



ASX Announcement

24 February 2022

LiveTiles delivers H1FY22 Op Revenue \$26.7m (+32%) and \$1m Underlying EBITDA

Highlights for the H1 2022 Financial Year (FY22) compared to H1 FY21 include:

- **Operating Revenues grew +32% to \$26.7m** (H1-FY21: \$20.3m).
- **Total Contracted Licences** grew +59% to 2.7m (H1-FY21: 1.7m).
- **A maiden positive EBITDA result of \$4.3m**, a +\$19.2m, +129% improvement compared to H1-FY21 of \$(14.9)m. Underlying EBITDAⁱ, saw a +\$3.5m improvement to \$1.0m with H1-FY21: \$(2.5)m.
- **ARRⁱⁱ grew +12% to \$65.2m** (31 Dec-20: \$58.1m) with 1,055 customers.
- **Cash Receipts grew +18% to \$30.1m** (H1-FY21: \$25.4m) and +67% on a 3 year Compounding Annual Growth Rate (CAGR), a reflection of strong continued revenue growth
- **Positive Operating Cashflows of +\$0.44m**, a +\$13.5m improvement from H1-FY21 \$(13.05)m. Adjusted Operating Cashflowsⁱⁱⁱ also improved +85% to \$(2.3)m with H1-FY21: \$(15.9)m.
- **Cash balance at 31 December 2021 at \$17.6m** (30 June 2021: \$16.8m) with a further \$4m available via the OneVentures Debt Facility taking **total available cash to \$21.6m**.

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), a global leader in employee experience software for employee collaboration and communications, today announced its half results for the period ended 31 December 2021, reporting strong operating revenue growth and substantial operational improvements to deliver both positive EBITDA and underlying EBITDA positions and positive operating cashflows. LiveTiles is focused on continuing to capitalize on its strong financial performance made in the half and grow its opportunity and position in the Employee Experience market.

LiveTiles Co-Founder and Chief Executive Officer Karl Redenbach said, "LiveTiles is pleased to have produced a strong half of revenue growth culminating in a positive EBITDA of \$4.3m, an Underlying EBITDA of \$1.02m (+141%) and a maiden Net Profit after Tax of \$1.34m for the half ending 31 December 2021 a \$22.8m turnaround compared to a loss of \$(21.5)m in H1FY21.

The Company continues to execute on its strategic goals and has grown its contracted licence base +59% to 2.7m over the year, which has delivered strong revenue growth of 32% to \$26.7m, whilst operating expenses remained relatively flat. This has helped the Company to deliver a positive operating Cashflow in the half of +\$0.4m, with Customer Receipts for the half growing 18% to \$30.1m.

The Company performance and results for this half, are a credit to the focus and dedication of the entire LiveTiles team given the uncertain environment we have been operating in. We have full confidence in our product and believe that the relaunch to our brand in 2021 and a renewed focus in sales and marketing will drive continued growth. We have maintained a disciplined approach with expenses and will continue to look at strategic ways to enhance and innovate our product offering and access to new customer bases in prudent fashion. LiveTiles will continue to be a market leader in the Employee Experience industry which is continuing to evolve at rapid rates.

The LiveTiles Board and Management team remain committed to continue to focus on disciplined cost management strategies to maximise our growth opportunities and our confidence in the medium to longer term outlook remains strong."

H1-FY22 Highlights

	Notes	Dec-21 (\$000s)	Dec-20 (\$000s)	Movement
Software subscription revenue		21,469	14,787	45 %
Software related services revenue		5,202	5,466	(5)%
Total operating revenue		26,670	20,253	32%
Other income		223	292	(24)%
Total Revenue		26,893	20,545	31%
Cost of revenues		(6,338)	(6,007)	(6)%
Gross Profit	(a)	20,333	14,246	43%
<i>Gross Profit Margin</i>		76.2%	70.3%	5.9 pp
Product research and development	(b)	(5,814)	(3,775)	(54)%
Sales and marketing		(8,022)	(8,443)	5 %
General and administration		(6,200)	(7,433)	17 %
Total operating expenses		(20,036)	(19,651)	(2)%
One off costs	(c)	-	(12,408)	100 %
Depreciation and amortisation		(2,022)	(3,608)	44 %
Change in fair value of CYCL earn c	(d)	3,977	-	-
Non cash expenses	(e)	(660)	(831)	21 %
Net Operating Profit / (Loss)		1,814	(21,961)	108%
EBITDA		4,339	(14,901)	129%
<i>EBITDA Margin</i>		16.3 %	(73.6)%	89.8 pp
Underlying EBITDA	(f)	1,022	(2,465)	141%
<i>Underlying EBITDA Margin</i>		3.8 %	(12.2)%	16.0 pp
Net Profit / (Loss) after tax		1,343	(21,511)	106%

Certain financial information in the review of business operations below referencing Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been derived from the reviewed financial statements. The Annual Recurring Revenue (ARR), EBITDA and Underlying EBITDA positions are non-IFRS financial information used by Directors and Management to assess the underlying performance of the business and as such have not been reviewed in accordance with Australian Auditing Standards

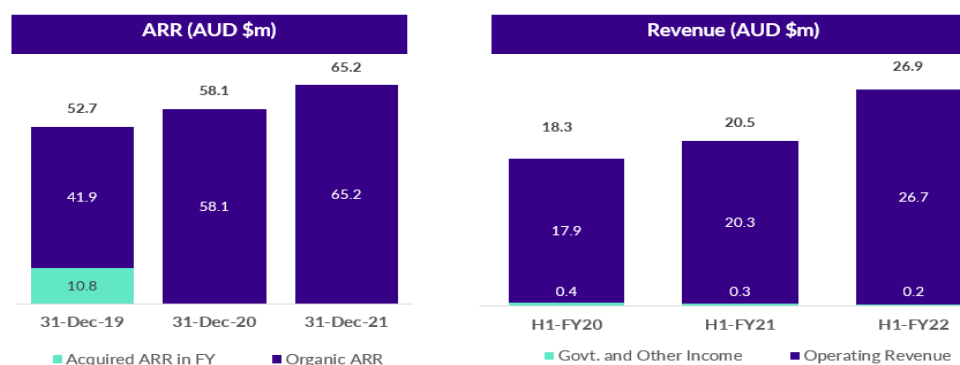
Notes

- (a) Excludes other income
- (b) Includes amortisation of capitalised software development costs. From 1 July 2021, it was determined that capitalised software development costs have a useful life of 3 years (FY21: 1year). During H1-22, \$2.4m of development costs were capitalised with \$0.2m amortised. Refer below to the Directors update on Product & Development and to note 5 of the financial statements for more details.
- (c) One-off costs included non-recurring expenses in connection to the settlement of litigation settled during the H1-21.
- (d) Refer note 10 of financial statements: this movement reflects the revaluation of the amount that could be payable to CYCL under the SPA if all conditions are met. The actual determination of the final amount payable will be determined in future reporting periods.
- (e) Other non-cash expense items include \$0.26m share based payments and \$0.39m unrealised foreign currency movements
- (f) Underlying EBITDA excludes non-cash expenses (incl. changes in fair value amounts) and one-off non-recurring items.

This ASX announcement should be read in conjunction with the Appendix 4D Half Year Report which can be found on the Company's web site and ASX announcements page.

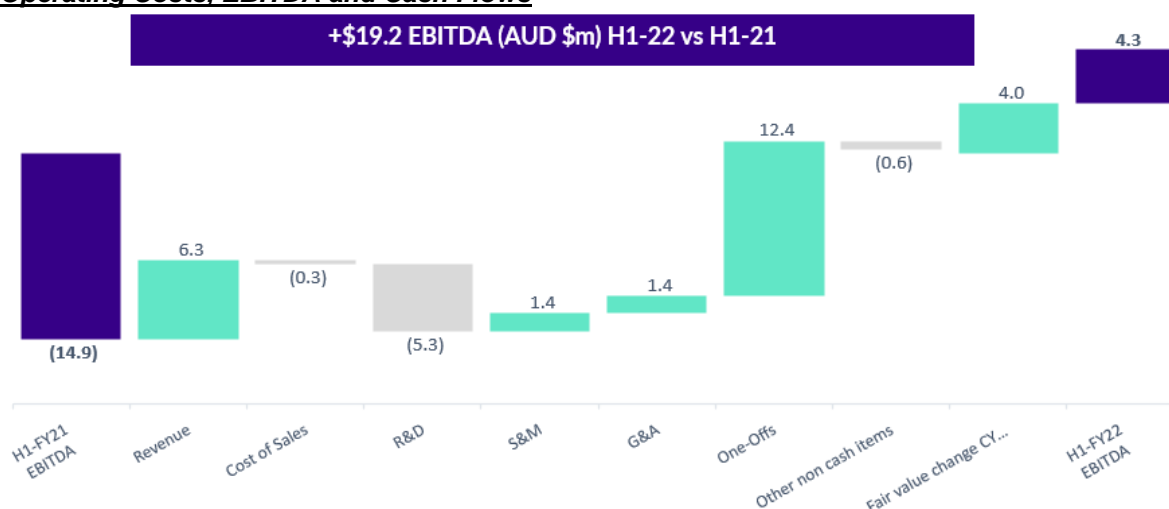
H1-FY22 Performance Update

ARR and Revenues



Operating revenues increased 32% to \$26.7m, with total revenue growing 31% to \$26.9m. The strong operating growth was underpinned by +45% in subscription revenues across both new customers and existing customers via upsell and product cross sells, whilst software related services revenue dropped (5)% with less professional service requirements due to a reduction in complex custom intranet deployments in the period.

Operating Costs, EBITDA and Cash Flows



Gross Profit of \$20.3m grew +43% compared to H1FY21, driven by strong operating revenue performance whilst maintaining a flat cost to serve YoY. Resulting in Gross margin of 76.2% up +5.9pp vs FY20.

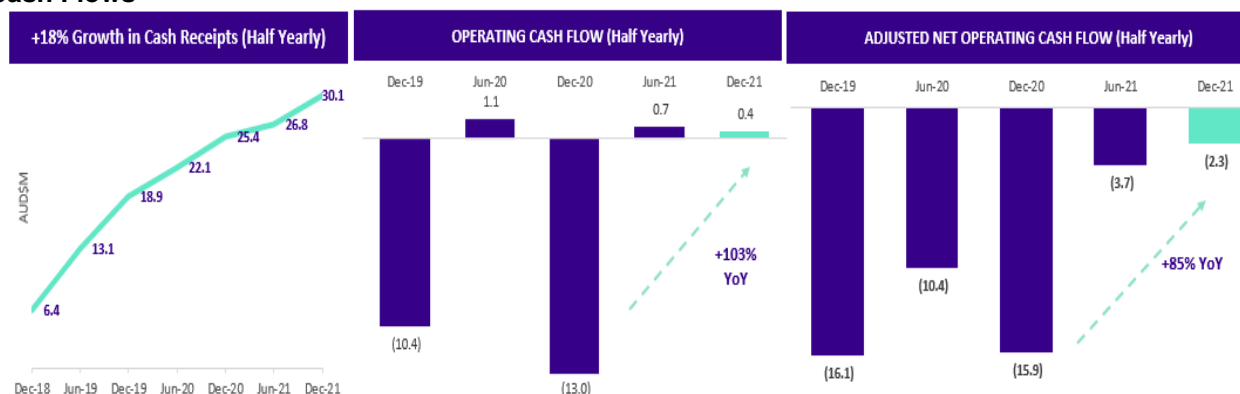
Total operating expenditure during the period the Company delivered strong revenue growth at +32% while costs remained mostly flat year over year with H1-FY22 costs of \$26.4m (excluding one-off's, non-cash expenses, depreciation) a slight 3% increase to H1-FY21 \$25.7m. The operating improvements came from:

- Sales & Marketing spend as a % of revenues decreased to 30% from 41% with improvements made in go-to-market model from company restructure, offset by extra investment into marketing initiatives.
- General & Administration spend as % of revenues improved at 23% of revenues down from 32%, through a focused reduction in overhead costs and savings realized in Company July-21 restructure.
- Product and R&D spend as a % of revenues increasing to 26% from 16% with continued strategic investments with third party R&D partners to support longer term product development strategy

An EBITDA positive result of +\$4.3m was a +129%, \$19.2m improvement on H1-FY20, achieved through improved cost management combined with strong revenue growth. **Underlying EBITDA** profit of +\$1.0m saw a +141% and \$3.5m improvement.

Maiden Net Profit After Tax of \$1.34m, improved by +\$22.9m compared to H1-FY20 \$(21.5)m.

Cash Flows



Cash Receipts \$30.1m in H1-22 period, with 18% increase on prior year \$25.4m and a 67% 3-year CAGR.

Cash Flows: H1-FY22 delivered **positive Operating Cash flows of +\$0.44m**, a +\$13.5m improvement to H1-FY21, a positive result driven by continuous increase in cash receipts, the ongoing focus by Management on disciplined cost management practices and reduction in one-off non-recurring costs

The **Adjusted Net Operating Cash Flows** for the six month period was \$(2.3)m, a +\$13.6m and 85% improvement compared to H1-FY21 (2021: \$15.9m).

Cash and cash equivalents of \$17.6m at 31 December 2021, with a further \$4m available under the Debt Facility with **total cash available of \$21.6m**

Company Business Update

During H1-FY22, the Company began executing its strategic focuses aligned to its overall Company Goals to becoming a global leader in the Employee Experience (EX) market, a key part to achieving this was through innovation and scale via new channels, products and R&D partners. As such LiveTiles strategically made the following key investments during the period.

- **BindTuning:** The Company announced 15-Dec 2022 it signed an agreement to acquire 100% of BindTuning over a 24-month period. Initial payment of USD\$540k (50:50 cash and LVT stock) for a 19.99% stake. The payment for the remaining 80.01% equity is linked to ARR performance (capped at USD\$4m) with a 2.5x payment multiple. Paid either once \$4m ARR is achieved or at month 24.

Based in Portugal, BindTuning is a leading Digital Workplace software company, who's technology transforms intranets into a modern digital workplaces to improve employee experience. The investment will help accelerate LiveTiles development of the Employee Experience Marketplace.

- **My Net Zero** - provides a leading carbon reduction and climate change platform. LiveTiles entered a strategic partnership in December 2021 with a AUD\$985k 19.97% minority investment. The platform, using LiveTiles Reach technology as 'Reach Zero' will provide organisations and employees a platform to build and commit a Scope 4 emissions net-zero pledge, capture data about net zero plans, whilst also creating a communication and collaboration tool for users to receive progress dashboards, engage and receive advice from other users on how to progress their net-zero journey.
- **BrainPac** – LiveTiles in Sep-2022 took a 19.9% minority investment for AUD\$900k into a leading Australian based Cognitive AI development company, with other key investors in the project including Monash University. The business is developing a tool that assesses and provides rich insights into cognitive performance, mental health, psychological traits, and engagement in human behaviour.
- **Hide & Seek** - during the quarter, the Company took a minority 10% stake in a Canberra based digital design and UX consulting business, Hide & Seek, for AUD\$250k. The investment, along with a key sales and reseller partnership, strategically positions LiveTiles with a footprint in the Canberra market alongside Hide & Seek, who is a trusted advisor to many Government departments and agencies.



Outlook

The Group has decided not to provide guidance in respect to 2022 financial year at this time, other than to reiterate its continued focus on disciplined cost management strategies, to continue to reduce its cash burn towards breakeven and look for opportunities to invest in further strategic growth initiatives. The Directors continue to expect the business to remain focused on execution of its Strategic Goals, whilst continuing to deliver a growing sales pipeline to achieve another strong revenue growth half, as demonstrated this period, as employers recognise a need for improved Employee Experience offering in a post pandemic work environment.

This announcement has been authorised for release by the Board.

For further information, please contact:

Investors

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About LiveTiles:

LiveTiles is a global leader in the employee experience software for employee collaboration and communications, creating and delivering solutions that drive digital transformation, productivity, and employee engagement in the modern workplace.

LiveTiles have operations spanning North America, Europe, Asia and Australia, and services over 1,000 customers. LiveTiles is a leading player in the Employee Experience Platform Industry and has been acknowledged as such by Forrester and Gartner.

ⁱ Underlying EBITDA excludes non-cash expenses (incl. changes in fair value amounts) and one-off non-recurring items

ⁱⁱ 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

ⁱⁱⁱ Adjusted Net Operating Cash Flows includes cash payments for capitalised software development costs (reported in Investing Activities), lease liability payments (reported in Financing activities) and excludes government grant income, as this is an accurate reflection of the Company's operating cash positions