

Costs base restructured, business stabilised and on track for cost neutral H1 FY20

Q1 Highlights

- **92% improvement in EBITDA loss of (\$56k) compared to (\$661k) for same period in FY19.**
- **Q1 revenue at \$1.3m on 6,146 unit sales and an ARPU of A\$195.**
- **Reduction in key operating costs (ex-stock purchasing) of \$274k on a cashflow basis and a \$574k reduction on a P&L basis.**
- **R&D tax incentive rebate and Export Market Development Grants scheduled for receipt in Q2.**
- **\$535k in cash at end of Q1 FY20, up from \$379k at end of Q4 FY19.**

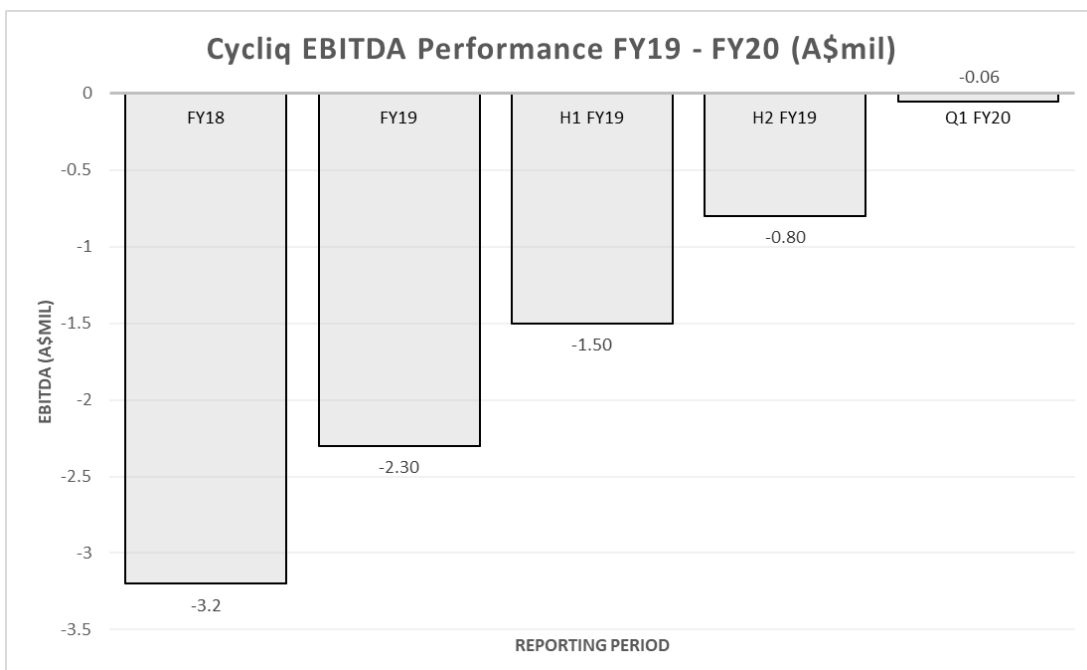
Cycliq Group Ltd (ASX:CYQ) has released its Appendix 4C Quarterly Report for the quarter ending 30 September 2019.

Q1 performance

With a refreshed executive team, realistic operating budget and new board in place, Q1 FY20 was a turnaround quarter for the business. The implementation of the key initiatives identified in the operational review undertaken by the executive team in May have resulted in a consistent operating approach underpinning the improved financial performance.

All key top line financial metrics for the quarter were positive compared to expectations, resulting in \$1.3m of revenue and a gross margin of 41%. Unit sales were 6,146 with product ARPU at \$195.

EBITDA for the quarter came in at a loss of (\$56k) mainly due to non-recurring corporate expenses; accounting for exclusion of non-cash items (e.g. share based payments) further reduces the EBITDA loss to (\$2k).



When compared to the previous year this (\$56k) EBITDA loss is a 92% improvement on the (\$661k) EBITDA loss posted in Q1 FY19 on similar sales volumes. This is a concrete reflection of the commitment to cost-reduction and sustainable operation that has been a consistent focus since May this year. The bulk of the cost savings were from a reduction in variable overhead (marketing, distribution) and operating headcount, to a sustainable level moving forward.

This confirms the view that the FY20 operating cost base will provide the platform for sustainable, profitable growth in FY20.

Other highlights for the quarter included the renegotiation of the PFG finance facility and the repayment of \$100k of the \$300k PFG over-advance, as well as the completion of a \$741k capital raising.

On a cashflow basis, there was a heavy investment in stock of \$907k in Q1, with receipts from customers at \$1.17M. Combined with the net cash inflow from financing at \$535k, this resulted in an increase in cash over the previous quarter from \$379k to \$551k.

H1 outlook and business update

There are three key areas of focus for the Cycliq business over the coming periods:

- **Product development** – hardware and software: continuous improvement of the existing range and development of a portfolio of commuter mobility safety products that suit a range of customer value propositions and investment appetites.
- **Supply chain optimisation** – realising benefits of sustained manufacturing partnerships with existing suppliers to improve production quality, inventory management and time to market for new products.
- **Profitable growth** – our expectations are for increased sales in Q2 and again in H2, however this will not be at the expense of sustainable growth. There will a continued focus on gross margin performance delivered through effective distribution strategy and supply chain optimisation.

Our immediate focus is on continuing sales growth and gross margin performance during Q2, leveraging seasonal increases in buying into the festive season and Cyber Weekend promotional activity to support direct to consumer sales.

In addition, we have been beta testing a 2nd generation 'Connected Edition' Fly6 - the Fly6 CE2 – which has addressed the issues that have been present over the early manufacturing runs and have now been completely resolved with changes in form factor and improvements to the operating firmware. This will be released in Q2.

Further we are focused on line extensions to capture the maximum amount of value from the existing light and camera safety system category. This involves progressing product development with our manufacturing partners to deliver a broader range of price points and access to the commuter segment, providing a lower priced entry point and upgrade path.

ENDS

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About Cycliq

Cycliq is a cycling safety products company based in Perth, Australia, that produces the world-first dashcam for bikes, the rear-facing Fly6 and front-facing Fly12.

The Fly bike cameras integrate powerful safety lights and are engineered with multiple safety functions to give cyclists peace of mind, so they can enjoy their ride. In the event of an incident, the HD cameras act as dashcams, recording everything that happens for later review; from accidents and near-misses, to spectacular scenery. The powerful safety lights provide improved visibility on the roads.

More than 75,000 of the Fly bike dashcams have been shipped around the world to over 50 countries since the company was founded in 2012. Cycliq has operations in North America, Australia and China, with direct to consumer sales from the company website and Amazon, and access to more than 6,000 retail points of presence through a network of regional distribution and retail partners in the USA, Asia-Pacific, EU and UK, as well as major online players including Wiggle (global) and Backcountry.com (USA).

For more information about Cycliq, please visit www.cycliq.com