



ASX MARKET RELEASE

Acquisition of Leading Global Smart Light Company LIFX and Share Placement to Raise A\$18.1 Million

SUMMARY

- Buddy to acquire leading smart lighting technology company, LIFX, subject to the completion of acquisition financing and Buddy obtaining all requisite shareholder approvals (together with satisfaction of various other conditions precedent)
- LIFX generated A\$38.5M (unaudited) in revenues in CY2018, with -A\$3.4M in EBITDA and gross margins of 29%
- The acquisition will be revenue and earnings accretive for Buddy, with LIFX expected to reach profitability in CY2019
- Since 2015, LIFX has sold nearly two million lights in over a hundred countries with revenues growing between 70% and 100% year on year
- The acquisition will bring a globally deployed energy and sensing platform in LIFX's lights to Buddy's Ohm energy monitoring product, while bringing Buddy Ohm's energy monitoring platform to LIFX's smart lighting products
- LIFX's Chief Technology and Product Officer, Marc Alexander will join the Buddy Board of Directors following completion of the acquisition
- Strongly supported placement to raise A\$18.1M at an issue price of A\$0.08 per Share to partially fund the cash portion of the consideration.

6 February 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 announce that it has entered into a binding agreement and plan of merger to acquire 100% of the issued share capital of leading smart lighting technology company, Lifi Labs, Inc. trading as LIFX ("LIFX") ("LIFX Acquisition").

Completion of the LIFX Acquisition is subject to the satisfaction and/or waiver of certain conditions precedent including Buddy completing the Acquisition Financing (detailed below) and Buddy obtaining all requisite shareholder approvals.

LIFX BUSINESS

LIFX (pronounced “life-x”) pioneered the smart light in 2012 with the first WiFi-enabled, multi-coloured LED light controllable via a smart device. Designed to last over 22 years, LIFX offers the brightest, most flexible smart lighting solutions for home and office. Continuously developing their own technology and intellectual portfolio, LIFX has secured a strong position in the smart lighting and smart spaces market with a range of 12 products, each uniquely delighting customers while costing up to 85% less to operate than comparable incandescent lighting. Headquartered in San Francisco, California (with offices in Silicon Valley, Melbourne and Shenzhen, China) LIFX has grown revenues between 70% and 100% for each of the last four years to become one of the world’s leading manufacturers of connected lighting products.

LIFX is sold in over 100 countries, including through retailers such as:

- Best Buy;
- Amazon;
- JB Hi-Fi;
- Bunnings;
- Officeworks;
- Beacon Lighting;
- Apple Stores; and
- many more.

Since 2012, LIFX has sold over 1.8 million units around the world across twelve primary lighting products. Each of LIFX’s products are capable of reporting their own energy consumption, with the future opportunity to also act as a sensing platform for environmental & localised comfort monitoring, and more. Certain models of LIFX lights contain other sensors and hardware that may facilitate control by Buddy Ohm of lights, appliances, air conditioning and other consumers of energy in an occupied space.

LIFX maintains an extensive intellectual property portfolio, which currently includes 28 patents filed and granted.

Intelligent lighting will form the backbone of intelligent buildings (and is already the #1 connected device category to voice assistant technology such as Amazon Alexa, Google Assistant, and Apple’s Siri). LIFX is viewed as a market leader in this space, second only to Philips. Initially, Buddy will be focused on helping LIFX expand production to fill the growing demand for LIFX lights around the world. In time, Buddy will introduce LIFX to new commercial markets and consider the opportunity to deploy the Buddy Ohm solution via existing installations of LIFX lights in residential spaces.

Following the transaction, notable LIFX investors such as Sequoia Capital, Qualcomm Ventures and Blackbird Ventures will remain on the BUD register, joining Microsoft Corporation (an existing Buddy shareholder).

TERMS AND KEY DETAILS OF THE LIFX ACQUISITION

The LIFX Acquisition will be effected by way of a merger under Delaware law, whereby the Company's newly incorporated wholly-owned subsidiary, Buddy Apollo, Inc. will merge with LIFX. Key terms and other matters associated with the LIFX Acquisition are detailed as follows:

A. Consideration

The total consideration payable by the Company for the LIFX Acquisition will be as follows:

- US\$26.5M payable in cash to the majority shareholder of LIFX, Luminous Wide Limited ("Luminous") ("Cash Consideration") (of which US\$500k has been paid as a deposit);
- an issue of such number of fully paid ordinary shares in Buddy ("Shares") equivalent to US\$24.5M to the remaining shareholders (in their respective proportions) based on the 5-day volume weighted average price ("VWAP") of Shares prior to the date of the general meeting to approve the LIFX Acquisition¹; and
- subject to LIFX achieving US\$70M in gross revenues (total sales recognised prior to any deductions) during CY2019, earn-out consideration of US\$1M payable as follows:
 - US\$510k payable to Luminous in cash; and
 - an issue of such number of Shares equivalent to US\$490k to the minority shareholders (in their respective proportions) based on the greater of the following:
 - 5-day VWAP of Shares following 31 December 2019; or
 - US\$0.07² ("Earnout Shares").

Shareholders of LIFX include LIFX's founders, early investors, angels, institutional investors and current or former employees. All minority shareholders will have their Shares (excluding the Earnout Shares) voluntarily escrowed (90% for 12 months after completion of the LIFX Acquisition, 10% for 3 months after completion of the LIFX Acquisition). Buddy has applied to ASX for a waiver of Listing Rule 7.3.2 to permit the Earnout Shares to be issued more than three months after the General Meeting.

B. Conditions Precedent

Completion of the LIFX Acquisition is subject to and conditional upon the satisfaction (or waiver) of conditions precedent that are customary for a transaction of this nature. In addition to such conditions precedent, there will be a number of transaction specific conditions precedent, including:

- the Company obtaining shareholder approval for the issue of securities in connection with the LIFX Acquisition at a general meeting to be held in late March 2019 ("General Meeting");
- the Company having raised funds sufficient to be able to satisfy the Cash Consideration;
- the Company, Luminous and LIFX having entered into an agreement to revise the current manufacturing arrangements between Luminous and LIFX; and

¹ With the relevant exchange rate to be applied in determining the number of Shares to be issued being the average of the buy and sell rates for Australian dollars in US dollars, as quoted in the Wall Street Journal for the five trading days immediately prior to the date of then general meeting.

² With the relevant exchange rate to be applied in determining the number of Shares to be issued being the average of the buy and sell rates for Australian dollars in US dollars, as quoted in the Wall Street Journal for the five trading days immediately prior to 31 December 2019.

- the Company and Luminous having entered into a loan agreement pursuant to which the LoC (detailed below) will be terminated and repaid ("Loan Agreement").

C. Line of Credit and Manufacturing Arrangements

As is very commonly the case with vendors of consumer electronics products, LIFX currently maintains a rotating line of credit ("LoC") with its manufacturer, Luminous, that performs final assembly and manufacture of LIFX's existing smart light products. Such lines of credit are typically drawn to a maximum to fund product manufacturing for the holiday (calendar Q4) period, and then are typically paid down to zero by mid-year. As at the date of this announcement, this LoC is drawn down to approximately US\$18M. At completion of the LIFX Acquisition, Buddy will, in accordance with the Loan Agreement, pay down the LoC as follows:

- an issue of such number of Shares equivalent to US\$5M to Luminous (based on the 5-day VWAP of Shares prior to the general meeting to approve the LIFX Acquisition³); and
- a lump sum cash payment equal to 100% of the then-current balance of accounts receivable due LIFX from their retail partners.

The remaining balance will be repaid no later than 31 December 2019.

Luminous will have their Shares voluntarily escrowed for 3 months after completion of the LIFX Acquisition.

Buddy intends to transition this LoC to a commercial trade finance lender, consistent with standard practices in the industry.

Luminous and the Company will enter new manufacturing arrangements such that after completion of the LIFX Acquisition, Luminous will continue to manufacture 100% of the existing LIFX smart light products until all outstanding amounts under the LoC are repaid. Following repayment of the LoC, Luminous will continue, for the remainder of the three-year term, to manufacture at least 80% of LIFX's existing smart light products and if won in a competitive bid process, at least 50% of any new LIFX smart light products that come into production post-completion of the LIFX Acquisition.

D. LIFX Key Management Personnel and Incentives

Having been vital to the success of the LIFX business to date, the management team of LIFX, including co-founder and Chief Product & Technology Officer, Marc Alexander, and CEO, Tim Peters, will continue to lead and run the LIFX business. As part of their remuneration packages, the Company will issue each of Messrs Alexander and Peters 2,222,222 Shares, 12M performance rights and 12M performance shares in Buddy. The performance shares will convert into Shares on a 1:1 basis in accordance with the following milestones:

- 4,000,000 Shares following LIFX contributing A\$100M in cumulative revenues to Buddy within 18 months;

³ With the relevant exchange rate to be applied in determining the number of Shares to be issued being the average of the buy and sell rates for Australian dollars in US dollars, as quoted in the Wall Street Journal for the five trading days immediately prior to the date of then general meeting.

- 4,000,000 Shares following LIFX contributing A\$200M in cumulative revenues to Buddy within 30 months; and
- 4,000,000 Shares following LIFX contributing A\$250M in cumulative revenues to Buddy within 36 months.

The performance rights will vest over a four-year period as follows:

- one-quarter (being, 3,000,000 performance rights) one year following completion of the LIFX Acquisition; and
- one-sixteenth (being, 750,000 performance rights) each quarter thereafter.

It is proposed that Mr Alexander will join the Buddy Board following completion of the LIFX Acquisition.

ACQUISITION FINANCING

The Company is also pleased to announce the completion of a successful bookbuild and receipt of conditional firm commitments for a private placement of 226,250,000 new Shares, to raise A\$18.1M (before costs) at a price of A\$0.08 per Share ("Placement"). The Placement price represents a 15.8% discount to the last close price of A\$0.095. The Placement is subject to the Company obtaining shareholder approval of the issue of securities in connection with the LIFX Acquisition at the General Meeting and procuring the remaining funds for the Cash Consideration.

The Placement, led by Bell Potter Securities, saw strong support from existing and new shareholders and was corner-stoned by the Asia Pacific office of a US fund, who, following the completion of the LIFX Acquisition, will become a substantial holder of equity in the Company.

Subject to shareholder approval, both Buddy CEO David McLauchlan and Buddy Chairman Rick Borenstein will invest in the Placement.

The proceeds from the Placement will be utilised to fund a portion of the Cash Consideration. The remaining portion of the Cash Consideration, being approximately US\$13M (being approximately A\$19M), will be procured via a debt financing to be undertaken by the Company ("Acquisition Financing") so as to minimise shareholder dilution.

The Company is in advanced negotiations with several debt financiers to fund the balance of the Cash Consideration. The Company will provide an update to shareholders in respect to the status and progress of the Acquisition Financing by way of ASX announcement.

LIFX FINANCIAL STATEMENTS

The "headline" consideration value of approximately US\$51M is based on the valuation of the LIFX business at approximately 1.8x CY2018 revenues - a business that has very consistently seen 70%-100% revenue growth year-on-year since 2015.

LIFX is targeting achieving profitable operations in CY2019 and the Company notes that unaudited revenues and EBITDA for Q2FY19 were A\$17M and A\$284k respectively. Further, the so-called "Trump Tariff" imposed on Chinese manufactured goods imported into the USA (and which were only applied to LIFX lights starting last September), accounted for nearly A\$1M of EBITDA, and so accordingly, Q2FY19 would have been even more profitable for LIFX were it not for those tariffs.

The Company further notes that unaudited financials from January 2019 sales of LIFX products, indicates growth consistent with LIFX's prior year on year growth pattern of between 70% and 100%.

Unaudited statements of financial position, profit and loss and cash flows for LIFX prepared in accordance with USA Generally Accepted Accounting Principles for the year ended 31 December for 2016, 2017 and 2018 are detailed in Annexures 1, 2 and 3 respectively.

SHAREHOLDER APPROVALS

ASX has confirmed that the LIFX Acquisition does not constitute a change to the nature and scale of the Company's activities and that on the basis that the Company is seeking shareholder approval for the LIFX Acquisition, ASX Listing Rules 11.2.2 and 11.1.3 do not apply. The Company is not required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company will shortly dispatch a notice of meeting to convene a General Meeting to consider the necessary resolutions to proceed with the LIFX Acquisition. The notice of meeting that will be sent to shareholders will include further information on LIFX and the LIFX Acquisition.

The Company anticipates that, subject to shareholder approval and completion of the Acquisition Financing and completion of the LIFX Acquisition will occur during late March 2019.

BOARD OF DIRECTORS CHANGES

Mr. Alex Gounares, a long-time member of the Board of Directors of Buddy has elected to retire from the Board (as of the date of the shareholders meeting to approve the transaction) in order to re-allocate his time as his own business undergoes considerable growth and success. Alex has been a member of Buddy's Board since well before the Company listed on the ASX, and both the Board and Company are deeply indebted to Alex for his service. He goes with the thanks and deep appreciation of all involved with the business.

"Alex has long juggled the roles of public company director for us, with being CEO of a fast-growing technology company in the Seattle area. With Alex's announcement that he will depart the Buddy Board at the General Meeting, I offer nothing but my sincerest thanks and appreciation for all that he has contributed to the business. He's generously offered to provide his counsel as needed in the future, which I've gratefully accepted. I join all of the Buddy family in looking forward to seeing Alex grow his own company into a global success", said David McLauchlan, CEO of Buddy Platform.

Replacing Alex will be LIFX's Chief Technical and Product Officer, Marc Alexander, who has agreed to join the Buddy Board of Directors following completion of the LIFX Acquisition. As detailed above, LIFX's Chief Executive Officer, Tim Peters will continue to lead LIFX with Mr Alexander. The Board looks forward to welcoming Marc and Tim in their respective capacities.

PRO-FORMA CAPITAL STRUCTURE

Following the completion of the Placement and the LIFX Acquisition, the indicative effect on the Company's capital structure will be as follows:

	Shares	Options	Performance Rights	Performance Shares
Existing Securities ⁽¹⁾	1,100,593,422	2,806,647	21,976,771	31,833,333
Shares to be issued to minority shareholders under the LIFX Acquisition	358,187,135 ⁽²⁾	-	-	-
Shares to be issued to Luminous (or its nominee) under the LIFX Acquisition	73,099,415 ⁽²⁾	-	-	-
Shares to be issued pursuant to the Placement	226,250,000	-	-	-
Earn-Out Shares to be issued to minority shareholders	7,163,743 ⁽²⁾	-	-	-
Securities to be issued to Mr Marc Alexander	2,222,222	-	12,000,000	12,000,000
Securities to be issued to Mr Timothy Peters	2,222,222	-	12,000,000	12,000,000
Total	1,769,738,159	2,806,647	45,976,771	55,833,333

Notes:

1. Assumes no further securities are issued prior to completion of the LIFX Acquisition, other than as detailed in the table.
2. Assuming an AUD/USD exchange rate of 0.72 and that Shares are issued at \$0.095 per Share being the last traded price of Shares.

STRATEGIC RATIONALE

Buddy Ohm is a solution that helps make every space smarter. It does this by monitoring spaces (rooms, floors or whole buildings) and providing insight on resource consumption (electricity, water, gas), generation (solar) and comfort (temperature, humidity) back to property managers and building occupants. Customers, who pay a monthly fee based on how many sensors are being monitored, are asking Buddy to monitor more of their spaces. The more sensors, the more revenue for Buddy Ohm, and LIFX lights are the world's easiest sensors to install (every room has a light socket, every socket in the world is standardised – no installers needed to change a lightbulb). Certain of LIFX lights already have sensors such as accelerometers, infrared transmitters, ambient light and energy consumption measurement built-in. LIFX lights can also save 85% of the electricity used by traditional lighting.

This acquisition will be highly accretive for both companies. The 1.8 million sold LIFX connected lighting products can become energy and sensing sources for Buddy Ohm and enable a residential Buddy Ohm offering in the future, while bundling lighting with Buddy Ohm will open up the commercial market for LIFX lights (which have historically been consumer/residential only). Buddy & LIFX may in the future release new lighting form factors, sell lighting via new models, and have the ability to drive a service revenue stream on top of the one-time sales model of LIFX lights today.

At the close of this transaction, Buddy will instantly have hundreds of thousands of households worldwide into which it can sell smart spaces related services overlaid on LIFX lights, while LIFX will have the means to substantially grow its sales and expand into the commercial marketplace or environments.

"This is a transformational transaction that we're announcing today", said David McLauchlan, CEO of Buddy Platform. "As the demand from both commercial and retail customers for energy monitoring solutions increases, it makes perfect sense that we look to combine our Buddy Ohm platform with a product that can be found in every building and every space in the world - lighting."

"Marc and Tim have built LIFX into a business that all Australians can be proud of; home-grown technology evolved into a magical set of products that reimagine lighting and inspire wonder in their customers around the world. The LIFX team is as talented and dedicated as any I've seen in my 19-year career in technology, and I couldn't be prouder to welcome them to the Buddy family. We have a joint vision to meaningfully advance the movement to create smarter spaces globally, and together believe we can achieve some truly enormous goals."

"Since 2012, LIFX has been at the forefront of connected lighting and has sought to fundamentally change the way people think about lighting and the spaces they occupy. Our business has grown exponentially since we started, and we are very excited to join forces with Buddy to expand our customer-base, further our reach, introduce real-time energy monitoring from our lights and enter new and exciting markets", said Tim Peters, CEO of LIFX. "Together with Buddy, we look forward to soon sharing with investors our vision and what we have planned in 2019 and beyond."

INVESTOR WEBINAR

An investor webinar will be held today at 11:00am (AEDT) to discuss the LIFX Acquisition. The webinar will be hosted by Buddy CEO, David McLauchlan, LIFX CEO, Tim Peters and LIFX CTO/CPO Marc Alexander. To join, please register here: <http://bit.ly/BUD-LIFX>.

For and on behalf of Buddy Platform Limited.



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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Annexure 1 - Statement of Financial Position

Unaudited Statement of Financial Position

LIFI Labs, Inc.

As at:	(AU\$) ¹	(AU\$) ¹	(AU\$) ¹
	31-Dec-2016	31-Dec-2017	31-Dec-2018
Assets			
Current Assets			
Cash and equivalents	1,745,099	1,082,756	1,810,103
Accounts receivable	1,874,077	5,744,592	9,449,556
Inventory	2,447,313	5,089,316	8,276,818
Prepays and other	1,904,175	3,232,601	753,567
Total Current Assets	7,970,664	15,149,264	20,290,043
Total Fixed Assets	473,608	430,832	1,243,108
Total Assets	8,444,273	15,580,096	21,533,151
Liabilities & Equity			
Current Liabilities			
Accounts payable	4,525,806	4,780,821	2,023,960
Eastfield debt	1,056,810	8,787,828	23,275,538
Other accrued expenses	941,756	1,546,459	755,161
Total Current Liabilities	6,524,372	15,115,107	26,054,658
Total Non-Current Liabilities	83,642	466,956	92,410
Total Liabilities	6,608,014	15,582,064	26,147,068
Share Capital	32,111,569	32,111,569	32,111,569
Reserves	(1,277,824)	204,241	248,834
Accumulated Losses	(28,997,487)	(32,317,778)	(36,974,320)
Total Equity	1,836,259	(1,968)	(4,613,917)
Total Liabilities and Equity	8,444,273	15,580,096	21,533,151

¹ Note: all actual figures are in US\$. For the purposes of this Annexure the figures have been converted into AU\$ at an exchange rate of 0.72.

Annexure 2 - Statement of Profit or Loss

Unaudited Statement of Profit or Loss

LIFI Labs, Inc.

For the year ended:

	(AU\$) ¹	(AU\$) ¹	(AU\$) ¹
	31-Dec-2016	31-Dec-2017	31-Dec-2018
Revenue*	11,333,587	22,657,279	38,480,509
Cost of Revenue	7,905,821	14,706,669	27,401,365
Gross Margin	3,427,766	7,950,609	11,079,144
Expenses			
Staff Costs	3,955,262	5,194,726	6,780,865
Advertising & Marketing	1,019,835	1,425,610	4,661,534
Research & Development	1,174,234	2,038,404	1,225,384
General & Administrative	875,733	1,550,580	1,802,696
Depreciation	318,416	293,382	360,929
Total Expenses	7,343,479	10,502,702	14,831,408
Operating income (loss)	(3,915,713)	(2,552,093)	(3,752,264)
Interest & Other	(55,943)	(768,199)	(904,278)
Net profit after tax	(3,971,657)	(3,320,292)	(4,656,542)
FX gain (loss)	164,315	1,482,065	44,593
Comprehensive income	(3,807,341)	(1,838,226)	(4,611,949)
EBITDA	(3,597,297)	(2,258,711)	(3,391,335)

* includes government rebates and incentives

¹Note: all actual figures are in US\$. For the purposes of this Annexure the figures have been converted into AU\$ at an exchange rate of 0.72.

Annexure 3 - Statement of Cash Flows

Cash Flow Statement			
LIFI Labs, Inc.			
For the year ended	(AU\$) ¹	(AU\$) ¹	(AU\$) ¹
	31-Dec-2016	31-Dec-2017	31-Dec-2018
Government rebate receipts	1,995,296	1,752,677	2,731,908
Cash received from customers	10,477,073	16,000,827	34,775,545
Payments for			
Suppliers	(10,357,421)	(22,803,405)	(41,169,436)
Staff	(3,637,970)	(4,223,388)	(7,648,823)
Interest & other paid	(55,943)	(768,199)	(904,278)
Net Operating Cash Flows	(1,578,965)	(10,041,488)	(12,215,084)
Capital Expenditures	(348,490)	(250,606)	(1,173,205)
Net Investing Cash Flows	(348,490)	(250,606)	(1,173,205)
Net draws (payments) of Luminous debt	149,233	8,147,685	14,071,043
Net Financing Cash Flows	149,233	8,147,685	14,071,043
Net Change in cash	(1,778,221)	(2,144,409)	682,754
Cash at beginning of period	3,359,006	1,745,099	1,082,756
Effect of FX rate changes	164,315	1,482,065	44,593
Cash at end of period	1,745,099	1,082,756	1,810,103

¹Note: all actual figures are in US\$. For the purposes of this Annexure the figures have been converted into AU\$ at an exchange rate of 0.72.

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