

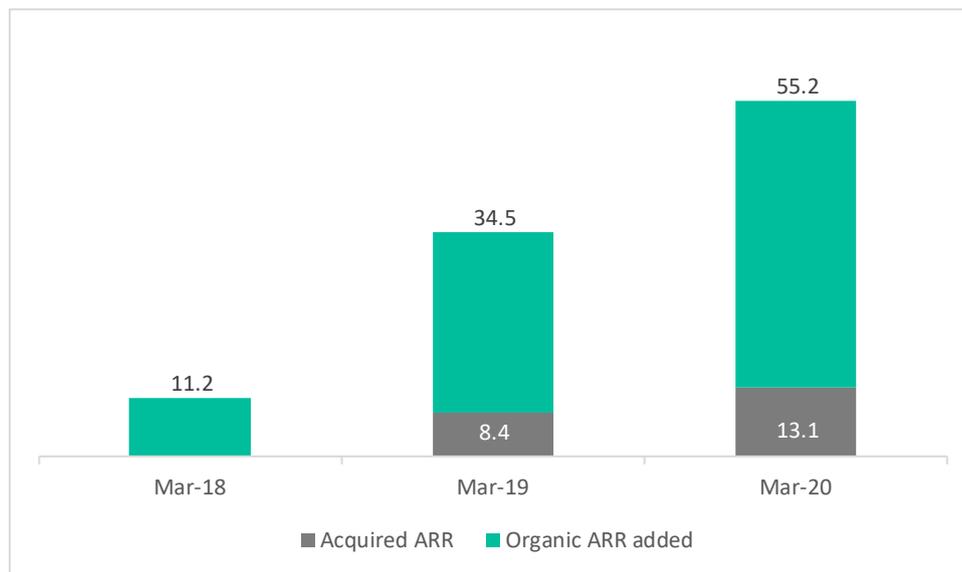
ASX Announcement

14 April 2020

Q3 ARR up to \$55.2m, accelerated breakeven target

- Annualised recurring revenue¹ (ARR) reaches \$55.2 million as at 31 March 2020, up from \$52.7 million as at 31 December 2019. ARR has grown 60% in the last year and is up 4.9x in 2 years
- LiveTiles is well positioned during the current environment as the global leader in intranet software and its applicability to remote working. LiveTiles is actively supporting over 1,000 recurring subscription customers to support remote employee communications, operating system access, collaboration and document sharing
- Material cost reductions have been implemented in late March and early April, with the business well placed to operate with this reduced cost base from Q4
- LiveTiles is well capitalised with over \$33m cash on hand as at 31 March. The Company is accelerating its efforts to reach breakeven operating cash flow and is taking tangible steps to reach that point during calendar 2020
- LiveTiles reconfirms it has no requirement to raise further capital to fund operating cash burn

Annualised recurring revenue growth (\$m)



¹ Annualised recurring revenue (ARR) represents committed, recurring revenue on an annualised basis



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 confirm another solid quarter of annualised recurring revenue (ARR) growth. ARR reached \$55.2 million as at 31 March 2020, representing year on year growth of 60%, and up 4.9 times when compared with two years ago.

N3

Q3 growth was achieved notwithstanding the conclusion of the Company's partnership with N3 at the end of the quarter. N3 provided contracted sales and marketing services, particularly in the US, since March 2018.

The Company's business model has evolved significantly since the partnership commenced over 2 years ago, with LiveTiles well positioned to pursue growth through its multiple channels including direct sales, digital marketing, Microsoft and partners. Inside sales operations have now been moved to an internal operating model.

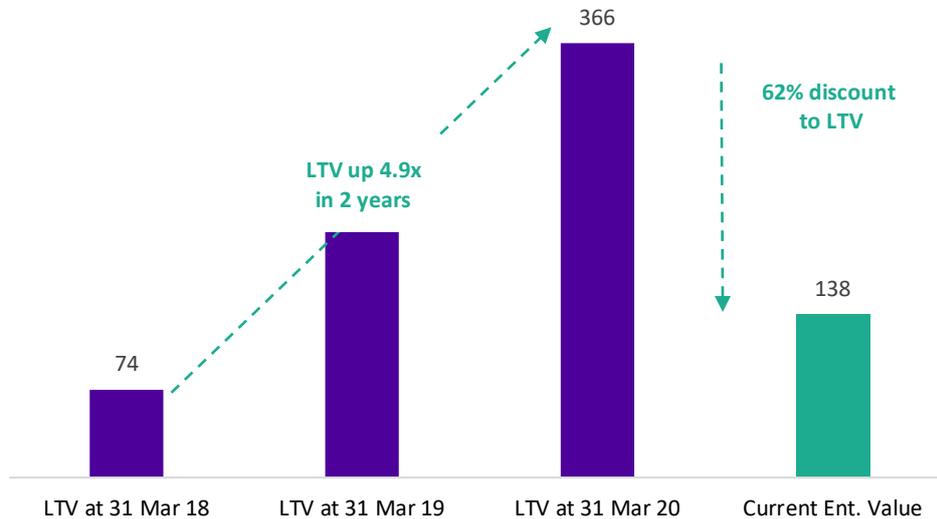
This decision has resulted in the one-off churn of approximately \$4.4m in ARR, representing the software license subscription announced along with the N3 partnership in March 2018. The Company has already taken cost actions to substantially offset this loss in revenue.

Customer Numbers and Average Contract Value

Customer numbers rose from 1,031 at 31 December to 1,068 at 31 March. Average ARR per customer was over \$51,500, reflecting growth of 31% on the prior corresponding period and up slightly on 31 December 2019 levels, even after absorbing the reduction in ARR from concluding the N3 contract.

Lifetime Value vs Enterprise Value

The Company continues to build a valuable long-term set of cash flows in its recurring revenue business model, and is trading at a 62% discount to this metric².



Operating Environment

LiveTiles is the global leader in intranet software, with over 1,000 subscription customers including some of the largest organisations in the world. Intranets are the “home page” of an organisation, typically accessed through a web browser or mobile app. LiveTiles software supports organisations and their employees to access company information, policies and systems wherever they are, including when working from home. Employees can use LiveTiles products with an internet browser, mobile apps or within Microsoft Teams.

Microsoft Teams is a collaboration platform that combines chat messaging, video meetings, file storage and application integration, and according to Microsoft it is the fastest growing application in Microsoft’s history prior to COVID-19. In recent weeks this growth has accelerated further. The number of Microsoft Teams video calls grew 1,000% in March 2020 as a result of accelerated adoption of digital workplace technology during COVID-19, with daily active users exceeding 44 million on 18 March 2020, up from 32 million as at 11 March 2020.

The recent rapid growth of Microsoft Teams is creating further growth opportunities for LiveTiles. On 2 September 2019 LiveTiles announced that it had developed a number of products designed to work with Microsoft Teams, and that it presented to 5,000 Microsoft employees around Microsoft Teams governance and adoption. This partnership continues and LiveTiles recently co-presented with Microsoft in March 2020 to a range of enterprise customers deploying and using Microsoft Teams.

² LTV = Lifetime Value. Assumes 80% gross margin, 95% net retention and an 8% discount rate. Gross margin assumption reflects mix of recurring product and services revenue following the acquisitions of Wizdom and CYCL. Net retention = (ARR expansion from existing customers less churn in trailing 12 months) / ARR at beginning of 12 month period. Based on LiveTiles’ Enterprise Value (market capitalisation as at 14 April 2020 less net cash as at 31 December 2019).



More broadly, to support COVID-19 efforts LiveTiles is actively working with a number of government and health organisations globally, including in the US and Australia, where we are helping to implement relevant technologies, including Microsoft Teams, to support customers' current operating challenges.

During the quarter the Company continued to see strong interest from current and future customers. Sales teams and partners, especially Microsoft, have seen significant uplift in pipeline and activity around remote working products and services, particularly the Company's capabilities around Microsoft Teams.

LiveTiles saw continued high customer retention with lower churn than experienced in the December quarter, consistent with expectations and prior market advice.

As a result of the substantial societal and economic upheaval across all major markets in March due to COVID-19, a number of traditional intranet projects slated for confirmation during March have been paused but most are still active.

Some of this demand has provided recurring revenue opportunities in the short term, whilst others do not have an immediate impact on ARR but are based around supporting companies to pivot to remote working, and will provide opportunities for recurring revenue in the longer term.

Cash Operating Expenditure

One-off cost impacts, including FX impacts on US and European cost base, will see operating cash burn in the range of ~\$9m for Q3, notwithstanding further growth in cash receipts. Material cost reductions have been implemented late in Q3 and early in Q4. Actions implemented and underway include:

- Consolidation of office locations, with all remaining offices currently unoccupied and all employees successfully switching to remote working;
- Lower travel and event marketing expenses due to COVID-19;
- Reduction in external contractors and consultants;
- Temporary reductions in hours and salaries across the global workforce, including 20% reductions for the Board and all senior leadership. These reductions will be in place for at least six months; and
- Accelerated integration of CYCL and Wizdom.

The Company is reviewing additional options to reduce cash burn, including short-term revenue and cost initiatives. The reduction in cash burn will commence in the June quarter, with the full benefit to be realised during the September quarter.

LiveTiles continues to grow strongly with a strong product suite aligned to customer needs. Notwithstanding, the global macroeconomic outlook is highly uncertain, and the Company has elected to take a conservative position on cash burn, comprised of a strategy to pursue both growth in recurring revenue (and thus cash receipts) along with lower operating expenditure.

The business continues to have no debt and had over \$33 million cash on hand as at 31 March. The movement in cash balance since 31 December reflects the operating cash burn, Wizdom earn-out payment of \$4 million, CYCL net working capital adjustment payment, FX movements against the Australian dollar and some non-recurring expenses relating to the now discontinued N3 contract and restructuring costs relating to cost reduction initiatives.

We believe that a company with a strong balance sheet and a strong product offering will be in an enviable position to exploit growth opportunities as the global economy recovers. Therefore our key financial objective is to reach a run-rate of operating cash flow breakeven during calendar 2020. LiveTiles reconfirms it has no requirement to raise further capital to fund operating cash burn.



Q3 Highlights

New customer highlights in the March quarter included:

- A global car manufacturer (Germany)
- A professional sports club (Australia)
- A federal government department (Australia)
- A global car manufacturer (Germany)
- A local government (United States)
- A global petrochemicals company (Switzerland)
- A global chocolatier (Switzerland)
- A global HR & Payroll software company (Norway)
- A global aerospace manufacturer (Germany)
- A global medical products manufacturer (Singapore)
- A local NGO (Australia)
- A global building supplies manufacturer (Austria)
- A global pharmaceuticals company (United States)
- An educational research organisation (Australia)

In addition to these major customer wins during the quarter, the Company has:

- Announced its status as GSA-approved for selling into the US Government;
- Unveiled a partnership with leading tech design platform Canva;
- Advised of the achievement of Wizdom's earn-out ARR and profitability targets;
- Confirming a tripling of interim revenue for the six months to 31 December 2019; and
- Been announced as the fastest-growing tech company in Australia on the Australian Financial Review's Fast 100 Index for 2020, and the fifth fastest-growing company overall.

The Company will provide further details on its growth and operations with its Q3 Appendix 4C announcement in late April.



LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach states: “The Company’s core DNA and its products and services are based around the vision of an intelligent digital workplace. LiveTiles products are a leader in ‘work from home’ tools, connecting employees through an internet browser, mobile apps and Microsoft Teams, empowering employees to access important company information, company systems and documents whilst they work from home. Recent difficult events have thrown into sharp focus for customers the importance of cloud-based tools that can be accessed by all employees anywhere, such as intranets and collaboration software.

“We are focused on keeping our people safe, supporting our customers and partners, whilst accelerating the Company’s path to generating positive cash flow”.

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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, Basel, Zurich, Bern, 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, Wizdom, MatchPoint and Condense. LiveTiles’ customers represent a diverse range of sectors and are spread throughout the United States, United Kingdom, Europe, the Middle East and Asia-Pacific.