



# ASX MARKET RELEASE

## Buddy Platform Limited – Quarterly 4C Review (Q4 FY17)

### July 28, 2017 – 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 Q4 FY2017.

### SUMMARY

- Recognised revenue for the quarter was a new high of A\$438k (of A\$1.095M for the FY); excludes deferred Buddy Ohm revenue
- **Cash receipts of a record A\$534k (up 34% on previous quarter)**
- Net operating cash outflows of A\$3.28M, which was A\$69k better than forecast
- **Signed contracts of a record A\$22.7M (up 981% on previous quarter)**, representing contracted minimum commitments
- All existing outstanding stock options now “in the money”, representing A\$5.4M of cash inflows this calendar year
- Total cash balance of just over A\$6.1M as of June 30, 2017.

### Q4 FY2017 FINANCIALS

#### REVENUE AND SIGNED CONTRACTS

The Company recorded its best-ever quarter of revenue, A\$438k, in Q4 FY17 (Q3 FY17 A\$435k). This does not include A\$10k of additional finance income. The Company also recorded its best-ever quarter of cash receipts, A\$534k, up 34% on Q3 FY2017 (A\$413k).

Revenue was effectively held steady, quarter on quarter, which was due to two factors: 1) the Company was materially focussed on launching and scaling the Buddy Ohm product line during the quarter, and as per previous guidance, all Buddy Ohm revenue this quarter is being deferred to Q1 FY18; and 2) with the shift in strategy for Parse on Buddy (announced last quarter) to a “forever free” model with an alternative data business, four full quarters of comparison data are required to fully monetise this asset which is expected in January 2018. Nevertheless, management is pleased to deliver a record revenue figure that remains exclusive of any Buddy Ohm contribution. This indicates that the balance of the business continues to be strong, and the Company expects these revenue sources to grow with the rebalancing of resources and focus in Q1 FY18.

Net operating cash outflows of A\$3.28M were better than forecast (by A\$69k), and the Company is pleased to forecast a further decline in estimated cash outflows for next quarter by 10%.

Looking ahead, the Company has signed contracts that represent minimum future revenue commitments totalling A\$22.7M. This is a strong early indicator of the implied success of the Buddy Ohm product. Note that this figure is nearly entirely comprised of Buddy Ohm and Buddy Cloud contributions.

Going forward, the Company will no longer be offering traffic or pipeline indicators as part of our investor guidance. Management is of the view that as the Company evolves into its next phase of maturity, the metrics investors should be focused on are fiscal results. Until this point, the Company has provided pipeline size/growth and traffic size/growth as proxy metrics until such time as our fiscal results have become sufficiently indicative. Management now believes that time has come.

Additionally, with the focus on alternative data as the primary business behind the Parse on Buddy product, indicators such as “number of applications” or “number of developers” signed up have no correlation to the value of the alternative data generated by the system. To a non-technical investor, this may not be immediately apparent, but the correlation is instead with the richness and depth of the associated metadata generated by use of the Parse on Buddy product.

The Buddy Cloud business continues to represent the bulk of our revenues to-date, and we expect that business to resume growth in 1H FY18. Likewise, we expect our alternative data business to hit stride in Q3 FY18 as we pass the required milestone of 12 months of data collected since January 2017.

It goes without saying that management, and the team as a whole, is delighted with these results. Focusing on the Buddy Ohm business, the team has returned an enormous increase (981%) in quarter on quarter signed minimum contract value to A\$22.7M. With the Buddy Ohm product only in its infancy, the Company’s expectation is that there are many more reseller agreements and distribution partnerships to come and management expects much from this business line in the future.

#### **BUDDY OHM REVENUES / SALES GUIDANCE**

The Company wishes to advise investors that management will ordinarily not be offering unit trials/sales guidance or updates for Buddy Ohm. In addition, we have deferred all Buddy Ohm revenue as of June 30, 2017. Management holds the view that the Buddy Ohm business has very significant scale potential, and as a result we will be taking a conservative approach to accruals and guidance for the business. The Company is committed, however, to remaining entirely in compliance with ASX Listing Rules concerning continuous disclosure, and to regularly and fully keeping investors up to date with new contractual agreements, major sales agreements and other relevant information.

The Company’s policy will be to begin recognising revenues only after any evaluation period has expired and the customer has transitioned to a paid contract. At that point, revenue will be recognised ratably over the contracted period. For example if a client signs a 3-year contract for \$54k, we will recognise only \$1,500 per month – even if the client pays 100% of the total contract value up front. While this means that revenues will layer on more slowly, we consider this a more prudent and appropriate approach, and one that is in line with other software as a service (SaaS) companies.

## **OTHER COMMENTS**

Payments for acquisition of physical non-current assets (line 2.1a) included the cost of production tooling for the Buddy Ohm product and shipments of finished goods inventory.

## **AUSTRALIAN FEDERAL GOVERNMENT R&D TAX INCENTIVE**

The Company expects to receive more than A\$400k via the R&D tax rebate in either Q1 or Q2 FY18. Note that this only represents the short period from December 17, 2015 to June 30, 2016.

## **CASH POSITION**

As of June 30, 2017, the Company had cash reserves of over A\$6.1M, placing the Company in a strong position to pursue its strategic goals and performance milestones.

## **UNQUOTED STOCK OPTIONS**

There are 40,000,000 outstanding (unquoted) BUD options with a strike price of A\$0.125 and 12,500,000 outstanding (unquoted) BUD options with a strike price of A\$0.03 – both of which have an expiry date of 30 November 2017. Management expects these options, which are now all well “in the money”, to be exercised, which would yield additional cash inflow to the business of A\$5.375M prior to the end of the calendar year.

## **WEEBIT NANO LIMITED INVESTMENT**

The Company holds 22,690,612 shares in Weebit Nano Limited ([ASX: WBT](https://www.asx.com.au/asx/wbt/)), valued at A\$477k at the end of the quarter; for more information, please visit their website at <http://www.weebit-nano.com>.

## **BUSINESS UPDATE**

It has been a remarkable quarter for the Company and the team couldn't be more pleased with our positioning as we enter the new fiscal year. For purposes of this quarterly commentary, focus will remain primarily on Buddy Ohm as that was where the Company invested the bulk of its resources this past quarter.

### **BUDDY OHM**

On March 21, 2017 the Company announced our first hardware product, and first vertically integrated solution, Buddy Ohm, and in May (on time and under budget) we formally launched the product in our two primary markets, the United States and Australia. In June, we began shipping product to customers and only a couple of weeks into the current Q1 FY18 quarter, we announced our first mobile operator reseller/distributor – Digicel Group, headquartered in Kingston, Jamaica.

Management is very much of the view that Buddy Ohm as a product has the ability to scale well beyond the direct sales and integration reach of the Company and our people alone. To that end, our priority is to enter into reseller, referral and/or sales and distribution agreements with major partners who have very significant brand and sales footprints in given regions. Such relationships allow us to scale the Buddy Ohm business dramatically larger and faster than we otherwise would be able to do without increasing our cost of sales dramatically.

Investors may think of the Digicel relationship as a template for future engagements with mobile operators, integrators and utilities in other regions, and management expects to announce additional partnerships along these lines in the future.

That said, the Company is continuing to engage Buddy Ohm customers directly and that's important because it enables the team to get hands-on time with real customers deploying into

real facilities. These engagements allow the team to truly understand customer needs without being behind the firewall of a distribution or installation partner. Currently the bulk of directly-sold installations are occurring in Australia (the US Ohm team is primarily focussed on mobile operator and integrator sales), and we're pleased to report that while Buddy personnel were installing Buddy Ohm into approximately 2.5 facilities per week, we performed 7 installations two weeks ago, and this week will see us exceed that number. Of course once Digicel's installation teams (and integrators in Australia and the US) are fully online, Buddy's capacity for new installs is expected to substantially increase.

It should be noted that all installations take time to set up, even if the installation itself is not long or complex. Remembering that the team is installing into sometimes complex electrical environments in mid-large facilities, an install currently requires a site survey up front (either in person, or via photographs of the electrical panels sent by the facility) and then a visit to perform the installation. For government sites (and some commercial sites), there are approvals required in advance, for military sites there are security checks in advance. For example, an installation at public schools in Australia required a child safety background check for the installation staff. Sometimes there are union-related obligations that must be met, other times there may be a scheduling challenge for facilities managers and the members of their staff they deem need to be present.

In all but a few cases, customers are electing to install Buddy Ohm on a 30-day trial basis, which converts into a paid contract at the conclusion of that 30 day period (unless the customer has declined to continue service, at which point we retrieve the hardware and deploy it to our next trial in the queue). Such trials are standard practice in this industry and very few customers are willing to try a new product with a multi-year obligation without such a trial. In these very early days there are exceptions and variations to the 30 day window, but that will substantially cease to be the case over the course of time. For example, military and government installations are offered 60-day trials, and multi-facility customers who are nearing the end of a trial but are calculating how many additional facilities to add to their contract, end up taking a little longer to close.

Again, in the spirit of being careful, conservative and responsive to customer needs, this is the best approach. In the fullness of time the team expects mobile operators, utilities and integrators to directly manage almost all of our Buddy Ohm installations, however the market data we're extracting from the field through these customers is invaluable. The direct result is that Buddy is making substantial improvements in the on-device software (firmware) to help dramatically shorten the install process (such as removing the need for a site survey), and we're developing a mobile application for installers and integrators to manage facility installations and Buddy Ohm hardware configuration in real-time. Our early exposure of these improvements to integrators and installers has yielded extremely positive feedback.

Turning to new customer acquisition, Buddy is not finding any significant resistance to trial installations, and while it is extremely early days (and this number absolutely WILL decrease), conversion from trials to multi-year contracts exceeds 75%. The greatest challenges in a SaaS business are customer churn and customer acquisition costs (CAC). Given Buddy's multi-year contracts, the Company doesn't expect to face a churn issue for some time, and our CAC is especially low as the team supports our partners to effect sales.



Figure 1. The Ohm powered by Digicel family with indicative branding – (L-R: Ohm Pulse, Ohm Link, Ohm, Ohm Sense)

As just stated, Buddy will not be sharing guidance on installations, sales or other metrics which will in fact be proprietary to our partners, and which we must respect. That said, Buddy can disclose that its partnership with Digicel carries a significant minimum sales commitment and a strong revenue split. Digicel will offer Ohm for sale in 26 markets (Anguilla, Antigua & Barbuda, Aruba, Barbados, Bermuda, British Virgin Islands, Bonaire, Cayman, Curaçao, Dominica, El Salvador, French Guiana, Grenada, Guadeloupe, Guyana, Haiti, Jamaica, Martinique, Montserrat, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent, Suriname, Trinidad & Tobago, Turks & Caicos, St. Martin and St. Barth) and customers will be required to sign a multi-year contract prior to receiving their trial installation of the Ohm product (to be branded “Ohm – powered by Digicel” in these markets).

Digicel is only selling into full-price (ie: starting at US\$1,500 per facility for a base pack and an additional fee for additional equipment) opportunities at the outset, and the demand at this price point has been very strong. One facility told the Buddy team that they expected to save in excess of US\$500,000 (net of their Ohm costs) with a full installation of Buddy Ohm. Such an installation will require substantially more hardware than just the base pack (which comprises a Buddy Ohm, an Ohm Link, an Ohm Pulse (wired sensor), two Ohm Senses and the appropriate electrical connectors – called CT clips). A substantial number of early sales in the Caribbean market are expected to be in hotels, resorts and other tourism-related facilities. These are all large footprint facilities, and Buddy does not expect those customers to be satisfied with only the base pack of monitoring. Given that there is incremental cost per additional piece of hardware sold in, it is evident that Digicel generated sales will drive substantially more contribution margin back to the business than the business-wide blended mix of US\$750/month per facility.

While this is a tremendous start to the Buddy Ohm business, for now Buddy maintains its blended mix price target as we recognise that different territories will have different average pricing (simply a function of energy costs, local economies, customer economics, etc...). This will include Australia, but is especially evident across the Caribbean, where markets like Cayman and St. Martin support different economics than Haiti for example.

Between Buddy's offices in Adelaide and Seattle, the Buddy team is working feverishly to support these new reseller and distributor partners, while preparing updates for in-market products (which will be delivered "over-the-air") and preparing to onboard additional partners. Buddy retains its geographic market focus which is very much on Australia and the United States, with the only exceptions being new territories outside these countries that are multi-million dollar opportunities (such as the Caribbean and Central America).

#### **BUDDY CLOUD**

While Buddy has deferred Buddy Ohm revenue to Q1 FY18, Buddy Cloud remains the Company's largest source of revenue. While it has been easy to be distracted by the success of Buddy Ohm, the Buddy Cloud business continues to see meaningful demand and management expects to further grow this multi-million dollar business in 1H FY18. This will be fuelled by additional business opportunities that the Buddy sales team is bringing inbound and continues to work through.

#### **PARSE ON BUDDY**

The Parse on Buddy product continues to grow nearly perfectly linearly day on day, both in new developer signups and new applications created. While we have previously described the growth of the Parse on Buddy business as a function of signups and apps created, the alternative data business is really better described as a function of the metadata collected which results from usage of the Parse on Buddy product.

During the quarter, a third-party valuation was conducted on the size/velocity of the Parse on Buddy data, which revealed this to be a US\$10M-US\$15M (annualised) asset assuming the appropriate metadata is being collected. Customers have reported that they need quarter on quarter data, as well as year on year data, and so management stands by previous guidance that this asset will monetise in a material fashion after Q2 FY18.

The Buddy team has identified our first joint Buddy Ohm/Parse on Buddy customer opportunity, which will enable the team to combine both location based alternative data and Buddy Ohm energy consumption data to calculate the energy efficiency of retail locations per customer visited. This is one such example of cross-correlation between the Parse on Buddy product and the Buddy Ohm product to drive value into our alternative data business, and the team expects to find many more such cases.

In the meantime, Buddy remains pleased with the continued growth of the Parse on Buddy data asset, and general performance of the Parse on Buddy product.

#### **STAFFING**

As of June 30, 2017, the company had 27 full-time employees and 5 open positions.

While we will continue our cautious approach to hiring, current and pending contracts dictate an increase in our rate of new hires. In all cases, such filling of headcount is being done strictly on a projected as-needed basis.

#### **BOARD OF DIRECTORS**

There have been no changes to the Board of Directors or director compensation this quarter. Directors receive no cash compensation, and are compensated with milestone-based performance shares that convert into BUD stock.

## **SERVICE PERFORMANCE**

The Buddy Cloud performed extremely well in Q4, both in terms of service uptime and performance. The Cloud's current API average response time, a measure of the time it takes for the system to process an incoming API call, execute all processing and mapping functionality and then initiate the completed response, is 55ms (down 69% from 179ms last quarter). This is well within Buddy's pledged response time of 250ms.

For the Buddy Cloud, our trailing month service availability, a measure of uptime, is 100% for our US instance, 100% for the EU instance and 99.998% for the AU instance.

There were no service level agreement (SLA) events this quarter that required compensation from Buddy. Additionally, it should be noted that any downtime due to inherited service interruptions from our cloud provider are excluded from our SLA.

For and on behalf of Buddy Platform Limited.



**David P. McLauchlan**

Chief Executive Officer  
Buddy Platform Limited.

### **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 Seattle, Washington, with offices in Adelaide, Australia.

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")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date (12 months) \$A'000s
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	534	1,053
1.2 Payments for		
(a) research and development	(647)	(1,677)
(b) product manufacturing and operating costs	(324)	(687)
(c) advertising and marketing	(269)	(856)
(d) leased assets	-	-
(e) staff costs	(1,154)	(4,159)
(f) administration and corporate costs	(887)	(2,293)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	73
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,737)</b>	<b>(8,546)</b>



<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000s</b>	<b>Year to date (12 months) \$A'000s</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(159)	(248)
(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	-	1
(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>(159)</b>	<b>(247)</b>

<b>3. Cash flows from financing activities</b>		
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	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000s</b>	<b>Year to date (12 months) \$A'000s</b>
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>4,096</b>

<b>4.</b>	<b>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	9,026	10,835
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,737)	(8,546)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(159)	(247)
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	(8)	(16)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,122</b>	<b>6,122</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
	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	6,122	9,026
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,122</b>	<b>9,026</b>

**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
98
-

CEO Salary - 82k  
Mandated Corporate Services - \$16k

**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)

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

- 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.

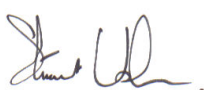
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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(370)
9.2 Product manufacturing and operating costs	(240)
9.3 Advertising and marketing	(190)
9.4 Leased assets	-
9.5 Staff costs	(1,600)
9.6 Administration and corporate costs	(550)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(2,950)</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: 28 July 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.