

31 January 2020

**Media & ASX Market Announcement**

Australian Securities Exchange

## **Cash flow neutral, operating cost base stable, new product releases scheduled for H2**

### **Q2 & H1 Highlights**

- Core operating business is cash flow positive/neutral ahead of new core product launches in H2 which will drive sales lift.
- Cash flow neutral Q2, with a further \$1.2m of customer receipts in Q2 and \$2.4m for H1.
- Repayment of a further \$64k of debt in Q2 taking total repayment of borrowings to \$184k for H1 FY20; cash balance stable at \$485k at end of H1.
- Very strong Cyber Weekend sales performance, following launch of Fly6 CE Generation 2 in late November.

Cycliq Group Ltd (ASX:CYQ) has released its Appendix 4C Quarterly Report for the quarter ending 31 December, 2019.

### **H1 performance**

In the six months post the restructure of the board and executive team, the business has been stabilised ahead of the launch of new products in mid H2 FY20.

In the preceding financial year FY19 the business lost a total of \$2.3m, with a \$1.15m EBITDA loss in H2 to June 30, 2019. This has been significantly improved in FY20 and is reflected in the quarterly statement of cash flows for the December quarter.

H1 EBITDA performance will be released with the half year accounts which are currently subject to audit.

Q2 continued to operate on a reduced cost base with tight management of inventory whilst still achieving more than \$1.2m revenue with an average revenue per unit (ARPU) of greater than \$220.

Retail prices for both products were increased in all markets ahead of the Fly6 CE2 launch in November, and strong direct sales channel performance driven by Cyber Weekend supported the maintenance of a 38% gross margin position for H1 and the higher ARPU. This was achieved in line with exiting Fly6 CE1 stock in channel and close coordination with channel partners in all markets.

### **H2 outlook**

The outlook for H2 is positive as new products come to market and operating costs continue at sustainable levels. The business will continue to execute the strategic roadmap focused on profitable growth through:

- **Product development:** the launch of the Fly6 CE2 signaled the end of previous product issues, with the second generation Fly6 CE performing well in market and the business benefiting from a significant reduction in warrantable returns. H2 will see new core products launched which broaden the portfolio and represent a significant opportunity for growth, with the last major refresh taking place more than two years ago in December 2017 when the 'Connected Edition' was launched.
- **Supply chain optimisation:** scale efficiencies continue to be a major focus for the Company, with an ongoing review of manufacturing operations, shipping and other distribution considerations aimed at improving gross margin and retail margins. As the business has stabilised, the opportunities for improvement in these areas have become clearer, with implementation of key initiatives planned for H2 to turn these insights into tangible cost-reduction and efficiency improvements.
- **Customer focus:** our customers have been the strongest advocates for our products and continue to be vocal supporters as well as an important source of feedback which is directly built into our product development process. We have renewed our focus on ensuring an outstanding end-to-end product experience, from making the product more intuitive and easier to use to focusing on our customer support outcomes.

Finally, tariffs continue to impact retail partner sales in the USA, however there is some confidence that this will be relaxed in H2, naturally enabling improved sales performance which has been depressed in the past 6 months due to the 25% tariff on the Fly6 and Fly12 products.

This potential re-invigoration of the USA market combined with the uplift expected from the H2 new product releases is planned to provide the sales lift required to reach profitable operation on the now-sustainable cost base achieved post the implementation of efficiency measures started in early 2019.

### **Corporate**

Mr Piers Lewis has tendered his resignation as Joint Company Secretary, effective immediately. Mr Lewis remains CYQ's Non-Executive Chairman. Mr Arron Canica is now the sole Company Secretary of Cycliq Group Limited.

This announcement is authorised by the Board.

\*\*\*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](http://www.cycliq.com)