ASX Announcement

20 November 2019

Acquisition of leading intelligent intranet provider

- Agreement signed to acquire CYCL AG, the leading Switzerland-based intelligent intranet software provider

- CYCL, through its Condense and MatchPoint products, has a leading market position in Switzerland and Germany, with a small and growing US presence

- The combination of joint capabilities between CYCL's MatchPoint product, LiveTiles and Wizdom creates an enhanced Intelligent Workplace offering which will open up greater enterprise opportunities

- Low-touch, mobile-focused product (Condense) expands LiveTiles' addressable market through targeting organisations with large front-line (deskless) workforces

- Differentiated software and services capability, serving 156 high-quality customers with total revenue of $14.1m[1] and annualised recurring revenue (ARR)[2] of $4.7m[3]

- EBITDA and cash flow positive business, thereby accelerating LiveTiles' path to breakeven

- Upfront purchase price of $19.0m ($6.3m cash and $12.6m stock), representing an attractive EV / total revenue multiple of 1.3x[1], with additional earn-out consideration capped at $13.2m (25% cash and 75% shares)

- Strong alignment of interest between LiveTiles and CYCL, with majority stock consideration and an earn-out conditional upon achieving strong ARR growth and positive EBITDA

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), a global software company that empowers its users to create their own intelligent workplace experiences, is pleased to announce that it has reached agreement to acquire CYCL, the leading Switzerland-based intelligent intranet software provider.

OVERVIEW OF CYCL

CYCL is headquartered in Basel, Switzerland with offices in Bern, Zurich and Boston. CYCL's highly experienced founders and senior management team include Patrick Pűntener (CEO and co-founder), Matthias Walter (CFO and co-founder), Thomas Brunner (COO), Urs Wermelinger (Chief Marketing Officer) and Matthias Weibel (Head of Product Development). The business was founded in 1999 and since the inclusion of its own intranet software products, has grown its revenues, customer base and staff substantially.

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[1] Based on the twelve months to 30 September 2019
[2] Comprises recurring software subscriptions and support services
[3] As at 30 September 2019

CYCL has 156 customers including many global brands and multinationals such as PwC, Roche, Shell, Siemens, SwissLife and the United Nations.

The business has 56 staff, including highly regarded services capabilities that are complementary to its product portfolio. CYCL has 10 active reseller partners and longstanding expertise in managing a high quality, low-cost "nearshoring" product development team to complement its Swiss-based product team.

In the twelve months to 30 September 2019, CYCL had total revenue of $14.1m, including ARR as at 30 September 2019 of $4.7m. The business has a number of multi-year contracts with high quality Swiss-based NGOs and corporates, with total future committed recurring revenue of over $19m as at 30 September 2019.

CYCL recently established a sales presence in the US (Boston), and has a strong pipeline of qualified opportunities.

OVERVIEW OF PRODUCTS

CYCL has two differentiated and highly complementary intranet software products: Condense and MatchPoint.

Condense: unlike full-service intranet software that requires bespoke implementation services in order to deploy and 'go live' within an organisation, CYCL's recently developed Condense product is a mobile-focused cloud SaaS product enabling organisations to rapidly configure and launch a 'pocket intranet'. Given the nature of this cloud product, LiveTiles sees strong opportunity to leverage the Condense technology to speed up the sales and deployment process for customers.

Condense significantly expands LiveTiles' total addressable market through its focus on organisations with large front-line or mobile workforces, as well as smaller organisations. Critically, Condense enables organisations to reach front-line workers without traditional company IT account access – the employee simply needs a mobile phone. Condense drives employee engagement and corporate culture across an organisation, providing content authoring and publishing, a native employee app and enterprise grade connectivity and security.

MatchPoint: an award-winning turnkey intranet solution aimed at enterprise-wide deployments, with a particular strength in financial services and the public sector (including on-premise deployments).

The combination of joint capabilities between CYCL's MatchPoint product, LiveTiles and Wizdom creates an enhanced Intelligent Workplace offering which will open up greater enterprise opportunities. The enhanced Intelligent Workplace offering will also help attract more and stronger partners given the increased opportunity for services with enterprise customers.

MatchPoint is built on the same Microsoft technology platforms as LiveTiles/Wizdom, thereby offering strong product and sales channel synergies.

KEY HIGHLIGHTS

Highly complementary technology	✓ The combination of joint capabilities between CYCL's MatchPoint product, LiveTiles and Wizdom creates an enhanced Intelligent Workplace offering which will open up greater enterprise opportunities ✓ Enhanced Intelligent Workplace offering will help attract more and stronger partners given the increased opportunity for services with enterprise customers
Unique and highly scalable SaaS offering	✓ Unlike full-service intranet software that requires bespoke implementation services, CYCL's recently developed Condense is a mobile-focused cloud SaaS product enabling organisations to rapidly configure and launch an employee app (a 'pocket intranet') to increase employee engagement ✓ Opportunity to leverage the Condense technology to speed up sales process ✓ Expands total addressable market – Condense is aimed at organisations with large front-line (deskless) workforces and smaller organisations
Extends LiveTiles' market leadership position	✓ Extends LiveTiles' leadership position in the global intranet software market ✓ Next largest competitor estimated to be less than one fifth the size of LiveTiles on a revenue basis ✓ CYCL's leading position in Switzerland and Germany further strengthens European footprint
High-quality customer base	✓ 156 customers including PwC, Roche, Shell, Siemens, SwissLife, United Nations ✓ Strong credentials across financial services, government and international bodies ✓ Clear opportunity to cross-sell broader LiveTiles product suite

KEY HIGHLIGHTS (CONTINUED)

Financial benefits	✓ Profitable and cash flow generative - accelerates LiveTiles' path to breakeven cash flow
	✓ Attractive acquisition multiple (1.3x revenue[4])
	✓ Strong alignment of incentives via meaningful stock consideration and earn-out
Highly experienced leadership team	✓ Highly experienced senior management team
	✓ Strengthens and diversifies LiveTiles' senior management and product development resources

LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach, said: "CYCL will accelerate the evolution of LiveTiles' Intelligent Workplace platform by delivering exciting new capabilities to current and future customers. This acquisition fast-tracks our product roadmap with an aligned technology architecture developed by a highly talented team. We are particularly excited about the opportunity to target organisations with large deskless workforces via CYCL's low-touch, mobile-friendly Condense product."
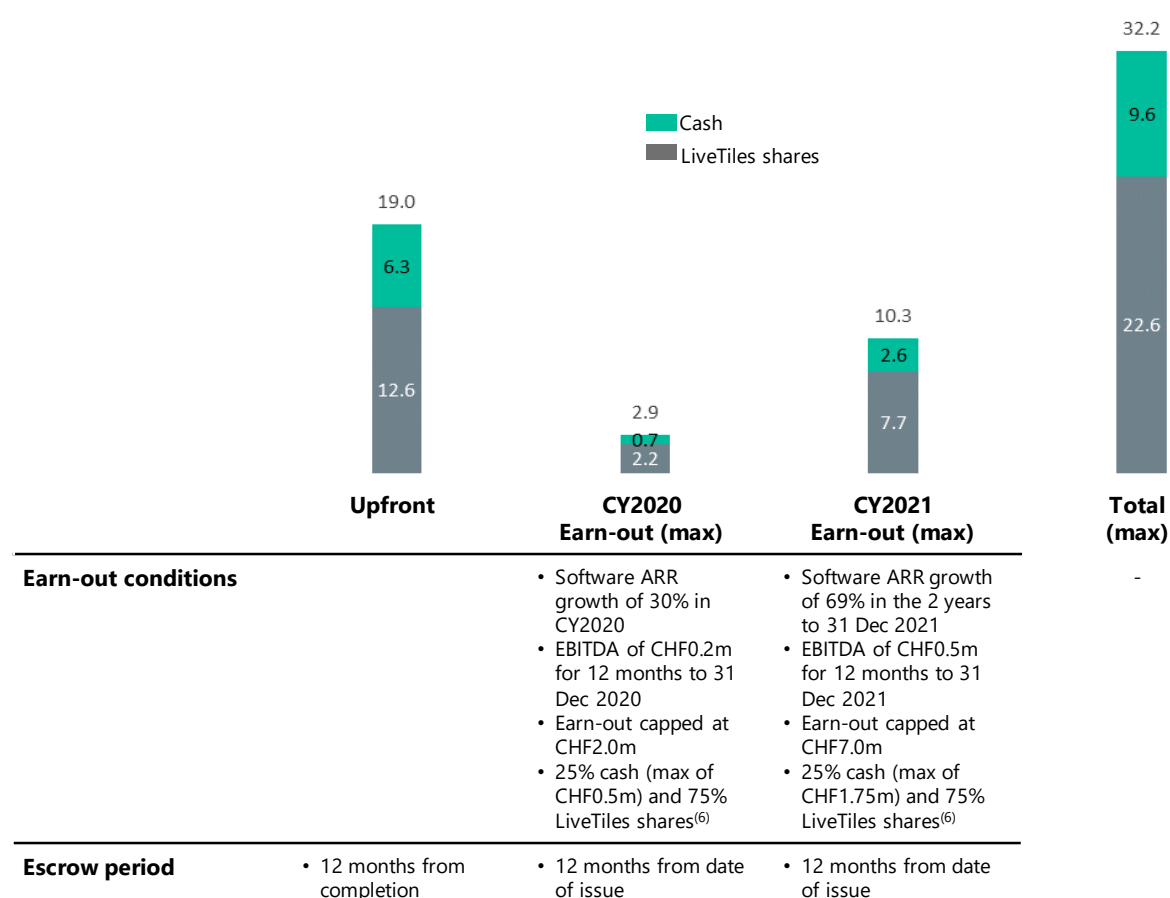
CYCL Chief Executive Officer, Patrick Pűntener, said: "We are genuinely excited to be joining the LiveTiles team, the global market leader in the relatively new category of intranet software. We are fully aligned with LiveTiles' Intelligent Workplace vision and we look forward to realising the substantial opportunity to accelerate growth as we combine our products, teams and sales channels."

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[4] *As at 30 September 2019.*

KEY TERMS OF THE ACQUISITION

The purchase price comprises an upfront component of CHF12.9 million ($19.0 million) and two earn-outs of up to CHF9.0 million ($13.2 million) in aggregate. The upfront purchase price represents an attractive Enterprise Value / Revenue multiple of 1.3x (based on revenue in the 12 months to 30 September 2019).

Transaction Structure ($m[5])

	Upfront	CY2020 Earn-out (max)	CY2021 Earn-out (max)	Total (max)
Earn-out conditions		• Software ARR growth of 30% in CY2020 • EBITDA of CHF0.2m for 12 months to 31 Dec 2020 • Earn-out capped at CHF2.0m • 25% cash (max of CHF0.5m) and 75% LiveTiles shares[6]	• Software ARR growth of 69% in the 2 years to 31 Dec 2021 • EBITDA of CHF0.5m for 12 months to 31 Dec 2021 • Earn-out capped at CHF7.0m • 25% cash (max of CHF1.75m) and 75% LiveTiles shares[6]	-
Escrow period	• 12 months from completion	• 12 months from date of issue	• 12 months from date of issue	

Completion of the acquisition is expected to occur on 2 December 2019. Completion is conditional upon the Company's placement capacity under Listing Rule 7.1 being refreshed at the AGM on 26 November 2019. The cash component of the purchase price will be funded from LiveTiles' existing cash resources.

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[5] *Based on AUDCHF exchange rate of 0.68.*
[6] *42.6 million shares at an issue price of $0.30 per share (20 day VWAP prior to the date of the Sale and Purchase Agreement).*
Issue price of earn-out shares will be equal to the 20 day VWAP prior to 31 Dec 2020 and 31 Dec 2021 respectively.

INVESTOR CONFERENCE CALL

LiveTiles will be holding an investor conference call at 10:30am AEDT on Wednesday 20 November. Registration details are available at this link:

https://s1.c-conf.com/diamondpass/livetiles-10002978-invite.html

The conference call will be recorded with a link made available on the Company's website (www.livetiles.nyc).

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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, North Carolina, Rochester, London, Sligo, Copenhagen, Amsterdam, Sydney, Melbourne, Brisbane, Geelong 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 Intelligent Workplace, LiveTiles Page Designer, LiveTiles Bots, LiveTiles Intelligence, LiveTiles for SAP Software, LiveTiles MX, LiveTiles Mosaic, Hyperfish and Wizdom. LiveTiles' customers represent a diverse range of sectors and are spread throughout the United States, United Kingdom, Europe, the Middle East and Asia-Pacific.