

ASX Announcement

27 August 2020

Strong Improvements in FY2020 Annual Results

- LiveTiles NPAT improved by 26% to (\$31.6m), with Underlying NPAT¹ improving 38% to (\$21.3m)
- Cash on hand grew by 154% year on year to \$37.8m as at 30 June 2020, aided by growth in customer cash receipts - up 114% to \$41.0m. Net cash used from operating activities reduced by 72% to (\$9.3m) over the year, with strong improvements achieved in the fourth quarter
- Directors confirmed expectations for near-term uncertainty in trading conditions, with a strong medium & long-term outlook, with COVID playing a global role to accelerate digital workplace software adoption

P&L Summary

	Notes	12 mths ended 30 Jun 20 (\$'000)	12 mths ended 30 Jun 19 (\$'000)	Movement
Subscription revenue		28,981	16,511	129%
Services revenue		8,810	1,581	
Government grant income		6,313	3,988	58%
Other income		364	406	-10%
Total revenue and other income		44,468	22,486	98%
Total operating expenses		(60,815)	(54,571)	11%
Loss before income tax expense, non-cash items and amortisation		(16,347)	(32,085)	49%
Amortisation of development costs	(a)	(4,916)	(2,090)	135%
Loss before income tax expense and non-cash items		(21,263)	(34,175)	38%
<i>Non-cash expenses</i>				
Amortisation of software IP and customer contracts	(b)	(5,340)	(1,698)	
Share based payments - Management Incentive Plan		(133)	(228)	
Share based payments - Long Term Incentive Plan		(544)	(226)	
Share based payments - post combination services for Hyperfish, Inc	(c)	-	(4,845)	
Share based payments - post combination services for Wizdom A/S	(d)	(3,252)	(3,872)	
Unrealised currency gain / (loss)		(1,208)	1,945	
Loss before income tax expense per statutory accounts		(31,740)	(43,099)	26%
Income tax expense		136	333	
Loss after income tax expense per statutory accounts		(31,604)	(42,766)	26%

Note: This announcement should be read in conjunction with the full audited financial statements of the Group, lodged with ASX on 27 August 2020.

- (a) Relates to the capitalised development costs which were cash settled during the period
 (b) Relates to identifiable intangible assets resulting from the acquisitions of Hyperfish, Inc and Wizdom A/S
 (c) Non-cash contingent payment relating to the acquisition of Hyperfish, Inc., deemed to be a share-based payment
 (d) Non-cash contingent payment relating to the acquisition of Wizdom A/S, deemed to be a share-based payment

¹ Underlying NPAT is prior to the non-cash expenses itemised in the above P&L Summary table

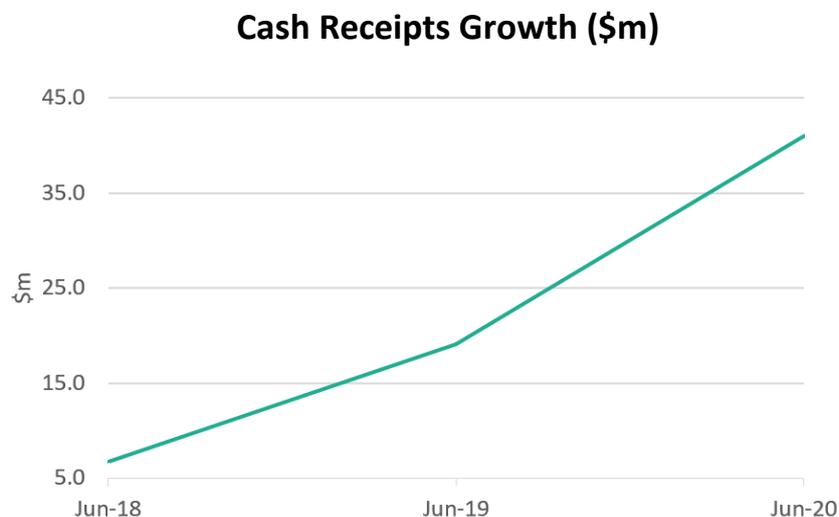


LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), the global leader in intranet and workplace technology software, today announced audited annual results for the year ended 30 June 2020, including substantial improvements in NPAT, operating cashflow and key balance sheet metrics.

Total revenue rose by 98% to \$44.5m, whilst operating expense growth (excluding identified non-cash items on page 1) was constrained to 11%, with reductions achieved in the fourth quarter following the Group's previously announced restructuring and cost reduction program.

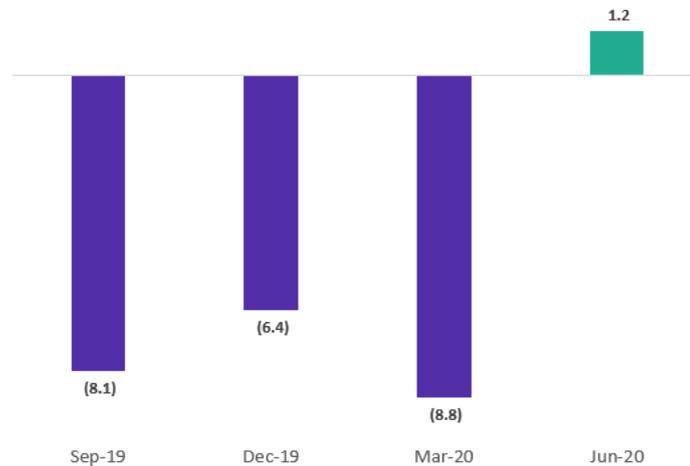
Net loss after tax, on a statutory basis, improved by 26% to (\$31.6m), with Underlying net loss after tax improving 38% to (\$21.3m).

Cash on hand grew by 154% year on year to \$37.8m as at 30 June 2020, aided by growth in customer cash receipts, which rose 114% to \$41.0m.

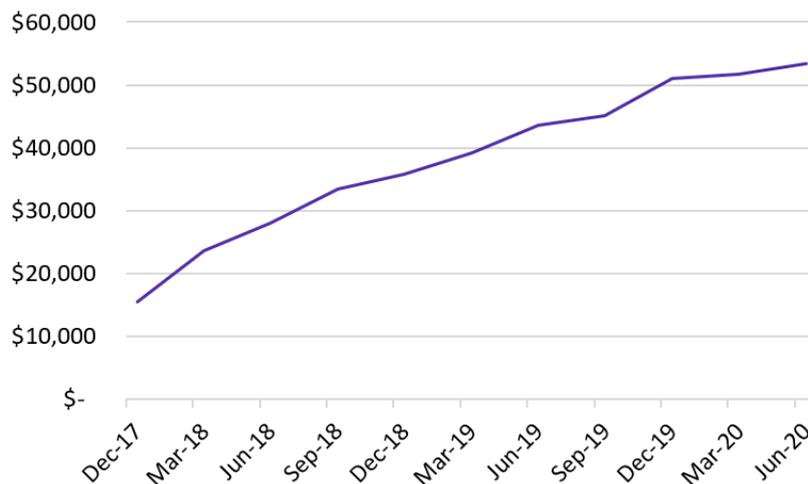


Net cash used from operating activities reduced by 72% to (\$9.3m) over the year, with strong improvements achieved in the fourth quarter, as shown in the below chart.

Operating cash flow improvements during FY20 (\$m)²



Average ARR per customer³



² Calculated using net cash from / (used in) operating activities included in quarterly ASX announcement 4C, dated 29 October 2019, 30 January 2020, 29 April 2020 and 29 July 2020 respectively. Calculated to exclude Appendix 4C section 1.7 (government grants and tax incentives) and section 1.8 (non-recurring staff costs).

³ On a constant currency basis (for 30 June 2020), using FX rates as at 31 March 2020. LiveTiles defines ARR as revenue, normalised on an annual basis, that LiveTiles has a reasonable expectation it will continue to receive from its customers for providing them with products and services. This definition includes committed recurring subscriptions for products and services, and includes service types where there is a demonstrable track record of repeat revenues such as support. It excludes revenue deemed unlikely to be recurring in nature.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Revenue	3	37,790,403	18,091,882
Other income	3	6,678,080	4,393,967
		44,468,483	22,485,849
Expenses			
Employee benefits expense	5	(32,359,825)	(23,229,637)
Contractors		(8,569,830)	(16,546,673)
Marketing expense		(3,041,599)	(3,492,437)
Travel and entertainment expense		(2,537,367)	(3,718,675)
Professional fees		(3,212,118)	(1,980,990)
Rent and other office costs		(2,362,924)	(2,340,742)
Information technology costs		(2,714,242)	(880,302)
Other expenses		(4,425,711)	(2,258,233)
Depreciation expense		(1,166,772)	(123,494)
Amortisation charge of intangibles	12	(10,256,971)	(3,788,432)
Share based payments expense	24	(3,928,656)	(9,169,722)
Unrealised currency gain / (loss)		(1,207,703)	1,944,508
Lease-related finance costs		(425,215)	-
		(76,208,933)	(65,584,829)
Loss before income tax		(31,740,450)	(43,098,980)
Income tax expense	4	136,009	333,391
Net loss for the year		(31,604,441)	(42,765,589)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		572,706	(827,619)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on remeasurement of defined benefit pension schemes, net of tax		445,608	-
Other comprehensive income for the year		1,018,314	(827,619)
Total comprehensive income for the year		(30,586,127)	(43,593,208)

Commentary in relation to the statement of profit or loss as at 30 June 2020, including nature of items and movements on prior year:

- **Revenue (excluding other income)**: Revenue from customers for 12 months to 30 June 2020 was \$37.8m, and compares with ARR as at 30 June 2020 of \$53.8m, ARR as at 30 June 2019 of \$40.1m and cash receipts for the year of \$41.0m. The Group continues to recognise a significant unearned revenue liability on the balance sheet, which will be billed and brought to account as customer contracts commence and/or at the time services are provided. The result also includes \$8.8m of related services revenue, with second half run-rate revenues below first half due predominantly to COVID. Overall, second half revenue rose 10% in the second half, when compared with the first half.
- **Other income**: increase due to R&D tax incentive received in relation to overseas 2019 expenditure which was not accrued or receivable at 30 June 2019.
- **Employee benefits**: increases due to salary costs of acquired businesses (Wizdom and CYCL), some strategic senior hires, reduced by the value of wages classified as to capitalised development costs (\$4.9m), which were fully amortised in the period consistent with the Group's accounting policy to expense software development costs through the P&L.
- **Contractors**: \$8.0m reduction resulting from optimizing N3 resources during the year (contract discontinued during the second half) and further reductions due to employee/contractor resourcing efficiencies implemented during the year
- **Professional fees**: includes professional fees for audit and consultancy, legal fees and CYCL acquisition costs
- **IT costs**: Wizdom and CYCL acquisitions contributed to growth in IT costs for the period, remaining increase due to increased size of business
- **Other expenses**: includes additional expenses related to alliance partnership agreements
- **Amortisation of intangibles**: amortisation of intangibles includes amortisation of development costs, software IP and customer contracts
- **Share based payments**: significant reduction on prior period, which included \$4.8m related to Hyperfish earn-out. FY20 underlying share-based expense related to staff incentive plans (LTIPs & MIPs) have increased

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents		37,791,314	14,880,920
Trade and other receivables	9	8,521,493	12,198,027
Other current assets	10	980,256	1,036,328
TOTAL CURRENT ASSETS		47,293,063	28,115,275
NON-CURRENT ASSETS			
Property, plant and equipment		977,860	617,554
Deferred tax asset	4	291,833	-
Right-of-use assets	11	3,562,990	-
Intangible assets	12	81,054,324	45,164,127
Other non-current assets	10	1,018,883	505,535
TOTAL NON-CURRENT ASSETS		86,905,890	46,287,216
TOTAL ASSETS		134,198,953	74,402,491
CURRENT LIABILITIES			
Trade and other payables	13	7,443,718	7,013,651
Income tax payable	4	1,324,238	406,872
Lease liabilities	14	904,700	-
Employee benefits provision	16	2,258,095	644,610
Provisions for business combinations	17	3,069,981	10,062,323
Other current liabilities	15	12,388,804	11,767,540
TOTAL CURRENT LIABILITIES		27,389,536	29,894,996
NON-CURRENT LIABILITIES			
Employee benefits provision	16	140,094	83,133
Deferred tax liability	4	2,967,791	3,192,972
Lease Liabilities	14	3,427,179	-
Provisions for business combinations	17	8,988,671	-
Pension liabilities	18	6,812,051	-
Other non-current liabilities	15	776,377	387,992
TOTAL NON-CURRENT LIABILITIES		23,112,163	3,664,097
TOTAL LIABILITIES		50,501,699	33,559,093
NET ASSETS		83,697,254	40,843,398

Commentary in relation to the statement of financial position as at 30 June 2020, including nature of items and movements on prior year:

- Trade and other receivables: decrease following the collection of the \$4.9m R&D tax receivable in Q3 FY20. Due to the increased turnover of the Group, LiveTiles is no longer

entitled to a cash tax refund. Future eligible R&D expenditure will give rise to a non-refundable tax offset.

- Intangible assets: includes the addition of intangibles recognised on the acquisition of Hyperfish, Wizdom and CYCL. These include software IP of \$12.8m, customer contracts of \$3.5m and goodwill of \$59.7m. The total of \$81.0m is net of accumulated amortisation, including \$5.3m of amortisation expense recognised in the 12 months to 30 June 2020.
- Right-of-use asset and lease liabilities: represents the adoption of AASB16 which requires operating leases to be brought on balance sheet.
- Trade and other payables: includes redundancy provisions, payroll taxes withheld not yet settled under a Danish Government COVID relief program and accrued bonuses and sales commissions.
- Income tax payable: withholding tax payable on intercompany cross-border transactions.
- Employee benefits provision: includes additional annual leave provision following a change in Danish law and the recognition of annual leave provisions for all US staff following a change in policy.
- Provision for business combinations: estimates of consideration payments due for CYCL earn-out over calendar years 2020 and 2021.
- Other current and non-current liabilities: includes unearned revenue and unearned grant income (Victorian & New York State grants). Grant revenue is amortised over the period of the grant. Also includes \$0.5m estimated repayment under US PPP loan program.
- Deferred tax: Temporary balances resulting from the recognition of intangibles in Hyperfish, Wizdom and CYCL. Represents the tax effect of non-deductible expenses, those being the future amortisation of the intangibles. Asset recognised in relation to Wizdom current tax.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		40,968,708	19,124,567
Payments to suppliers and employees (inclusive of GST)		(61,240,424)	(53,554,488)
		(20,271,716)	(34,429,921)
Interest received		170,574	194,264
Interest and other finance costs paid		(425,241)	(291)
Government grants received		11,511,545	1,402,366
Income tax paid		(235,618)	(240,847)
Net cash used in operating activities	25	(9,250,456)	(33,074,429)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development costs		(4,916,009)	(2,090,082)
Payments for plant and equipment		(219,816)	(285,286)
Net cash acquired as part of acquisition of subsidiaries	23	(422,380)	2,319,875
Payments for acquisition of subsidiaries		(10,647,148)	(10,375,127)
Loans to related parties		(400,933)	(226,342)
Net cash used in investing activities		(16,606,286)	(10,656,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	20	54,999,999	42,300,014
Share issue transaction costs		(3,629,017)	(2,502,077)
Proceeds from exercise of options		-	637,500
Repayment of lease liability		(878,755)	-
Net cash from financing activities		50,492,227	40,435,437
Net increase / (decrease) in cash held		24,635,485	(3,295,954)
Cash and cash equivalents at beginning of financial year		14,880,920	17,848,223
Effects of exchange rate changes on cash and cash equivalents		(1,725,091)	328,651
Cash and cash equivalents at end of financial year		37,791,314	14,880,920

Commentary in relation to the statement of cash flows for the year ended 30 June 2020, including nature of items and movements on prior year:

- Receipts from customers: cash received from subscription and services revenue. Represents 114% increase on prior period to \$41.0m.
- Government grants received: \$3.9m was received in August 2019 and \$5.6m was received in April 2020 in relation to the FY17, FY18 and FY19 years. A separate grant was received in April

2020 after the Company successfully applied for the US government's Paycheck Protection Program, a COVID-related relief initiative.

- Taxes paid: primarily represents \$154k of withholding taxes paid on intercompany IP licence fees.
- Net cash acquired: represents the cash on hand upon the acquisition of CYCL, net of working capital adjustment.
- Payments for acquisition of subsidiaries: upfront cash paid for the acquisition of CYCL
- Payments for development costs: represents salaries and wages for the development team which are capitalised and fully amortised in the same financial year.
- Loans to related parties: represents payments made on behalf of executive directors legal fees. Interest rate on loans is 15%, compounding annually.
- Proceeds from issue of shares: funds raised across a \$50m share issue in September 2019 plus a subsequent Share Purchase Plan for existing shareholders of \$5m completed in October 2019.

Outlook

In light of uncertainty created by the global pandemic, the Group has not provided guidance in respect of financial year 2021 growth at this time, other than to reiterate the core financial objective of achieving operating cash flow breakeven during calendar 2020, subject to operating conditions. Further, the Directors reiterate their expectation that operating cash flow breakeven will not be achieved during the first quarter. The Group continues to review additional options to reduce cash burn, including short-term revenue and cost initiatives to support this objective. The Directors continue to expect strong long-term growth potential for the Group, driven by increased remote working and demand for digital workplace software to support organisations.

LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach states: "We are very pleased with our FY20 results, including the significant step-change we made during the year to reduce our operating expenditures and improve our cash flow. This hard work following our September 2019 capital raising has supported us to maintain a healthy balance sheet position with cash on hand more than doubling when compared with last year.

"We were recently named as Australia's fastest growing technology company, but we've had to make some very difficult, deliberate decisions during the year to balance this growth with sensible cost controls and expenditure.

"Our Board has reiterated the Company's near-term financial objective to reach operating cash flow breakeven during 2020, subject to operating conditions. Further, our confidence in the medium term outlook remains as strong as ever. Our team is hugely energised with the opportunity to help customers supporting their employees to communicate and collaborate in the new world of remote working".



This announcement has been authorised for release by the Board.

For further information, please contact:

Investors

Maureen Baker

+61 (0)438 571 970

maureen.baker@livetiles.nyc

Media

Alex Liddington-Cox

+61 (0)474 701 469

alexander.lc@livetiles.nyc

About LiveTiles:

LiveTiles is the global leader in intranet and workplace technology software, creating and delivering solutions that drive digital transformation, productivity and employee communications in the modern workplace.

LiveTiles have operations spanning North America, Europe, Asia and Australia, and services over 1,000 Enterprise customers in over 30 countries. LiveTiles was named by *The Australian Financial Review* as Australia's fastest growing technology company in 2020 and by Forrester as one of the Top 12 companies in this space globally.