



Buddy



ASX MARKET RELEASE

Buddy Platform Limited – Quarterly 4C Review (Q2 FY17)

January 31, 2017 – Adelaide, South Australia

Buddy Platform Limited (ASX: BUD) (“Buddy” or the “Company”), the Internet of Things (“IoT”) data management, processing & control platform, has today released its Quarterly Appendix 4C filing for Q2 FY2017.

SUMMARY

- Recognized revenue for the quarter was A\$119k
 - Cash receipts of A\$87k, incl. service revenue of A\$67k, finance income of A\$20k
- Signed contracts (which are not yet recognized revenue) totalling up to A\$2.6M
 - This yields a very strong 42.4% conversion from the previously disclosed pipeline of A\$5.9M
- Current pipeline totals A\$4.0M; A\$2.0M of which is in the “proposal” (or last) stage
 - Despite refinement of go-to-market strategy, pipeline has grown A\$600k, a more than 17% increase
- Performance metrics guidance – peak traffic of over 65.8M transactions per day (up 39.4% on previous quarter) – meaning the Buddy Platform will process more than 2B (billion) transactions in the forward-looking month
- Company enters into licensing agreement with Facebook for key Parse technology, and Facebook agrees to refer migrating customers directly to Buddy
- Total cash balance of A\$10.97M as of December 31, 2016.

Q2 FY2017 FINANCIALS

REVENUE AND SIGNED CONTRACTS

It is the view of management that the Company is clearly tracking ahead of plan for our key metrics: device and data volume growth, and is on track to record a best-ever quarter of revenue in Q3 FY2017.

The Company recognized A\$119k of revenue in Q1 FY2017, with service revenue receipts of A\$67k and finance income of A\$20k. These figures remain in line with management expectations and previous guidance that the Company is focusing primarily on building

traffic and device connections to the Buddy Platform, with revenue generation being secondary. Management continues to offer guidance that the Company must reach a minimum threshold of device volume and data traffic prior to achieving meaningful monetization, as is the case in any data oriented software as a service (SaaS) business. Management continues to offer consistent guidance that profitability is not expected before CY2019.

That said, we have signed contracts – representing future (but largely CY2017) revenue – totalling up to A\$2.6M. This includes contracts and/or renewals that have not been publicly announced, and our total number of contracted customers continues to grow.

Based on signed contracts, we are on track to record more than A\$425k of quarterly revenue in Q3 FY2017 which would represent 257% growth quarter-over-quarter.

OTHER COMMENTS

Some further explanation of line items in the Appendix 4C:

- Overall, Net Operating Cash Flows decreased 45% over the previous quarter including:
 - a. Heavy spending on Research & Development – line 1.2(a) - which we will reduce in future quarters
 - b. Staff costs – line 1.2 (e) – grew quarter-over-quarter as we added headcount
 - c. High corporate costs – line 1.2(f) - related to M&A activity
- Payments for acquisition of physical non-current assets – line 2.1(a) - remain low.

CASH POSITION

As of December 31, 2016 the Company had cash reserves of A\$10.97M, placing the Company in a strong position to pursue its' strategic goals and performance milestones.

WEBBIT NANO LIMITED INVESTMENT

The Company holds 22.7M shares in Weebit Nano Limited ([ASX: WBT](https://www.asx.com.au/asx/wbt/)), for more information, please visit their website at <http://www.weebit-nano.com>.

BUSINESS UPDATE

Shareholders are directed to the recently published [“2016: Year in Review” Letter to Shareholders](#) which was published just 10 days ago.

PARSE ON BUDDY UPDATE

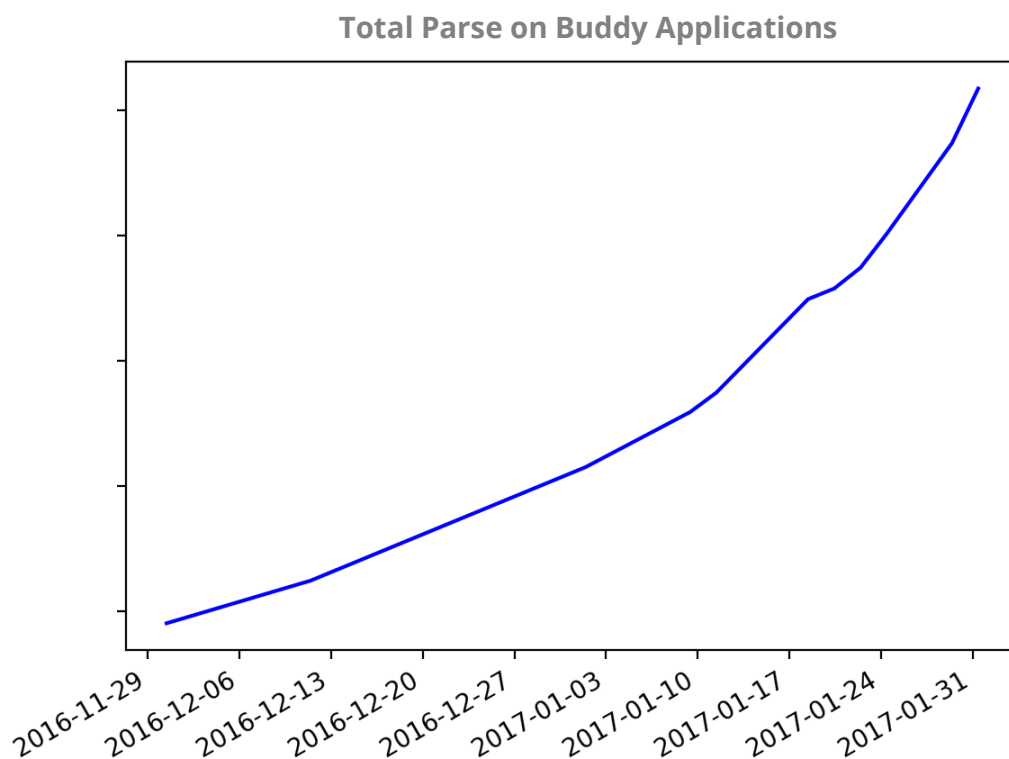
We're pleased to present this interim update on the Parse on Buddy product offering – although strongly urge investors to understand that as this report is written (and only hours since Facebook commenced the Parse.com shutdown), we're undergoing the Company's busiest day yet in terms of traffic, device connections, new account signups and migrations. Accordingly, the numbers to follow are exceedingly fluid and continue to increase daily.

Just a few short hours ago, Facebook announced that they were beginning the staged shut-down of the Parse.com product they informed the market of a year ago. As we've been guiding shareholders, and indeed has been apparent from Facebook's own market communications, this is a migration that has been a long time in the making, but which has been left to the last minute by a great many application developers and owners.

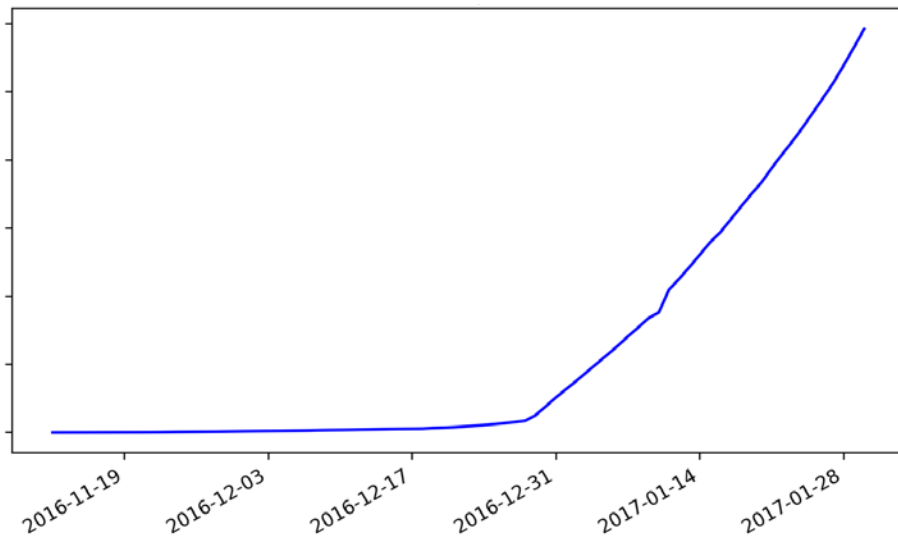


To support this fact, since Buddy launched the “Parse on Buddy” offering, today (January 30th in the United States) is the busiest day on record for all metrics by which we’re tracking the product. Further, Facebook has announced that they will now no longer be engaging in a platform-wide shutdown today, but rather will begin a “shutdown process” that will permit them to continue operating Parse.com for their largest applications that still haven’t migrated to a new offering. Our guidance from Facebook is that they wanted to commence their initial shutdown process today, but will engage with us shortly to discuss the migrations that remain. We’ve already had confirmation from the Parse leadership at Facebook that the migration support team there is providing customers with referrals to Buddy. Further, we’ve just entered into a licensing agreement with Facebook for a key Parse technology that will unlock a significant migration pain point (which otherwise would prevent China-based applications migrating to any Parse.com alternative). We are not aware of Facebook granting any other vendor a license to this technology.

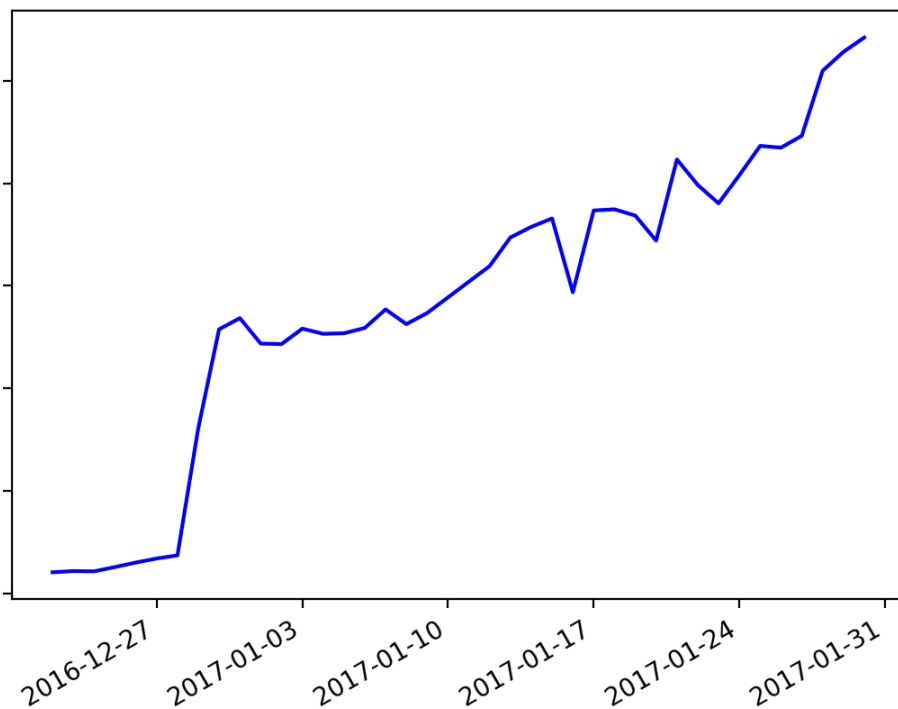
Accordingly, we expect the bulk of the traffic, devices and overall platform volume on Parse on Buddy – **yet to come**. As we’ve given guidance previously, we expected January to be our busiest month – we now revise that guidance to be that we expect February to be our busiest month. Depending on the rate of migrations in February, that may later change to be March. This is supported by the traffic growth seen below – note that y-axis metrics are removed to protect commercial confidentiality:



Total Parse on Buddy API Requests



Parse on Buddy API Requests per Day



We've previously given guidance that Parse on Buddy revenues are already booked in the 6-figure range, and continue to grow daily. Given the accelerating rate of our customer growth and the fact we're very aware of competitors watching us closely, we can't reveal specific details about our traffic right now. By way of indication, just one of our Parse on Buddy customers (US television network, CBS News' digital division) has sent over 11 million push notifications to their customers in a single day. However, over the next month we're



expecting hundreds of millions of users or devices connecting to the Parse on Buddy platform – a remarkable figure by any measure.

As discussed in the Year in Review shareholder letter, management expects to monetize a highly anonymized and aggregated version of the Parse on Buddy platform dataset at orders of magnitude greater than subscription revenues, and those customer engagements have already begun (and contracted revenue is booked).

SALES & PIPELINE

The Company is pleased to report that the sales pipeline continues to grow. Investors should note that once deals are closed, they are no longer considered “in the pipeline”, and so these figures exclude signed contracts, recognized revenue and cash receipts.

At the close of the quarter, and after adjusting for signed contracts, Buddy’s sales pipeline grew 17.6% over last quarter to A\$4.0M, with A\$2.0M of that figure being deals in the last stage of the pipeline – “proposal”. Ending CY2016 with a conversion factor (percentage of total pipeline value that converted to executed contracts) of 42.4% is extremely pleasing, especially in an enterprise SaaS environment. Investors are also reminded that the pipeline has been recently refreshed, with the recently announced focusing of the Company’s strategy.

As an indicator of business to come, and given the narrowing of the Company’s go-to-market focus in 2017, we remain excited by this progress. Pipeline growth is a function of 1) an evolving product, 2) customer demand and 3) sales & marketing team performance. Our product is strong and will become particularly more so in 1H CY2017, we’re seeing substantially increased demand – both across the IoT platform and Parse on Buddy offerings, and our pipeline conversion rate is extremely high. However, a nascent pipeline such as ours is very fluid and investors should remember that, as with any enterprise or SaaS sales model, revenues will continue to be modest while we build the momentum of our revenue “flywheel”. With clear evidence of very considerable device, volume and revenue growth in Q3 FY2017 (already at a “company best” level for all three metrics, today), management remains extremely optimistic about 2017.

STAFFING

As of December 31, 2016, the company had 25 full-time employees.

We will continue our cautious approach to hiring, ensuring that our quality bar remains high and that all positions are hired “into a proven need”.

SERVICE PERFORMANCE

The Buddy Platform performed very well in Q2, both in terms of service uptime and performance. The Platform’s current API average response time, a measure of the time it takes for the Platform to process an incoming API call, execute all processing and mapping functionality and then initiate the completed response, is 56ms. This is well within our pledged response time of 250ms.

For the Buddy Platform, our trailing month service availability – a measure of uptime – is 100% for our US instance, 100% for the EU instance and 100% for the AU instance.



There were no SLA events this quarter that required compensation from Buddy. Additionally, it should be noted that any downtime in past quarters was within industry standards and due to inherited service interruptions from our cloud provider. Such interruptions are excluded from our SLA.

SHARE PRICE COMMENTARY

As was discussed in the 2016 Year in Review letter to shareholders, management recognizes that the market performance of the Company hasn't met the expectations of many shareholders. While it is absolutely true that absent the impact of our M&A activity in 2016, by every other metric, the Company is exceeding plan (and that includes revenue) – the performance of the Company on the market has been lacklustre. This Q3 FY2017 will be the best quarter in the Company's history for traffic volume, device volume, booked revenue and cash receipts – and in all cases, the best quarter by a meaningful amount. We will continue to apprise the market of our successes, and we plan to continue to share with investors our traction, especially revenue growth. Combined with a coming product launch (again, see the 2016 Year in Review letter for details), the leadership and management of Buddy remain very optimistic about the year to come, and we thank shareholders for their continued support.

As always, the Company strongly encourages shareholder input and dialog via our Investor Relations centre at ir@buddy.com.

For and on behalf of Buddy Platform Limited.



David P. McLauchlan

Chief Executive Officer
Buddy Platform Limited.

About Buddy

Buddy Platform Limited (ASX:BUD) provides one of the world's first data aggregation and management platforms for the Internet of Things and connected devices. Buddy provides the critical technology by which smart city infrastructure providers can, in real-time, access and analyze the data generated by connected devices, and unlock the economic opportunities delivered by this data. Buddy is headquartered in Adelaide, Australia with a major engineering facility located in the cloud technology capital of the world – Seattle, Washington. For more information, visit <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 December 2016

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date (6 months) \$A'000s
1. Cash flows from operating activities		
1.1 Receipts from customers	67	121
1.2 Payments for		
(a) research and development	(601)	(876)
(b) product manufacturing and operating costs	(40)	(40)
(c) advertising and marketing	(184)	(373)
(d) leased assets	-	-
(e) staff costs	(1,072)	(1,906)
(f) administration and corporate costs	(514)	(902)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,324)	(3,928)

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date (6 months) \$A'000s
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(39)	(52)
(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	(39)	(52)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	4,500
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(404)
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 (6 months) \$A'000s
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	4,096

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	13,310	10,835
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,324)	(3,928)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(52)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,096
4.5	Effect of movement in exchange rates on cash held	22	18
4.6	Cash and cash equivalents at end of quarter	10,969	10,969

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	10,969	13,310
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)	10,969	13,310

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
22
-

CEO Salary

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
	-	-
	-	-
	-	-

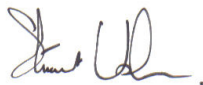
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	(350)
9.3 Advertising and marketing	(200)
9.4 Leased assets	-
9.5 Staff costs	(1,200)
9.6 Administration and corporate costs	(450)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,300)

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 2017

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.