



ASX MARKET RELEASE

Buddy Platform Limited – December Quarterly 4C Review (Q2 FY18)

January 31, 2018 – Adelaide, South Australia

Buddy Platform Limited (ASX: BUD) (“Buddy” or the “Company”), the Internet of Things (“IoT”) data management, processing and control platform, has today released its Quarterly Appendix 4C filing for the December 2017 quarter (Q2 FY2018).

SUMMARY

- Recognised customer revenue for the quarter was A\$428k vs A\$407k for the prior quarter, reflecting an increase of 5% quarter-over-quarter. Compared to the same quarter last year, customer revenues are up 260%
- Cash receipts from customers for the quarter totalled A\$418k vs A\$407k in the prior quarter, an increase of 3% quarter-over-quarter. Compared to the same quarter last year, cash receipts are up 524%
- Operating cash outflows of A\$3.21M - (up 25% on previous quarter of A\$2.56M and 33% over prior year of A\$2.41M)
- Signed contracts that management forecasts to have aggregated revenues of more than A\$69.3M (up 33% on last quarter)
 - Excluding amounts that have since converted to revenue
 - Excluding any attribution to the Ingram Micro USA distribution agreement, for which management is currently unable to offer a revenue forecast
- Significant progress expanding channel sales network with a total of 17 sales partners in place covering North America, Western Europe, the Caribbean, Latin America, and Australia
- Successful placement raised A\$23M from new and existing top-tier institutional investors
- \$5.4M received from full exercise in November of unlisted two-year BUD options
- Cash on hand at 31 December 2017 totalled A\$28.4M.

Q2 FY2018 FINANCIALS

REVENUE AND SIGNED CONTRACTS

The Company recorded total cash receipts from customers (excluding government rebates and incentives) of A\$418k vs A\$407k in the prior quarter and A\$67k in the same quarter last year. Total customer revenues of A\$428k were reported, a 5% increase on the prior quarter and 260% increase on the same quarter in the prior year. This figure excludes A\$10k and A\$447k of government grants and tax incentives received in the current and prior quarters,

respectively. The increase in revenue was due to new Ohm customers more than offsetting the decrease in revenue from unprofitable Buddy Cloud customers announced last quarter.

The Buddy Cloud business still contributes a meaningful percentage of revenue. Following management's decision to shed unprofitable Buddy Cloud customers (which was announced last quarter) the growth of this business is expected to resume later this year through the expansion of existing customers and the addition of new ones. Investors are reminded of the Company's emphasis on building its cloud business with customers that align with Buddy's smart city data strategy.

In line with previous guidance, material Buddy Ohm revenue is expected in the coming June quarter (Q4 FY18), however, Ohm revenue is currently being recognized and is growing. Investors are reminded that revenue will continue to lag behind the signing of new channel partners due to the on-boarding period where channel partners need to be trained and inventory provided (further details below). It should also be noted that because the Cost of Goods Sold (COGS) is expensed upfront and revenues come later, there will initially be low margins in these initial quarters as revenues lag behind COGS.

The Company's net operating cash outflows of A\$3.21M vs A\$2.56M for the prior quarter were within A\$16k of forecast and in line with guidance from the previous quarterly report. The increase in cash outflows over the coming quarters is for expansion of its sales and marketing activities and further building of its network of channel partners and distributors to drive market expansion.

To date, Buddy has signed contracts with distributors, resellers, referral partners and customers with expected aggregated revenues of more than A\$69.3M (up 33% over last quarter). As with prior guidance, expected aggregated revenues refers to the total management forecast value of sales resulting from the performance of distributors, resellers or referrers under their respective agreements across their terms, most of which do not contain a minimum contracted value (and thus may fluctuate as additional data becomes available to the Company). Accordingly, while these figures are provided for the purposes of market transparency, management urges investors to consider this guidance within the appropriate context.

CASH POSITION, PLACEMENT AND OPTION EXERCISE

As of 31 December 2017, the Company had cash reserves of A\$28.4M following the placement that raised A\$23M at the end of October and the exercise of A\$5.4M of unquoted options. The Company is well funded to progress its strategy to dramatically expand its channel sales for Buddy Ohm and to continue to invest into product research and development to enhance and improve its product offerings.

The October 2017 placement was for 115M shares at A\$0.20 a share. The Company is very proud of the fact that its shares have continued to trade above the issue price since completion, even with the escrow expiry (described later).

In November, all outstanding options - 40M options with a strike price of A\$0.125 and 12.5M options with a strike price of A\$0.03 - were exercised, providing the Company with a cash injection of nearly A\$5.4M. The options were held by parties that are close to the Company and aligned to its success. The Company has a strong relationship with holders and any sell-off following the shares coming out of escrow is and will be carefully managed.

ESCROW EXPIRY

On 30 December 2017 (and effective 2 January 2018), a further 299M shares came out of escrow. Over 95% of these shares are held by the founders and members of the Company's Board of Directors, with the balance held by early employees and friends/family of the founders. A number of shares have been traded by holders (some of whom have tax obligations to meet as a result of the escrow expiry, including the CEO), and have been managed by the Company and Bell Potter Securities. A number of institutions, both those that took part in the capital raise and those that didn't get the opportunity to, opted to take up the stock – highlighting the considerable market support and demand from leading institutions. The brokers and the Company were both pleasantly surprised to discover that nearly none of the stock placed in the October 2017 placement was sold during the recent share price highs, and several significant participants in that placement sought to increase their positions by participating in the recent off-market sale of nearly 32M shares.

The Company was also pleased to recently share with the market that in December the CEO voluntarily re-escrowed just over 66 million Performance Shares for an additional twelve months and several members of senior management voluntarily escrowed or re-escrowed the majority of their Performance Rights and/or Performance Shares.

It is important to the Company that no investors are surprised by any material sales by key personnel. Therefore, the Company recently announced that it will be publishing a schedule of planned sales and windows for the material sale of shares by inside holders. The plan will be fully compliant with ASX Listing Rules and the Corporations Act and will be published to the market once finalised.

Aside from the voluntary re-escrowing of holdings by senior management and the CEO, there remain no further escrowed shares in the Company.

BUDDY OHM

Operational And Sales Progress

Whilst the Company does not at this stage provide guidance in relation to shipments, trials or installations, it is very pleased with the progress of building its channel partner network, and expects to invest substantially in helping those channels maximise their sales potential during 2018. During the December quarter, the Company announced a number of distribution, reseller or referral sales partnerships including;

- Nationwide resale and distribution agreement with **Ingram Micro Canada**, part of the world's largest distributor of technology products NYSE-listed Ingram Micro Inc., that serves over 1,700 suppliers including Apple, Cisco, Google, HP, IBM, Microsoft and Samsung. The agreement provides Buddy with access to Ingram Micro's Canadian network of resellers and they will also hold inventory to fulfill orders received from SaskTel, Buddy's mobile operator partner in Canada, completing the supply chain in Canada. The Canadian market is an attractive market for Buddy Ohm given its rising energy costs and conscientious focus on bringing down energy consumption. Revenue from this agreement is first expected in the March (Q3 FY18) quarter
- Buddy signed its largest distribution deal to date with **Ingram Micro USA**, providing access to a very significant market for Buddy Ohm. The agreement provides access to over 30,000 resellers in Ingram Micro's cloud marketplace. Sales and installer

training programs are now in progress and sales are expected to begin (and first revenues reported) in the June (Q4 FY18) quarter

- It was announced that **Telstra** would become a primary reseller of Buddy Ohm in Australia. The Company continues to advance through the distributor approval process with Telstra. Buddy has already commenced sales staff training, continues to work through the process of having the Buddy Ohm product become security certified and has concluded the formal integration of the Buddy Ohm product with Telstra modems and mobile data SIM cards. Importantly, Telstra just recently device certified the Buddy Ohm product for their network – typically one of the more time-consuming steps in the process. Buddy continues to work with Telstra on a range of customer opportunities, potentially including Telstra as a customer of the Buddy Ohm product themselves
- Distribution agreement signed with ASX-listed leading regional hardware distributor, **Dicker Data**, whose product portfolio includes products from HP, Cisco, Toshiba and Microsoft. Through this agreement Buddy has access to a network of over 5,000 resellers and additional sales support services in Australia, further expanding its reach in the Australian market. Revenue from this agreement is first expected in the June (Q4 FY18) quarter
- Buddy executed a reseller and distribution agreement with the UK's **Rizon Group**, as well as a Letter of Intent outlining a sales commitment of A\$1M in the first twelve months and A\$20M over three years. The agreement represents the first reseller of Buddy Ohm in the United Kingdom. Rizon will also become a distributor and installer of Buddy Ohm in the UK. Trials have already commenced and first sales are expected this (Q3 FY18) quarter. As the first distributor in an entirely new market for Buddy Ohm, meaningful revenue from this agreement is not expected until the June (Q4 FY18) quarter.

The new sales partners signed in the December quarter are in addition to the existing channel partnership with Digicel, which launched new markets in the December quarter including El Salvador, Curacao and Bonaire. Digicel will eventually roll out to 26 territories in the Caribbean and Central America and so far in 2018, Trinidad & Tobago, Barbados, Bermuda, Aruba, St.Vincent, the French West Indies, Cayman Islands and Panama have all come online sales-wise.

The process of on-boarding each partner is expected to usually take between three to six months, depending on the size and characteristics of the partner. However, some mobile operators have told the Company to expect up to nine months to fully onboard and prepare their sales teams before launching sales through their channels. SaskTel – whose agreement was signed in August 2017 – will commence sales in February 2018. Therefore, sales from each partner are expected to lag announcements of distribution or reseller agreements being signed by some period of time and revenues will only be recognised once the hardware is installed and the service agreement has formally begun. Consistent with previously offered guidance, the first material revenues for Buddy Ohm are not expected until the coming June quarter (Q4 FY18).

In the past week, the Company has announced a partnership to globally & preferentially distribute Buddy Ohm through the world's largest distributor of technology products, Ingram Micro. Given that signing distribution agreements is very much only the first step in setting up a channel, entering a market, training resellers and sales staff and then commencing

sales, management is unable at this time to offer guidance on the revenue opportunity afforded by this preferred relationship with Ingram Micro. Further announcements will be made to the market when those figures are better understood.

The Board, Management and the sales and marketing teams are now extremely focused on advancing customer sign ups given that the Company now boasts a robust and highly enviable sales pipeline that is expected to only increase. To that end, regional managers for the Latin America and European markets have been hired, and they are carefully staffing up their teams accordingly. These efforts will allow us to invest in growing those markets with equal vigour as our home markets of the United States and Australia.

Product Development

In October, Buddy partnered with Edge Electrons to decrease energy use and spending. Edge Electrons makes a device called 'PowerSave' that reduces peak energy consumption as well as protecting against a reduced lifespan of equipment. Buddy will integrate PowerSave into the Buddy Ohm product suite to deliver PowerSave customers a Buddy Ohm dashboard and providing Buddy Ohm customers an additional add on. The enhanced offering is now available to Edge Electrons' new and existing business customers in Australia, and Buddy's markets elsewhere in the world.

The Company was pleased to announce a worldwide connectivity agreement with T-Mobile USA for the data connectivity for Buddy Ohm device deployments. The agreement provides competitive fixed pricing in the USA and an additional 140 countries via roaming agreements. A common SIM card and data plan will allow Buddy to sell the Ohm product globally and accelerate its US roll out through related channel partners. The deal is not exclusive and enables Buddy to continue its strategy to partner with mobile operators worldwide, offering operators additional products and the ability to grow their IoT offerings.

A new Buddy Ohm component was also launched during the quarter – the Ohm View. The Ohm View feature makes access to the Ohm Dashboard simpler and setup-free. It has a cellular modem incorporated and does not require a wired or wireless network. The Ohm View units will begin shipping in the coming weeks.

BUDDY CLOUD

The Buddy Cloud product continued to deliver revenues through existing customer contracts. The revenue was lower than previous quarters following the move by Management to remove a number of customer contracts that were not profitable or in line with the core focus of the business; smart cities. As such, the Company is now focused on enhancing its sales and marketing activities for Buddy Cloud in the smart cities sector with the objective of driving growth across the Buddy Cloud platform in 2018.

The Company continues to offer guidance however, that at present, the primary function of the Buddy Cloud product offering is to power the Buddy Ohm and Alternative Data products, and service existing valued customers in the Smart Cities space. Management has made the decision to focus sales and marketing efforts on Buddy Ohm primarily, with Alternative Data to follow shortly. This in no way diminishes the importance or value of the Buddy Cloud, being the central technology component powering the Company's core products.

ALTERNATIVE DATA (aka "Parse on Buddy")

In the recent "2018 Annual Shareholder Letter" (published to the ASX on 8 January 2018), it was disclosed that the EU's General Data Protection Regulation coming in to effect in May

2018 will have a significant impact on Buddy's Alternative Data business. Guidance was offered that these regulations require the Company to make significant changes to how data is collected by way of Parse on Buddy. Guidance in the Shareholder Letter was further offered that complying with these new regulations would put our engineering and sales efforts somewhat behind schedule, however that first revenues are still expected to be reported in Q4 FY18 Quarterly (which is consistent with prior guidance and on schedule). It is the view of management that complying with these new regulations is mandatory, and since they will apply to everyone, being ahead of the market in terms of deployment may offer a competitive advantage.

STAFFING

The Company wishes to announce the departure of Vice President of Product, Habib Heydarian. Mr. Heydarian joined the Company in August 2015 and was a prominent member of the team at product launches, customer site visits and demonstrations. The Company is deeply grateful to Mr. Heydarian for his service to the business and the industry, and wishes him the very best in his future endeavours.

The Company further wishes to announce the promotion of former Head of Data and Senior Director of Product Management, Mr. Charles Eliot, to Vice President of Product. Mr. Eliot is a Rhodes Scholar (Maritimes & Wadham, 1979), an MIT graduate, a twenty five year veteran of the Microsoft Corporation and was formerly Head of Engineering Services at Skype. The Company is delighted to welcome Mr. Eliot to his new role.

OUTLOOK

The Company ended the calendar year with remarkable momentum in the December quarter, with the signing of significant sales and distribution partners, several larger and more meaningful than those before them. The Company is utterly mindful of the opportunity afforded to it in terms of the sales opportunity now within reach. Indeed, it would be impossible to scale the Buddy Ohm business to the heights expected without closely working with the largest and most successful technology distributors in its targeted regions. Now that those agreements are in place, 2018 will be dedicated to advancing distribution agreements to reseller agreements and advancing reseller agreements to unit sales. The Board, Management and Buddy team members are all unified in their commitment to putting customers first, driving product sales and end customer installs and significantly increasing revenues. The team is not confused as to the timeframes necessary to yield the results expected, and recognises that much work remains. That said, the Company has the unique opportunity now to work closely alongside its sales partners to maximise revenue, continue to secure new sales channels, expand into new regions and optimise the product range with additional features and billable new functionality.

With no sales or distribution partner quite fully online (Digicel has advanced the furthest in this respect, and have indicated they'll be fully online this quarter) and yet so much traction in setting up market-leading sales channels, the outlook for Buddy Ohm is exciting and the coming quarters will require particular focus on sales and product execution. Management has the highest degree of confidence in the ability of the team to perform as needed, and remains truly confident that Company continues on track to achieve its stated milestones and goals.

For and on behalf of Buddy Platform Limited.



David P. McLauchlan

Chief Executive Officer
Buddy Platform Limited.

About Buddy

Buddy Platform Limited (BUD.ASX) provides highly scalable Internet of Things data aggregation and management infrastructure by way of three unique offerings – Buddy Cloud, Buddy Ohm and Parse on Buddy. The Buddy Cloud offers smart city providers a globally scalable data ingestment and management platform. Buddy Ohm, a complete and low cost solution for facility resource monitoring and verification, connects systems that were never designed to work together, while turning energy savings into a strategic asset. Parse on Buddy is a mobile backend as a service (mBaaS) built on the world’s most popular BaaS technology. Buddy Platform is headquartered in Adelaide, Australia, with offices in Seattle, Washington.

For more information, visit www.buddy.com.

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



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Buddy Platform Limited

ABN

21 121 184 316

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date (3 months) \$A'000s
1. Cash flows from operating activities		
1.1 Receipts from customers	418	825
1.2 Payments for		
(a) research and development	(379)	(656)
(b) product manufacturing and operating costs	(627)	(1,155)
(c) advertising and marketing	(343)	(641)
(d) leased assets	-	-
(e) staff costs	(1,372)	(2,630)
(f) administration and corporate costs	(485)	(691)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	36
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10	457
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,749)	(4,455)

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date (3 months) \$A'000s
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(71)	(100)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(71)	(100)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	23,000	23,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	5,375	5,375
3.4 Transaction costs related to issues of shares, convertible notes or options	(1,518)	(1,518)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date (3 months) \$A'000s
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	26,857	26,857

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,372	6,122
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,749)	(4,455)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(71)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,857	26,857
4.5	Effect of movement in exchange rates on cash held	(6)	(21)
4.6	Cash and cash equivalents at end of quarter	28,403	28,403

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	28,403	4,372
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,403	4,372

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
94
-

CEO Salary - 82k
Mandated Corporate Services - \$12k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)
- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	-	-
	-	-
	-	-

-

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(320)
9.2 Product manufacturing and operating costs	(410)
9.3 Advertising and marketing	(590)
9.4 Leased assets	-
9.5 Staff costs	(2,000)
9.6 Administration and corporate costs	(610)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(3,930)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 31 January 2018

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.