

ASX Announcement

25 February 2016

2016 Half Year Results

LiveTiles Limited (ASX:LVT) ("LiveTiles") today announced its half year financial results and operational highlights.

HIGHLIGHTS

- **44 paying customers added in 1H FY16**
- **Annualised Subscription Revenue grew to \$480,000 as at 31 December 2015**
- **\$10.1m cash balance as at 31 December 2015 (plus estimated FY15 and 1H FY16 R&D grants of \$2.7m)**
- **Ongoing development of LiveTiles' partner ecosystem to enable sustainable and significant user growth (50% growth in partners during the period)**
- **Distribution Agreements signed with SYNEX Corporation (North America) and Tech Data (USA)**
- **Strengthening alignment with Microsoft, including launch of unique Microsoft Co-Marketing Agreement in the United States**
- **LiveTiles Mosaic now deployed to schools and school districts representing over 2.5 million students and teachers**
- **Launch of LiveTiles Build in October 2015 and LiveTiles Design v4.0 in February 2016**

FINANCIAL RESULTS

For the six months to 31 December 2015, total revenue and other income was \$918,000, including subscription revenue of \$186,000 and accrued research and development tax concession income of \$715,000. In addition, unearned revenue (a balance sheet item) was \$164,000.

Annualised Subscription Revenue grew to \$480,000 as at 31 December 2015, with 44 paying customers added during the period. Annualised Subscription Revenue represents the subscription licence fees committed by our customers on a full year basis.

LiveTiles recorded a loss after tax of \$9,849,000 for the period. Included within this loss are \$7,632,000 of non-cash and non-recurring expenses, primarily relating to the acquisition of Modun Resources Limited, the associated capital raising and ASX listing and non-cash share based payments expenses. Excluding non-cash and non-recurring expenses, the loss before tax was \$2,432,000.

The table below summarises the statement of profit or loss and other comprehensive income, including the non-cash and non-recurring expenses:

Summary P&L - 1H FY16	\$'000	Notes
Subscription revenue	186	
R&D grant	715	(a)
Other income	17	
Total revenue and other income	918	
Total operating expenses	(3,053)	(b)
Amortisation of development costs	(297)	
Loss before tax and non-recurring/non-cash items	(2,432)	
<i>Non-recurring expenses</i>		
Transaction expenses	(502)	(c)
rhipe Shared Services agreement (in process of being terminated)	(215)	
Total non-recurring expenses	(717)	
<i>Non-cash non-recurring expenses</i>		
Reverse listing expense on acquisition of Modun	(2,955)	(d)
Share based payments	(3,679)	(e)
Total non-cash non-recurring expenses	(6,634)	
<i>Other non-cash expenses</i>		
Share based payments - Management Incentive Plan	(281)	
Loss before tax per statutory accounts	(10,064)	
Income tax benefit	215	
Loss after tax per statutory accounts	(9,849)	

Notes:

- (a) Six month accrual for the expected research and development grant for the period ended 31 December 2015
- (b) Excludes non-recurring expenses under rhipe Shared Services Agreement
- (c) ASX listing and Modun acquisition expenses (excluding capitalised items)
- (d) Represents the value of post-completion shares held by pre-completion Modun shareholders less the net assets of Modun at completion
- (e) Comprises: shares issued by LiveTiles Holdings Pty Ltd (private company) prior to completion of the reverse acquisition and pre-existing Modun options

The Group's cash balance as at 31 December 2015 was \$10,074,000. In addition to its existing cash balance, LiveTiles expects to receive a research and development grant of approximately \$2,025,000 in relation to the year ended 30 June 2015 and a further \$715,000 for the six months to 31 December 2015. As at 31 December 2015, 78% of LiveTiles' cash balance was held in US dollars and 22% was held in Australian dollars.

GROWING PARTNER ECOSYSTEM

LiveTiles continues to focus on building a large network of partners to broaden the company's reach and achieve scale in a substantial addressable market. LiveTiles' partner network grew to 105 partners as at 31 December 2015, representing growth of 50% during the period. Several partners have now completed repeat LiveTiles deals and management is confident that the company's partner strategy will accelerate growth throughout the course of 2016.

In addition to continuing to recruit and on-board systems integrators and consultants to the company's partner ecosystem, LiveTiles signed a Distribution Agreement with SYNEX Corporation ("SYNEX") in December 2015, under which SYNEX will distribute LiveTiles' products in North America. SYNEX is a leading technology solutions distributor with more than US\$13 billion in 2014 revenue and operations in 26 countries.

On 15 February 2016, LiveTiles announced the signing of a Distribution Agreement with Tech Data Corporation ("Tech Data"), under which Tech Data will distribute LiveTiles' products in the United States.

Tech Data is one of the world's largest wholesale distributors of technology products, services and solutions. Its network of 115,000 resellers supports end users in more than 100 countries. Tech Data generated US\$27.7 billion in net sales for its fiscal year ended 31 January 2015.

Both SYNEX and Tech Data are authorised Microsoft Cloud Solution Providers (CSPs) in North America, which allows them to provide direct billing, sell combined offers and services, as well as directly provision, manage and support Microsoft cloud offerings.

STRENGTHENING MICROSOFT ALIGNMENT

In November 2015, LiveTiles entered into a Co-Marketing Agreement with Microsoft Corporation under which LiveTiles Design is being marketed to United States Office 365 commercial customers with a licensed user base of more than 250 seats. Under the program, LiveTiles Design is being offered to new LiveTiles customers in the United States for a free licence period of three months.

Based on the early success of the program, LiveTiles agreed to extend the offer period under the Co-Marketing Agreement until 31 March 2016 (previously 31 December 2015).

LiveTiles was invited to exhibit with Microsoft at the National Retail Federation in New York in January 2016. The event had over 33,000 attendees and has generated several opportunities with large retail and consumer companies.

LiveTiles has also been included in Microsoft's App Catalog. This increases LiveTiles' visibility within Microsoft and enables Microsoft to automatically assign leads to LiveTiles.

LIVETILES MOSAIC

LiveTiles Mosaic has continued to attract new users.

LiveTiles Mosaic enables K-12 teachers to easily create modern, touch-friendly digital classrooms which seamlessly integrate with Office 365. Our key objective with LiveTiles Mosaic is to achieve substantial scale in the global K-12 education market ahead of exploring potential monetisation paths.

LiveTiles Mosaic has now been deployed to schools and school districts with a student and teacher base of over 2.5 million (up from 2.1 million since LiveTiles' ASX listing in September 2015). LiveTiles is engaged with several education departments regarding potential department-wide deployments of LiveTiles Mosaic.

The recent launch of LiveTiles Build also provides an opportunity to begin monetising the LiveTiles Mosaic user base. In February 2016, Catholic Education South Australia ("CESA") agreed to buy LiveTiles Build for its network of over 100 schools. LiveTiles Build will simplify and accelerate CESA's roll-out of Office 365 and give its schools and teachers autonomy to make changes to their school and classroom portals using LiveTiles Mosaic.

PRODUCT DEVELOPMENT

LiveTiles continued to invest heavily in product innovation during the period, including:

LiveTiles Build: an industry-first software tool that simplifies the process for quickly generating Microsoft SharePoint site architecture. LiveTiles Build was launched in October 2015 and is focused on the small to mid-sized business (SMB) market.

LiveTiles Design version 4.0: LiveTiles Design v4.0 will deliver a more modular and scalable product and sets LiveTiles up for a number of new product initiatives scheduled for 2016. v4.0 was launched in February 2016.

LiveTiles Blueprint: a major new feature for LiveTiles Build, which provides a visual, drag and drop experience for planning and packaging end-to-end solutions for SharePoint including site architecture and LiveTiles pages. Blueprint provides the LiveTiles partner channel with a model to deliver packaged solutions to their customers including LiveTiles Design and LiveTiles Build. LiveTiles Blueprint is expected to be launched in the March 2016 quarter.

FOCUS FOR THE YEAR AHEAD

LiveTiles is focused on achieving significant growth in our user base and Annualised Subscription Revenue. Our pipeline of opportunities continues to grow, fuelled by:

- Growth and maturation of our partner ecosystem (both systems integrators and large software distributors / CSPs)
- The Microsoft Co-Marketing Agreement in the United States
- Demand generation:
 - Ramp up of digital marketing in March quarter
 - Free trials now available through the LiveTiles website (www.livetiles.nyc)
- Free trials underway with more than 100 companies, including numerous large enterprises
- Potential department-wide deployments of LiveTiles Mosaic and opportunity to monetise the LiveTiles Mosaic user base via LiveTiles Build.

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About LiveTiles:

LiveTiles is a global software company headquartered in New York, with offices in Sydney, Melbourne, London and Richland, Washington State. LiveTiles offers digital workplace solutions for the commercial and education markets, and is an award-winning Microsoft Partner. LiveTiles' products comprise LiveTiles Design, LiveTiles Build and LiveTiles Mosaic (for the K-12 Education market). LiveTiles' customers represent a diverse range of sectors and are spread throughout the United States, United Kingdom, Europe and Asia-Pacific.