



ASX MARKET RELEASE

Buddy Technologies Limited – March Quarterly 4C Review (Q3FY19)

30 April 2019 – Adelaide, South Australia

Buddy Technologies Limited (ASX: BUD) (“Buddy” or the “Company”), a leader in IoT and cloud-based solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the March 2019 quarter (Q3FY19).

SUMMARY

- Customer revenues: A\$1.135M, up 124% from the prior year.
- Customer cash receipts: A\$1.379M for the quarter, up 189% from the prior year
- The Company completed its acquisition of LIFX at the end of Q3FY19
 - If LIFX had been included for the entire quarter, pro forma customer revenues would have been A\$8.75M and pro forma customer cash receipts would have been A\$11.92M
 - LIFX “gross revenues” (total sales recognized prior to any deductions) applicable to the earn-out were US\$7.79M for the quarter (A\$10.89M).
- Subsequent to quarter-end, and in anticipation of the execution of full form documents on a A\$20M trade financing facility, the Company was provided with short term working capital funding of US\$2.8M (A\$3.9M)
- Buddy will reduce pre-LIFX business cash outflows to A\$1.2M per quarter from end of April 2019 onwards
- The Company continues to target 70-100% revenue growth in CY2019 from the prior year, as well as net profitability in CY2019
- Inventory on hand at 31 March 2019 was valued at A\$12.4M and outstanding accounts receivables were A\$5.13M
- Cash on hand at 31 March 2019 totalled A\$5.6M which does not include any of the financing announced on 6 February 2019.

Q3 FY2019 FINANCIALS

Given the recent acquisition of Lifi Labs, Inc. (“LIFX”) (see the 1 April 2019 announcement titled “LIFX Acquisition Completed”), the Company is providing both actual and pro forma results for the quarter ended 31 March 2019. Pro forma results are simply the sum of LIFX and Buddy’s financial figures for the quarter.

Additionally, it should be noted that any expenses incurred or cash outflows made by the Company related to the acquisition of LIFX are included in the cost of acquisition and are not included in cash-based operating expenses or gross operating cash outflows, however, any expenses incurred or cash outflows made by LIFX are included in cash-based operating expenses or gross operating cash outflows, respectively.

Actual Customer Revenues and Cash-based Operating Expenses

(in 000's)	Q3FY19	Q2FY19	Q3FY18
Customer Revenues	A\$1,135	A\$569	A\$505
Cash-based Operating Expenses	A\$4,496	A\$3,915	A\$4,078

Business Line Contribution to Actual Customer Revenues and Cash-based Operating Expenses

(in 000's)	Ohm & Cloud	LIFX	Total
Customer Revenues	A\$531	A\$604	A\$1,135
Cash-based Operating Expenses	A\$3,748	A\$748	A\$4,496

Actual total customer revenues were up 124% year-over-year (from the prior corresponding year ending in Q3FY18) due to the addition of a few days of acquired LIFX revenues. Cash-based operating expenses, which exclude interest, taxes, depreciation, amortization and stock-based compensation, grew only 10% year-over-year as the Company has reduced a number of expenses, offset by a few days of LIFX expenses.

Pro Forma Customer Revenues and Cash-based Operating Expenses

(in 000's)	Q3FY19	Q2FY19	Q3FY18
Customer Revenues	A\$8,750	A\$17,460	A\$5,302
Cash-based Operating Expenses	A\$14,038	A\$20,522	A\$10,736

Pro forma blended customer revenues are up 65% year-over-year. This is due to LIFX growth blended downward by lower Buddy growth. Cash-based operating expenses are up 31% year-over-year. This is due to LIFX expenses blended downward by a decrease in Buddy expenses. Due to the seasonal nature of LIFX sales, fiscal year Q2 is always the strongest quarter, thus explaining the (expected) decrease from Q2 to Q3.

Again, it should be noted that LIFX expenses included all expenses incurred by LIFX during the transaction with the Company, save for those that were deducted from the consideration payable under the acquisition.

Under the terms of the LIFX acquisition, the Company will pay US\$1M of additional earn-out consideration if LIFX CY2019 "gross revenues" (total sales recognized prior to any deductions) exceeds US\$70M. LIFX achieved applicable gross revenues for the quarter of US\$7.8M.

Actual Customer Cash Receipts and Gross Operating Cash Outflows

(in 000's)	Q3FY19	Q2FY19	Q3FY18
Customer Cash Receipts	A\$1,379	A\$559	A\$477
Gross Operating Cash Outflows	A\$4,663	A\$4,265	A\$3,657

Business Line Contribution to Actual Customer Cash Receipts and Gross Operating Cash Outflows

(in 000's)	Ohm & Cloud	LIFX	Total
Customer Cash Receipts	A\$504	A\$875	A\$1,379
Gross Operating Cash Outflows	A\$3,645	A\$1,018	A\$4,663

For reasons similar to revenues, actual total customer cash receipts were up 189% year-over-year. Actual gross operating cash outflows were up 28% year-over-year due to the timing of expenses and includes a few days of LIFX cash outflows.

Pro Forma Customer Cash Receipts and Gross Operating Cash Outflows

(in 000's)	Q3FY19	Q2FY19	Q3FY18
Customer Cash Receipts	A\$11,923	A\$12,789	A\$8,483
Gross Operating Cash Outflows	A\$18,040	A\$15,497	A\$12,266

* Please note that all revenue figures listed are un-audited.

Pro-forma total customer cash receipts were up 41% year-over-year. Pro-forma gross operating cash outflows were up 47% year-over-year due to the timing of LIFX payments to vendors. Due to the seasonal nature of LIFX sales and, therefore, subsequent cash receipts, Q3 and Q2 cash receipts are similar and much higher than the rest of the year as Q2 revenues are collected. The quarter also included the cash outflows of an additional build of inventory to move the company from all air freight to mostly sea shipping (sea shipping takes 10-12 weeks), which accounts for ~A\$3M of this figure.

REDUCTION IN BUDDY PLATFORM EXPENSES

The Company has undertaken a series of cost-cutting measures which will result in the (pre-LIFX) business targeting a cash outflow of A\$1.2M per quarter from end of April 2019. This is down from A\$3.2M in Q3FY19.

CASH POSITION AND HOLDINGS

As of 31 March 2019, the Company had cash reserves of A\$5.6M, held inventory at a (cost) value of A\$12.4M and had outstanding accounts receivables of A\$5.13M.

Subsequent to 31 March 2019, and in anticipation of the execution of full form documents in respect to a A\$20M trade finance facility, the Company was provided with short term working capital funding of US\$2.8M (A\$3.9M). See our announcement dated 23 April 2019 for more information.

The Company holds shares in Weebit Nano (ASX:WBT). During the quarter, Weebit Nano performed a 1 for 25 share consolidation. This resulted in the Company's WBT holding becoming 907,625 shares currently worth A\$635.3k.

PAYMENTS TO ACQUIRE BUSINESSES

During the quarter, the Company acquired 100% of Lifi Labs, Inc. (dba "LIFX"). The total acquisition consideration is US\$51M (A\$71.78M) plus a pay-down of LIFX debt by approximately A\$9.12M plus deal expenses less cash acquired for a total of approximately A\$82M. These amounts were funded via the issue of shares in the Company, cash and debt.

As of 31 March 2019, the Company had made payments to acquire LIFX totaling \$79.47M funded as follows:

(in 000's)	Q3FY19
Proceeds from share placement announced on 6 February 2019	A\$18,100
Less transaction costs of placement	(A\$1,195)
Shares issued to majority seller	A\$6,816
Shares issued or issuable to minority sellers	A\$32,406
Proceeds of issuance of debt	A\$17,285
Net cash payments made for consideration deposits, debt pay-down or expenses	A\$6,061
Total LIFX Acquisition Payments	A\$79,473

OPERATIONAL COMMENTARY

Please refer to the shareholder letter published today for a detailed explanation of the acquisition of LIFX, the underlying Buddy Ohm and Buddy Cloud businesses, the go-forward plan and updated organisational structure.

(BUDDY PLATFORM) KEY PARTNERSHIPS UPDATE

By way of update, the status of Buddy Platform's key distribution, reseller and referral partnerships are as follows:

- While **Ingram Micro** have begun selling in Europe, and have formally launched Buddy Ohm sales in Spain, Portugal and the UK, we have yet to begin to recognise revenue from this partnership. Across the Ingram footprint, we now have in excess of 20 Ingram Micro resellers onboarded and beginning to sell across Europe.

* Please note that all revenue figures listed are un-audited.

Notwithstanding this activity, as we have previously stated, shareholders will be aware that the Company has been vocal in recognising that this relationship has progressed at a much slower pace than expected or desired and this has been acknowledged by Ingram Micro. All parties continue to work together to accelerate this relationship as quickly as possible.

Additionally, at the date of this announcement, **Ingram Micro Canada** has not commenced sales and therefore, the Company is satisfied that there is no change to its prior guidance in respect to the three year forecast revenue amount attributable to Ingram Micro Canada from the date first sales commence.

- **Saskatchewan Telecommunications** (“SaskTel”) has not commenced sales, and while this is expected over the coming quarters, the Company may consider changes to this relationship to leverage the Company’s focus on Ingram Micro as a distribution partner once they’ve reached operating velocity.

Notwithstanding the above, as at the date of this announcement, the Company is satisfied that there is no change to its prior guidance in respect to the three year forecast revenue amount attributable to SaskTel from the date first sales commence.

- As announced last quarter, the Company was planning on undertaking a further detailed review and analysis of **Rizon Group’s** progress towards their revenue forecast on or before the first anniversary of their first sales with Buddy. At that time, we also described that Rizon and Ingram Micro would actively compete for business in the UK and other European countries. Ingram Micro has now commenced distribution of Buddy Ohm in the region. Additionally, the introduction of LIFX products to the group’s overall product offering has become relevant in this region because 1) Rizon Group resellers may also resell LIFX products, both independently and as components of an overall Buddy Ohm installation, and 2) LIFX has an existing distribution relationship with Ingram Micro. Accordingly, the nature of the Company’s product distribution mechanisms in the region have become more complex. As a result the Company is bringing forward its detailed review and analysis which it will commence this coming month. The Company will provide an update in respect to its previous guidance following the completion of its review.
- The primary distribution channel for Buddy Ohm in Australia remains **Dicker Data Limited** (ASX:DDR), however the Company does not consider it to be a material relationship at this time (given the new revenue expectations for the Company post-LIFX acquisition).
- On 31 January 2019, the Company announced the termination of the exclusivity arrangement with **Digicel Group Limited** based on a review and analysis of the Digicel arrangement. The Company remains committed to the relationship with Digicel and Digicel continues to sell in their Caribbean and Latin American markets even as we work with other resellers in some of those markets. The new resellers brought on in those markets since the termination of the exclusivity arrangements with Digicel have yielded immediate sales and we look forward to nurturing all our partners in those markets.

In addition to these arrangements, there are many other agreements, arrangements or relationships the Company has entered into which management does not consider to be material at this time. Additionally, there are new arrangements which have come with the LIFX Acquisition which may or may not be material, but for which no guidance has been offered to the market.

* Please note that all revenue figures listed are un-audited.

WEBINAR

The Company will be hosting a webinar to discuss these earnings and the content of the accompanying shareholder letter next week. As always questions and input from investors is welcomed. The webinar will be held on Tuesday 7 May 2019 at 11am AEST. Details, including a registration link will follow.

Thank you all for your continued support.

For and on behalf of Buddy Technologies Limited.



David P. McLauchlan

Chief Executive Officer
Buddy Technologies Limited.

About Buddy

Buddy Technologies Limited (ASX:BUD) helps customers of any size to “make every space smarter”, by way of two subsidiaries – **Buddy Platform** and **LIFX**. Within Buddy Platform, Buddy Cloud and Buddy Ohm are the company’s core offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Cloud enables ubiquitous access to and storage of data from any environment – recreational vehicles, schools, commercial buildings or an entire city – in support of smarter, healthier spaces. Buddy Ohm is a resource monitoring solution that simplifies building operations and provides peace of mind by harnessing real-time utility and operational data to reduce or mitigate risk and improve operations, savings and sustainability.

For more than six years, LIFX 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 US and Canada).

Buddy is headquartered in Adelaide, Australia, with offices in Seattle, Melbourne, Silicon Valley and Shenzhen.

For more information, visit www.buddy.com and www.lifx.com.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Buddy Technologies Limited

ABN

21 121 184 316

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
1. Cash flows from operating activities		
1.1 Receipts from customers	1,379	3,101
1.2 Payments for		
(a) research and development	(683)	(1,903)
(b) product manufacturing and operating costs	(865)	(2,594)
(c) advertising and marketing	(427)	(1,280)
(d) leased assets	-	-
(e) staff costs	(2,115)	(6,382)
(f) administration and corporate costs	(573)	(1,513)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	158
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,242)	(10,413)

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(24)
(b) businesses (see item 10)	(79,473)	(79,473)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(218)	(369)
2.6 Net cash from / (used in) investing activities	(79,691)	(79,866)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	57,322	57,322
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(1,195)	(1,195)
3.5 Proceeds from borrowings	17,285	17,285
3.6 Repayment of borrowings	-	-
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	73,412	73,412

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	15,114	22,378
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,242)	(10,413)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(79,691)	(79,866)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	73,412	73,412
4.5 Effect of movement in exchange rates on cash held	44	126
4.6 Cash and cash equivalents at end of quarter	5,637	5,637

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	5,637	15,114
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)	5,637	15,114

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

87

-

CEO Salary – 87k

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	23,645	13,469
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Current Loan facility: Line of Credit (LoC)

Use of funds: Working capital

Lender: Luminous Wide Limited

Interest Rate: 12%

Secured by receivables and inventory

Payment: As part of LIFX acquisition and prior to quarter-end, the Company paid down the amount drawn by \$9.12m with cash and stock. The remaining balance will be repaid in tranches of \$2.9m in April 2019, \$5.2m in June 2019 and \$5.3m in December 2019.

The Company intends to transition the above LoC to the following:

Additional proposed facility (announced on 22 April 2019)

Loan: Trade Finance Facility

Total Facility Amount: \$20m

Use of funds: Working capital and repayment of above LoC

Lender: Scottish Pacific

Interest Rate: Prime rate plus 6.5%. Expected to be between 7.23% and 9.02% depending on the currency of the security

Secured or unsecured: secured by receivables

Term: 24 months

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(9,000)
9.3 Advertising and marketing	(1,700)
9.4 Leased assets	-
9.5 Staff costs	(3,700)
9.6 Administration and corporate costs	(800)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(15,200)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	LIFI LABS INC.	-
10.2 Place of incorporation or registration	DELAWARE, USA	-
10.3 Consideration for acquisition or disposal	\$71.78m (+\$9.12m OF DEBT PAYDOWN)	-
10.4 Total net assets	(\$7.5m)	-
10.5 Nature of business	SMART LIGHTING TECHNOLOGY	-

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.



Sign here:

(Company Secretary)

Date: 30 April 2019

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.