



ASX MARKET RELEASE

Buddy Technologies Limited – June Quarterly 4C Review (Q4FY19)

31 July 2019 – Adelaide, South Australia

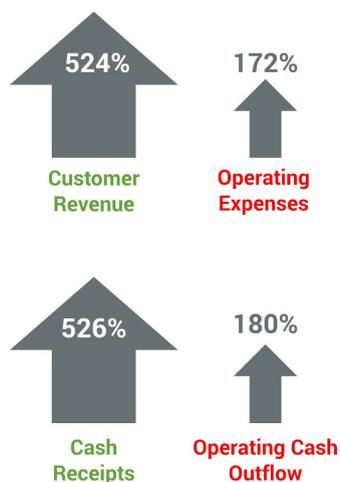
Buddy Technologies Limited (ASX: BUD) (“Buddy” or the “Company”), a leader in IoT and cloud-based solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the June 2019 quarter (Q4FY19).

SUMMARY

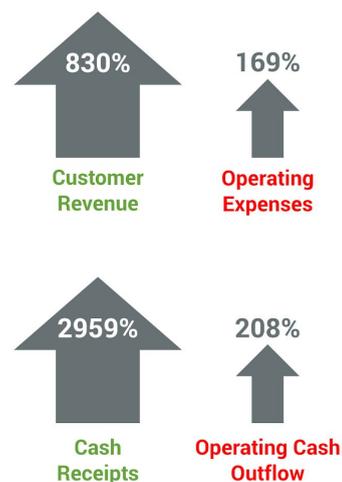
- Customer revenues: **A\$7.1 million** for the quarter (up 830% from the prior year due to the LIFX acquisition)
- Customer cash receipts: **A\$8.6 million** for the quarter (29x greater than the prior year due to the LIFX acquisition)
- Cash on hand at 30 June 2019 totalled A\$3.0 million, trade receivables totalled A\$3.6 million and inventory totalled A\$12.3 million
 - Cash on hand does not include any draws on the previously announced trade finance facility, which despite taking longer than expected, remains on track subject only to the completion of retailer contract novations
- No change to previously advised 2019 targets:
 - Buddy Technologies Limited continues to target profitability at the group level by the end of CY19
 - Commercial Division continues to target break-even by the end of CY19
 - Consumer Division continues to target 70%-100% year on year growth in 2019.

QUICK LOOK

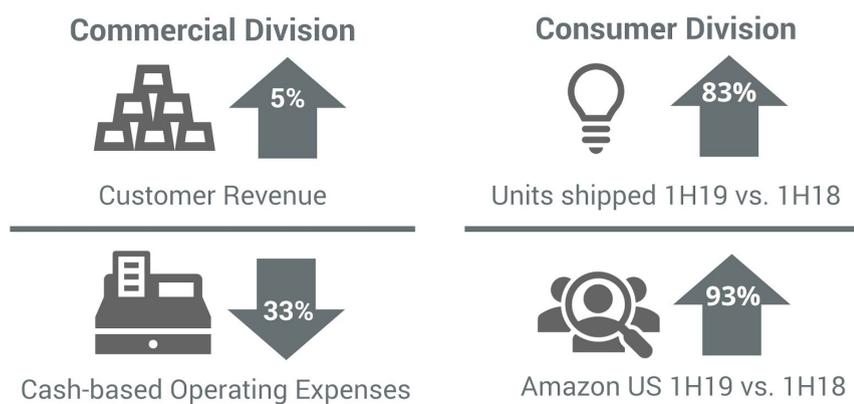
Quarter over Quarter



Year over Year



* Please note that all figures listed are un-audited. Operating expenses above are ongoing, cash-based, operating expenses. They exclude any non-recurring items such as acquisition-related costs and restructuring costs and exclude non-cash items such as depreciation and share-based payments.



Despite the significant impact of the cost-cutting exercise conducted during the quarter in Buddy's Commercial Division (Buddy Ohm, managed services and Buddy Cloud), revenue is slightly up and expenses are down this quarter versus last. This is a strong result that places the Commercial Division on track to meet its target of break-even by the end of CY2019.

Buddy's Consumer Division (ie: LIFX) saw strong unit growth of 83% in the first half of CY2019. This was in part driven by exceptional growth at Amazon US, which saw 93% growth in the first half of this year against the first half of last year (not including the recent and very successful "Prime Day" sales, the results of which are yet to be tabulated). While it is clear that the retail competitive landscape is expanding, the Company's unit growth is not being impeded by low end competitors. It is evident that there is and will be a market for premium products in this category, as well as low-cost consumables.

Looking to growth drivers in the second half of CY2019 (which, due to seasonality, is expected to yield higher growth), the Consumer Division will release new products, including the LIFX Candle - the first smart light bulb capable of blended simultaneous colour.



Figure 1: Amongst the new products to be released by LIFX in the coming half of the year is the new LIFX Candle, the world's first smart light bulb capable of blended simultaneous colour.

The Company anticipates that second half (of CY2019) growth will be driven by the rollout of new products (the release of which has historically never impacted existing LIFX SKU sales), increased numbers of stores at existing retailers, the addition of new retailers and new territories/regions.

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

Q4 FY2019 FINANCIALS

Customer Revenues and Cash-based Operating Expenses



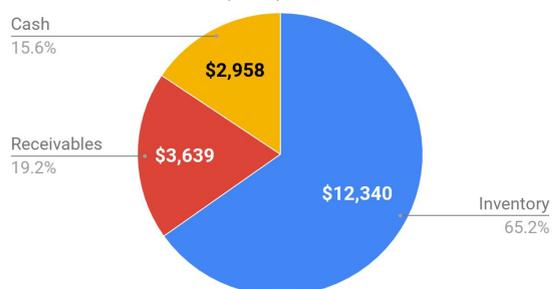
Customer Cash Receipts and Gross Operating Cash Outflows



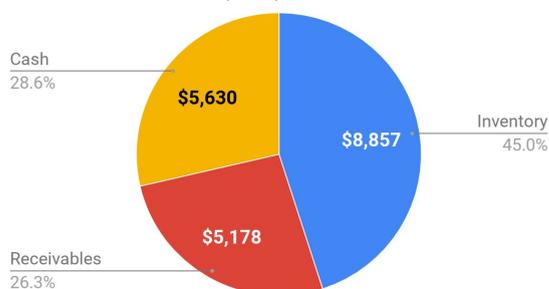
Cash-based operating expenses exclude any non-recurring items such as acquisition-related costs and restructuring costs. Gross operating cash outflows are the amounts listed under item 1.2 in the Appendix 4C report. One-time acquisition expenses were A\$1.8 million and restructuring costs were A\$713k.

Cash Position and Current Assets

Q4 2019 Current Assets ('000s) = \$18.9 million



Q3 2019 Current Assets ('000s) = \$19.7 million



Current assets declined only slightly quarter-on-quarter at A\$18.9 million (vs. A\$19.7 million in Q3FY19) during our lowest current asset position of the year, as the Company builds up an inventory position to support CYQ3 and CYQ4 sales demand.

As of 30 June 2019, the Company had cash reserves of A\$3.0 million, receivables of A\$3.6 million and inventories of A\$12.3 million with no draws on the Line of Credit. Inventory-wise, the Company has built a position to accommodate the delays in the trade finance completion.

During the quarter, the Company sold its shares in Weebit Nano (ASX:WBT) for A\$407k.

OPERATIONAL COMMENTARY

OVERVIEW

This Q4FY19 is the first full quarter of combined revenues for the Company following the successful acquisition of LIFX in March. As is quite evident, the result has been significant increases in revenues and receipts (and of course expenses and outflows too, although pleasingly, disproportionately smaller percentage increases in the latter case).

In the Q3FY19 commentary, the Company announced a restructuring and cost-cutting program at the parent (Group) level and specifically the Commercial Division (Buddy Ohm, managed services and Buddy Cloud). In early June it was announced that the targeted reduction in net cash outflows (to A\$1.2 million per quarter) was achieved, and in fact under the leadership of Commercial Division CEO Travis Gerber, the business achieved slightly greater revenues and slightly lower expenses than budgeted. Not only does this place the Commercial Division on track to meet their target of cash flow break-even by the end of CY2019, but is a very strong result given the disruption to that business following the restructuring and cost-cutting.

The Consumer Division (LIFX consumer lighting) continues to grow, with the business ramping up for the holiday period (calendar Q4). The success of CYQ4 will be dictated by the work and investments made by the team in CYQ3 - and even major selling events such as the Black Friday/Cyber Monday holiday weekend at the end of November are being planned and executed right now. Pleasingly, the Company's current assets are only minimally changed from last quarter as reductions in cash and receivables are offset by increases in inventory.

The coming August-September period is typically the "cash low point" for the business, after which increases in revenues, receivables and receipts continue through to the annual holiday period and just beyond.

COMMERCIAL DIVISION (BUDDY OHM & CLOUD) UPDATE

The Buddy Technologies Commercial Division had a successful but quite disruptive quarter, due to the restructuring and cost-cutting that was announced last Q3FY19. Despite this, and despite the changeover to new WattWatchers-powered hardware in the Buddy Ohm product line, Ohm revenues increased 16% over Q3FY19. These revenues are not yet material in light of Group revenues for the quarter, but directionally indicative and important. Management holds the view that the Buddy Ohm business continues to have much promise, and the new direction that was taken with the product, while challenging, is already bearing fruit.

Key to the changes made with Buddy Ohm was the shift to WattWatchers-based hardware for data collection. The integration of WattWatchers hardware is complete, and the roll-out to new customers has started. Following this integration work, a business analysis was performed and due to the optimisations in both the Buddy Ohm hardware and service, a 17% reduction in manufacturer's suggested retail price ("MSRP") is now offered to customers. This has increased the reach of the product into small to medium businesses ("SMBs") with a 46% reduction in cost of goods sold ("COGS") to Buddy.

The Commercial Division has focused UK distribution for Buddy Ohm on two primary partners - Fidelity Energy Group and Pangea Group. More broadly, Ingram-Micro's relationship with the Buddy Ohm product continues to grow with their addition of Mexico to the markets that they're selling the product into (now US, Canada, UK, Spain, Portugal and Mexico). Accordingly, management expects first revenues from the Mexico region in the coming quarters.

Product-wise, the Commercial Division has been primarily focused on integration with the WattWatchers hardware as well as conducting in-customer trials with the new product (with initial feedback being very positive). Next, the team is engaged in a complete refresh of the Buddy Ohm portal to feature auditing and reporting scenarios, based on customer input and industry research. The intent of the refresh is to provide significantly greater value to building managers, operations analysts, facilities staff and financial directors/executive

management. This is achieved by providing user-centric “panes of glass”, each showing a particular subset of data, in a form that can be natively understood and actioned by the customer. Included in this work has been optimisations for mobile and tablet experiences as well.

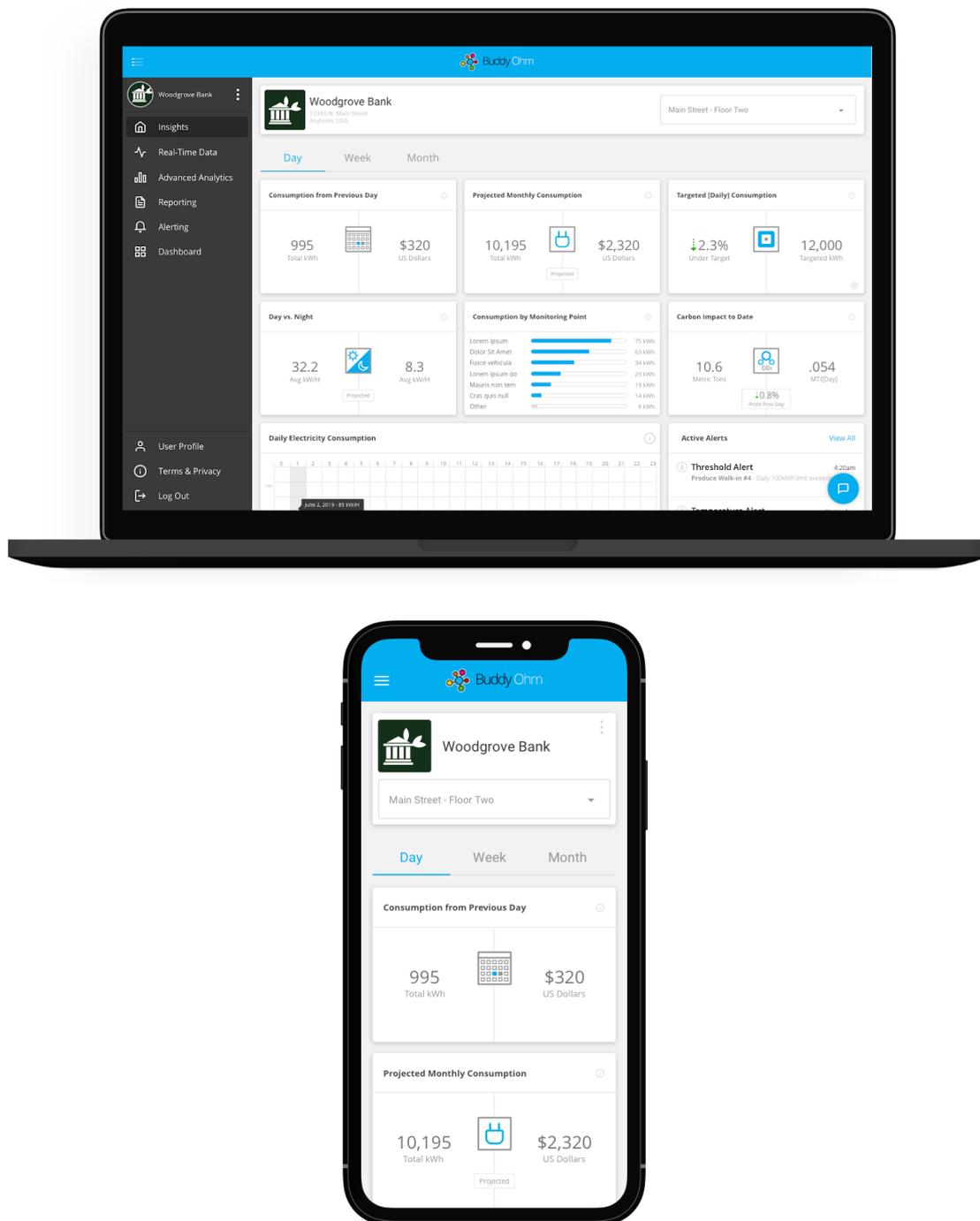


Figure 2: New Buddy Ohm web and mobile experience, featuring “panes of glass” for each new piece of reporting/audit functionality.

On a global basis, Buddy Ohm continues to see sales in North, Central and South America, Europe and Australia. The Company is seeing outsized growth (still on a fairly modest base) in the UK and Caribbean/Latin America (where our primary sales efforts are focused for the time being), but continues to encourage investors to temper short-term expectations as this remains a very nascent business. While we have high expectations for the opportunity and our new Buddy Ohm platform offering, this will continue to take time to grow.

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



Figure 3: World map showing the growing footprint of Buddy Ohm globally. Note that one pin may represent several customers or installations, and should not be considered a representation of the size of scope of an installation.

CONSUMER DIVISION (LIFX) UPDATE

LIFX performed strongly in the first half of this calendar year, as unit sales grew 83% against 1HCY18. This result is in line with expectations of year on year revenue growth of 70+%, with the second half of the year typically being the period when new retailers are onboarded, new products are released, cost reductions in the bill of materials (“BOM”) are realised, and the “snowball effect” of a growing customer base results in even just organic growth having a materially larger effect on unit sales.

The Consumer team were thrilled to celebrate the milestone of 1,500,000 lights connected to the LIFX Cloud last week, only seven months after celebrating 1,000,000 lights connected in January. The first 1 million took nearly 4.5 years to achieve; growing by half again in only 7 months is testament to the quality of the product, and the enormous opportunity before us. While many describe the smart light industry as being still young, one of our top 3 retailers this past week described it as “not even off the ground yet - we’re still pre-infancy”. With growth figures like this, should such insights be proven correct, then there’s a vast way to go yet.

CYQ2 is very commonly the weakest quarter of the year, financially-speaking, and so this is a quarter spent consolidating in advance of new product releases later in the year, building new retailer and regional relationships, putting in place partnership arrangements and beginning the preparation effort for CYQ4 which is by far and away the strongest quarter of the year, financially-speaking.

Notable developments or wins this quarter included:

- First time participation in Amazon UK’s “Treasure Truck” program, exposing LIFX products to 300,000 subscribers across the UK with a 40% household participation rate
- LIFX was an early-access partner in Google’s Local Home program. Google Home products can now locally control LIFX lights (instead of communicating through the cloud) making light control possible during periods of internet outage, as well as providing a more immediate response time
- Launch of LIFX Mini Day & Dusk + Google Nest Hub bundle in France with retailers Boulanger & FNAC
- Re-launch of the LIFX Virtual Light (<https://virtualbulb.lifx.com/>) with additional and improved functionality to encourage first-time smart home customers to experience the benefits of a LIFX connected light
- Roll-out of LIFX products into approximately 100 Comcast Xfinity retail stores in the US. Comcast is the largest in-home internet service provider in the US, and the 2nd largest cable TV provider

- Training of nearly 1,000 smart home sales staff conducted in Oslo, Norway for the largest consumer electronics retailer in the Nordics
- Royal Automobile Club of Victoria (RACV) bundle launched and sold out within 12 hours
- Correction of tariff coding of LIFX products, has meant that LIFX products imported into the US are not subject to the elevated 25% tariff currently imposed on some products by the US government, savings which go straight to the bottom line and margin improvement
- Redesign of products to accommodate California's "Title 20" regulatory requirements completed - resulting in cost reductions and ability to sell our full product range in California post-July 1 (when new regulations took effect)
- Announced sales of LIFX lights through all Apple Stores in Japan. This is in addition to LIFX currently being stocked in Apple Stores in Australia, the United States and UAE
- Bundles with Google Nest Hub in Germany's MediaMarkt and Saturn stores
- Introduced new Tile SKUs available exclusively online (1-pack and 3-packs).

While unit growth continues to be strong, management's focus this coming quarter will be maximising margins and minimising deductions. The Company will continue the historical precedent of twice-yearly driving bill of materials ("BOM") costs down (based on reduced component costs + manufacturing cost reductions), reduce unplanned deductions (ie: returns, etc...) as much as possible and work with the manufacturer of the lights to ensure margins are maximised.

STAFFING UPDATE

Tim Peters, CEO of LIFX has given notice of his resignation from the Company, effective August 11. Tim was formerly VP of Product Management and COO at LIFX, and became CEO in January 2018. Tim is leaving to join a major Silicon Valley tech company in a new (and entirely non-competitive) role. While the team is sad to lose him, Tim has an opportunity in this new role to make an out-sized difference for disadvantaged people, and Buddy's Board and management all wish Tim the very best as he takes on his new responsibilities.

LIFX co-founder and Buddy Technologies Group CTO Marc Alexander remains fully committed to the Company, and the Company anticipates no disruptions to the normal course of business with Tim's departure. All milestone-based performance shares due Tim will no longer be issued, however his Buddy shares already issued as part of the acquisition payment will remain subject to the advised escrow conditions (as with all employees - 10% are freely tradeable now, 90% escrowed until 29 March 2020). A global executive search has commenced for Tim's replacement, however the new CEO position will be based out of Melbourne, and a CEO with the experience to take the company through the acquisition of its next 10 million customers will be sought.

KEY PARTNERSHIPS UPDATE

As announced on 24 June 2019, the Company ceased to conduct any further reseller, distribution or installation services in relation to Buddy Ohm products with Rizon Group and terminated the existing arrangement with them.

There were no other material changes to key partnerships.

CONCLUSION

I'm pleased to report that the integration of LIFX into the Buddy family has gone smoothly, and already there are a number of cross-team projects underway - both on the sales and product development fronts. While we have nothing further to share on that front at the present, I do anticipate realising additional benefits from the acquisition of LIFX for both the Commercial and Consumer sides of the business in due course.

Investors should be aware that we now have a radically focused and incredibly passionate group of over 65 employees across Adelaide, Melbourne, Shenzhen, San Francisco Bay Area and Seattle - all of whom are committed to our 2019 targets and to growing the business to profitability and beyond.

I hope you've enjoyed this update to our usual 4C commentary/review. I've had feedback that readers wanted less detail, more visuals and more focus on the key metrics. In due course we'll publish another investor presentation deck that will include an updated Top 20, latest metrics on the business, and a full explanation of the business opportunity in "Making Every Space Smarter".

As always, 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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Buddy Technologies Contact:
Brian Seitz, VP of Marketing & Communications
Phone: +1 (206) 745-9079
Email: ir@buddy.com

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")

30 June 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	8,627	11,728
1.2 Payments for		
(a) research and development	(606)	(2,509)
(b) product manufacturing and operating costs	(6,702)	(9,296)
(c) advertising and marketing	(1,472)	(2,752)
(d) leased assets	-	-
(e) staff costs	(3,157)	(9,539)
(f) administration and corporate costs	(1,114)	(2,627)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	132	290
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received (paid)	36	36
1.7 Government grants and tax incentives	1,238	1,238
1.8 Other - Restructuring	(713)	(713)
1.9 Net cash from / (used in) operating activities	(3,731)	(14,144)

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	(458)	(482)
(b) businesses (see item 10) <i>Current quarter is expenses or adjustments</i>	(1,772)	(81,245)
(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	408	408
(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)	139	(230)
2.6 Net cash from / (used in) investing activities	(1,683)	(81,549)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	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)
3.5 Proceeds from borrowings	4,168	21,453
3.6 Repayment of borrowings	(3,639)	(3,639)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
3.9	Other (provide details if material)	(7)	(7)
3.10	Net cash from / (used in) financing activities	522	73,934

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	5,637	22,378
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,731)	(14,144)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,683)	(81,549)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	522	73,934
4.5	Effect of movement in exchange rates on cash held	2,213	2,339
4.6	Cash and cash equivalents at end of quarter	2,958	2,958

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	2,958	2,958
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)	2,958	2,958

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
89
-

CEO Salary – 89k (fixed in USD)

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

-

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	14,732	14,732
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).**

Total drawn: \$10,754

Use of funds: Working capital

Lender: Luminous Wide Limited

Interest Rate: 12%

Secured or unsecured: secured by receivables and inventory

Payment: The remaining balance is due in December 2019.

Current Loan facility: **Bridge Loan until Trade Finance Facility (or similar)**

Total drawn: \$3,978

Use of funds: Paydown of Line of Credit (LoC)

Lender: Seisun Capital PTY Limited

Base Interest Rate: 12% + fees

Secured or unsecured: secured by receivables and inventory

Payment: Extended to 31 August 2019

The Company intends to transition the above LoC and Bridge Loan to the following (or similar):

Future loan facility: **Trade Finance Facility (announced 22 April 2019 and updated 27 June 2019)**

Total drawn: \$nil

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	(610)
9.2 Product manufacturing and operating costs	(6,700)
9.3 Advertising and marketing	(1,470)
9.4 Leased assets	-
9.5 Staff costs	(3,160)
9.6 Administration and corporate costs	(1,110)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(13,050)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions Acquired in Prior Quarter	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 (plus \$9.12m of debt pay-down)	-
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: 31 July 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.