



ASX MARKET RELEASE

Update to LIFX Acquisition and Debt Financing

SUMMARY

- Buddy has entered into a term sheet with the LIFX Majority Seller to defer a portion of the cash consideration due to them, in order to meet the requirement that the acquisition complete on or before 29 March 2019 (which would have been funded from the "Tranche A Debt Financing")
- The Company has entered into a term sheet with a third-party debt provider on the "Tranche B Debt Financing" which, once completed, will provide a trade finance facility from which to fund the ongoing manufacture of LIFX products
- Together with the previously announced placement for A\$18.1M, the Company confirms that it will move to complete the acquisition no later than 29 March 2019, subject to shareholder approval at the general meeting scheduled for 25 March 2019 in Adelaide
- LIFX has had its best ever start to a year revenue-wise, and continues on its growth path that remains in line with historical performance (between 70% and 100% year-on-year growth).

18 March 2019 – Adelaide, South Australia

Buddy Platform Limited (BUD.ASX) ("Buddy" or the "Company"), a leader in IoT and cloud-based solutions for making spaces smarter, is pleased to provide the following update in respect to the proposed acquisition of the entire issued share capital of leading smart lighting technology company, Lifi Labs, Inc. trading as LIFX ("LIFX") ("**LIFX Acquisition**"). Refer to the ASX Announcements dated 6 February 2019 and 14 February 2019 and the notice of general meeting dated 22 February 2019 ("**Notice**") (together the "**Acquisition Announcements**") for details in respect to the LIFX Acquisition.

DEFERRED CONSIDERATION AND LINE OF CREDIT ARRANGEMENTS

As detailed in the Acquisition Announcements, it was contemplated that the Company will enter into debt financing facilities to:

1. fund a portion of the cash consideration to be paid to Luminous Wide Limited ("**Luminous**") under the merger agreement ("**Merger Agreement**"); and
2. pay down and transition an existing line of credit provided by Eastfield Lighting (Hong Kong) Co. Limited, a related body corporate of Luminous ("**Eastfield**").

Whilst the Company continues to engage with various third party debt financiers, given the requirement to complete the LIFX Acquisition on or before 29 March 2019, Buddy, Luminous and Eastfield have entered into a term sheet pursuant to which, subject to entering into formal documentation, Luminous has agreed to defer payment of a portion of the cash consideration

under the Merger Agreement and Eastfield has agreed to amend the agreed-form Loan Agreement (as that term is defined in the Notice – for avoidance of confusion, in this announcement the Loan Agreement is referred to as the “**New LoC**”) on the following key terms:

- (a) Luminous will provide a loan facility to Buddy of US\$12.5 million, with such amount to be deducted from Buddy's payment obligations under the Merger Agreement (“**Loan**”);
- (b) repayment of funds under the Loan and under the New LoC are payable as follows:
 - (i) US\$2.8 million of the Loan will be repaid on or before 30 June 2019 and the remainder of the Loan, being US\$9.7 million, plus accrued interest will be repaid on or before 31 March 2020; and
 - (ii) US\$3.7 million of the New LoC will be repaid on or before 30 June 2019 and the remainder will be repaid on or before 31 December 2019;
- (c) interest will accrue on the Loan at a rate of 10% per annum (capitalised quarterly) and default interest of an additional 5% will apply on all overdue amounts;
- (d) an amount of US\$500,000 will be paid by Buddy as a deposit in respect to the repayment of the US\$2.8 million under the Loan and US\$3.7 million under the New LoC (**June Repayments**) and in the event the June Repayments are not repaid by 30 June 2019, the deposit will be forfeited to Luminous (ie. the deposit will not be applied towards the repayment of the Loan);
- (e) the "drop dead date" for repayment of the New LoC is 31 March 2020, noting that default interest provisions will apply on and from 31 December 2019 and Luminous may at any time on and from 31 December 2019 demand that the entire amount be repaid;
- (f) a first priority security over the issued share capital of all of Buddy's wholly owned subsidiaries (as at completion of the Merger Agreement) and a first priority asset security from Buddy and all of its wholly owned subsidiaries (other than certain assets in respect of which the security will be second ranking to the security provided under the "Tranche B Debt Financing" - refer below) will be granted to secure the amounts owing under the Loan and New LoC;
- (g) the escrow period of the US\$5,000,000 worth of fully paid ordinary shares in Buddy (“**Shares**”) to be issued to Eastfield under the loan agreement (refer to the Acquisition Announcements, in particular section 4.3(f) of the Notice) will be reduced from 3 months from the date of completion to 1 May 2019;
- (h) the exclusivity period under the manufacturing agreement (refer to the Acquisition Announcements, in particular section 4.5 of the Notice for details on the manufacturing agreement) shall be extended to the date on which all amounts owing under the Loan and the New LoC are repaid; and
- (i) as part of the Loan, the Company will issue to Luminous (and/or its nominee) 70,000,000 options in the Company each with an exercise price calculated based on the 5 day VWAP of the Shares prior to the date of the general meeting and an expiry date of 10 years. The options will be issued under the Company's existing Listing Rule 7.1 capacity.

Shareholders should note that the above arrangements are being procured as an alternative to the "Tranche A Debt Financing" (refer to in section 4.4 of the Notice) and the provision of the Loan and New LoC remain subject to the negotiation and execution of formal full form legal documentation. The parties have agreed to negotiate in good faith to enter into full form legal documentation that incorporates the terms and conditions in the term sheet on or before 27 March 2019. The Company

will provide shareholders with an update on the progress of such documentation by way of ASX announcement.

Following completion of the Merger Agreement, the Company will continue to assess and review the terms of various debt financing facilities that may be available and will re-engage with third party debt financiers if such terms are considered favourable to the Company (having regard to the terms detailed above). The Company will provide shareholders with an update via ASX announcement if it enters into any such arrangement with third party financiers.

TRANCHE B DEBT FINANCING

Shareholders should note that the Company is presently in advanced discussions and negotiations with a third-party debt financier in respect to the provision of a trade finance facility:

- (a) to satisfy the Company's obligation to pay the accounts receivable amount under the loan agreement with Eastfield; and
- (j) for ongoing trade finance and working capital purposes,

being the "Tranche B Debt Financing" referred to in section 4.4 of the Notice.

The Company will provide shareholders with an update on this debt financing via a further ASX announcement.

LIFX OPERATING UPDATE

LIFX has had its best ever start to a year revenue-wise, and continues on its growth path that remains in line with historical performance (between 70% and 100% year-on-year growth). The company has been very satisfied with the results of CES, 2019 roadmap planning and the ongoing advances in sales channels and operations. In addition;

- While February 2019 is still being tabulated, it will be LIFX's best February, placing the company on track to achieve growth consistent with the prior four years. February growth has accelerated relative to the historical year-on-year growth rate.
- The growth of LIFX customers using voice assistants, such as Amazon Alexa and Google Assistant, to control their smart lighting installations accelerated by their widest margin ever last quarter, with millions of voice instructions per week now being processed by LIFX's servers.
- The number of connected LIFX devices continues to grow rapidly as customers on-board their products to their smart home setup, with records broken in number of lights connected, lights connected at once, simultaneous setups and voice instructions processed daily.
- In the past month, LIFX has received notable positive press mentions from The New York Times, Popular Science, T3, Apple Insider, PC World, Business Insider, TechHive and others.
- LIFX's global retail expansion in USA, Australia and EU/UK continues.
- Product development continues on new LIFX products for release, and co-development between Buddy and LIFX on energy savings and sustainability product and service initiatives.

David P. McLauchlan

Chief Executive Officer
Buddy Platform Limited.

About Buddy

Buddy Platform Limited (BUD.ASX) provides simple, affordable and engaging solutions for customers of any size to make their spaces smarter and their occupants more efficient, environmentally-aware and informed. Buddy Cloud, Buddy Ohm and Parse on Buddy are the company's core offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. **Buddy Cloud** enables ubiquitous access to and storage of data from any environment – recreational vehicles, schools, commercial buildings or an entire city – in support of smarter, healthier spaces. **Buddy Ohm** is a resource monitoring solution that simplifies building operations and provides peace of mind by harnessing real-time utility and operational data to reduce or mitigate risk and improve operations, savings and sustainability. **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.

About LIFX

Over the past six years, LIFX has established a leading market position as a provider of smart lighting solutions. The company's suite of Wi-Fi enabled lights are currently used in nearly one million homes, viewed as second only to lighting giant, Philips Hue.

LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and Canada). The company has 48 staff across offices in Melbourne, Australia; Silicon Valley, USA and Shenzhen, China.

To learn more about LIFX's products please visit www.lifx.com.

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