debt
 - Maturity: 4 May 2024
 - Interest Rate: 12.50% payable monthly
 - Conversion price: A\$0.025 (subject to shareholder approval)
 - If PFG does not elect to convert the promissory notes prior to the maturity deed, Buddy will be required to repay PFG an amount equivalent to the principal amount and any accrued interest.
 - No Promissory Notes or Convertible Notes will be issued until after the close of the Offer and after the general meeting of Shareholders has occurred and if, Shareholder approval is not obtained, Buddy will issue Promissory Notes (being a debt instrument) rather than the Convertible Notes.
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Reporting Error

- On 27 April, BUD announced a reporting error and retracted an overstatement of revenues for March 2021 that stemmed from inter-company sales having been accidentally counted as revenue and reported as sold inventory.
 - BUD believes this is a once-off error, and audits/checks have shown no other prior occurrence
 - two staff have been added to the finance team and processes put in place to rectify including adding data connectors to warehouses and significantly improved inventory tracking systems being deployed.
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Reducing Expenses

- The Company has adopted an updated business plan, including implementing various measures to continue to reduce expenses in respect to personnel, research and development and general and administrative expenditure, while seeking to grow revenues through (amongst other matters) resolving inventory constraints and restructuring certain aspects of its businesses.
-

The Last 3 Months

Critical Component Supply

- On 27 April BUD announced suspension of manufacturing scheduling, as the Company's allotment of a critical semiconductor component had been sold by the component's supplier to another party
 - Actions taken:
 - earnings guidance for FY21 was withdrawn on 27 April
 - functionally identical part from an alternative supplier was evaluated, successfully tested & ordered
 - spot purchases of the original component were sourced to enable partial manufacturing to resume
 - Outcome:
 - ~134,000 lights arrived in May vs. expected ~195,000 (~68%) and materials to build ~75,000 units in June
 - critical component shortage is estimated to have a net impact of 8-12 week shift in production
 - 1.0 million parts of the critical component (of 2.8 million ordered for balance of 2021 production) have been allocated for August.
-

Equity Raising

- BUD is undertaking an equity raising (Equity Raising or Offer) of new fully paid ordinary shares in the Company (New Shares). The Offer comprises a:
 - \$6.5 million institutional placement (Placement) for which firm commitments have been received; and
 - Up to approximately \$10 million in a 1 for 7.5 pro rata non-renounceable entitlement offer (**Entitlement Offer**)
 - A total potential raising size of up to \$16.5 million.
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Use of Funds

- Placement: funds will be used for the working capital needs of the business + US\$1m paid to Eastfield
 - Entitlement Offer: funds will be used for the repayment of the remaining US\$1.75 million to Eastfield, a pre-payment of US\$2.5 million to PFG, and then for the working capital needs of the business.
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The Last 3 Months

Board of Directors

- Three non-executive directors resigned and have been replaced with two interim executive directors, Paul Russell (VP of Software Engineering) and James Nelson (Senior Director of eCommerce)
 - The Board is in the process of identifying board members with retail, manufacturing and technology experience to complement the Board.
-

Operating Update

- Second manufacturer commenced production of first of new 2021 products in June, first light bulbs to be manufactured in September in time to supply holiday 2021 (Thanksgiving, Black Friday, Christmas)
 - Have been receiving weekly shipments of inventory to warehouses from over US\$17 million in manufacturing orders placed at end of 2020/early 2021 (nearly A\$40 million of retail invoice value); given parts shortages, now expect all to be delivered by the end of August 2021
 - Range of new/updated products being introduced:
 - LIFX Clean, germicidal, anti-bacterial technology ← now available at Best Buy, Amazon.
 - LIFX Lightstrip Gamer & TV
 - LIFX Switch Glass (AU/NZ + USA) and LIFX Switch (North America)
 - LIFX Downlight (worldwide)
 - LIFX Beam
 - LIFX Nightvision
 - 2-packs in most popular SKUs, 4-packs depending on region
 - Closely working with Amazon, Apple and Google to support 'Matter', the new smart home and connectivity and control alliance. Will be amongst first in the world to support – opportunities for sales partnerships with these major partners.
 - New retailers expected to come on-board (Costco, Home Depot, BJ's Warehouse Club, Army/Air Force Exchange)
 - Restocked LIFX.com and have added an in-app store on the LIFX mobile app – strong early performance.
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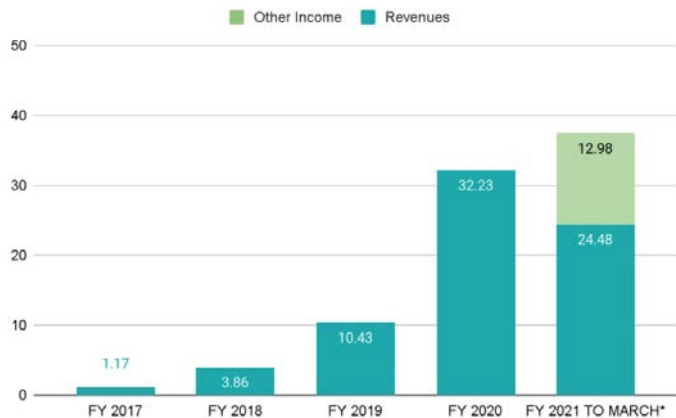


Company Update

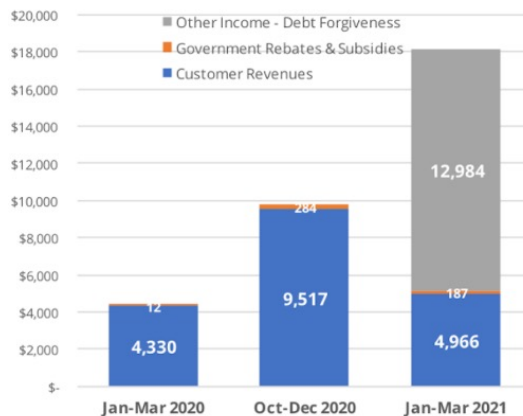
Q3 FY2021

Revenue & Expenses

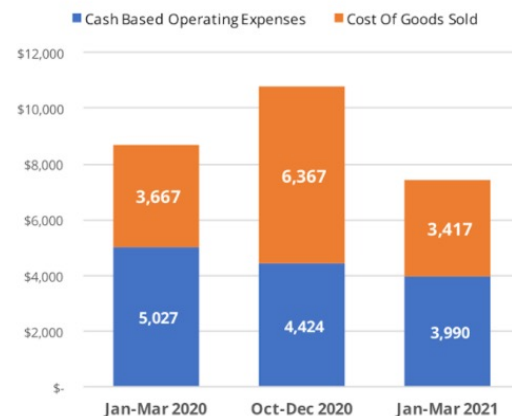
Buddy Technologies Limited Revenue (A\$), millions



Revenues (000's)



Cash-Based Operating Expenses (000's)



Q3FY21 revenues - Customer revenues of **A\$5.0 million** (up 15% over the prior corresponding period), government rebates and subsidies of A\$187k and other revenue (debt forgiveness) of A\$13.0 million for **total Q3FY21 revenue of A\$18.1 million**.

Q3FY21 EBITDA - Adjusted EBITDA of **negative A\$2.3 million** (not including other income of A\$10.7 million) for the quarter. Adjusted EBITDA was **improved by A\$2.1 million** over the prior corresponding period.

BUDDY TECHNOLOGIES LIMITED

Board of Directors



Rick Borenstein

Non-executive Chairman



(US) Chairman @ Sequoia Partners, Inc.; Chairman @ Tastewise.io; Partner @ Newtrition VC Fund; former Board of Trustees @ National Public Radio (NPR); MBA, Harvard University.



David McLauchlan

Executive Director



(US) CEO @ Buddy Technologies Ltd; 11 years @ Microsoft Corporation; ex Technical Advisor @ Bill & Melinda Gates Foundation; Co-Founder @ TVInteract (sold 2016).



Paul W. Russell

Executive Director



(AUS) VP of Software Engineering @ Buddy Technologies Ltd; Enterprise Architect; 17 years @ global consulting engagements; Bachelor of IT from Queensland University of Technology.



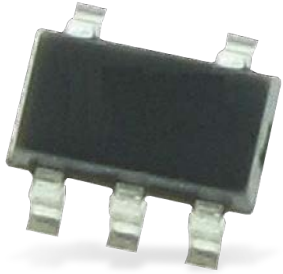
James V. Nelson

Executive Director



(AUS) Senior Director of eCommerce @ Buddy Technologies Ltd; ex Head of Global Online Commerce @ Aesop; ex Digital Marketing @ Cotton On Group; Bachelor of Science from Flinders University.

Parts Supply – May



Buddy announced in April that due to a critical part shortage, scheduled LIFX manufacturing runs were suspended. We sourced replacement quantities of the component that was in critically short supply, which allowed us to partially resume May production schedules.

In May we delivered ~134,000 lights (~68%) vs. expected ~195,000 lights.

To de-risk, a functionally identical part from a competitive supplier underwent electrical and stress testing and so having passed those tests, orders have now been placed across both suppliers for 2.8 million pieces of this critical part, which would satisfy all 2021 requirements if supplied.

2021 MANUFACTURING & SUPPLY

Parts Supply - June

The Company was in possession of sufficient raw materials and components to **manufacture more than 72,000 units of product in June.**

The critical component shortage has resulted in an overall net impact to the business of approximately a 12-week shift in production scheduling in 2H 2021.

Further allotment of 1.0 million pieces of a critical component (refer to ASX announcements on 27 April 2021, 7 June 2021 and 16 July 2021) is anticipated to be delivered to the Company's manufacturers by end of August.

Supply chains

+ Add to myFT

Chip shortage to last until at least mid-2022, warns manufacturer

Forecast from Singapore-based Flex comes as scarcity forces carmakers to scale back production



Chipmakers have been overwhelmed by the sharp increase in demand across the car, medical devices and consumer electronics industries © AFP via Getty

Harry Dempsey YESTERDAY

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The global chip shortage disrupting the car industry and threatening the supply of consumer technology products will last for at least another year, one of the world's largest electronics contract manufacturers has warned.

Second Manufacturer



LIFX Switch Glass is currently in production with our newly online second factory.

LIFX Switch (North America) commenced production on **June 8th** with the second factory.

LIFX Color will be the first smart light mass produced by the second factory. First design, validation and testing units will be manufactured **late July**, while first mass production run commences **September**.

To help mitigate long-lead time part delays (or shortages), second manufacturer will purchase critical parts and store them onsite for up to 1 year at no cost to Buddy.

Inventory



We have been receiving approximately weekly shipments to our warehouses in Australia, Europe and North America. These shipments are from manufacturing orders placed in November 2020 and January 2021.

We ordered US\$17.6 million of inventory at COGS value (**nearly A\$40 million of customer invoice value**), which given the critical component shortage and associated delays, most is now expected to be delivered by the end of August 2021.

While we are seeing shortages of some SKUs due to parts shortages, our general inventory position is well improved. Retailers are getting replenished and we are servicing orders of increasing size, especially those that led into Amazon Prime Day (June 21-22).

NEW PRODUCTS

Let's talk about new products for 2021



UPDATE

LIFX Clean & COVID-19

405nm wavelength HEV light (the type of germicidal, anti-bacterial technology used in LIFX Clean) has been confirmed in three independent laboratory tests to also be anti-viral, deactivating influenza-A and the SARS-CoV-2 virus, which causes COVID-19.

LIFX will immediately seek to conduct efficacy tests to measure the effect of LIFX Clean on SARS-CoV-2. If these tests are successful, the product may meet U.S. EPA regulations for labelling LIFX Clean effective on SARS-CoV-2/COVID-19.

The testing is expected to take 4-5 months, and so may be complete in time for Black Friday/Cyber Monday and holiday sales.

[*Lighting a better future: the virucidal effects of 405 nm visible light on SARS-CoV-2 and influenza A virus | bioRxiv](#)

NEW IN 2021

LIFX Clean now shipping



NEW in 2021: LIFX Clean, the world's first germicidal, anti-bacterial smart light is now shipping in U.S. retail locations (and available elsewhere on LIFX.com).

LIFX Clean is shipping in 1-packs and 2-packs at Amazon, Best Buy and JB Hi-Fi in Australia (more to come).

NEW IN 2021

LIFX Lightstrip Gamer & TV



New in 2021: LIFX Lightstrip Gamer and TV will be the industry's first smart black lightstrips.

Designed to provide "bias lighting" behind TVs or computer monitors, this is an exciting product that we expect will be popular amongst the big-screen TV enthusiast and gaming community.

NEW IN 2021

LIFX Switch Glass



New in 2021: LIFX Switch Glass is a premium 4-button smart switch that can control non-smart lights as well as LIFX smart lights.

It has a premium glossy glass finish, is sold in Australia/New Zealand and now in North America too.

It comes in white or black, and the four backlit buttons can be configured to any colour or brightness desired.

MSRP: US\$99.99 / A\$179.99

NEW IN 2021

LIFX Switch (North America)



New in 2021: LIFX Switch (North America) is a high quality 2-button smart switch that can control non-smart lights as well as LIFX smart lights.

It is designed and priced for mass market adoption and can be installed in new builds or retrofits. It is now on sale in the U.S. and Canada.

It comes in white or black, and the two backlit buttons can be configured to any colour or brightness desired.

Feature for feature, we believe it may be the most price competitive smart switch in the market.

MSRP: US\$49.99

NEW IN 2021

LIFX Downlight (Worldwide)



New in 2021: LIFX Downlight (Worldwide) is the company's first downlight fixture product in the U.S. market, but will be offered for sale in all global markets.

These will be a mid-tier, mass market product and will supplement the premium 100mm downlight that is a top-seller for LIFX in Australia & EU.

Expected MSRP in Australia: A\$59.99 (each)

Expected MSRP in the U.S.: US\$89.99 (2-pack)

Shipping in September 2021.

UPDATED IN 2021

LIFX Beam



Relaunch in 2021: LIFX Beam is a unique product with no direct competition from Philips Hue, Sengled or others.

It has found renewed popularity in 2021, possibly driven by social media trends, and is regularly sold out at Amazon and Best Buy.

We will be relaunching this product with attractive margins.

MSRP: US\$179.99

UPDATED IN 2021

LIFX Nightvision



Updated in 2021: LIFX Nightvision is a full featured smart light with infrared illumination to help security cameras perform much better in low-light environments.

This product sold in low volumes under a previous name and packaging. Now it is sold as a premium upsell to our flagship A19/A60 product.

(without LIFX Nightvision)



(with LIFX Nightvision)



NEW IN 2021

Growing Share with Multi-Packs



New in 2021: 2 & 4-Packs in most popular SKUs.

We learnt through experimentation in the Australian market in 2020 that placing 2-packs on shelf at appealing prices helps drive average spend upwards.

We can price 2-packs attractively as COGS is less than 2x single packs. In certain markets we will also introduce 3-packs or 4-packs.

We will place more multi-packs into retail, and reserve more 1-packs for LIFX.com online stores.

NEW IN 2021

Matter



Matter is a new smart home connectivity and control alliance being led by the Connectivity Standards Alliance, including Apple, Amazon and Google.

Devices that comply with Matter will be controllable and connectable with each other.

This will dramatically reduce the footprint of connectivity technologies we need to support in our products (HomeKit, Alexa, etc...)

All three companies are heavily courting LIFX to be amongst the first to support Matter. We have given commitments to these partners that this will be the case.

NEW IN 2021

New Retailers



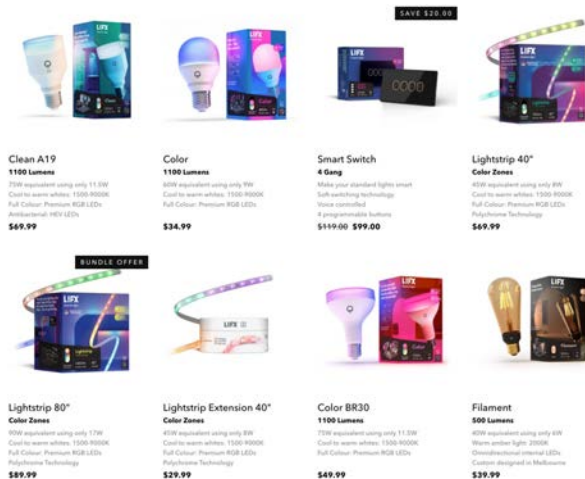
In 2021, Buddy is expected to add new retailers that will assort LIFX smart lights.

Retailers usually update their assortments 2x per year, so deals done in 2H 2020 will usually result in on-shelf assortments by 2H 2021.

In nearly all cases, we anticipate being online with these retailers first, and then on shelf by holiday 2021.

NEW IN 2021

LIFX.com & E-Commerce



Stock has now returned to most of our online stores, and clear growth has been achieved (see right).

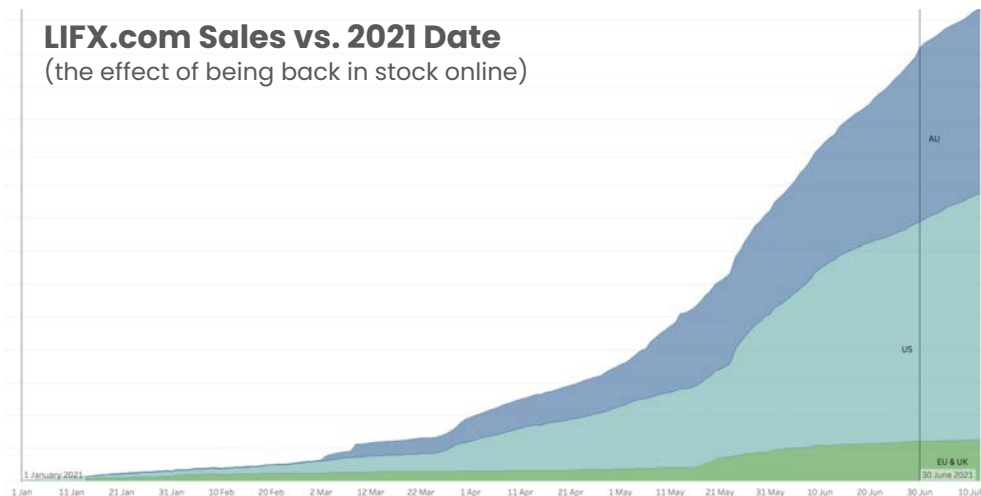
The LIFX.com.au store in Australia is now our 2nd largest retail channel in Australia.

We have launched an in-app store on the LIFX mobile app to capture sales from our most engaged & active customers.

Selling direct to consumer yields higher margins for the business, however the cost of customer acquisition is also higher.

Thus, the strategy is to win the customer in major brick'n'mortar retail, then win their subsequent purchases through direct channels.

LIFX.com Sales vs. 2021 Date
(the effect of being back in stock online)



Equity Raising



Overview of Equity Raising

Offer structure

- BUD is undertaking a non-underwritten equity raising of new fully paid ordinary shares in the Company. The Offer comprises a:
 - \$6.5 million institutional placement (**Placement**); and
 - Up to approximately \$10 million in a 1 for 7.5 pro rata non-renounceable entitlement offer (**Entitlement Offer**)
- A total potential raising of up to \$16.5 million; up to approximately 660 million new ordinary shares (**New Shares**)
- Placement shares will not be tradable until after lodgement of the Entitlement Offer prospectus. This is currently anticipated to be prior to settlement of the Placement (see timetable below).

Offer price

- All shares under the Placement and Entitlement Offer will be issued at \$0.025 per New Share (**Offer Price**)

Options

- Each Placement and Entitlement Offer share will receive 0.5 options (subject to shareholder approval for options attaching to Placement shares)
 - \$0.05 exercise price, exercisable any time within 3 years from the date of issue
- Options attaching to Placement shares will be subject to shareholder approval
- BUD will apply for new options to be listed

Entitlement Offer

- Entitlement Offer to existing eligible shareholders
- The Entitlement Offer will open on 29 July 2021 and close at 5:00pm on 23 August 2021
- Eligible shareholders may subscribe for amounts in excess of their pro-rata entitlement

Ranking

- All New Shares issued under the Equity Raising will rank pari passu with existing shares on issue

Record date

- 5:00pm (Sydney time) 26 July 2021

Capital Structure

	Placement and Convertible Notes	Placement and Entitlement Offer ¹
Current Quoted Ordinary Shares	3,000,332,100	3,000,332,100
Placement Shares	260,000,000	260,000,000
Entitlement Offer Shares	0	400,000,000
Placement and Entitlement Offer Options ²	130,000,000	330,000,000
Shares to PFG under the Debt Re-financing Arrangement	150,766,557 ³	84,099,891 ⁴
Shares upon Conversion of Convertible Notes	226,666,666 ⁵	–
Options to PFG under the Debt Re-financing Arrangement ⁶	56,666,667	23,333,334
Performance shares	31,833,333	31,833,333
Employee incentive Performance Rights	80,939,055	80,939,055
Options (\$0.0324, expire 16/10/2021)	30,000,000	30,000,000
Options (\$0.0759, expire 1/4/2024)	50,000,000	50,000,000
Options (\$0.0759, expire 29/3/2023)	532,765	532,765
Warrants (\$0.058, expire 10/3/2026)	50,000,000	50,000,000
Options (\$0.05, expire 30/7/2024)	20,000,000	20,000,000
Total	4,087,737,143	4,361,070,478

1. Assumes A\$10 million is raised under the Entitlement Offer

2. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024. Placement Options are subject to shareholder approval.

3. Assumes an AUD/USD exchange rate of 0.75 and promissory notes/convertible notes of a value of US\$4.25 million are issued. Approximately 113,333,333 Shares to be issued as a commitment fee (subject to shareholder approval), approximately 13,440,000 shares to be issued, being 50% of the back-end restructuring fee, (subject to shareholder approval) and 23,993,224 Shares to be issued as part of the T2 Loan amount will be issued under the Company's existing Listing Rule 71 capacity.

4. Assumes an AUD/USD exchange rate of 0.75 and the maximum amount of A\$10 million is raised under the Entitlement Offer (ie. no convertible or promissory notes are issued). Approximately 46,666,667 Shares to be issued as a commitment fee (subject to shareholder approval), 13,440,000 Shares, being 50% of the back-end restructuring fee, (subject to shareholder approval) and 23,993,224 Shares to be issued as part of the T2 Loan amount will be issued under the Company's existing Listing Rule 71 capacity.

5. Assumes an AUD/USD exchange rate of 0.75 and based on a conversion price of A\$0.025.

6. Each with an exercise price of A\$0.05 and an expiry date of 30 July 2024

Offer Timetable

Event	Date ¹
Announcement of Placement and Entitlement Offer	16 July 2021
Lodgement of Prospectus with ASIC and released to ASX	20 July 2021
"Ex" Date	23 July 2021
Record Date for the Entitlement Offer (at 5.00pm EST)	26 July 2021
Dispatch of Prospectus	29 July 2021
Entitlement Offer Opening Date	29 July 2021
Last day to extend the Entitlement Offer Closing Date	18 August 2021
Entitlement Offer Closing Date (at 5.00pm EST)	23 August 2021
Securities quoted on a deferred settlement basis	24 August 2021
Announce results of Entitlement Offer	26 August 2021
General Meeting	26 August 2021
Issue New Securities under the Entitlement Offer	27 August 2021
ASX Quotation of New Shares and New Options commences	27 August 2021

1. This timetable is indicative only and may change without notice

Key Risks



Key Risks

A number of risks and uncertainties, which are both specific to Buddy and of a more general nature, may affect the future operating and financial performance of Buddy and the value of its shares. This section describes some, but not all, of the key risks associated with an investment in Buddy which potential investors should consider together with publicly available information (including this Presentation) concerning Buddy before making an investment decision. Investors should consult their own professional, financial, legal and tax advisors about the risks and the suitability of investing in light of their particular circumstances. The risks and uncertainties described below are not exhaustive and are not the only ones facing Buddy. Additional risks and uncertainties that Buddy is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Buddy operating and financial performance.

Future Capital Needs and Additional Funding

At present, the Company is not operating on a cash flow positive basis, meaning it is reliant on its debt facilities with PFG and/or raising additional funds from investors to continue to fund its operations. The Company intends to continue to spend significant funds to manufacture LIFX products and expenses may continue to exceed revenue, resulting in further net losses in the future. The Company will have significant debt following completion of the Entitlement Offer, particularly if it raises less than US\$4.25 million under the Entitlement Offer (being approximately A\$5.67 million) and issues Promissory Notes or Convertible Notes to PFG.

The Directors consider that the Placement will provide the Company with sufficient working capital to continue to operate as a going concern and progress its operations (refer to the Company's ASX aware responses dated 21 June 2021 and 16 July 2021). However, the Company may require additional funding in the future to finance ongoing operations and its debt obligations. The future capital requirements of the Company (both in respect to timing and quantum) will depend on many factors, including whether the Company can grow existing revenues and achieve its business strategy/plan.

No assurances can be given that the Company will be able to raise additional funding and the Company's ability to obtain additional funding will depend on investor demand, its performance and reputation, market conditions and other factors. The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and business may have a material adverse effect on the Company's business and its financial condition and performance. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable. If the Company continues to incur losses in the future, the net losses and negative cash flows may have an adverse effect on Shareholders equity and the Company's working capital.

Critical Component Availability and Manufacturing

The Company's ability to manufacture LIFX products is dependent on the availability of a number of key inputs, including the critical semiconductor component for the Company's smart lights (refer to the recent critical component shortage detailed in the ASX announcements dated 27 April 2021 and 7 June 2021). Any disruptions, component shortages, price increases or negative changes to availability or economics of the supply chain for key inputs (in particular, a shortage of critical components) could curtail the manufacturer's ability to manufacture of LIFX products.

Key Risks

In order to mitigate this risk, the Company has placed orders for 2.8 million pieces of a replacement component (refer to the ASX announcement dated 7 June 2021) and has recently been advised that it has been allocated 1 million pieces of the critical component for August delivery. The Company intends to utilise funds raised under the Placement and Entitlement Offer to acquire additional critical component stock. No assurances can be given that the Company will be successful in maintaining its supply chain (including the supply of critical components) and any significant interruptions or negative changes in availability of inputs could materially affect the business, financial condition and operating result of the Company.

Implementation of New Business Plan and Expense Reduction Measures

The Company has adopted an updated business plan, which includes implementing various measures to continue to reduce personnel, research and development and general and administrative expenditures, while seeking to grow revenues through (amongst other matters) resolving inventory constraints and restructuring certain aspects of its businesses. There are risks inherent to any company implementing a new business plan and reducing expenses in its business and there is no certainty that the Company's new business plan will be successful. Further, if the Company is unable to achieve any of its objectives, this may materially and adversely impact the Company's financial performance, reputation and ability to achieve future profitability.

Reliance on Major Customer

A significant portion of the Company's existing revenue is derived from the sale of LIFX products, specifically to Amazon, and there is a risk that Amazon may cease to purchase LIFX products or significantly reduce the number of LIFX products purchased. Although the Company has no reason to believe that Amazon will terminate its existing arrangement with the Company or reduce the number of LIFX products purchased, there is no assurance that circumstances may not change in the future. If Amazon terminates its existing arrangement or significantly reduces the number of LIFX products purchased, this may have a material adverse impact on the Company's revenues.

Late payments/ payment disputes and non-payment from customers

If a material portion of customers, or in particular Amazon, were to default, or are late, in payment for LIFX products under their respective arrangements with the Company this could have a material adverse effect on the Company's business, operating results and financial condition. In order to mitigate this risk, the Company undertakes due diligence and the requisite credit checks in respect to each of its customers prior to entering into an arrangement.

Reliance on Key Relationships

The Company relies on its manufacturing partners, including its primary manufacturer Eastfield, for the manufacturing of its LIFX products offered to the market. If the Company's manufacturing partners cease to meet their commitments and/or obligations to the Company, including due to component shortages, loss of key licences or permits, this could have a material adverse effect on the Company's business, financial condition, operations and prospects.

Key Risks

Competition

There is a risk that new entrants in the market which may disrupt the Company's business and existing market share. Existing competitors as well as new competitors entering the industry, may engage in aggressive client acquisition campaigns, develop superior technology offerings or consolidate with other entities to deliver enhanced scale benefits. Such competitive pressures may materially erode the Company's market share and revenue and may materially and adversely impact the Company's revenue and profitability.

A general increase in competition may also require the Company to increase marketing expenditure or lower costs, which would decrease profitability even if the Company's market share does not decrease.

The Company's Products may be Superseded by Others

The Company participates in a competitive environment. Smart lighting products are continuing to develop and are subject to rapid change, as business practices continue to evolve. The Company's success will in part depend on its ability to offer products that remain current with the continuing changes in technology and changing consumer preferences. There is a risk that the Company will not be successful in addressing these developments in a timely manner, or that expenses will be greater than expected. In addition, there is a risk that new products or technologies (or alternative systems) developed by third parties will supersede the Company's technology. This may materially and adversely impact the Company's revenue and profitability.

COVID-19 Risk

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global capital markets, commodity prices and foreign exchange.

To date, the COVID-19 pandemic has had a material impact on the Company's operations due to critical component shortages (referred to above), however, additional waves of infections could further impact the supply chain and result in the Company and/or its manufacturers' operations being suspended and otherwise disrupted for an unknown periods of time, which may have an adverse impact on the Company's operations as well as adverse implications on the Company's future cash flows, profitability and financial condition.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects.

Key Risks

Reliance on Core Information Technology and Other Systems

The operation of LIFX products and the Company's platforms are dependent upon the performance, reliability and availability of its information technology and communication systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war or a breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause one or more of those core technologies to become unavailable. There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or Manufacturer or other technical issues. The disaster recovery plans of the Company may not adequately address every potential event, and its insurance policies may not cover loss or damage that the Company suffer as a result of a system failure.

Any damage to, or failure of, the Company's key systems can result in disruptions in the use of LIFX products by consumers and the Company's ability to operate its various data aggregation and management platforms for the IoT and connected devices. Such disruptions have the potential to reduce the ability of the Company to generate revenue, impact consumer service levels and damage the respective brand values of the Company. This could adversely affect the Company's ability to generate new business and cause it to suffer financial loss.

The industry in which the Company is involved in is also subject to rapid and significant changes in technology. The impact of these changes on the Company cannot be predicted. The costs associated with implementing emerging and future technology changes could be significant.

Intellectual Property

The Company intends to pursue intellectual property protection in the form of patents for newly developed technologies. However, if the Company fails to protect the intellectual property rights adequately, competitors may gain access to its technology which may harm the Company's business.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trade mark, copyright and trade secret protection may not be available to the Company in every country in which LIFX products are sold and/or the platform may eventually be launched. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

Market conditions depending, the Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

In addition, unauthorised use of the "Buddy" or "LIFX" brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

Key Risks

Technology Sector Risks

The technology sector is characterised by rapid change. New and disruptive technologies can place competitive pressures on existing companies and business models, and technology stocks may experience greater price volatility than securities in some slower changing market sectors.

The value of the Company's securities may be adversely affected by any general decline in the valuation of listed securities and/or adverse market sentiment towards the technology sector in particular, regardless of the Company's operating performance.

Litigation Risks

The Company is exposed to litigation risks including intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Further, the Company is presently in dispute with CST Capital Pty Ltd ATF the CST Investments Fund (refer to the ASX announcements dated 6 November 2020, 15 December 2020 and 16 July 2021 for further details). Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

Reliance on Key Personnel

The Company operates in a rapidly growing and competitive sector. It relies heavily on the core competencies and expertise of its key employees in technical, engineering and sales and marketing. The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. Further, the Company growth and financial performance may suffer if it is unable to secure the quality and quantity of new employees it requires to facilitate its growth due to industry competition for these skills.

Trading Price of Securities

The price at which the Securities are quoted on ASX may increase or decrease due to a number of factors outside of the Company's control and which are not explained by the fundamental operations and activities of the Company. The price of Securities may be subject to varied and often unpredictable influences on the market for equities, including, but not limited to, general economic conditions including the performance of the Australian dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks, and hedging or arbitrage trading activity that may develop involving the Securities. These factors may cause the Securities to trade at prices above or below the price at which the Securities were initially acquired.

Thankyou.

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