

Buddy



ASX MARKET RELEASE

BUD.ASX Interim Financial Report (4D) Review and Company Update

- **1st Half FY2017 revenues of A\$271k, cash expenses of A\$4.6 million**
- **Cash and cash equivalents on hand of A\$11.0 million**
- **Net increase of cash and cash equivalents of A\$116k**
- **On track for half on half revenue growth exceeding 300%**
- **Company on track to add next billion monthly device transactions in half the time it took to add first billion**
- **First data sales of anonymized/aggregated data sets**
- **Parse on Buddy growth not slowing at all, many migrations still to go; priority is to maximize the size of this monetizable data set**
- **Buddy announces launch date of first solution-based product – March 21, 12pm in Sydney, Australia.**

Tuesday February 28, 2017 – Adelaide, South Australia

Buddy Platform Limited (BUD.ASX) today released its Interim Financial Report (Form 4D) to the Australian Securities Exchange.

The results announced remain fully in line with management expectations and market guidance, in particular with respect to the company historically seeking to grow data volume and device traffic as the first priority, ahead of revenue. Further commentary is provided below on how this will impact the 2017 calendar year business plan.

Summaries of each of the financial statements follow:

Statement of Profit or Loss and Other Comprehensive Income

- Revenue and income were A\$271k and total expenses were A\$6.2 million. Expenses excluding share based payments, impairment and depreciation were A\$4.6 million
- The company recorded a total comprehensive loss of A\$6.0 million, with EBITDA excluding share based payments and impairment of A\$4.3 million
- Basic and diluted loss per share of A\$0.007.

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Statement of Financial Position and Statement of Changes in Equity

- Cash and cash equivalents of A\$11.0 million
- Total equity of A\$11.4 million with total assets of A\$12.2 million and total liabilities of A\$800k
- Shares issued of A\$4.5 million less costs of raising capital of A\$404k.

Statement of Cash Flows

- Net increase in cash and cash equivalents of A\$116k
- Net cash used in operating activities of A\$3.9 million including operating cash receipts of A\$169k and operating cash payments of A\$4.1 million
- Net cash used in investing activities of A\$52k and net cash provided by financing activities of A\$4.1 million.

Half year on half year comparisons are not provided as the Company's previous 4D filing only reflected the period between December 17 and December 31, 2015. As such, there is no reasonable comparison to be made with this period.

Subsequent to the reporting period, the Company has already announced signed contracts representing booked revenue (nearly all of which will land in CY2017) of up to A\$2.6 million, and this second half of FY2017 is well on track to see revenue growth exceeding 300%.

Aside from financial metrics, on July 11 2016, the Company announced that it was processing data at a rate exceeding one billion transactions per month. The following week, the Company announced that it had exceeded 20 million discrete transactions per day for three consecutive weeks, some 17 months ahead of schedule. We're pleased to share that Buddy's rate of traffic and device growth continued upwards, resulting in a peak daily traffic figure for the period of over 53.5 million discrete transactions per day (recorded on December 30, 2015). The trajectory puts Buddy on a path to process data at a rate exceeding two billion transactions per month in just over half the time it took to get to one billion transactions per month.

Subsequent to the reporting period, the Company has recorded a peak traffic metric exceeding 75 million discrete transactions per day and expects to exceed 100 million discrete transactions per day in FY17 Q4. That run rate would put the company on a trajectory to process in excess of 36 billion transactions per year.

Monetizing the Platform in 2017

When Buddy began the process to conduct a reverse takeover of Potash Minerals Limited, and list on the ASX as "BUD", several performance milestones were identified over periods of two and three years. These milestones focused on two key metrics that the Company asked investors to use as yardsticks of success – discrete connections to the Buddy Platform and unique devices connecting to the Buddy Platform. At each opportunity, management has communicated the importance of growing these metrics being superior to growing revenue in the early days of the Company as an IoT platform.

As we enter year two of being an ASX-listed company, we now find ourselves ahead of plan (by a considerable measure) with respect to data being processed by the platform. This has

come as a function of both IoT platform growth and Buddy's successful roll-out of the Parse on Buddy product. This allows us to increase our monetization in absolute terms – already well-evident from the substantial uplift in revenue booked this quarter – but also in terms of breadth.

In 2017, we will begin to monetize the platform – and will do so in two ways. Firstly, we are now in a position to monetize solutions built on top of the platform, as well as the platform itself. By solutions we include customer scenarios where the platform itself is a solution – typically larger scale deals (such as carriers, networks, utilities, governments, etc...) but also (and especially) our end-to-end products. Those are products sold as complete solutions, the first of which will be launched very shortly (see below).

Secondly, we will monetize the carefully anonymized and aggregated data generated and processed by the Buddy Platform at scale. Since listing on the ASX, we've processed data for our customers, but we're now at an inflection point in the volume of data we're handling such that new monetization options become viable. There is perhaps no better example of this than the concept of "alternative data" – [recently & usefully explained](#) by American venture capitalist, Matt Turck:

"A few months ago, Foursquare achieved an impressive feat by predicting, ahead of official company results, that [fast food restaurant chain] Chipotle's Q1 2016 sales would be down nearly 30%. Because it captures geo-location data from both check-ins and visits through its apps, Foursquare was able to extrapolate foot-traffic stats that turned out to be very accurate predictors of financial performance.

That a social media company could be building a data asset of immense value to Wall Street is part of an accelerating trend known as "alternative data". As just about everything in our lives is getting sensed and captured by technology, financial services firms have been turning their attention to startups, with the hope of mining their data to extract the type of gold nuggets that will enable them to beat the market."

He goes on:

"Hedge funds are investment funds that are obsessed about one thing: completely outperforming the broad market, and delivering outsize returns to their investors. They use complex portfolio construction and risk management techniques, and can invest in all sorts of different markets (real estate, stocks, derivatives, currencies, etc)."

And:

"Wall Street has been in the prediction game since its origins, and the idea of obtaining data not available to anyone else is not new. It used to be stock prices and fundamental information. As those became widely available, hedge funds moved on to other forms of data.

Not that many years ago, some hedge funds would send people to literally stand in front of big-box retail stores and count the number of people coming in and out, and



on that basis make predictions about the retail chains themselves and the economy in general.

Alternative data now offers an opportunity to do the same thing at an entirely different scale and level of sophistication.

The trend started a few years ago with social media data. Could one not only access market moving news faster than the regular press, but also gain non-obvious insights by crunching through all tweets relating to a certain topic? Those were the days when some of the larger hedge funds and banks would start licensing the Twitter firehose.

Now hedge funds have broadened their interest to all sorts of other datasets: geo-location, credit card payments, satellite images, IoT sensor data, building permits, health data, etc. Some of this data comes from companies that are just trying to monetize their data exhaust; other data sets are coming from companies whose primary business model is to offer this data."

Finally:

"As to how much money you can make selling data directly to hedge funds, this is where things get tricky... You do hear the occasional story where a hedge fund paid a couple of millions a year to obtain a specific data set, and occasionally more...

From what I hear, for the most part average annual fees will range from somewhere in the high tens of thousands of dollars to somewhere in the low hundreds of thousands of dollars, with perhaps US\$100,000 per hedge fund being a fair median number.

To get a sense of overall market size, there are probably 10,000-15,000 hedge funds."

It should now become clear why at Buddy we've been so completely focused on growing our traffic and number of unique devices communicating with the platform, and why the only performance milestones that matter for the long term success of the company are discrete connections to the platform, and new unique devices connecting to the platform. While short-medium term monetization of the platform through service fees is certainly possible, that channel is dwarfed by the long term value of the completely anonymized and aggregated data in the platform. This is even more true of the Parse on Buddy platform – subscription fees to platforms such as this trend downwards over time (Amazon's AWS platform has only EVER dropped prices since inception – more than 50 times!).

The dataset that Buddy is managing and growing has now reached the point where monetization as "alternative data" is possible. Buddy has transacted our first sale of an anonymized/aggregated dataset in this capacity, and based on that, we're substantially increasing our attention on this space. Just as we're applying focus on solutions-based IoT platforms product, so too are we applying focus on monetizing the data. In these early days, it is clear that the Parse on Buddy data set is extremely interesting to buyers (who have no need for, and actively don't wish to get any personally identifiable information – which aligns perfectly with our company values and customer commitments), and the fact that we have the systems and processes to manage the data increases its value.



A shareholder recently reached out to Buddy enquiring about our monetization strategy, and it's worth repeating and sharing broadly the answer:

"The plan always has been, and remains, to sell processing and management of the data generated by connected things. In the case of our [soon-to-be-announced] smart cities solution, it just happens that we're packaging that up into a vertical product – bundling in hardware and a consumption mechanism (such as dashboards) to come up with what is effectively a boxed product (not quite, but you get my point). That isn't to say that we aren't bidding on, or in advanced negotiations with customers seeking to build on the core platform, it's just that our 2017 focus is the solution – we know we can sell that more easily.

I think you'll find that we'll look back at 2017 as the year that revenues went beyond inbound service-based (ie: subscriptions, cost of sending the data in) and became larger due to product sales and outbound service based (ie: selling the data back out of the system). Remember that you can't sell the data out if you haven't gotten it in first, and nobody buys it out without getting it in, stopping there and taking a breather, and then figuring out what they want from it. The reason (we) advised that revenues would remain light prior to CY19 is because (we) knew that until customers had developed significant hunger for their data, we'd primarily be storing and managing it – not doing a lot of processing (where our margins are best)."

As always, the Company will share details with investors about the progress of our monetization efforts, but suffice to say that management expects 2017 to be a pivotal year for the Company, and early indications are absolutely supporting this view.

Parse on Buddy

There has been considerable investor interest in the Parse on Buddy product – especially given the nature of the shutdown by Facebook of the original Parse.com product. At the present time, the Company is deeply engaged in negotiations around the value of data from this dataset with hedge funds in the US, Europe and Hong Kong. Accordingly, Buddy is unable to share specific numbers around traffic volume, app volume or migration rates, as these are all key factors in our negotiations and what makes our product competitive and differentiated. That said, it is important to convey to shareholders a sense of how the platform is performing.

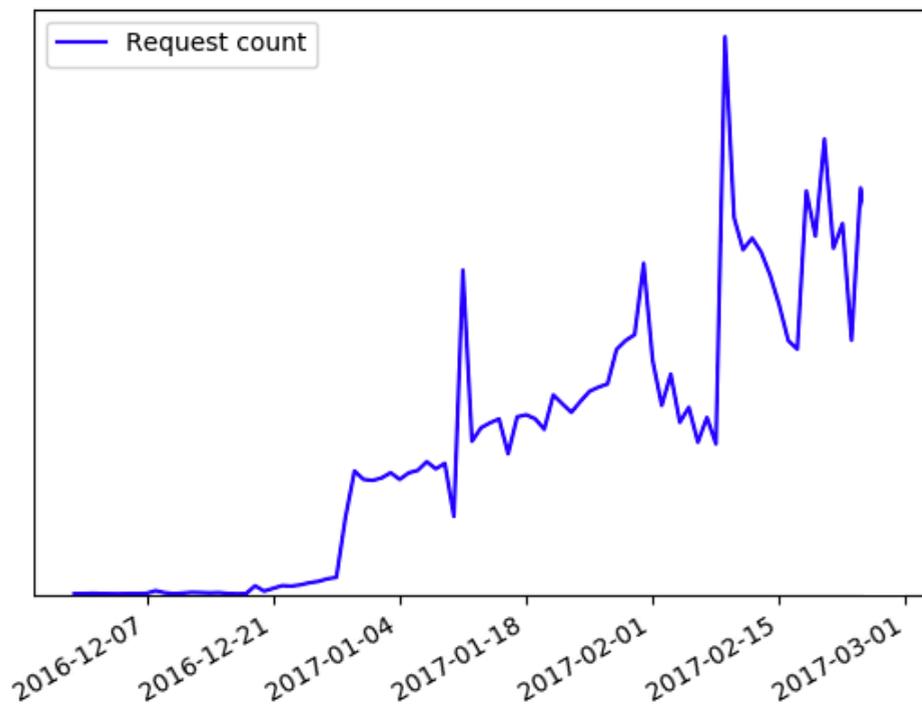
The key takeaways investors should have are: 1) app migrations from Parse.com/Facebook are very far from complete, and a great many applications still have not "landed" yet, 2) developer and application growth on the platform remains unexpectedly strong – after a small "bump" around the end of January to coincide with the public shutdown by Facebook of Parse.com, growth on all fronts continues at pre-shutdown levels – we now believe we're far from seeing the light at the end of the signup tunnel, 3) daily traffic volume can fluctuate wildly, and especially based on external factors such as day of the week, but cumulative traffic is increasing rapidly and unabated. In other words, our data asset is growing in size and value, and doing so very quickly.

From a monetization perspective, it is clear to our team that there is an outsized opportunity to monetize the aggregated and anonymous data generated by this platform at a vastly greater scale than on platform subscription fees. Indeed, even only our first customer for the



data has already generated more revenue for Buddy than our subscription fees have. As readers will recall from the last quarterly review, this revenue is already in the six figures and growing. We're now learning of several large-scale customers that either weren't being charged by Facebook (but whose consumption of services certainly warranted a charge), or were being undercharged by Facebook. Indeed, while that sounds like an opportunity missed, our conversations with buyers of anonymized & aggregated data have made it clear that getting as much data into and through the platform as possible must be the highest priority – even if we sacrifice some subscription fee revenue to do so. The revenue generation opportunity from the aggregated data is just that great.

Daily Inbound Parse on Buddy API Calls (requests per second)



That said, we are driving Parse subscription revenue today and we're servicing high volume customers. However, we don't see a path to meaningful (million dollar plus) revenue from the subscription platform as-is, while we absolutely do see such a path with the data (both aggregated, and overlaid on the IoT platform dataset). For this reason, we are very pleased with our investment in the Parse on Buddy platform, even if the path to monetization will be different to what we'd initially expected (although ironically, much more aligned with our monetization strategy for the Buddy Platform).

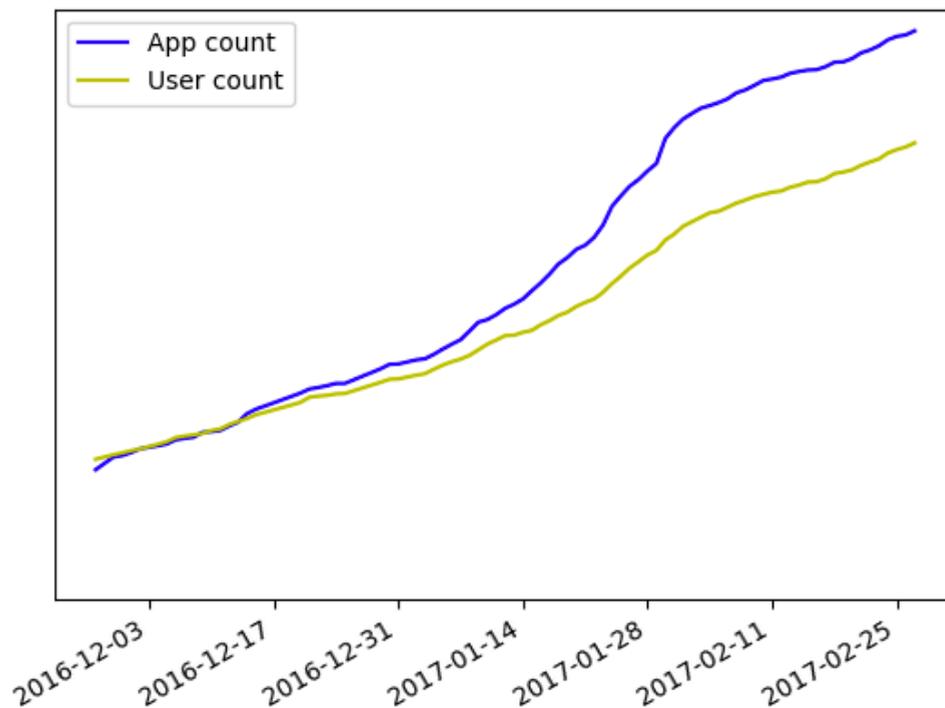
We've recently engaged financial data engineers (one each in Europe and the US) with hedge fund / quantitative analysis backgrounds to help us take immediate advantage of the alternative data opportunity and to help us package up a series of products that will be of interest to this market. To that end, our investment in the Parse on Buddy project is one that appears capable of yielding significant returns for the Company, and sales cycles on this data are expected to be short. More details will be shared on this monetization effort as they come to hand, but investors should understand that this is an immediate effort that is underway and yielding results.



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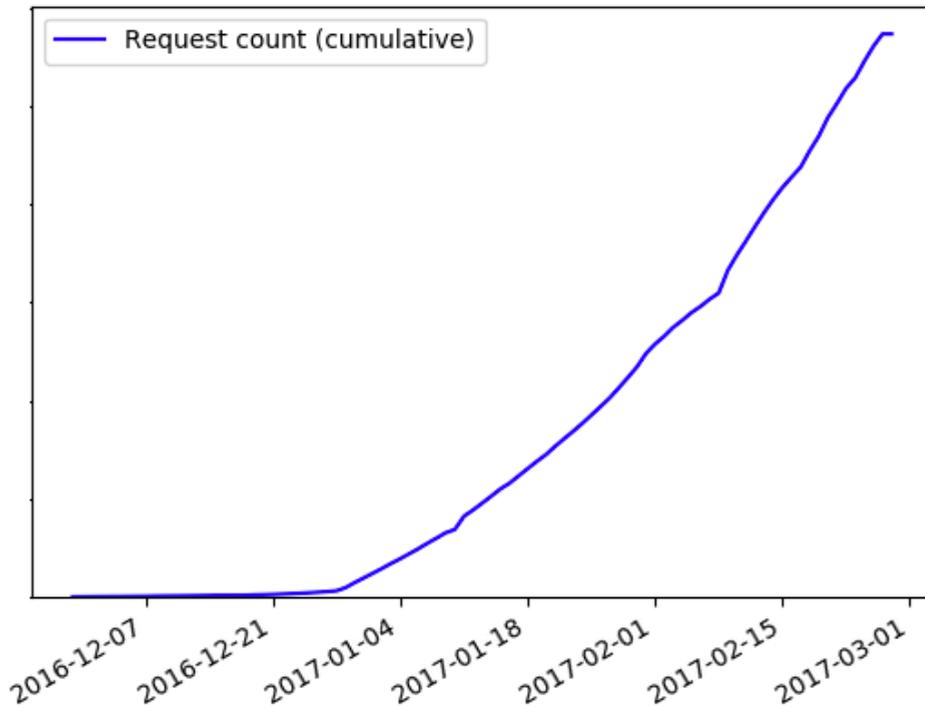
It is our hope that investors will recognize that this is a vastly superior mechanism to monetize the Parse on Buddy platform, and one that allows us to scale dramatically further on the revenue front. We see no end in sight to the (largely) organic growth that the platform is sustaining, and so we'll continue to report back to shareholders on the platform/dataset growth accordingly. Part of our efforts at this week's Mobile World Congress in Barcelona will be centred around developer uptake of the Parse on Buddy platform.

Developer Accounts (Users) and Apps Growth



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Total Cumulative API Request Count



You're Invited - A Very Special Buddy Platform Launch Event on March 21

As was briefly mentioned in the 2016 Year in Review letter to shareholders, Buddy is working on a new Buddy Platform-based product to fill the gap that the cancelled acquisition of Noveda has left. We're very pleased to announce that the Company will be holding a special launch event in Sydney, NSW on Tuesday March 21st from 12-2pm to launch this new product.

We're confident that this product will be a first for the Australian market, and one that marks the first vertical solution offered "top to bottom" by Buddy to customers. It will be launched before an audience that will be invited to experience, touch and handle the product - as well as meet the key team members involved. Buddy chairman Rick Borenstein will join CEO David McLauchlan and team in Sydney, and the event will mark the formal sales availability of this new connected smart cities product across both Australia and the United States.

Seating for this exciting event will be limited and subject to an RSVP, details of which will be provided in the coming week. In the meantime, please mark your calendars and prepare to join us if you can.

For and on behalf of Buddy Platform Limited,

David McLauchlan
CEO, Buddy Platform Limited



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About Buddy

Buddy Platform Limited (BUD.ASX) provides highly scalable data aggregation and management infrastructure that helps extract the maximum value from city wide sensor and device data, by connecting systems that were never designed to work together. Services like the Buddy Platform are the backbone of smart city initiatives around the globe, allowing for maximum flexibility and cost savings. Buddy is headquartered in Adelaide, Australia, with offices in Seattle, Washington.

For more information, visit <http://www.buddy.com>.

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