

Buddy Platform Limited
333 King William St, Level 2
Adelaide, SA 5000

Buddy Platform, Inc.
1418 3rd Avenue, Suite #300
Seattle, WA 98101



<http://buddy.com> • ir@buddy.com

ASX Company Announcements

7 July 2016

The Manager
Australian Securities Exchange
10 Bridge Street
Sydney NSW 2000

FOR IMMEDIATE RELEASE

BUSINESS UPDATE

Attached is a letter to shareholders from Buddy Platform Limited's ([ASX: BUD](#)) chief executive officer, Mr David McLauchlan.

About Buddy

Buddy Platform Limited ([BUD.ASX](#)) provides one of the world's first data aggregation and management platforms for the IoT and connected devices. Buddy advances the Quantified Economy by providing the critical infrastructure by which businesses and organizations can, in real time, access and analyze the data generated by connected devices, and unlock the economic opportunities delivered by this data. Buddy Platform users represent a wide variety of industries, including airlines, agriculture, automotive, consumer electronics, robotics, software development, telecommunications, and transportation. Buddy is headquartered in Seattle, Washington, with offices in Adelaide, Australia. For more information, visit <http://www.buddy.com>.

###

Buddy Platform Contact:
Brian Seitz, VP of Marketing and Communications
Phone: +1 (206) 745-9079
Email: brian@buddy.com

For personal use only

7 July 2016

Dear Shareholders,

Further to the announcement on 6 July 2016 regarding Buddy Platform Limited's (ASX: BUD, or "Buddy") \$4.5 million capital raising, I am pleased to provide this business update to shareholders and to provide details of the context in which this capital raising has been undertaken.

In particular, I would like to update you on our progress on three key performance metrics of the business, being:

- revenue;
- data & device volume; and
- customer pipeline.

Business Revenue

Buddy is a software as a service ("SaaS") business, and SaaS businesses need to achieve a threshold of volume before they can be effectively monetized. The operational team at Buddy - being largely expats from Microsoft, Amazon or Google - have all built large SaaS businesses before, and that is simply the 'laws of physics' around these sorts of businesses. Buddy has previously given guidance that investors should generally not expect the business to generate profit in its formative years. The capital raising that was undertaken as part of the re-compliance process was to fund the company during this time to enable it to achieve its target milestones within three years.

Upon achievement of those milestones, it is envisaged that Buddy will be in a position to declare profits on very meaningful revenue.

I am pleased to report that current indications suggest Buddy will be able to deliver revenues well ahead of originally anticipated projections. While I am not able to share specific revenue guidance, to give you a sense of the exact progress that has been made, the last numbers I shared were an active pipeline of trials, pilots and deals (excluding closed deals - which revenue is, of course, documented in our quarterly filings) of US\$2.7MM for the first half of 2016, and since then that number has risen to US\$2.9MM from 30 active opportunities. Now, of course this may not all translate to revenue - some deals will be lost, others will be late, and others will land and become revenue - but the point is that looking at the first six months of the year, Buddy has a projected pipeline that well exceeds that plan and demonstrates that even in this super-nascent stage of the Internet of Things ("IoT"), there's money being spent in this area by customers of all sizes.

Data & Device Volume

As we have already communicated to the market, Buddy is significantly ahead of its projected plan on data and device volume. We expect to shortly achieve our first performance milestone of 20,000,000 discrete connections per day to Buddy by network connected hardware or software applications for three weeks (notwithstanding that we had originally envisaged achieving this milestone within two years). We've comfortably exceeded that figure on a daily basis, but need to maintain it for three straight weeks, so we don't think this milestone is very far away at all. This kind of achievement within such a short space of time is something that I'm very proud of

the team at Buddy for delivering. You don't get that kind of volume without a product that does what it says, and having people willing to trust their data to it.

Customer Pipeline

I am excited to report that the customer pipeline is far stronger than I anticipated it would be six months ago. The company is currently assessing over 500 potential customer opportunities. Last month alone, we added seven new opportunities worth US\$317k to the pipeline (opportunities are conversations or "leads" where we've established more than 50% likelihood of closing a commercial deal). We have increasing confidence that the "sales flywheel" (as I like to call it) is gaining solid momentum. This bodes well for our core business in advance of the potential acquisitions currently on the table. Undoubtedly, there is a clear indication from the market and our customers that a real business need exists for what Buddy does and what it can deliver.

I appreciate that some investors have been frustrated that Buddy has not been able to disclose more information about its pipeline projects and potential opportunities. Unfortunately - and I've stood intentionally firm on this point - Buddy has a lot of (competitive) eyes on it right now, and accordingly, it would be detrimental to the longer term success of the company if we were to announce in detail every deal and dollar. Additionally, in many cases, our customers absolutely insist on no press & no announcements, which I understand is frustrating for some shareholders, but a requirement of doing business in this industry. We are also conscious of the legal requirements concerning disclosures to the market. Consistent with this, the company is cognizant of its obligation under the ASX Listing Rules to release all price sensitive information to the market in a timely fashion and will continue to do so.

Potential Acquisitions - Noveda & Zentri

As many of you will be aware, we've recently announced our intention to acquire two separate businesses, Noveda Technologies, Inc. and Zentri, Inc. These transactions are pending the satisfactory completion of due diligence, completion of the appropriate agreements and solicitation of the relevant approvals. Investors are understandably keen to learn more about these businesses, the people, technology and customers they'll bring to Buddy, and I too want to share this information.

At this juncture, we've made available as much information as we are able to, but investors should expect that once we're able to share more details on Noveda & Zentri's financials, customers and technology, we will certainly do so. We're extremely excited by these potential transactions, and look forward to sharing much more information with the market in the near future.

Recent Capital Raising

I am very pleased to report that the capital raising that was conducted this week was extremely successful and comfortably over-subscribed. We conducted this raise as part of a very considered strategy to support and grow Buddy's business, while being highly cognizant of the impact of dilution on shareholders. It should come as no surprise to investors that we're taking a number of steps, including this capital raise and the aforementioned acquisitions, to pursue our growth ambitions and implement our business strategy of "capturing as much land as possible", and of "pouring gas on the fire".

We currently have just on A\$11MM in cash reserves, and we're managing our cash burn very carefully. Thus, while an argument could be made that the company didn't need to conduct this raise at this point in time, we did so because we saw an opportunity to conduct a modest raise

For personal use only

with manageable dilution, from very reputable institutional and sophisticated investors. We've carefully selected an investor base that has demonstrated their support of the business and a willingness to hold and grow with us. This is a direct function of the calibre of investors that we have been able to work with, and will continue to work with.

Many of you will share the view that we're all living through deeply uncertain economic times. The "Brexit" drama in the UK clearly had a significant impact on global markets. The recent Australian Federal election has not yet yielded a clear result – perhaps instability will be the order of the day for some time to come in Australia. The US Federal election is next, and who knows what the impact will be on global markets from that event. China is still potentially a significant factor for Aussie and world markets, and so on... In one sense, as a small company, Buddy is somewhat insulated from this instability, but in a more indirect sense, the follow on effects from the macro environment could be very impactful for us. As well capitalized as we are today, bolstering our cash position only creates more stability and even opportunity for the business moving forward.

Shareholders, Buddy is entering an incredibly exciting time for the business and I'm delighted that you are joining us on this journey. In my opinion, there has never been a market opportunity as rich as the IoT, and with the recent capital raise and our pending acquisitions, I firmly believe that Buddy is in a unique position to capitalize on the opportunities that the IoT offers. Thank you all for your continued support, and please do not hesitate to reach out to me or my team (at ir@buddy.com) to learn more.

Kind regards,



David McLauchlan
CEO, Buddy Platform Limited

For personal use only