



# ASX MARKET RELEASE

## Buddy Platform Limited – March Quarterly 4C Review (Q3 FY18)

### April 30, 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 March 2018 quarter (Q3 FY2018).

### SUMMARY

- Customer revenue for the quarter was A\$505k vs A\$428k for the prior quarter, reflecting an increase of 18% quarter-over-quarter
- For the first three quarters of FY2018, customer revenue was up 104% over the same period last year
- Cash receipts from customers for the quarter totalled A\$477k vs A\$418k in the prior quarter, an increase of 14% quarter-over-quarter
- For the first three quarters of FY2018, cash receipts from customers are up 151% over the same period last year
- Gross operating cash outflows of A\$3.66M are better than prior-quarter estimated cash outflows by A\$271k or 7%
- In line with prior guidance, the Company continues to manufacture additional Buddy Ohm systems and components to support its inventory needs around the world
- Digicel has completed their Buddy Ohm roll-out across all their major markets which have commenced sales and installation of Buddy Ohm
- Ingram Micro global arrangements secured, with sales launch of Buddy Ohm occurring in the US this week
- “Works with Ohm” program announced to integrate third party sensor and building monitoring equipment into Buddy Ohm family
- “Carbon Offsets as a Service” functionality announced, coming to all Buddy Ohm installations by July 2018
- Growth in Buddy Cloud business with announcement of extended Thor relationship, increased revenues
- Cash on hand at 31 March 2018 totalled A\$25.3M.

### Q3 FY2018 FINANCIALS

#### CASH RECEIPTS AND REVENUE

For the quarter, excluding both finance income and government rebates and incentives, the Company recognised total customer revenues of A\$505k, reflecting an increase of 18% over the A\$428k recorded in the prior quarter (Q2 FY18). Total cash receipts from customers was

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A\$477k, representing 14% growth over the A\$418k recorded in the prior quarter. Additionally, A\$80K of finance income was received in the quarter.

For the year-to-date (three quarters ending 31 March 2018), revenues grew 151% to A\$1.34M vs A\$657k last year. Year-to-date cash receipts from customers grew 104% to A\$1.30M vs. A\$519k for the same period last year. Year-to-date finance income was A\$116k and government rebates and incentives were A\$457k.

The quarterly and year-to-date increases in customer revenue and customer cash receipts are due to new Ohm customers more than offsetting the decrease in revenue from shedding unprofitable Buddy Cloud customers, which is now complete. The Buddy Cloud business still contributes a meaningful percentage of total Company revenue. Following management's decision to shed unprofitable Buddy Cloud customers (which was announced two quarters ago), this business is now growing again through the expansion of existing customers (see "Thor Industries Signs Extension to Buddy Cloud Relationship" – 20 March 2018). 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, while Buddy Ohm revenue is being recognised and is growing, Buddy Ohm revenue isn't expected to materially contribute to total revenues until next quarter (Q4 FY18). Investors are reminded that revenue will continue to lag substantially behind the signing of new channel partners (in line with previous guidance) due to the time intensive process of on-boarding new distributors and resellers as well as the time taken to complete sales and installation training (for example, the Company's distribution relationship with Ingram Micro USA was announced 13 December 2017, formal launch of sales will occur on 30 April 2018 and first revenues from this channel aren't expected to be recognised until Q1 FY2019). All of these steps must occur before selling to end customers begins. It should also be noted that because Buddy Ohm's cost of goods sold (COGS) is expensed when installed and revenues come later as earned, there are initially low margins in these early quarters as revenues lag behind COGS. The Company has been consistent in this guidance, and reiterates that nothing has changed in this regard.

The Company's operating cash outflows of A\$3.66M – vs A\$3.21M for the prior quarter – were better than its estimated cash flows (A\$3.93M) by A\$271k. The increase in cash outflows over the coming quarters reflects management's expansion of its product development activities, sales and marketing activities, purchase of additional hardware, and other operational activities to further build its network of sales and implementation channel partners that ultimately drive market expansion world-wide. This too is in line with prior guidance, in particular following the capital raising concluded in 2017, whereby the announced primary use of funds was to facilitate international expansion by way of the Ingram Micro global channel relationship.

By way of update, the status of Buddy's key distribution, reseller and referral partnerships are as follows:

- As recently announced, an additional Statement Of Work was signed to extend Buddy's relationship with **Thor Industries, Inc.** The additional Statement of Work increased the ongoing development charge but changed the timing and nature of the ongoing maintenance fee. Buddy has derived revenues via prior Statements of Work in Q3 FY2018 and revenues generated from the additional Statement of Work were recognised in the final weeks of this quarter

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- Reseller agreement with **Digicel Group Limited** (Digicel) which commenced generating revenues in Q3 FY2018. As of the end of March, Digicel had made product launch announcements in all major countries where Digicel has a presence and has now completed selling and installer training in all those countries
- Referral agreement with **Saskatchewan Telecommunications** (SaskTel). As of the end of March, sales have not commenced under this agreement. SaskTel sales training is complete and management expects sales to commence over the next few quarters
- Distribution agreements with various **Ingram Micro** entities in a number of countries. Sales have not yet commenced under these agreements. Sales training is complete in a number of markets; Buddy Ohm is now available in the Ingram Micro catalog; Buddy and Ingram Micro exhibited together in Mobile World Congress in Barcelona in February; additional agreements were completed for Ingram Micro to distribute into Latin America; and Ingram Micro and Buddy intends to expand its current arrangements to Spain, UK and Germany (Ingram Micro has commenced roll out of Buddy Ohm in Spain and is expected to commence roll out of Buddy Ohm in UK and Germany). Ingram Micro USA will launch sales at an event starting 30 April in Boca Raton, Florida where it is expected that over 470 resellers will be introduced to the Buddy Ohm product
- Reseller agreement with **Rizon Group**. No revenues were generated from this agreement in Q3 FY2018, however, as announced, sales in the United Kingdom have now commenced, and revenues from this channel partner will begin to be recognised in Q4 FY2018
- Distribution and reseller agreements with **Dicker Data Limited** (Dicker Data). As recently announced, Dicker Data will become the primary distribution channel for Buddy Ohm in Australia. While no revenues were generated from this agreement in Q3 FY2018, sales have now commenced and revenues from this channel partner will begin to be recognised in Q4 FY2018.

In addition to these arrangements, the Company notes that there are many other agreements, arrangements or relationships the Company has entered into which management does not consider to be material (at this time). Such arrangements include, but are not limited to, non-disclosure agreements to discuss larger or broader relationships, trial arrangements, exploratory relationships and services agreements.

#### **CASH POSITION AND HOLDINGS**

As of 31 December 2017, the Company had cash reserves of A\$25.3M and held nearly 22.7M shares in Weebit Nano (ASX:WBT).

#### **ESCROW EXPIRY**

Effective 2 January 2018, approximately 299 million shares came out of escrow. Over 95% of these shares were 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. Shortly after escrow, and following advance guidance from the Company to the market, 32 million shares were traded – off market – by holders (some of whom had and have tax obligations to meet as a result of the escrow expiry, including the CEO), and were managed by the Company and Bell Potter Securities. A number of institutions, both those that took part in the October 2017 capital raise and those that didn't, opted to purchase this stock.

Investors are reminded that in December 2017, 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. 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**

The Company has long provided guidance that it expected to achieve success with the Buddy Ohm product by selling primarily through channel partners, and management considers the efforts taken by the Company to secure distribution and reseller arrangements with tier-1 partners in 2017, to be highly successful.

Despite this progress, nobody at the Company is confused about the end goal, which is to maximise unit volume sell-through of Buddy Ohm, while maximising average revenue per unit/customer. The CEO, both in written correspondence to the market, as well as at the Buddy Connect 2018 event in Sydney recently, underscored that the primary focus for the business in 2018 is unit sell-through. Nothing has changed here.

The Company has previously advised that it will not ordinarily provide guidance in relation to shipments, trials or installations. This is for several reasons – first and foremost, this data generally belongs to the Company's channel partners, and not Buddy. Secondly, while there remain a relatively small number of distributors and resellers of Buddy Ohm, any disclosure of unit volumes risks identifying particulars about any one distributor or reseller. Our relationship with our channel partners is paramount, and the Company will not jeopardize those relationships in this fashion. Finally, management holds the view that simply disclosing units sold-in or sold-through at this early stage risks providing the market with an incomplete view of the business. Unequivocally, the most accurate and absolute view of the business is encapsulated by the quarterly 4C numbers – even if this yields a trailing viewpoint of the business (given the lag between installs, billings and revenue). While we appreciate and respect investors' desire to have real-time exposure to the most intimate details of Buddy's business, we equally have an obligation to stable and consistent messaging to the market.

The Buddy sales team can report however, that momentum continues to build and all indications are that traction is building as needed to meet recent guidance. The UK and EU team has opened their markets faster than any other region that we've entered (US, Australia, Caribbean, Latin America, Canada) and all signs are pointing to Europe being one of the most significant revenue contributors to the business in the coming year. First revenues from the UK are expected in Q4 FY2018 and first EU revenues are expected in Q1 FY2019. Refer to recent announcements detailing the launch of UK sales via channel partner Rizon IoT, and the opportunity the Company has in UK municipalities – the first of which is the City of Doncaster in Yorkshire.

While much has been said recently of the UK, EU and Latin America, Digicel is hitting full stride in April; sales in Colombia launched last week; further expansion into Latin America through Ingram Micro and our own LATAM sales team continues; channel demand is amongst the most significant we've yet seen – and next steps are to turn that demand into end-customer sell-through. With this progress, the Company has been able to focus on the North American market recently. With our network of channel partners, Buddy's internal sales teams have focussed on winning opportunities on a vertical or segmented basis with the intention that these learnings can then be shared with our channel partners regionally to

achieve the greatest possible scale. To that end, US sales efforts have centred on prospects with many hundreds or even thousands of properties in their portfolios. This has included hotel chains, municipalities, real estate services firms, mobile operators and one of the largest cable network operators in the US.

It is important to underscore that management continues to balance the pursuit of these large-scale opportunities with supporting our channel partners who will drive the day to day growth in sell-through across the business. Month by month we continue to see growth in all stages of our sales pipeline – from initial lead generation to deployments and revenue conversion. As a multi-year, billed monthly SaaS business, this is a cumulative business – ie: for the next several years, the number of paying customers exiting each month becomes the base for the next month upon which growth is built. Management can share that while we will always seek greater growth, we are pleased with the base that the Company is building.

As a final point, the Company has previously offered guidance that it would not ordinarily disclose specific details of hardware manufacturing orders placed to support the growth of the Buddy Ohm business. To that end, the Company can confirm that in line with the course of its normal business, and consistent with its growing need to position inventory in new markets, it does continue to manufacture additional Buddy Ohm systems and components.

#### **BUDDY CLOUD**

The Buddy Cloud product continues to be the bedrock upon which the other businesses within the Company are built. We were very pleased to share the announcement that Thor Industries expanded upon their relationship with Buddy, and were particularly delighted that with the shift in maintenance revenue from fixed payment to monthly per-unit-shipped revenue, that Buddy can participate more extensively in Thor's unit volume growth over time.

First revenues from the new Thor SoW that expanded the relationship between the two companies were received this quarter, and will form the bulk of Buddy Cloud revenue in the coming quarter. While technical investment in the Buddy Cloud remains significant and ongoing, the Company can reiterate its previous guidance that nearly all sales investment is currently in Buddy Ohm. That certainly isn't to suggest that the Company won't seek to grow customers and revenues for the Buddy Cloud business in the future, but rather is a recognition of the focus presently being applied to Buddy Ohm.

As with previous quarters, the Company continues to offer guidance that at present, the primary function of the Buddy Cloud product offering is to power the Buddy Ohm product and Alternative Data product development, and service existing valued customers in the Smart Cities space such as Thor Industries. Management has made the decision to focus sales and marketing efforts on Buddy Ohm primarily. 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")**

Earlier this year (in the "2018 Annual Shareholder Letter" published to the ASX on 8 January 2018), it was disclosed that the EU's General Data Protection Regulation ("GDPR") coming in to effect next month would have a significant impact on Buddy's Alternative Data business. Since then, how companies are using data, how it is commercialised and even how it may impact elections have become mainstream news stories. This follows a remarkable series of events that have had, and will continue to have, a very considerable impact on how technology companies around the world use, process and sell data.

Buddy's Alternative Data business plan always centred on first building a revenue stream from the volume of data generated by usage of mobile apps running the Parse on Buddy mobile backend as a service product. Once the business had enough smart cities devices reporting data into the product (Buddy Ohm, the "Works with Ohm" network of sensors, future products, etc...) then a comprehensive dataset could be offered of the workings and operation of a smart city.

In light of the current instability in the data market as it relates to the acquisition of data from personal/consumer devices like mobile phones, management has taken the decision to push back the commercial release of the Alternative Data business until Q3 FY2019. There are three primary reasons for this - 1) consumer perceptions and sensibilities around the collection of this data are changing and evolving, and it is absolutely our highest priority to ensure that any data collection that we participate in passes not just a legal bar, but a consumer comfort level as well; 2) we're starting to see the first rollouts of product updates to comply with GDPR from other companies and in light of the changing landscape, we prefer to let larger and more established companies absorb any first-mover risk in meeting these obligations, both legal and mindset-wise; and 3) the opportunity cost of trying to be a market-leader in this space vs. continuing to primarily invest in Buddy Ohm growth doesn't pencil out.

To be absolutely clear - Buddy is not changing strategy away from the Alternative Data business that we've proposed. We're simply making a decision that based on current market conditions and revelations about the use of data similar to the data that is collected by our Parse on Buddy product, we're taking the most prudent and customer-centric approach to building this product out. Note that data collected from Buddy Ohm, or other building or smart city sensors is (generally) not subject to the same privacy concerns or risks as data collected from individual phones.

As always, thank you very much for your continued support of the Buddy Platform business. Shareholders and investors alike are always invited to reach out to the Company at [ir@buddy.com](mailto:ir@buddy.com) with questions or comments.

For and on behalf of Buddy Platform Limited.



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

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## About Buddy

Buddy Platform Limited ([BUD.ASX](http://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](http://www.buddy.com).

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## 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 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000s</b>	<b>Year to date \$A'000s</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	477	1,302
1.2 Payments for		
(a) research and development	(491)	(1,147)
(b) product manufacturing and operating costs	(465)	(1,620)
(c) advertising and marketing	(671)	(1,312)
(d) leased assets	-	-
(e) staff costs	(1,671)	(4,301)
(f) administration and corporate costs	(361)	(1,052)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	80	116
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	457
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,102)</b>	<b>(7,557)</b>

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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000s</b>	<b>Year to date \$A'000s</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(32)	(132)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(32)</b>	<b>(132)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	23,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	5,375
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(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	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>26,857</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000s</b>	<b>Year to date \$A'000s</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	28,403	6,122
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,102)	(7,557)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(32)	(132)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	26,857
4.5 Effect of movement in exchange rates on cash held	11	(10)
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>25,280</b>	<b>25,280</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	25,280	28,403
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,280</b>	<b>28,403</b>

**6. Payments to directors of the entity and their associates**

**Current quarter  
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

94

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

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

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

**Current quarter  
\$A'000**

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

-

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

**Total facility  
amount at quarter  
end  
\$A'000**

**Amount drawn at  
quarter end  
\$A'000**

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.

-

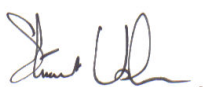
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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(500)
9.2 Product manufacturing and operating costs	(600)
9.3 Advertising and marketing	(600)
9.4 Leased assets	-
9.5 Staff costs	(2,000)
9.6 Administration and corporate costs	(400)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(4,100)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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: 30 April 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.