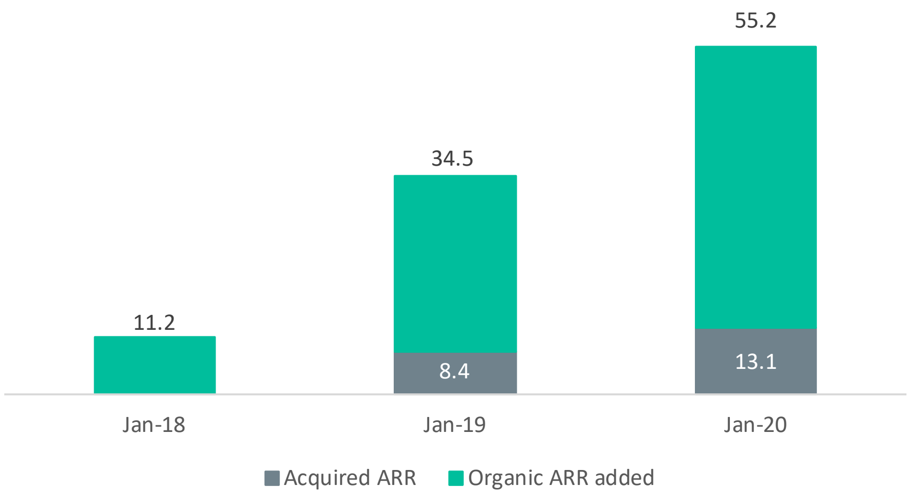
ASX Announcement

29 April 2020

Q3 ARR up to $55.2m, cost savings update

- Annualised recurring revenue[1] (ARR) reaches $55.2 million as at 31 March 2020, up from $52.7 million as at 31 December 2019. ARR has grown 60% in the last year and is up 4.9x in 2 years
- LiveTiles is well positioned during the current environment as the global leader in intranet software and its applicability to remote working. LiveTiles is actively supporting over 1,000 recurring subscription customers to support remote employee communications, operating system access, collaboration and document sharing
- Total customer cash receipts rose 109% on the prior corresponding period to $10.9 million. Underlying operating expenses of $19.4m were higher than guidance of $18.6m however excluding the impact of unfavourable FX movements, operating expenses would been below guidance. Total operating cash burn was $8.8m. The Company had cash on hand of $33.8m at 31 March 2020 and will shortly receive $5m cash in R&D incentives
- The Company is accelerating its efforts to reach breakeven operating cash flow and is taking tangible steps to reach that point during calendar 2020 Material cost reductions have been implemented in late March and early April
- LiveTiles reconfirms it has no requirement to raise further capital to fund operating cash burn

Annualised recurring revenue growth ($m)



[1] *Annualised recurring revenue (ARR) represents committed, recurring revenue on an annualised basis*

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), the global leader in intranet software and AI & employee engagement products, is pleased to confirm another solid quarter of annualised recurring revenue (ARR) growth. ARR reached $55.2 million as at 31 March 2020, representing year on year growth of 60%, and up 4.9 times when compared with two years ago.

N3

Q3 growth was achieved notwithstanding the conclusion of the Company's partnership with N3 at the end of the quarter. N3 provided contracted sales and marketing services, particularly in the US, since March 2018.

The Company's business model has evolved significantly since the partnership commenced over 2 years ago, with LiveTiles well positioned to pursue growth through its multiple channels including direct sales, digital marketing, Microsoft and partners. Inside sales operations have now been moved to an internal operating model.

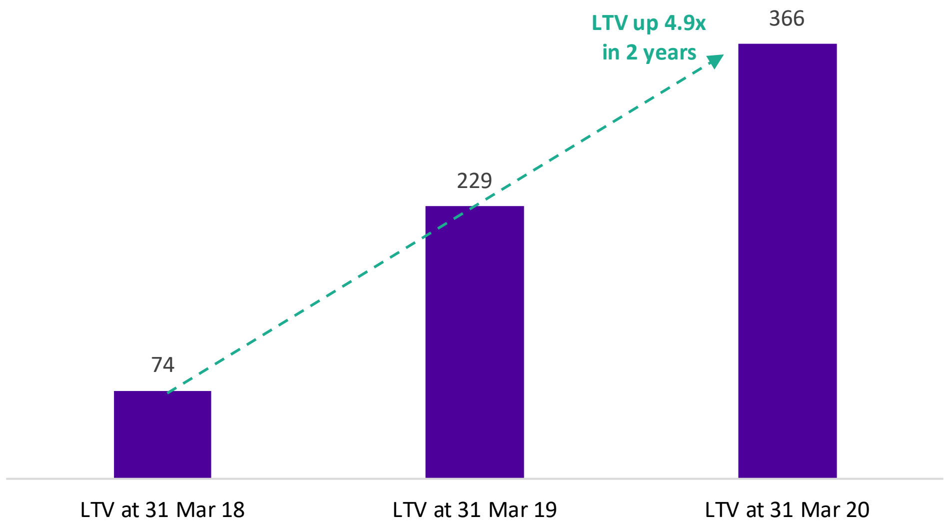
This decision has resulted in the one-off churn of approximately $4.4m in ARR, representing the software license subscription announced along with the N3 partnership in March 2018. The Company has already taken cost actions to substantially offset this loss in revenue.

Customer Numbers and Average Contract Value

Customer numbers rose from 1,031 at 31 December to 1,068 at 31 March. Average ARR per customer was over $51,500, reflecting growth of 31% on the prior corresponding period and up slightly on 31 December 2019 levels, even after absorbing the reduction in ARR from concluding the N3 contract.

Lifetime Value vs Enterprise Value

The Company continues to build a valuable long-term set of cash flows in its recurring revenue business model, and is trading at a **61% discount to this metric**[2].



Operating Environment

LiveTiles is the global leader in intranet software, with over 1,000 subscription customers including some of the largest organisations in the world. Intranets are the "home page" of an organisation, typically accessed through a web browser or mobile app. LiveTiles software supports organisations and their employees to access company information, policies and systems wherever they are, including when working from home. Employees can use LiveTiles products with an internet browser, mobile apps or within Microsoft Teams.

Microsoft Teams is a collaboration platform that combines chat messaging, video meetings, file storage and application integration, and according to Microsoft it is the fastest growing application in Microsoft's history prior to COVID-19. In recent weeks this growth has accelerated further. The number of Microsoft Teams video calls grew 1,000% in March 2020 as a result of accelerated adoption of digital workplace technology during COVID-19, with daily active users exceeding 44 million on 18 March 2020, up from 32 million as at 11 March 2020.

The recent rapid growth of Microsoft Teams is creating further growth opportunities for LiveTiles. On 2 September 2019 LiveTiles announced that it had developed a number of products designed to work with Microsoft Teams, and that it presented to 5,000 Microsoft employees around Microsoft Teams governance and adoption. This partnership continues and LiveTiles recently co-presented with Microsoft in March 2020 to a range of enterprise customers deploying and using Microsoft Teams.

[2] LTV = Lifetime Value. Assumes 80% gross margin, 95% net retention and an 8% discount rate. Gross margin assumption reflects mix of recurring product and services revenue following the acquisitions of Wizdom and CYCL. Net retention = (ARR expansion from existing customers less churn in trailing 12 months) / ARR at beginning of 12 month period. Based on LiveTiles' Enterprise Value (market capitalisation as at 28 April 2020 less net cash as at 31 December 2019).

More broadly, to support COVID-19 efforts LiveTiles is actively working with a number of government and health organisations globally, including in the US and Australia, where we are helping to implement relevant technologies, including Microsoft Teams, to support customers' current operating challenges.

During the quarter the Company continued to see strong interest from current and future customers. Sales teams and partners, especially Microsoft, have seen significant uplift in pipeline and activity around remote working products and services, particularly the Company's capabilities around Microsoft Teams.

LiveTiles saw continued high customer retention with lower churn than experienced in the December quarter, consistent with expectations and prior market advice.

As a result of the substantial societal and economic upheaval across all major markets in March due to COVID-19, a number of traditional intranet projects slated for confirmation during March have been paused but most are still active.

Some of this demand has provided recurring revenue opportunities in the short term, whilst others do not have an immediate impact on ARR but are based around supporting companies to pivot to remote working, and will provide opportunities for recurring revenue in the longer term.

Overall, the Company is seeing significant customer interest in its offering, and expects this interest to translate into an acceleration of growth over the medium term, particularly as employee communications and the digital workplace have become more critical to a larger number of organisations as a result of COVID-19.

Q3 Highlights

New customer highlights in the March quarter included:

- A global car manufacturer (Germany)
- A professional sports club (Australia)
- A federal government department (Australia)
- A global car manufacturer (Germany)
- A local government (United States)
- A global petrochemicals company (Switzerland)
- A global chocolatier (Switzerland)
- A global HR & Payroll software company (Norway)
- A global aerospace manufacturer (Germany)
- A global medical products manufacturer (Singapore)
- A local NGO (Australia)
- A global building supplies manufacturer (Austria)
- A global pharmaceuticals company (United States
- An educational research organisation (Australia)

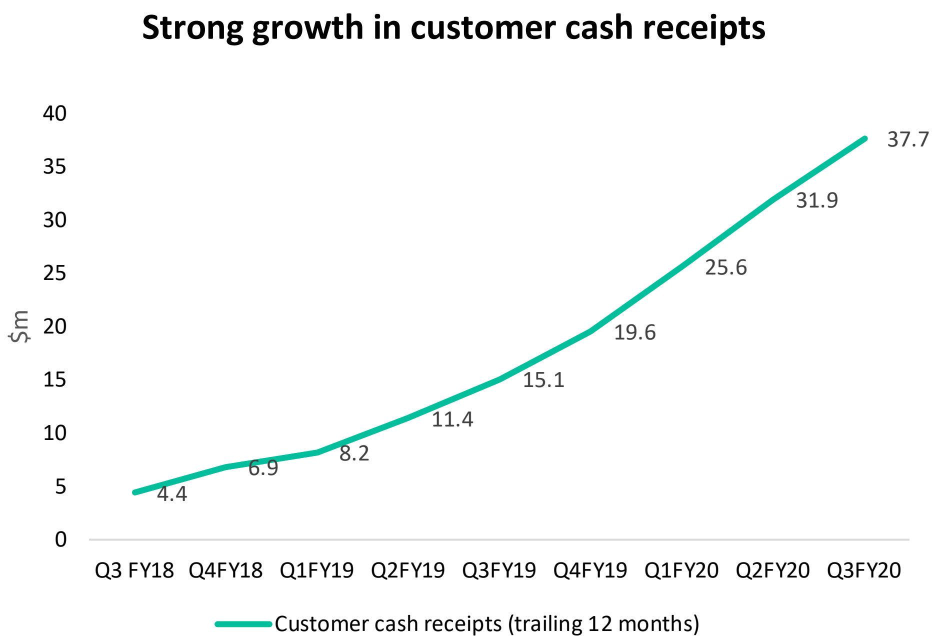
In addition to these major customer wins during the quarter, the Company has:

- Announced its status as GSA-approved for selling into the US Government;
- Unveiled a partnership with leading tech design platform Canva;
- Advised of the achievement of Wizdom's earn-out ARR and profitability targets;
- Confirming a tripling of interim revenue for the six months to 31 December 2019; and
- Been announced as the fastest-growing tech company in Australia on the Australian Financial Review's Fast 100 Index for 2020, and the fifth fastest-growing company overall.

FINANCIAL UPDATE

Cash receipts

LiveTiles generated customer cash receipts of **$10.9 million** in the March 2020 quarter, **up 109%** on the prior corresponding quarter (March 2019). Year to date customer cash receipts of **$29.8 million** are **up 154%** on prior year.

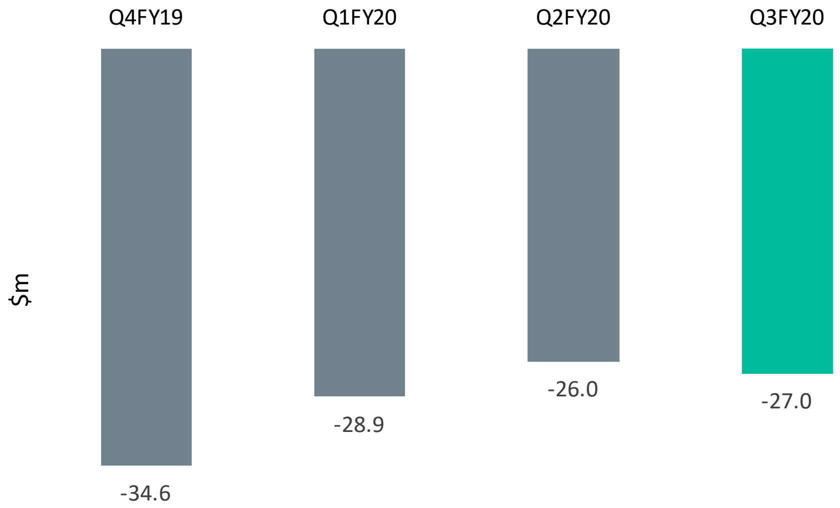


Operating cash flow

Net cash outflow from operating activities was **$8.8 million** in the quarter. Operating expenses of $19.4m were above the Company's guidance for $18.6m however movements in foreign currency exchange rates during the quarter negatively impacted the Company's cash payments. On a constant FX rate basis, operating expenses were below guidance.

LiveTiles expects operating cash costs, and cash burn, to rapidly improve in coming quarters as a result of cost reduction initiatives and ongoing growth.

Trailing 12-month operating cash flow



The key drivers of non-operating cash items in the quarter were payments for the successful achievement of Wizdom's earn out ($4.0m), payments related to the acquisition of CYCL (net cash adjustment of $0.3m and transaction costs of $0.2m) and legal costs of $0.2m.

<u>Cost reduction update</u>

LiveTiles continues to grow strongly with a unique product suite aligned to customer needs. Notwithstanding, the global macroeconomic outlook is highly uncertain, and the Company has elected to take a conservative position on cash burn, comprised of a strategy to pursue both growth in recurring revenue (and thus cash receipts) along with lower operating expenditure.

As noted earlier, the Company has already implemented material cost reductions to lower cash burn, and these have been implemented in late March and April. Actions implemented and underway include:

- Consolidation of office locations, with all remaining offices currently unoccupied and all employees successfully switching to remote working;
- Lower travel and event marketing expenses due to COVID-19;
- Reduction in external contractors and consultants;
- Temporary reductions in hours and salaries across the global workforce, including 20% reductions for the Board and all senior leadership. These reductions will be in place for at least six months; and
- Accelerated integration of CYCL and Wizdom including the consolidation of global functions, a more focused product roadmap and flatter management structures.

The Company estimates the initiatives noted above have resulted in total annualised cash cost savings implemented to date of **over $18m**, comprised of:

- Reduced headcount by over 50 roles resulting in annualised savings of over **$9m**, with savings to commence from May 2020 (excluding redundancy costs). Several new roles will be required as a result of this internal restructuring. These will be hired in a controlled manner having regard to the objective of achieving operating cash flow breakeven in 2020;
- Further to these savings over the next six months the reduction in hours across the global workforce will save an additional **$2m**; and
- Non-employee related initiates are estimated to save over **$7m**. Some of these savings, such as travel and event marketing, will reduce as various markets open up once more, leading to higher activity levels, however the Company is committed to lower expenditure patterns and converting this activity to growing the base of recurring revenue.

An underlying reduction in cash burn will commence in the current (June) quarter, with the quarter's savings offset by one-off redundancy payments. The full benefit of the cost reduction initiatives will be realised during the September quarter.

The Company is reviewing additional options to reduce cash burn, including short-term revenue and cost initiatives, in order to achieve cash flow breakeven in 2020.

Cash on hand

The Company's cash on hand as at 31 March 2020 was **$33.8m**. The Company expects to shortly receive R&D tax incentive amounts of approximately $5m relating to historical expenditure. Due to successful revenue growth, the Company is now no longer eligible for further R&D tax incentive payments. In addition, in April the Company received COVID-related funding packages in the USA and Switzerland totalling approximately $2.9m.

We believe that a company with a strong balance sheet and a strong product offering will be in an enviable position to exploit growth opportunities as the global economy recovers. Therefore our key financial objective is to reach a run-rate of operating cash flow breakeven during calendar 2020. LiveTiles reconfirms it has no requirement to raise further capital to fund operating cash burn.

LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach states: "We are focused on keeping our people safe, supporting our customers and partners, whilst accelerating the Company's path to generating positive cash flow. We have taken prudent and concrete steps to reduce our cash burn to ensure we capitalise on our potential.

"We continue to deliver valuable growth on our substantial book of customers and recurring revenue, and we remain extremely positive in relation to the value our IP can create for customers in a post-COVID world.

"The Company's core DNA and its products and services are based around the vision of an intelligent digital workplace. LiveTiles products are a leader in 'work from home' tools, connecting employees through an internet browser, mobile apps and Microsoft Teams, empowering employees to access important company information, systems and documents whilst they work from home. Recent difficult events have thrown into sharp focus for customers the importance of cloud-based tools that can be accessed by all employees anywhere, such as intranets and collaboration software."

CONFERENCE CALL

The Company will hold a brief conference call for investors at 10.00am Sydney time today.

Registration details are available at: https://s1.c-conf.com/diamondpass/10006356-invite.html

A recording of the conference call will be made available on the Company's website at www.livetiles.nyc

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About LiveTiles:

LiveTiles is a global software company headquartered in New York, with operations spanning the Americas, Australia, Asia and Europe. LiveTiles is Australia's fastest growing technology company according to the Australian Financial Review's 2020 Fast 100. LiveTiles' solutions are designed to significantly improve the employee experience within the workplace, with Intelligent Workplace technology including Intranets, AI & Employee Chat-bots, Employee Mobile Apps, Employee Data capture and insight tools, and many other capabilities all designed to simplify the complex within the workplace. LiveTiles technology can be used by any organization of any size. LiveTiles has won multiple global software awards covering our AI & Intelligent Workplace solutions, and is the clear world leader in delivering Intranet solutions to enterprises globally.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

LiveTiles Limited

ABN	Quarter ended ("current quarter")
95 066 139 991	31 March 2020

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	10,868	29,770
1.2	Payments for		
	(a) research and development	(1,613)	(5,080)
	(b) product manufacturing and operating costs	(4,522)	(9,926)
	(c) advertising and marketing	(1,672)	(5,659)
	(d) leased assets	(14)	(18)
	(e) staff costs	(9,624)	(24,426)
	(f) administration and corporate costs	(1,917)	(7,296)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	74	152
1.5	Interest and other costs of finance paid	-	(8)
1.6	Income taxes paid	(236)	(236)
1.7	Government grants and tax incentives	-	3,922
1.8	Other (provide details if material)		
	Non-recurring legal fees	(165)	(519)
	Non-recurring staff costs	-	(1,526)
1.9	**Net cash from / (used in) operating activities**	**(8,821)**	**(20,850)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	(6,373)
	(b) businesses	-	-
	(c) property, plant and equipment	(13)	(17)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(113)	(113)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(22)	(264)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	Wizdom earn out	(3,967)	(3,967)
	CYCL net cash upon acquisition	-	(422)
	CYCL net working capital adjustment	(327)	(327)
	Acquisition transaction costs	(97)	(340)
2.6	**Net cash from / (used in) investing activities**	**(4,539)**	**(11,824)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	55,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(185)	(4,046)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(185)**	**50,954**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	46,552	14,814
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,821)	(20,850)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,539)	(11,824)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(185)	50,954
4.5	Effect of movement in exchange rates on cash held	747	660
4.6	**Cash and cash equivalents at end of period**	**33,754**	**33,754**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	23,609	14,552
5.2	Call deposits	10,145	32,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**33,754**	**46,552**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	954
6.2	Aggregate amount of payments to related parties and their associates included in item 2	22

Item 6.1: Payment of compensation to executive directors and directors' fees to non-executive directors.

Item 6.2: Loan to executive directors on arms-length terms including market tested interest rate.

7.	Financing facilities	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company has received monies for the following COVID-related funding packages:

USA
Lender: Evans Bank, N.A. (Under the US Government's Paycheck Protection Program)
Amount: US$1,279,800
Interest rate: 1% p.a.
Maturity: 24 months from April 2020
Secured / unsecured: Unsecured

Switzerland
Lender: UBS AG (under the Swiss Government's Coronavirus bridging loan program)
Amount: CHF 500,000
Interest rate: Currently 0% p.a.
Maturity: 5 years from April 2025
Secured / unsecured: Unsecured

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(8,821)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	33,754
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	33,754
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 April 2020

Authorised by: Rowan Wilkie, CFO