



ASX Announcement

25 May 2018

Acquisition of Microsoft-aligned AI software company

- Agreement signed to acquire Hyperfish, a leading next generation employee profile and directory management software company
- Unique and highly complementary artificial intelligence technology strongly aligned with LiveTiles' intelligent workplace platform offering
- Enables LiveTiles to extend its intelligent workplace platform to deliver exciting new capabilities and provides immediate cross-sell opportunities
- All stock deal and earn-out structure ensures strong alignment of co-founders to drive the ongoing success of Hyperfish

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), a global software company that empowers its users to drive their own intelligent workplace experiences, is pleased to announce it has signed an agreement to acquire 100% of the issued capital of Hyperfish, a recognised leader in next generation employee profile and directory management software.

Overview of Hyperfish

Hyperfish provides a unique software solution that helps bring an organisation's employee directory to life, ensuring directory and profile information is always complete and up-to-date. Using artificial intelligence (AI) and bot technology, Hyperfish automatically identifies missing or incorrect employee directory information and initiates a conversation with employees to collect and validate data. The software automatically updates employee directory records within the Microsoft Azure and Office 365 cloud platforms, ensuring information is accurate and complete. By implementing Hyperfish technology, organisations can significantly improve workflow processes, approval processes and employee engagement.

Headquartered in Seattle, Hyperfish was founded in 2015 by Brian Cook (co-founder of successful global software company Nintex) and Chris Johnson (ex-Microsoft executive). Brian and Chris will join LiveTiles to drive continued growth from the Hyperfish business and to help LiveTiles advance its position as the leading intelligent workplace platform. Brian and Chris will bring with them a deep level of expertise in artificial intelligence and bot technology.

Consideration for the acquisition will be entirely in LiveTiles stock and include performance hurdles in FY19, ensuring strong alignment of the co-founders of Hyperfish with the on-going success of the business.

Since a paid version of the Hyperfish software was launched in early 2017, Hyperfish has secured 33 customers and grown Annualised Recurring Revenue (ARR) to A\$0.4m under an annual subscription model. Hyperfish's run-rate operating expenses are approximately US\$0.6m (A\$0.8m) per quarter.



Strategic Rationale

The acquisition of Hyperfish combines two of the fastest growing software companies in the Microsoft ecosystem with highly complementary products and rapid customer growth trajectories and will enable LiveTiles to achieve its strategic product vision more quickly. Adding additional AI and bot capabilities to LiveTiles' intelligent workplace solution, Hyperfish's software provides an automated solution, which like LiveTiles, improves employee engagement and delivers efficiencies within organisations.

Closely aligned with Microsoft, Hyperfish is targeting rapid customer growth focussed on mid to large-sized Microsoft customers. At first, Hyperfish will continue to be offered as a stand-alone software product. Over time, Hyperfish will be integrated into LiveTiles' existing products and offered in bundled packages to customers. Combined, LiveTiles and Hyperfish service a customer base of over 500 organisations, providing an early opportunity to cross-sell to existing customers.

The Hyperfish co-founders have developed deep relationships with Microsoft's global executive team in Seattle over the past 15 years. The addition of Hyperfish's AI capabilities to LiveTiles' offering is expected to further enhance the Company's collaborative partnership with Microsoft, and broadens the Company's AI-powered solution that will be jointly promoted to Microsoft customers.

Karl Redenbach, LiveTiles Co-Founder and CEO, said: "Hyperfish has an incredibly talented team led by Brian Cook, a successful technology entrepreneur with a proven track record in building highly successful global businesses. Hyperfish will enable us to extend the LiveTiles intelligent workplace platform to deliver exciting new capabilities to current and future LiveTiles customers."

Brian Cook, Co-Founder and CEO of Hyperfish said: "Our combination with LiveTiles is a great opportunity to take the Hyperfish vision to the next level, and build a truly impactful and unique global software company."

Key Terms of the Acquisition

The purchase price, which will be wholly funded via the issue of LiveTiles shares, comprises a base valuation and two earn-out tranches as follows:

- Base valuation:**
 - 8.74 million LiveTiles shares, equating to a base valuation of \$3.66 million¹.
 - 12 month escrow period.

- First earn-out:**
 - 6.31 million LiveTiles shares² to be issued if Hyperfish achieves ARR of at least US\$1.0m as at 31 December 2018.
 - 12 month escrow period from issue date.

¹ Based on the 30 day VWAP prior to 25 May 2018 of \$0.419.

² The number of shares to be issued under the earn-out will be adjusted to reflect movements in the USDAUD exchange rate between 25 May 2018 and the relevant earn-out measurement date.



Second earn-out:

- 6.31 million LiveTiles shares² to be issued if Hyperfish achieves:
 - (a) ARR of at least US\$1.5m as at 30 June 2019; and
 - (b) Net Dollar Retention³ of at least 90% in the year ending 30 June 2019.
- 12 month escrow period from issue date.

If all earn-out conditions are satisfied, the total number of LiveTiles shares to be issued for the acquisition will be 21.35 million, equating to a purchase price of \$8.9 million⁴ and representing a maximum implied Enterprise Value / ARR multiple of 4.5x.

Completion of the acquisition is expected to occur in early June 2018.

Ends.

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About LiveTiles:

LiveTiles is a global software company headquartered in New York, with operations in Seattle, Tri-Cities (Washington State), San Francisco, Los Angeles, Chicago, Minneapolis, North Carolina, London, Zurich, Amsterdam, Sydney, Melbourne, Brisbane and Hobart. LiveTiles offers intelligent workplace software for the commercial, government and education markets, and is an award-winning Microsoft Partner. LiveTiles' products comprise LiveTiles Design, LiveTiles Bots, LiveTiles Intelligence, LiveTiles for SAP Software, LiveTiles MX and LiveTiles Mosaic. LiveTiles' customers represent a diverse range of sectors and are spread throughout the United States, United Kingdom, Europe, the Middle East and Asia-Pacific.

About Hyperfish:

Hyperfish helps bring your company directory to life by ensuring directory and profile information is always complete and up to date. Based in Kirkland, Washington State with a global network of solution partners, Hyperfish has established itself as a must have add-on for Microsoft Office 365 implementations. Using Hyperfish, organisations improve service delivery, increase employee engagement, and unlock new capabilities in Microsoft Office 365.

² The number of shares to be issued under the earn-out will be adjusted to reflect movements in the USDAUD exchange rate between 25 May 2018 and the relevant earn-out measurement date.

³ Net Dollar Retention is defined as the ARR as at 30 June 2019 from customers who were customers as at 30 June 2018 divided by ARR as at 30 June 2018.

⁴ Based on the 30 day VWAP prior to 25 May 2018 of \$0.419 and the current USDAUD exchange rate.