



ASX MARKET RELEASE

Update on Distribution and Reseller Arrangements in United Kingdom

SUMMARY

- Pangea Connected Limited (the existing major reseller of Buddy Ohm in the United Kingdom) and Fidelity Group Limited (a UK-based communications provider and energy brokerage firm) will today commence distribution of Buddy Ohm products and joint Buddy Ohm-LIFX installations in the United Kingdom
- Both parties – who currently are resellers of Buddy Ohm products – will continue in this capacity as well as offer joint Buddy Ohm-LIFX installations in the United Kingdom
- The Company has ceased to utilise Rizon Group to distribute and resell Buddy Ohm products in the UK
- In light of the above changes and the new product combination of Buddy Ohm and LIFX offerings, the previously announced sales volume commitments (subject to the Letter of Understanding with Rizon Group) are no longer applicable and should not be viewed as forecasts of future revenues
- Calendar year-to-date revenues across the UK region are A\$1.2 million (unaudited) (inclusive of pre-acquisition LIFX revenues).

24 June 2019 – Adelaide, Australia

Buddy Technologies Limited (ASX: BUD) (“Buddy” or the “Company”), a leader in IoT and cloud-based solutions for making spaces smarter, today provides an update regarding the distribution and reselling arrangements for its products in the United Kingdom (UK).

Fidelity Energy (a subsidiary of Fidelity Group Limited) and Pangea Group Limited (refer below for further details) will today commence distribution of Buddy Ohm products and joint Buddy Ohm-LIFX products, together with undertaking installations in the United Kingdom, following their participation in extended training, installation and inventory management sessions that concluded on Friday, 21 June 2019.

The Company previously entered into a non-exclusive Buddy Ohm distribution, reseller and installation arrangement with Rizon Group for the United Kingdom, as announced to the market on 9 November 2017 and subsequently on 4 December 2017.

As announced in the Company's March Quarterly 4C Review (Q3FY19) dated 30 April 2019, the Company committed to undertake a detailed review and analysis of Rizon Group's

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progress towards their minimum sales volume commitments of A\$1 million for the one-year period commencing from the date of their first sales for Buddy (June 2018) and A\$20 million for the three-year period commencing from the date of their first sales (June 2021). This review was further necessitated by the commencement of Buddy Ohm sales through Ingram Micro in the UK, and (following the acquisition of LIFX) the complication of reseller and distribution partners selling both Buddy Ohm and LIFX products going forward.

The Company has now completed that review and the Board has concluded that, on the basis of:

- 1) Rizon Group not having met the sales volume commitment of A\$1 million in its first year of sales, and
- 2) the larger existing network of resellers and partners already in place with Fidelity Group and Pangea Group providing the Company with much greater customer reach than through Rizon Group in the UK,

the Company has ceased to conduct any further reseller, distribution or installation services in relation to Buddy Ohm products with Rizon Group and will terminate the existing arrangement with Rizon Group.

Additionally, further to previous announcements, the introduction of LIFX products to the Group's overall product offering has become relevant in the UK because resellers in the UK (including Pangea and Fidelity) may also resell LIFX products as components of an overall Buddy Ohm installation. Accordingly, the nature of the Company's product distribution mechanisms in the UK have become more complex and the previous role played by Rizon Group is less relevant.

As a consequence of the above matters, the previously announced Rizon Group sales volume commitments are no longer applicable, and investors should place no reliance on those figures. Further, the Board does not consider that it presently has a reasonable basis upon which to provide revenue guidance in respect to the quantum or timing of future revenues which may arise from the Pangea and Fidelity arrangements.

With respect to the broader UK market opportunity and revenue contribution across the Group, the Company can share that pro-forma calendar year-to-date revenues in the UK are currently A\$1.2 million (unaudited) (inclusive of pre-acquisition LIFX revenues). As previously announced, LIFX revenues (which are now included as part of the Group) are not linear across a calendar year. Consistent with the consumer electronics industry, revenues for LIFX have historically been materially larger in calendar Q4 (ie. the holiday season) than all other quarters, and in some years past, calendar Q4 revenues for LIFX have exceeded calendar Q1 to Q3 combined.

In addition to the above agreements with Pangea and Fidelity, Buddy will maintain its relationship with Ingram Micro in both the UK and the EU. As previously announced, the Company's relationship with Ingram Micro continues to grow globally, with reseller relationships and early sales having commenced in the UK, Spain and Portugal.

Details of Fidelity

Fidelity Group Limited is a UK-based communications provider and business energy broker. They are winners of multiple industry awards and have been featured twice on the UK Sunday Times TechTrack 100. Fidelity Energy, a subsidiary, provides brokerage services across the top fourteen energy providers in the UK, including bill accuracy checks,

monitoring and the ability to forward-buy future energy at current prices. Further information can be found at <https://www.fidelity-group.co.uk/>.

“We are delighted to have been chosen by Buddy to become a full distribution partner for the UK market”, said Alan Shraga, Managing Director, Fidelity Group Limited. “With the growing pressure in Europe surrounding the 2030 and 2050 targets, and the recently introduced SECR legislation, energy monitoring is no longer optional – it is a must do compliance issue for our customers. As Fidelity Group looks to bring new value to our customer base, we see Buddy Ohm as a fantastic link between our business units, Fidelity Energy and Fidelity Telecoms, and the introduction of Buddy Ohm allows us to deliver great value-added services to cross sell between our businesses. Following our initial market testing earlier this year, we are delighted to expand the sales opportunity to our thousands of energy customers, and our 300 resellers throughout the UK.”

Details of Pangea

Pangea Group has been providing connectivity and IoT-based services in the UK, South Africa and beyond since 2015. Pangea provides telecommunications services, connectivity (including SIM cards and data plans) and other supporting technologies to enable connectivity for everything from festivals and retail, to construction sites and offices. Further information can be found at <https://pangea-group.net/>.

Dan Cunliffe, Managing Director of Pangea Connected said, “we’re delighted to have been chosen by Buddy to become a full distribution partner for the UK market. Our initial market testing and early sales over the past year have proven the value of the Buddy Ohm solution for industrial and commercial customers. Coupled with the recent developments in ESOS legislation, we’ve seen our partners’ interest in energy usage and sustainability measurement grow significantly; both in the boardroom and operationally across all business types. Energy monitoring, and more importantly driving actions using IoT capabilities, is no longer optional; it’s mandatory for all medium to large businesses in the UK. We’re really looking forward to expanding our focus on Buddy Ohm through our channel of nearly 200 partners across the region.”

ESOS, or “Energy Savings Opportunity Scheme”, is a UK government mandated energy assessment scheme for organisations in the UK that meet certain qualification criteria. Organisations that qualify for ESOS must carry out ESOS assessments every 4 years. These assessments are audits of the energy used by their buildings, industrial processes and transport to identify cost-effective energy saving measures. For further information on SECR, refer to the ASX announcement, “2019 CEO Letter to Shareholders” (30 April 2019).

The Board further reiterates the statements made in its latest quarterly report and the CEO Letter to Shareholders announced to the ASX on 30 April 2019, including Buddy's overall 2019 Strategy.

Buddy's Board and management looks forward to working with Pangea and Fidelity to advance the Company's business in the UK.

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** (the commercial business) and **LIFX** (the consumer business). 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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