



ASX MARKET RELEASE

Buddy Restructures Financing to Unlock LIFX Production at Scale

SUMMARY

- In October 2019, Buddy announced a US\$6 million Inventory Finance facility, which formed an integral component of its trade finance facilities to fund the Company's LIFX smart lights
- Arrangements have now been made to restructure this facility as a Purchase Order Finance facility, which means it can be used to finance the upfront cost of raw materials and the manufacturing of products instead of financing already built product in warehouses
- This new PO facility structure aligns completely with the revised payment terms required of the Company by LIFX's manufacturer, and was used to fund 100% of the Company's A\$3.8 million initial order of LIFX White smart lights
- The PO facility will now be deployed to fund new inbound purchase orders, and is expected to unlock LIFX smart light production at scale.

30 July 2020 - Adelaide, South Australia

Buddy Technologies Limited ("Company") (ASX:BUD), a leader in IoT and cloud-based solutions for making spaces smarter, is pleased to announce that it has made arrangements with the provider of its Inventory Finance facility, The Challenger Trade Finance Segregated Portfolio of the South Africa Alpha SPC ("Challenger"), to restructure this facility as a Purchase Order Finance facility (the "Facility").

The Inventory Finance facility achieved financial close last October (refer to ASX announcements on 2 September 2019, 11 September 2019, 24 September 2019, 15 October 2019 and 16 October 2019), and provided for a US\$6 million facility over a term of 24 months (from October 2019) that provided financing against inventory held by the Company in its U.S., Australian and European warehouses.

However, following a successful pilot, arrangements have now been made to restructure the Inventory Finance facility into a Purchase Order Finance facility. This pilot financed 100% of the Company's A\$3.8 million initial order of LIFX White smart lights (refer to the ASX announcement on 31 March 2020).

The Facility will remain a rotating line of credit that will be alternately drawn upon and then paid down across the year, with maximum funds drawn down expected to be in the coming

For personal use only

weeks and months in support of LIFX's busiest period of the year - October through December.

With this restructured facility in place, LIFX now expects to be in a position to finance the manufacturing cost of eligible purchase orders that it receives, enabling the Company to meet the revised payment terms of its manufacturer, especially on large sized orders. LIFX sales teams are now engaging the Company's major retail customers to ensure purchase orders are submitted in a form eligible to be financed.

One reason this restructuring was necessary is that, in recent weeks, the Company has been successful in negotiating for several of its largest customers to pick up their order shipments directly from the LIFX factory in Shenzhen, China, instead of LIFX shipping their orders to the Company's warehouses in the U.S., Australia and Europe and then on to the customer (saving shipping costs, taxes, tariffs and time). Such a delivery model is called "Direct Import" or "DI", and since product manufactured under DI deals never becomes LIFX inventory (it is picked up at the factory by the customer and never becomes LIFX inventory), product from those purchase orders was never able to be financed under the previous Inventory Finance facility. This rendered the facility under-utilised and the business over-reliant on deploying cash on hand to fund manufacturing. The new Facility is perfectly compatible with Direct Importing, and has already been used to that effect.

The Company can report no change to its other working capital facility, provided by Scottish Pacific. This remains a A\$20 million facility, where advances are made against trade receivables, and will continue to be used as the Company's trade receivables permit. Further updates on these trade facilities will be provided by way of ASX announcements as appropriate.

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 and www.lifx.com.

###

Buddy Technologies Contact:
Ben Secrett, Company Secretary
Email: cosec@buddy.com

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

