

OTHERLEVELS OPERATIONS UPDATE

29th January 2016: OtherLevels Holdings Limited (ASX: OLV) (OtherLevels) provides an update on progress for the first half of FY16.

During the first half of the financial year, OtherLevels signed our largest ever contract valued at AUD\$1.1m, together with beachhead wins in related sectors including Fantasy Sports, US legalised on-line gaming and in financial markets binary options. The Company has also completed a corporate reorganisation to better utilise resources and further strengthen financial and operational discipline.

In addition, OtherLevels successfully launched a new and significant product, OtherLevels Intelligent Messaging. OtherLevels experienced good growth working with partners and featured in the Forrester Report “Vendor Landscape: Mobile Engagement Automation Solutions” alongside such industry heavyweights as IBM, Oracle, Salesforce and Adobe.

Sales and International Operations

OtherLevels continues to experience strong growth and demand in the UK and EMEA. Led by the General Manager, Lance Standing, the UK operation has a strong pipeline, as well as recent success including 65Twenty – the UK’s fastest growing on-line publisher, bwin.party – a EUR 1bn wagering company, and a further recently announced wagering company, featuring an initial contract in excess of \$100,000.

The UK/EMEA now has an experienced sales team in place comprising the General Manager and three (3) Sales Directors, each bringing significant sales experience in enterprise SaaS sales, from vendors such as Oracle, Tealium, SiteCore and ExactTarget. Five (5) services staff support sales and existing clients.

OtherLevels will be focusing heavily on expanding the North American operation in 2016. The existing sales team of one will be expanded to three, in addition to the well-established professional services and support team of 5, primarily based in San Francisco.

In total, we aim to have a full global sales headcount of 8 in place in the first half of 2016.

Our professional services activities continue to grow, reflecting increased awareness from customers that OtherLevels is building deep expertise in the creation and deployment of strategic messaging campaigns, which support the deployment of the OtherLevels digital marketing platform.

The company’s focus on partners and clearly defined sectors such as hospitality, lotteries, legalised on-line wagering, fantasy sports, social casinos and casual games will continue. In spite of the difficulties of hiring and retaining the right sales executives, OtherLevels North America secured a number of outstanding contracts that validated the OtherLevels value proposition and competitive capabilities. These included the company’s first fantasy sports customer, first US on-line wagering customer, and a San Francisco global top 10 games company.

Customer additions in total, however, were slower than expected with 11 customers added during the period. This reflected a longer sales cycle than anticipated and difficulties in execution, as a result of delays in hiring and retaining the right sales personnel, but was somewhat offset by significant increase in the size of new contracts. The delay in finding quality personnel and a corresponding lack of focus on the needs of some existing customers resulted in some customer

churn, with 5 clients lost during the period. As at the end of January 2016, OtherLevels had 30 customers using the platform.

In addition to now having on-boarded appropriate sales personnel, the Board has acted to provide more customer focus within the Company through organisational changes and closer monitoring.

Organisational Changes

In December 2015, the Company announced a restructure to consolidate and optimise management and support activities. This organisational change is well under way, with the Company founder Brendan O’Kane assuming the role of Managing Director and CEO, and a reduction of 4 personnel from the San Francisco office already completed. Derek Strong, formerly OtherLevels global Head of Professional Services, has accepted the role of General Manager North America, and brings extensive experience in fast growing SaaS companies.

Administration activities will now be performed in Australia with annual savings of in excess of AUD\$1m expected to be realised from the end of Q2.

Brendan O’Kane, Managing Director and CEO commented, “As a result of the restructuring we have streamlined and centralised the finance function in Australia, and in parallel with sales and revenue growth, OtherLevels will remain very focused on receivables, cash collection and cost control.”

Key metrics

Cash collections during the period grew 85% from AUD\$733K in Q1 to AUD\$1,383m in Q2.

Annual recurring revenue for customers in the second or more years with OtherLevels has increased from USD\$86,000 in December 2014 to USD\$115,000 in December 2015. Whilst this number is lower than November 2015, it is mainly due to the change in mix and demand which can vary by month as we grow. However we expect the trend line to continue to deliver increased revenues per customer. Average recurring revenue for customers during their first 12 months with OtherLevels was USD\$27,000.

The growth of 326% between the first and subsequent years, reflects the strength of the OtherLevels “land and expand” philosophy resulting in customers continuing to expand their use of the OtherLevels platform as they gain experience and quantify their own return on investment.

The company has significant international exposure with over 85% of revenue received in USD or GBP, whilst international sales and support costs are incurred as a direct result of these overseas operations. These costs primarily comprise staff and server costs, which have been under pressure during the aggressive growth stage, which together with the expected lag in new sales as staff are trained, has led to the Australian operations funding international costs.

OtherLevels seeks to maintain back office functions in Australia and other low cost locations to drive employment cost efficiencies. The Company has aggressively targeted efficiencies in server costs, resulting in a 16% decrease in average monthly US\$ server costs from June to December 2015. At the same time during this period, customer events such as a purchase, or a shared recommendation, have increased from 298 million to over 1 billion per month.

However, as noted previously, adverse Australian Dollar movement remain unfavourable to the company in the short term while overseas cash costs exceed receipts.

The Board and management continues to closely monitor sales, operational costs and cash flow, and is proactively reviewing options and opportunities as they arise.

Intelligent Messaging Product Launch and product updates

OtherLevels announced OtherLevels Intelligent Messaging during the period, a new capability that frees the marketer from decisions on how to reach their users. OtherLevels Intelligent Messaging uses machine learning and big data to determine the optimum channel to reach a user.

Complimenting Intelligent Messaging, OtherLevels will be releasing v2.0 of the OtherLevels platform during the second half, featuring a completely refreshed UI/UX making it easier for clients to choose additional message channels. These platform enhancements will ensure OtherLevels is able to maintain a strong competitive position in the market and drive increased customer messaging and utilisation.

Market recognition - Forrester Report on Mobile engagement and Competition

OtherLevels was recognised in the Forrester Report “Vendor Landscape: Mobile Engagement Automation Solutions” alongside such industry heavyweights as IBM, Oracle, Salesforce and Adobe.

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OtherLevels ranked 3rd of 20 vendors in terms of the breadth of supported campaign actions. This and OtherLevels top tier customer list recognises that OtherLevels is able to compete and win against the biggest vendors in the industry.

The competitive landscape continues to evolve, with many emerging vendors seeking to gain traction at the enterprise level, while large entrenched enterprise vendors look to refresh first generation email centric into mobile centric product offerings. OtherLevels is well positioned for success with a consistent enterprise focus spanning Board, staff, platform and customers.

Second Half Focus on Execution

Despite some execution challenges during the last period, the Company ended the period with strong sales growth and remains excited regarding the opportunities ahead. Significant opportunity continues across the UK and Europe due to the rapid upsurge in mobile entertainment choices, and OtherLevels has the team in place in the UK to capitalise on this growth. Building on the existing teams, the Company is targeting further key sales hires and growing OtherLevels North America and Australian sales capability. OtherLevels Intelligent Messaging and the coming release of OtherLevels 2.0, provides even greater capability to compete and win against the larger email based legacy incumbents.

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Contacts

Brendan O’Kane

Managing Director and CEO

brendan.okane@otherlevels.com

Alex Scott

Company Secretary

alex.scott@otherlevels.com

About OtherLevels

OtherLevels is a leading second-generation digital marketing platform with offices in San Francisco, London, Brisbane and Melbourne. OtherLevels is at the forefront of the enterprise marketing transformation being driven by the massive shift to mobile.

The OtherLevels digital marketing platform enables marketers to engage and retain their audience across desktop, mobile web and apps. For more information, please visit <http://otherlevels.com>, OtherLevels Holdings Limited ACN 603 987 266.