



# ASX MARKET RELEASE

## Buddy Announces Cost Saving Measures in Response to COVID-19

### SUMMARY

- Buddy is introducing a number of cost saving mechanisms with immediate effect
- Buddy's Group CEO, Group CFO and the leader of the Commercial Division will each take pay cuts of 50% effective immediately, through at least end of June 2020
- Buddy's Group CTO will not be drawing a salary, he will step into an unpaid advisory/consulting position within the business, and will transition his board seat from executive to non-executive (this will result in a cumulative saving from the CEO, CFO, Commercial CEO and CTO of approximately \$260k/quarter)
- Nearly all employees of the business have voluntarily agreed to a reduction in hours, averaging between 1-2 days per week effective immediately, through to at least the end of June 2020. On this basis, we are working to save up to \$300k/month in staff costs
- Operational expenses (excluding salaries) and cost offsets will be cut by up to \$375k/month for the duration of the crisis
- Dependent on the shape of revenue during this period (ie: bricks & mortar sales down, online sales up) the Company is seeking to position itself to sustain its business through this period of shutdown across various jurisdictions it operates in, to emerge stronger in the post-virus world
- The Company has a team working through the various local and federal government stimulus packages in every territory in which it operates
- The Company provides an update on its commercial negotiations and debt obligations.

### 27 March 2020 - Adelaide, Australia

Buddy Technologies Limited ("Company") (BUD.ASX), a leader in IoT and cloud-based solutions for making spaces smarter wishes to provide this update on the Company's COVID-19 response.

The Company continues to see strength in the consumer electronics retail market, with European, U.S. and Australian retailers like Harvey Norman and JB Hi-Fi reporting stronger sales in recent weeks for consumer electronics and home improvement products. That being said, the Company does anticipate an impact on LIFX sales as population lockdowns and retail store closures progress. Bricks and mortar retail LIFX sales are currently down between 10% and 30% on the same period last year. Excluding retail deals presently in negotiation, it is not yet clear how much of that lost bricks and mortar retail traffic may move to online sales. The Company is quickly pivoting its marketing resources to focus on online and direct-to-consumer sales, and is moving resources internally to focus on LIFX.com sales.

For personal use only

The Company has opportunities to grow revenue through the monetisation of aged inventory, new online efforts and redirection of bricks & mortar traffic to online stores during this crisis. The tools and processes developed during the online surge of the 2019 Black Friday / Cyber Monday period will be deployed here.

Stock levels at some bricks and mortar retailers are at moderate levels, although Amazon.com in the U.S. has between 10 weeks and 14 weeks of inventory on hand (at trailing weeks sell through rates), so the Company is comfortable with that stock position. For example, more LIFX Candle Color units will be arriving into the U.S. next week, while sales of that product have been strong in Europe and Australia. BestBuy.com sales are sourced from store inventory, so even as their retail stores close, their online sales can be serviced from in-store stock.

The strengthening U.S. dollar is helpful to the business, as inventory is purchased from the manufacturer in U.S. dollars, and the bulk of the Company's sales are in U.S. dollars (even if reporting is in A\$).

Turning to the Company's Commercial business, at present there has been no material impact to Commercial revenues. While the team is anticipating a slow-down in forward-looking sales, existing accounts remain strong, service revenue has slightly increased and recurring revenue streams are continuing as per normal. Contracted work with customers like DIYBlinds and Airstream continues as scheduled, and first LIFX Switch units are scheduled to ship within a month.

Buddy will be instigating a program of cost cuts across the board to further strengthen the balance sheet in this uncertain time. Buddy's Group CEO (David McLauchlan), Group CFO (Richard Jacroux) and CEO of the Commercial Team (Travis Gerber) have all volunteered 50% cuts in salary through the end of June, with a review at that time to establish next steps. Group CTO, Marc Alexander has volunteered a move to a non-executive advisory position in the team, with a 100% salary reduction. Together, these executive cost cuts will total \$260k/quarter in savings. Accordingly the Company will transition Marc from an executive director on the Board to a non-executive director on the Board. The Board thanks Marc for his incredible efforts over the years building LIFX, and joins the wider team in looking forward to Marc's advice and engagement in an advisory capacity over the coming years.

Across the employee base, the Company will reduce team hours by an aggregated 1-2 days per week for nearly all employees, and has sought voluntary reductions in hours. Those reductions will take place immediately, with an expected saving of up to \$300k/month. These savings will be in addition to cost cuts on vendors, contractors, non-essential paid services and revenue generating programs that are expected to total up to \$375k/month. The Company's new retail agreement with Best Buy (refer ASX announcement of 3 March 2020) which takes effect this month, is expected to save over \$160k/month, and with all promotions and discounting paused (including cost reductions on manufacturing), retail margins are anticipated to be approximately 35%.

Shareholders are advised that the Buddy Board does not, and has never received a cash stipend or payment for service, and remains deeply grateful for the efforts by the wider team to reduce cash burn at this time. While the Company does not yet have sufficient data to understand the broader impact on the shape of offline vs. online sales during this period, these significant steps are being taken to preserve the talent base within the business, while setting the Company up to emerge with strength once this period of shutdowns (and potential shutdowns) across various jurisdictions have ceased.

With respect to the various federal and state government stimulus packages currently being made available in Australia, the U.S. and Europe, the Company has a team led by the Group CFO, to seek out and apply for any benefits available to the Company (or to advise employees of benefits that

For personal use only

are presently available as well). As the impact of these benefits is better understood, further details will be provided to shareholders by way of ASX announcements.

### **31 March Debt Update**

The Company advises that it continues to be in negotiations with lenders in respect to the debts associated with the acquisition of LIFX in 2019 (refer to the ASX announcement dated 18 March 2019), regarding (amongst other matters) extending the due date of that debt. The Company is presently in the process of finalising negotiations and formal documentation in respect of extending the due date of this debt, and the Company will provide an update to shareholders by way of further ASX announcements. The Company also remains in negotiations with various third parties in respect to the potential purchase of this debt, and despite the turbulent economic environment, all major commercial deals previously advised as being in negotiations, remain so and continue to progress. The Company will also provide an update to shareholders in respect to the status of these commercial and debt arrangements by way of ASX announcements.

For and on behalf of Buddy Technologies Limited,



**David P. McLauchlan**  
Chief Executive Officer  
Buddy Technologies Limited.

For personal use only

For personal use only

### 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](http://www.buddy.com) and [www.lifx.com](http://www.lifx.com).

###

Buddy Technologies Contact:  
Ben Secrett, Company Secretary  
Email: [cosec@buddy.com](mailto:cosec@buddy.com)

Buddy Technologies Limited  
Level 3, 12 Pirie Street  
Adelaide, SA 5000  
AUSTRALIA

