



ASX MARKET RELEASE

Buddy Eligible for Nearly A\$2.4 million in COVID-19 Related Subsidies; Update on Cost Reductions

SUMMARY

- Buddy is eligible for, and has applied for, nearly A\$2.4m in COVID-19 related government subsidies, grants and benefits (of which A\$664k has been received in April)
- Through voluntary staff cutbacks of hours, the company has reduced its payroll expense by approximately 40%, and is also enacting nearly A\$385k/month of cost cuts in other non-critical operating expenses
- Sell-through of LIFX lights in the United Kingdom is up 3x year-to-date on 2019; sell-through of LIFX lights in the rest of Europe is up 4x year-to-date on 2019
- LIFX Australia has just recorded its best week of retail sales for the year-to-date
- Board member Marc Alexander steps down and joins Buddy's Board of Advisors.

30 April 2020 – Adelaide, Australia

Buddy Technologies Limited ("Company") (BUD.ASX), a leader in IoT and cloud-based solutions for making spaces smarter, is pleased to provide the following update on the various state and federal government benefits and subsidies that the Company is eligible for due to the present COVID-19 pandemic, and the resulting cost cuts that have been achieved.

The Company has applied for the following subsidies or benefits across the U.S. and Australia worth nearly A\$2.4 million:

- JobKeeper Program (Australia)
 - Targeting approximately A\$810k in subsidy benefit
- Paycheck Protection Plan (U.S.)
 - Targeting approximately A\$710k in subsidy benefit across two U.S. based entities - Buddy Platform Inc. and Lifi Labs Inc.
 - Approximately A\$664k has been received to date, forming the benefit due Buddy Platform Inc. (refer ASX announcement dated 22 April 2020)
- Economic Injury Disaster Advance (U.S.)
 - Targeting approximately A\$326k per entity in the U.S., for a total of A\$652k
- Pay-As-You-Go Payroll Tax Credit (Australia)
 - Targeting A\$100k in subsidy benefit

- GST Deferral (Australia)
 - Targeting A\$100k in March quarter GST deferred from April to July.

With the exception of the Paycheck Protection Plan payment of approximately A\$664k already received, management reminds investors that the remaining subsidies have been applied for but not granted. Both the Australian and U.S. governments may elect to change or remove various subsidies, grants and benefits with the progression of time. As the subsidies above are approved, the Company will notify investors by way of further ASX announcements.

Cost Savings to Mitigate COVID-19 Impact

Management can advise that through a voluntary nominations process of temporary hours reductions for employees of Buddy worldwide, the Company will realise an effective saving of nearly 40% in payroll expenses for the current quarter. The voluntary nominations process was initiated with the aim of preventing furloughs or terminations directly resulting from the impact of COVID-19. Given the opportunities the Company has for growth in the remainder of 2020, notwithstanding the economic impact of the Coronavirus, and that nearly the entire team can be fully effective working from home, management looks forward to bringing the team back full-time as soon as prevailing conditions permit.

As an incentive to reward Buddy's non-director, non-officer staff who have made these short term sacrifices and who receive part of their remuneration in BUD stock pursuant to the Company's employee incentive plan, two additional benefits were made available. First, employees were offered a 5% increase in their share ownership of BUD if they voluntarily escrowed their stock until the September quarter. Secondly, employees who purchased BUD stock on market prior to the September quarter would have 15% of their purchases matched by the Company through employee incentive plan grants. While not all employees were in a position to participate in this matching program, there remains very strong alignment between management and staff on the medium and long term prospects of the business.

Further to the Company's cost savings mandate, nearly A\$385k of expenses have been identified to be cut from monthly operations expenditure in addition to the aforementioned payroll expense reduction. This reduction in monthly expenditure comes from a variety of budget lines ranging from travel and rent reductions, to consolidation of software workflow tools across Buddy and LIFX. It is expected that close to half of these savings may be recognised on an on-going basis post-COVID-19.

Sales Commentary

While the full year potential impact of the COVID-19 pandemic on the business is not yet entirely understood, there are some highlights which are worth calling out. Despite the current economic climate, and a difficult March as customers grappled with the beginnings of lockdowns worldwide, customers appear to have returned in April as they actively sought out LIFX smart lights for both home and work from home improvements in markets around the world. This has led to a change in the mix of products sold - with LIFX strip lighting (LIFX Z Strips, LIFX Z TV, LIFX Z Extensions and LIFX Beam) all seeing significant worldwide surges in demand in April.

LIFX sell-through data at retail indicates that we may still expect attractive growth in Europe in 2020. LIFX really only entered the European market in a serious manner during calendar Q1 2019, and yet managed to exit 2019 with Europe being a nearly \$5 million business (this represents a tiny percentage of the European smart light market, and so the remaining growth opportunity here is very significant). So far this year, our sell-through in the United Kingdom has risen 3x year-to-date on 2019, and our sell-through in Europe (Italy, Germany, France, Spain, The Netherlands and the Nordics) has risen 4x year-to-date on 2019. Investors are reminded that product sold-through was sold-in by LIFX to distributors and retailers some time ago (and so revenue has already been recognised), but this does bode well for replenishment orders which are placed by retailers on a forward looking weekly, biweekly or monthly basis.

Sales in Australia are also performing well - with the market having its best week of sell-through for the year-to-date in mid-April. This appears to be driven by primary retailers for LIFX in Australia remaining open during lockdowns (such as Bunnings, JB Hi-Fi, Officeworks, etc), a strong uplift in sales on lifx.com.au and very strong sales performance of the LIFX Z LED lightstrip product. Interestingly, on a per unit basis the LIFX Z Strip products (starting at A\$129.99 for a 2 metre starter kit) is outselling the perennial top seller (the LIFX 100mm Downlight - at A\$99.99) and our Choice Magazine recommended volume seller (LIFX Mini White - at A\$34.99).

Board Update

Further to the announcement that Group CTO and Director, Marc Alexander, has volunteered to move to a non-executive advisory position in the team (refer ASX announcement dated 27 March 2020), the Company and Mr. Alexander have agreed that effective today, he will step off the board and on to the Company's Board of Advisors. This role will facilitate Mr. Alexander's ongoing engagement with LIFX on new business, technology and market ventures, while enabling his next commercial endeavours. The Board thanks Mr. Alexander for his service, and looks forward to continuing the relationship on an advisory basis. A search for a new director has commenced.

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 US 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.

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AUSTRALIA



Appendix 3Z

Final Director's Interest Notice

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 30/9/2001.

Name of entity	Buddy Technologies Ltd
ABN	21 121 184 316

We (the entity) give ASX the following information under listing rule 3.19A.3 and as agent for the director for the purposes of section 205G of the Corporations Act.

Name of director	Marc Alexander
Date of this notice	30 April 2020
Date of last notice	26 April 2019
Date that director ceased to be director	30 April 2020

Part 1 – Director's relevant interests in securities of which the director is the registered holder

In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust

Note: In the case of a company, interests which come within paragraph (i) of the definition of "notifiable interest of a director" should be disclosed in this part.

Number & class of securities
1,628,922 fully paid ordinary shares
12,000,000 performance rights (LIFX) (to be forfeited)
12,000,000 performance shares (LIFX) (to be forfeited)

+ See chapter 19 for defined terms.

Appendix 3Z Final Director's Interest Notice

Part 2 – Director's relevant interests in securities of which the director is not the registered holder

Note: In the case of a company, interests which come within paragraph (ii) of the definition of "notifiable interest of a director" should be disclosed in this part.

In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust

Name of holder & nature of interest Note: Provide details of the circumstances giving rise to the relevant interest	Number & class of securities
Held by Merrin Alexander as trustee for the M&M Alexander A/C – Marc Alexander is a beneficiary of the trust.	39,159,441 fully paid ordinary shares

Part 3 – Director's interests in contracts

Detail of contract	N/A
Nature of interest	N/A
Name of registered holder (if issued securities)	N/A
No. and class of securities to which interest relates	N/A

+ See chapter 19 for defined terms.