



# ASX MARKET RELEASE

## Buddy Platform Limited – December Quarterly 4C Review (Q2FY19)

### 31 January 2019 – Adelaide, South Australia

Buddy Platform Limited (ASX: BUD) (“Buddy” or the “Company”), a leader in IoT and cloud-based solutions for making spaces smarter, has today released its Quarterly Appendix 4C filing for the December 2018 quarter (Q2FY19).

### SUMMARY

- Total customer revenues were A\$569k for the quarter reflecting a decrease of 36% from the prior quarter and an increase of 33% over the same period in the prior year
- Gross operating expenses were A\$3.8M which is down A\$276k from the A\$4.1M in the prior quarter
- Gross operating cash outflows were under A\$4.3M which is down A\$477k from the \$4.7M spent in the prior quarter
- Revenues under the latest Airstream Statement of Work (SoW) began in December, following the commencement of work under that new SoW
- The Company reiterates its guidance that it remains on track to achieve cash-flow breakeven in Q4CY2019
- Cash on hand at 31 December 2018 totalled A\$15.1M.

### Q4 FY2018 FINANCIALS

#### CASH RECEIPTS AND REVENUE

Total customer cash receipts and revenue were down substantially quarter-over-quarter mostly due to the timing of (and gaps between) consecutive contracts and timing of work done for our largest customer, Airstream. As announced on 28 November 2018, our new Statement of Work with Airstream provides for work generating US\$100,000 a month. That work has started and revenues were first earned (and collected) in December 2018.

Total customer cash receipts were A\$559k down 52% from A\$1,163k in the prior quarter (Q1FY2019). As we reported last quarter, the \$1,163k included a large net collection of receivables. Excluding this, customer cash receipts this quarter were down 38% from an adjusted A\$905k the prior quarter.

Compared to the A\$418k reported in the same period in the prior year (Q2FY18), customer cash receipts this quarter were up 34% reflecting year on year growth across our lines of business, despite the dip this quarter.

In addition, the Company received A\$46k of finance income.

\* Please note that all revenue figures listed are un-audited.

Gross operating cash outflows were A\$4.3M which is down A\$477k or 10% from the \$4.7M spent in the prior quarter and within 1% of the estimated cash outflows reported last quarter. Management is committed to bringing down our spend each quarter, with double-digit percent cost reductions and efficiencies being identified across the business.

For the quarter, total customer revenues were A\$569k reflecting a decrease of 36% from the revenue reported in the prior quarter (Q1FY19) and an increase of 33% from the A\$428k reported in the same period in the prior year. Note that these changes are based on reported amounts and are before applying new accounting standards (described in our annual report) in order to keep the figures comparable and agree to historic releases. Our interim financial report will fully reflect the application of these new standards.

The Company's expenses decreased to A\$3.8M from prior quarter's A\$4.1M as operating expenses are being managed downward. Management holds the view that the Company continues to be on track to achieve cashflow breakeven by the end of CY2019, consistent with previous management guidance.

### **CASH POSITION AND HOLDINGS**

As of 31 December 2018, the Company had cash reserves of A\$15.1M and held nearly 22.7M shares in Weebit Nano (WBT.ASX).

## **OPERATIONAL COMMENTARY**

### **OVERVIEW**

The Company started this quarter coming off record revenue and a best ever quarter of site sales for Buddy Ohm in the prior quarter, and both management and our sales team(s) had real confidence in our ability to repeat that growth in this second quarter of FY2019. With the holiday period traditionally limiting sales volume in this quarter, our optimism was tied to two customers with significant order volumes who (following successful pilots) had verbally committed to purchase in December via the Digicel arrangement. These volumes would have represented a doubling (or more) of our Buddy Ohm site sales this past quarter

Regrettably, neither of those substantial orders completed in the quarter although both today remain verbal commitments and are pending completion. With up to four weeks of the quarter "lost" due to Thanksgiving (in the USA), Christmas, Boxing Day (UK and AU) and New Year's Eve, Buddy Ohm unit sales were lower than anticipated.

Historically we have found the majority of Buddy Ohm sales close toward the end of a quarter, and so with the end of this quarter being a period when most enterprises are shut down, this has resulted in our inability to drive unit growth this period. That said, we still sold most of our units in the last three weeks of the year and so, revenue-wise, those sales won't drive revenues or cash receipts until next quarter.

All of the above said, and holiday seasonality notwithstanding, we sold insufficient Buddy Ohm sites to bridge the substantial gap between our last Airstream SoW ending and the current SoW beginning. Notwithstanding the above, importantly, all of our major deals remain in place and continue to progress.

Our customers and prospects have made it clear that in Buddy Ohm, they are looking for a solution to help them be sustainable and/or save money (i.e. reduce utility expenditure,

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reduce staff/maintenance costs, reduce losses). Buddy Ohm addresses a portion of these goals by presenting the necessary data in an affordable and easy-to-read dashboard and portal. However, we currently rely on customers to act upon this information in a similar way to how every Fitbit works. This reliance on customer action (or consequent inaction) from the Buddy Ohm data was an important first step as we entered the market, but clearly a need exists for control and automation of that control.

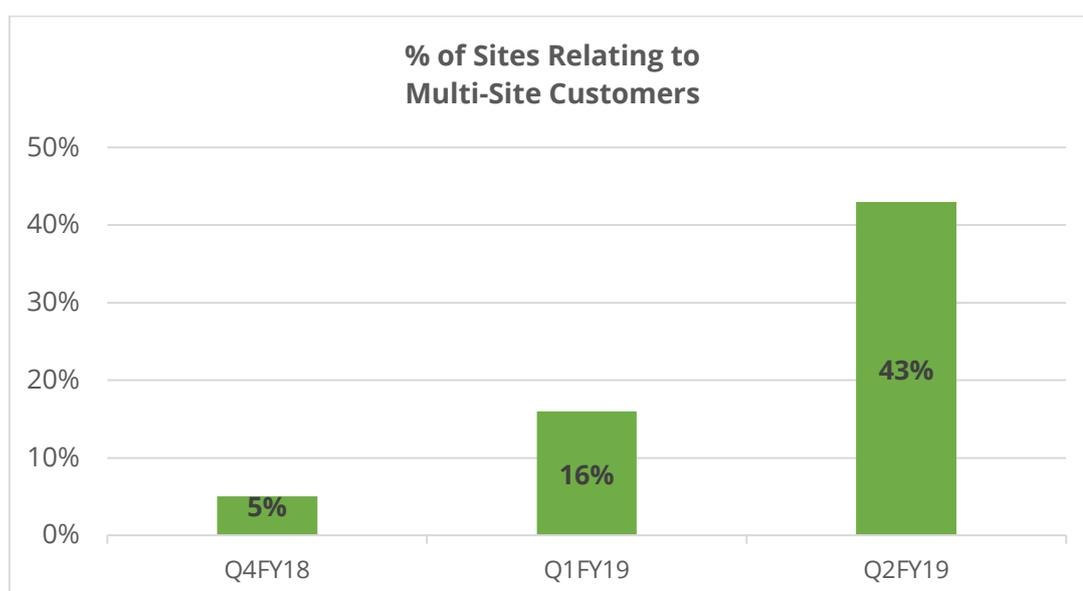
There is no question that with the passage of time, every building will use some form of smart technology in the future to enhance sustainability and efficiency. We're at the beginning of that wave now, but government regulation and the increasing costs of energy and resources worldwide dictate that the opportunity in this space is far from cresting. We will enhance Buddy Ohm's value by continuing to grow our partner relationships, deploy the right technologies to connect to existing sensor infrastructure, and when the opportunity presents itself, evolve into various other spaces beyond commercial property.

### **POTENTIAL ACQUISITION**

Since late September 2018, the Company has devoted considerable resources in respect to a potential acquisition which management considers will, if completed, represent a significant value proposition for the Company (the transaction being highly revenue and earnings accretive). Whilst the potential acquisition remains incomplete and subject to the execution of formal binding documentation, the relevant counterparties have indicated that they are committed to proceeding with the acquisition. Buddy will provide an update to shareholders on the outcome of the proposed acquisition by way of an ASX announcement.

### **BUDDY OHM UPDATE**

As stated in Q1, we continue to see the average number of sites belonging to a multi-site customer increase through Q2 (see chart below). This quarter we on-boarded a health plan administrator in the Dominican Republic, an insurance, financial and service solutions provider, a data center in Australia and a bank in Trinidad & Tobago all with multiple sites, to name just a few new multi-site installations across the network.



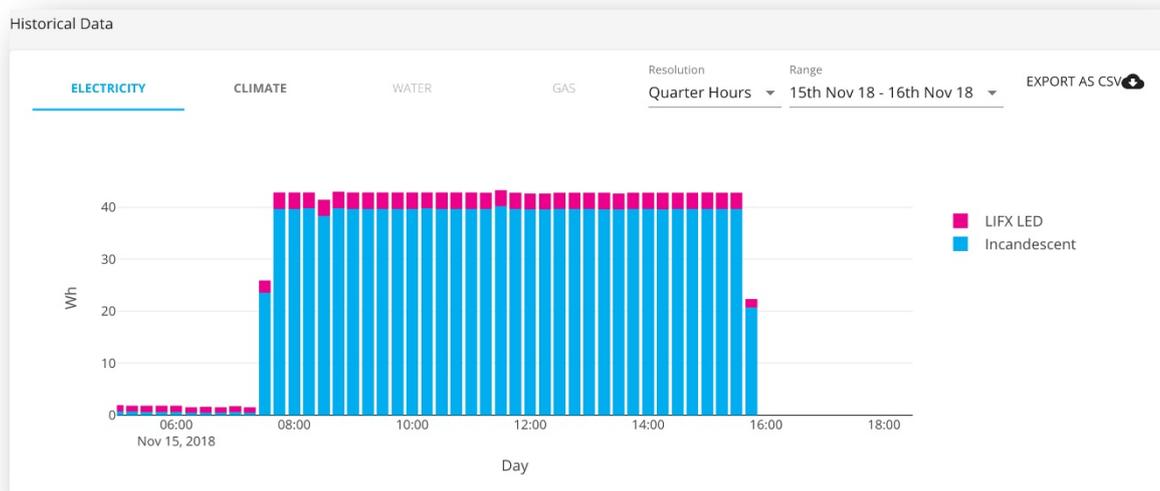
Just as we're ramping up our multi-site deals, we are also finding new uses for Buddy Ohm. An example is the case of a hospital in the Dominican Republic which is using Buddy Ohm to help protect the uptime of their critical and expensive MRI equipment. For a fraction of the monthly cost of the insurance paid to maintain and repair the MRI, Buddy Ohm helps the

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hospital prevent valuable downtime and alert management if the power supply is unstable or jeopardised.

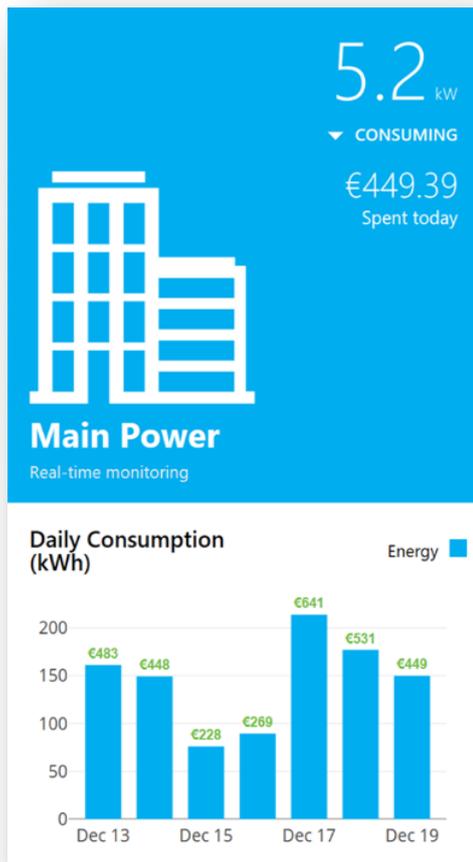
In October, we announced the launch of our new Customer Support Center which is now providing customers and partners with a curated repository of high-quality content to ensure they are getting the most from their Buddy Ohm devices, sensors and software.

In November, Buddy Platform was a first-time exhibitor at Greenbuild International Conference and Expo in Chicago where we met with representatives from building architecture, construction, engineering, and planning organizations. The event was geared toward sharing stories and solutions about sustainability, so Buddy showcased a live demo that monitored the electricity used by a LIFX LED light bulb and the electricity used by an incandescent bulb in real-time (LIFX is a Works with Ohm partner). The chart (see below) demonstrates the value in using Buddy Ohm to track the amount of electricity consumed at even a sub-system level (in this case comparing power consumption of different types of lights), offering key information upon which to make efficiency decisions to reduce utility waste and related costs.



During the quarter, Buddy Ohm continued to extend its Works with Ohm program to expand interoperability with new equipment and help grow the Buddy Ohm ecosystem in line with customer requirements. In Q2, we certified a volumetric water meter to support the growing number of water monitoring opportunities around the world. This water meter is designed to function in harsh climates and operating conditions throughout the world – like the Middle East, where we have a pilot underway for several quarters with a major government-sponsored organisation in advance of a potentially very significant opportunity (this is one of the aforementioned major deals in progress).

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From a product perspective, the Buddy team is excited that it has introduced a new feature update to allow customers to visualise how much money is being spent on energy each day. Buddy Ohm Dashboards now support the ability to convert energy consumption information into local currency, allowing organisations to educate and inform users of their energy use. It is anticipated that when users are able to convert their actions into currency amounts, there will follow a greater influence on usage behaviours. Additionally, as well as tracking energy savings and allowing customers to budget and plan initiatives using financial metrics, this new feature helps translate consumption into actionable insights. Currency can be shown on each dashboard card in both real-time and historically – see the example to the left.

### BUDDY CLOUD UPDATE

As stated above, our new SoW with Airstream – our largest Buddy Cloud customer – commenced in December 2018 and provides for work amounting to US\$100,000 a month. Together with Airstream we’ve outlined a full roadmap of work for 2019 and the potential for

much more through 2020. Our Airstream relationship remains strong as we actively help them provide increasing value to their customers.

### KEY PARTNERSHIPS UPDATE

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

- While we work through the remaining steps of support and logistics with **Ingram Micro**, management believes revenue will first be recognised in a number of regions starting in the next quarter (Q4FY19).

Ingram Micro have come on stream in Europe, and have formally launched Buddy Ohm sales in Spain, Portugal and the UK. Across the Ingram footprint, we now have in excess of 20 Ingram Micro resellers onboarded and we are starting to close a range of deals in their pipeline. Ingram resellers that we are now working with across Europe include Nvion, Ricoh, PCM, Atos, Lazer Telecom, OneDirect, Ingenia, Main Memory, QWERTY, Indra, IEASIA and many more.

Significant progress has been made to date to get Ingram Micro’s sales function online, including:

- Completing sales training in a number of markets
- In a variety of markets Buddy Ohm is now available in the Ingram Micro catalog, the pre-cursor to a full commercial roll-out
- Commercial roll-out and full reseller engagement in all regions of Spain

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- Co-exhibiting with Ingram Micro Spain at the Microsoft IoT showcase in Barcelona
- The roll-out of Ingram Micro Spain was completed in Q2 which extends Buddy Ohm distribution into all regions of Spain, the Balearic & Canary Islands and Portugal
- Attending & exhibiting Buddy Ohm at “Ingram Micro ONE” – a major event hosted by Ingram Micro for their US resellers.

Notwithstanding this activity, as we stated in the last 4C, shareholders should be aware that management has been vocal in recognising that this relationship has progressed at a slower pace than expected or desired and this has been acknowledged by Ben Xiang, Global Head of IoT at Ingram Micro. All parties are working together to accelerate this relationship as quickly as possible. As with all our key relationships, we maintain a close watch on the partnership and will always consider a re-allocation of people resources, further incentives or other changes to accelerate this business activity.

As at the date of this announcement, Ingram Micro Canada has not commenced sales, notwithstanding, the Company is satisfied that there is no change to its prior guidance in respect to the three year forecast revenue amount attributable to Ingram Micro Canada from the date first sales commence.

- As of the end of December, we had completed all pre-market-launch steps with **Saskatchewan Telecommunications** (SaskTel). However, we continue to await internal approvals for sales to commence. SaskTel is a relatively small account and while we expect sales to commence over the next few quarters, we may consider changes to this relationship to leverage our focus on Ingram Micro as a distribution partner once they’ve reached operating velocity.

Notwithstanding the above, as at the date of this announcement, the Company is satisfied that there is no change to its prior guidance in respect to the three year forecast revenue amount attributable to SaskTel from the date first sales commence.

- Management is happy to announce that UK sales, while at an early stage, are growing rapidly - doubling each quarter through regional distributor **Rizon Group**, while recent additions of resellers under Rizon such as Pangea allow Buddy’s EU team to grow our footprint in the UK. Ingram Micro UK will soon join Rizon as an installation partner for the region, providing greater service and installation reach for the European business. We expect the two will actively compete for business in the UK and other European countries, but, again, as with all our key relationships, we maintain a close watch on the partnership and will always consider a re-allocation of people resources, further incentives or other changes to accelerate this business activity should it be needed.

Following an extensive consultation, in July 2018 the UK government announced its proposed approach to simplify the energy and carbon reporting framework for business and industry. This is being put in place to replace the CRC Energy Efficiency Scheme, which comes to an end in April 2019. It will be replaced with a new Streamlined Energy and Carbon Reporting (“SECR”) framework.

The SECR framework will apply to an estimated 11,900 companies across the UK, and impacts directly on over 300,000 buildings owned or managed by these 11,900

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companies. SECR builds on existing mandatory greenhouse gas emissions reporting requirements that already apply to UK quoted companies under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, as well the Energy Saving Opportunity Scheme ("ESOS") Regulations 2014. Critically, it should be noted that SECR is a mandatory compliance requirement, with responsibility for annual filing within each company's Directors Report. This requirement mandates all applicable companies to include energy usage and carbon emissions data in their annual accounts filed at Companies House. SECR comes into effect from 1st April 2019, and represents considerable additional opportunity for Rizon and our resellers for whom Rizon distributes Buddy Ohm.

As at the date of this announcement, the Company is satisfied that there is no change to its prior guidance in respect to the three year forecast revenue amount attributable to Rizon from when first sales commence. Having regard to the inclusion of Ingram Micro UK in the European business, the Company intends to undertake a further detailed review and analysis of Rizon's progress towards their revenue forecast before the first anniversary of their first sales with Buddy (unless required earlier).

- The primary distribution channel for Buddy Ohm in Australia, **Dicker Data Limited** (DDR.ASX), continues to grow sales in the region. Last quarter, Dicker Data expanded their customer-facing Buddy Ohm demo to include monitoring in their Head Office in Kurnell, NSW.
- Following recent changes to **Digicel Group Limited's** management team, including those responsible for Buddy Ohm sales, and upon having the benefit of data for the first year of sales (to the end of Q2FY19), the Company undertook a detailed review and analysis of the Digicel arrangement and in particular the applicable revenue forecast. As a result of the completed review, the Company has identified further issues with its current arrangement with Digicel that would be highly likely to result in the Company being unable to achieve the three-year revenue forecast of A\$20.1 million and accordingly, has elected to terminate the exclusivity arrangement with Digicel (refer to the ASX announcement dated 31 January 2019 for further details).

The Company remains committed to the relationship with Digicel and to growing the business in the Caribbean and Latin American markets. By way of example, the Digicel/Buddy relationship with Nestle remains strong and we expect Nestle to continue to order additional product with the passage of time. Despite this recent development with Digicel, Buddy has already executed the first of several pending reseller agreements with resellers in these territories, and will focus on resellers more specifically focused on electrical, HVAC and energy solutions.

Buddy management considers that the Caribbean and Latin America region in general, and Digicel specifically, has significant potential, and looks forward to continuing its relationship with Digicel and to working with senior management to accelerate their Buddy Ohm resale business in the coming year.

In addition to these arrangements, 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

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relationships, mobile operator or carrier relationships, not-yet-awarded bids on large volume customer deployments and services agreements.

## **CONCLUSION**

While Buddy's unexpected fall in customer revenues is disappointing, there is plenty of solid work being done throughout the Company. With that said, no investor should mistake this sentiment with the notion that management is anything other than completely and totally focused on on the growth and progress of the sales of Buddy Ohm, and the continued service of our Buddy Cloud customers as best we can. Across the team we are re-doubling our efforts to ensure our commitment to cash-flow breakeven in Q4CY2019 remains on track, and the benefits of the proposed acquisition and the growth it will deliver to our Buddy Ohm business are realised.

Thank you all for your continued support.

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) 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 Ohm, Buddy Cloud 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 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. **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. **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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Buddy Platform Contact:  
Brian Seitz, VP of Marketing & Communications  
Phone: +1 (206) 745-9079  
Email: [ir@buddy.com](mailto:ir@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 2018

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	559	1,722
1.2 Payments for		
(a) research and development	(577)	(1,220)
(b) product manufacturing and operating costs	(576)	(1,729)
(c) advertising and marketing	(439)	(853)
(d) leased assets	-	-
(e) staff costs	(2,182)	(4,267)
(f) administration and corporate costs	(492)	(940)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	46	116
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>(3,661)</b>	<b>(7,171)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(24)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000s	Year to date \$A'000s
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	96	(151)
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>89</b>	<b>(175)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
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	-	-
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</b> <b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</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	18,661	22,378
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,661)	(7,171)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	89	(175)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000s</b>	<b>Year to date \$A'000s</b>
4.5	Effect of movement in exchange rates on cash held	25	82
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>15,114</b>	<b>15,114</b>

<b>5.</b>	<b>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	15,114	18,661
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>15,114</b>	<b>18,661</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**

87

-

CEO Salary – 87k (FX changes incorporated)

**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. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	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.

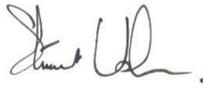
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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(600)
9.2 Product manufacturing and operating costs	(200)
9.3 Advertising and marketing	(400)
9.4 Leased assets	-
9.5 Staff costs	(2,100)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(3,800)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 2019

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.