

## Chairman's Address – OtherLevels AGM 2018

I am pleased to welcome my fellow Shareholders to the OtherLevels Holdings Annual General Meeting.

This has been our third full year as an ASX Listed company, and has marked a consolidation period, during which the company saw a continued increase in group revenues and cash receipts while maintaining sustained and disciplined cost management. We have established a base for growth, and the Company has made significant progress towards its goal of positive operating cash flow.

During FY18 the Company saw improved sales activity, ongoing growth from our installed base and an increase in high margin professional services capabilities.

The wagering and lotteries sector, plus the travel and hospitality sectors remain the core focus for the group.

During the period, the Company added a second European national lottery, and extended the agreement with an existing national lottery worth a minimum of A\$2.25m contracted value over the 4 and a half year term. Subsequent to the period, in the first quarter of FY19 the first U.S. state lottery was signed.

The company continued to focus on the wagering sector, building on OtherLevels existing expertise and reputation. An extension to the core OtherLevels platform, **In-Play Messaging**, that supports real-time messaging during sporting events, was launched, and the first user of the extension secured. This is a high value module, designed to automate live messaging at scale across all fixtures for a selection of sports, without commensurate additional marketing resources. The Company anticipates additional sales of this module in FY19.

The focus on the global wagering sector was further validated when the PASPA restrictions on US on-line wagering were struck down in the middle of 2018, opening up a significant opportunity in the USA. With existing casino and wagering clients in New Jersey, and the Company's US office in Philadelphia, OtherLevels is well placed to capitalise on this opportunity even though the sector is extremely competitive at a global level, with widespread consolidation. The consolidation of multiple clients, or the withdrawal of clients from certain countries has the potential to impact OtherLevels revenues, in the short term.

## FY 2018 Financial Performance

---

Let me now turn to briefly summarise our financial results, which have previously been released to the market, for the financial year ending June 30, 2018.

Revenue for the period was A\$5.25m, an increase of 56% over FY17 revenue of A\$3.37m.

EBITDA improved by A\$3m, a significant improvement of 73%, to a reduced loss of (A\$1.1m) from (A\$4.1m) in FY17. NPAT improved by 62% to a reduced loss of (A\$1.7m).

The Company's focus on maximising operating cashflow together with a disciplined approach to expenditure resulted in positive operating and investing cashflows in Q2 and Q3 of FY18. Overall, net operating and investing cashflow improved by 57% to a loss of (A\$1.7m) in FY18 from (A\$3.9m) in the previous year. In addition, our continued and sustained focus on cost measures resulted in a decrease in cash operating and investing costs of 10% from A\$8.9m in FY17 to A\$8.1m in FY18.

Licence revenues grew by 53% from A\$2.3m in FY17 to A\$3.6m and represented 68% of total FY18 revenue. Professional services increased by 55% from A\$805k to A\$1.2m and represented 24% of FY18 revenue. Managed services increased by 87% from A\$225k to A\$422K. Managed services revenue delivers a more predictable, higher margin professional services revenue stream.

Subsequent to year end, in August 2018, the Company received a A\$768K refund under the Federal Governments R&D Tax Incentive Scheme. The funds will be used to advance OtherLevels second generation messaging platform and provide working capital for the business.

In July 2017, the Company announced that it had secured a funding facility of A\$1.35m, via a number of sophisticated investors, supported by the Chairman and CEO. In June 2018, the Primary Lender agreed to extend this facility by A\$200K and the Chairman and CEO also agreed to extend their facilities by a further A\$400K.

The Company continues to strive towards achieving positive operating cashflow in aggregate, recognising that due to seasonality and other factors each month or quarter may not be cashflow positive until further scale is achieved.

To that end, although the first quarter of FY19 was strong, challenges in converting some sales opportunities prior to calendar year end may impact cash flow and revenue in the short term.

## Operational Progress

---

We continue to deploy resources in those sectors and geographies where OtherLevels can best achieve success. The Company has both a direct and partner sales model, both strategies of which have contributed sales wins. Throughout 2018, the Company focused on a smaller number of more significant partner opportunities with a deeper level of distribution capability. These partnerships take time to establish, and the results of these efforts are expected in the second half of FY19.

During the year, revenue from the UK operations experienced significant growth of 79% from £1.1m to £2.0m.

The Australian business benefited from a renewed sales focus, evidenced by 45% growth in revenue from A\$621k to A\$899k.

The US operations maintained a positive contribution of US\$699k and all of our major clients were retained.

## Product Development

---

OtherLevels continued to expand and innovate the OtherLevels platform during the period.

The Company maintained its focus on real-time messaging which ensures that recipients receive messages at the most engaging moment by adding In-Play Messaging as detailed previously. Examples of real-time messaging include “abandoned cart” messages from e-commerce sites, location based messages triggered by geographic proximity and wagering messages triggered during a game. The OtherLevels platform support for real-time messaging includes OtherLevels Intelligent Messaging, Location Messaging, In-Play Messaging and Event Messaging.

Web based messaging continues to be more relevant for new prospects, than app based messaging. This is a reflection of the resurgence of desktop and mobile web. The Company has continued the

development of web based message channels and in particular has launched **Intelligent Messaging for Conversion**. This creates new sales opportunities, particularly with sales channels such as digital agencies, and within markets such as travel, where there is a very high spend focused on driving traffic to site.

### FY19 Strategy

---

The Company will continue to focus on the lotteries and wagering sector and sees on-going opportunities due to the transition from government to outsourced operation of regulated lotteries in Europe and the USA. Within wagering, In-Play Messaging will have a larger and more strategic role in ensuring that OtherLevels is viewed as a market leader within the sector.

Consolidation in the UK wagering market creates both challenges and opportunities for OtherLevels due to management turnover and platform consolidation.

The Company also sees further opportunities driven by loyalty, membership and visitor website conversion within the travel and hospitality sectors. OtherLevels already has one of the world's top 3 hotel operators as a major client, as well one of the world's largest travel operators. Across this sector there is a continuous need to both drive engagement with members and guests, as well as increase the conversion of site visitors into known members.

The Company continues to tune its partnering strategies. In FY19, OtherLevels will focus on a smaller number of deeper partnerships to ensure early joint client success and create referenceable clients as the basis for a successful partnership. OtherLevels membership of the Salesforce partner program, and the Company's integration with Salesforce is a key element of the partner roadmap, and partnerships that enhance new sales and distribution are being prioritized.

In addition, OtherLevels has identified that activating a mid-market strategy will accelerate growth whilst mitigating the reliance on enterprise customers.

Mid-market clients typically have limited marketing resources, and a high dependence on digital agencies and email marketing. Outsourcing non-core services is more common, and solutions are often delivered as service packages, combining services and technology, again making it easier to buy. This mirrors the company's existing managed service experience and also accelerates the buying process.

The recently announced acquisition of XCOM Media Pty Ltd is the first step in the mid-market strategy, and creates material cross-marketing opportunities for the OtherLevels platform, unlocking significant scaling potential. The acquisition is an important first step towards the Company's goal of becoming the premier Australian supplier and a global leader in digital marketing solutions.

A strategic and selective acquisition program, provides the opportunity to consolidate a fragmented sector, while securing further distribution channels for the OtherLevels platform.

In summary, OtherLevels strategy for FY19 is to:

- ✓ Combine the scale and economics of a leading digital messaging platform with the solution capabilities of digital marketing service providers;
- ✓ Grow organically with its existing enterprise focus; and
- ✓ Target non-organic growth through selected M&A transactions to enter and exploit the mid-market opportunity.

## Summary

---

OtherLevels now has a well-established platform to execute the FY19 strategy to grow across a global client base using its intelligent messaging solutions and a scalable SaaS platform.

Cost discipline has been maintained and we have a growing pipeline of new prospects, and existing customer volume growth, together with the adoption of additional product functionality. The second half of our financial year typically delivers higher revenues building on growth through the year.

The Board and management will continue to closely monitor cash flow in order to ensure that OtherLevels is in the best financial position to optimize operational performance and maximize shareholder returns. The Company's goal is to achieve operating cash flow break even in FY19.

The OtherLevels business model is built on initial upfront investment in platform and client acquisition, creating long term recurring revenues. As OtherLevels continues to retain and expand existing clients, at lower marginal cost, we believe that over time the benefits of this approach will be recognized by the market.

## Acknowledgements

---

I would also like to take this opportunity to thank our employees for their outstanding contribution, in developing our intellectual property and in servicing our customers.

I also wish to acknowledge our clients for having placed their trust in OtherLevels, and in valuing our solutions and professional services.

And finally, I would like to thank all our shareholders for their continued support, through what has been a challenging period. Our shareholders should continue to see improved performance and progress as we continue to focus on our core markets, with world leading technology.

- ENDS -

## About OtherLevels

OtherLevels is a leading second-generation digital marketing platform with operations in Europe, the US and Australia.

The OtherLevels platform enables clients to **acquire sooner, engage smarter** and **retain longer** across desktop, mobile web and apps audiences. The OtherLevels platform offers both **Intelligent Messaging for Conversion**, and **Intelligent Messaging for Marketing Clouds and CRM**, hence delivering both acquisition and engagement capabilities for digital marketers.

For more information, please visit <http://otherlevels.com>

For media enquiries please contact [media@otherlevels.com](mailto:media@otherlevels.com).