



# ASX MARKET RELEASE

## Buddy Commercial Division Exceeds Target, Achieving EBITDA Profitability by end of CY2019

### SUMMARY

- At the acquisition of LIFX in early 2019, the Company provided three targets for CY2019 that all employees worldwide would be working towards
- The Company's target of the Commercial Division (Buddy Ohm + Managed Services) breaking even by the end of CY2019 has been exceeded, with it being EBITDA profitable by the end of CY2019
- The Company's target of the Consumer Division (LIFX) achieving 70% to 100% year on year growth in CY2019, will not be achieved before the end of the year; negotiations on two large bulk deals to continue at CES 2020
- The Company's target of EBITDA profitability at the group level by the end of CY2019 remains on track, and an update will be provided to the market in January 2020 once final CYQ4 numbers are known
- LIFX Switch pre-sales have launched in the United States, with a full marketing campaign to commence after the Christmas/Boxing Day promotional period.

### 24 December 2019 - Adelaide, South Australia

Buddy Technologies Limited ("Company" or "Buddy") (BUD.ASX), a leader in IoT and cloud-based solutions for making spaces smarter has previously updated its CY2019 targets as follows:

- 1) the Company to target profitability at the group level by the end of CY2019
- 2) Buddy's Commercial Division to target break-even by the end of CY2019
- 3) Buddy's Consumer Division to target 70% to 100% year on year growth in CY2019, subject to LIFX achieving targeted calendar Q4 sales and the Company successfully completing two large bulk purchase deals that are in progress.

Refer to the Company's September Quarterly 4C Review dated 31 October 2019 for further details. The Company wishes to provide a further update on these targets.

### Commercial Division Target

Buddy is pleased to advise that it will exceed its target of Commercial Division break-even by the end of CY2019 and will now deliver positive EBITDA for the Commercial Division by the end of CY2019. This result follows a strong calendar Q4 for the Commercial Division, which includes Buddy Ohm, Managed Services and licensing of Buddy technologies such as the LIFX platform ("powered by LIFX").

While the Commercial Division is still a significantly smaller business than the Consumer Division, Buddy Ohm is currently growing at over 6% per month, while Managed Services licensing revenue is growing at approximately 10% per month. As the Division looks to 2020, Buddy intends to continue to strengthen its existing relationships and develop new technology licensing opportunities. The Company is seeking to deliver its DIYBlinds integration of the “powered by LIFX” platform in mid-2020 and is optimistic about its LIFX Switch commercial product which has shown promising early signs (based on Black Friday/Cyber Monday sales and both Australian & US pre-sales).

Should the Company's previously announced negotiations with the Asian telecommunications company prove fruitful (refer ASX announcement dated 10 December 2019), this too will bolster Commercial Division revenues and 2020 growth in the division. Importantly, this will help the Group be much less dependent on CYQ4 revenues each year, and may prove to be a meaningful contributor to smoothing out Group EBITDA throughout the year (a primary objective for 2020). Negotiations with this customer continue throughout the holiday break.

### **Consumer Division Target**

The Company wishes to advise that the two large bulk purchase deals (refer to the Company's September Quarterly 4C Review dated 31 October 2019 for further details) remain incomplete and subject to negotiations and the completion of formal documentation. Further, due to the Christmas and New Year holiday period, negotiations are expected to pause during this time and continue at the 2020 Consumer Electronics Show (“CES”) in Las Vegas in January 7-10, 2020.

Accordingly, given that Consumer Division growth target of 70% to 100% is contingent on the completion of these two large bulk purchase deals, that target will not be achieved before the end of this calendar year. The Company will continue to keep the market updated as to the progress of these arrangements by way of further ASX announcements.

As a general note, since the acquisition of LIFX, Buddy has been on a committed drive to EBITDA positivity, even (and especially) at the expense of revenue growth. This was not the case in 2018, when revenue growth was the highest priority of the then-standalone LIFX. Maximising margins to drive maximum EBITDA has meant maintaining premium pricing, which when reduced, is expected to be the greatest driver of revenue growth.

To that end the Company has been successfully negotiating down its cost of manufacturing (refer ASX announcement dated 7 November 2019), and looks forward to this newly priced product making its way through the supply chain to land in retail stores in early 2020. In addition to helping fuel LIFX's anticipated European and Middle Eastern growth in 2020, data from product sales conducted on certain SKUs U.S.-wide in 2019 shows that pricing drops of ~20% is anticipated to drive up sales more than 100%. This is anticipated to further help the Company smooth out sales across the year, reducing its dependence on seasonal peaks in the final calendar quarter.

### **Group Profitability Target**

The Company remains on track to achieve positive EBITDA at the group level by the end of CY2019, consistent with its prior disclosures.

### **LIFX Switch Pre-Sales in the United States / Boxing Day**

By way of update, following the disclosure that U.S. pre-sales for the new LIFX Switch would launch on Monday 16 December 2019 (refer ASX announcement dated 10 December 2019), the Company can confirm that this has taken place, and initial sales have been made. The marketing and promotional rollout will align closer to the U.S. availability date, to ensure the majority of pre-sales customers are taking delivery of their units without too much delay from their purchase date. This also provides sufficient time for the team to ensure a successful initial rollout in Australia. The LIFX Switch will be amongst the new products featured at the Company's CES display and presentation in early January.

With the Christmas shopping period now over, the attention of the Consumer Division now turns to Boxing Day sales, with particular focus on the UK, Europe and Australian markets where this is a very significant shopping day (in some markets as big or bigger than Black Friday). Team members in Europe, the U.S. and Australia will be working through the holiday to service this very significant sales opportunity.

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), Shenzhen (CN) and Silicon Valley (US).

For more information, visit [www.buddy.com](http://www.buddy.com) and [www.lifx.com](http://www.lifx.com).

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