



ASX Announcement
1 April 2022

LiveTiles acquires leading Employee Experience company

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), a global leader in Employee Experience workplace software, is pleased to announce it has signed an agreement on 31 March 2022, to acquire 100% of The Human Link business, a leading Employee Experience (EX) company, based in Australia.

Highlights

- LiveTiles has entered into a binding agreement to acquire 100% of the issued capital of the entities that own The Human Link business; a leading Employee Experience business.
- The Human Link works with many of Australia's largest blue-chip organisations, and is a leading provider of EX programs
- The Human Link business is a fast-growing and high-performing business, with over 60 quality customers, \$2.1m in revenues¹ and running a positive EBITDA and cash-flow business.
- This acquisition helps accelerate the strategic goals of LiveTiles to become recognised as the world leader in EX
- Strong alignment of interest between LiveTiles and The Human Link with an upfront consideration of AUD\$0.5M in cash and AUD\$0.5M LiveTiles stock and a founders' performance based earn-out incentive scheme targeting revenue and margin performance, to ensure ongoing strategic alignment.

Acquisition Rationale

With this investment, LiveTiles will accelerate its Employee Experience go to market by providing it with the skills and knowledge required to meet the demands of customers Employee Experience needs, particularly in a post-pandemic world.

Adding The Human Link team's experience and capabilities, allows LiveTiles to build deep long-lasting relationships with enterprise companies well before the customer identifies the need to implement Employee Experience software. It exposes LiveTiles' product capabilities to a broader set of potential buyers and use cases. This is a proactive engagement model that is being used very effectively in the largest providers of Experience Management software globally, and LiveTiles is confident that this approach will result in significant pipeline opportunities and new customer wins as a result.

The Human Link business not only accelerates LiveTiles' strategic plans, but also brings strong financial and operational performance, with fast growing top-line revenue and EBITDA performance. In the last 12 months to February 2022, revenues were AUD\$2.1M which is up +87%² from the prior corresponding period and delivered positive EBITDA.

In addition, The Human Link offer a great list of enterprise and government department customers with a strong qualified pipeline of sales opportunities of approximately AUD\$3M to jointly target. With closely aligned cultures and a passionate and skilled team, the joining of forces presents a significant growth opportunity for LiveTiles.

¹ For the twelve months to 28 February 2022

² The historical revenues include revenues of an entity of The Human Link business which is no longer trading and has not been acquired in this transaction. The customers and revenues from that entity have continued to trade with the acquired entities of The Human Link business. The full revenues have been included for comparative purposes.



The Human Link

Based in Perth, Australia, The Human Link business founded in 2020 by Stephen Macdonald and Kelly Michael, is a leading employee experience company, helping organisations create environments where both people and company performance thrive. This is achieved through the delivery of EX programs – modular, repeatable, and scalable packages across a range of areas including organisational culture, diversity and inclusion, wellbeing, leadership development, and communication strategies. With a team of 15 people and a diverse range of skills, The Human Link works with over 60 customers globally, covering an employee base of over 650,000 people with those customers representing a diverse range of industries including banking and finance, global mining, professional services, global logistics, and public sector agencies. It also creates programs in partnership with Microsoft.

Under the terms of this agreement, The Human Link will be incentivised to sell LiveTiles technology products as part of their EX program offerings. The Human Link's customers provide a great opportunity for new business and existing account growth through cross-sell and up-sell efforts. The Human Link will help accelerate LiveTiles technology adoption, using LiveTiles Reach and other LiveTiles' products to not only help scale the delivery of their EX programs throughout enterprise organisations, but also to identify opportunities for LiveTiles technology to be implemented to address clear business needs.

Acquisition Consideration

The consideration for The Human Link acquisition is structured with the following key terms:

1. Upfront Consideration

Upon closing, an upfront consideration of AUD\$1M, split AUD\$500K in cash, to be paid in instalments over next 3 quarters and 4,450,480 fully paid ordinary LiveTiles shares at an issue price of AUD\$0.1123 with a value of AUD\$500K (which is based on a 10-day VWAP but with a floor price of AUD\$0.10 per share as of 31 March 2022). The shares issued will be subject to voluntary escrow restrictions for a 12-month period.

2. Founders' Earn-Out

Over the next two calendar years, until 31 December 2023 (the "earn out period") there are two annual earn-out incentive payments for The Human Link Founders (the "Founders Earn-Out"), based on achieving the following two targets:

1. Delivering EX Revenue growth, with minimum revenue targets of CY2022: AUD\$2.5M and CY2023 AUD\$4.5M; and
2. Maintaining a direct gross margin of 35% for The Human Link during the earn-out period.

The Founders' Earn-Out payment amounts will be paid annually after each calendar year, for the Revenue target payments these are paid based on a rate of up to 12% for any EX Revenues signed and delivered in that year. The Founders Earn-Out payments to both Kelly and Stephen are capped to a total value of AUD\$3M between the two of them, over the earn-out period, reflecting a potential of AUD\$25M of new revenue.

The cash component will be funded utilising the Company's existing reserves, and The Founders' Earn-Out payments will be made 50% in cash and 50% in LiveTiles ordinary shares. The number of shares issued for the Founder Earn-Out payments will be based on a 10-day VWAP prior to the issue date, and subject to a share floor price of AUD\$0.10 per share.

The Company anticipates that the transaction completion will occur on or around 8 April 2022. There are no material conditions that need to be satisfied prior to completion and are market standard.



There are no shareholder approvals required, and there will be no changes to the Company's Board or senior management as a result of the acquisition.

3. Performance Rights

The Human Link founders will be allocated a total of up to 5,000,000 unlisted Performance Rights for LiveTiles shares under the LiveTiles Employee Incentive Plan that vest once the following vesting conditions have been met:

1. A total of 2,500,000 Rights will vest if:
 - The Human Link EX revenues exceed AUD\$2.5M (CY2022) and AUD\$4.5M (CY2023); Or The Human Link EX revenues for both CY2022 and CY2023 in aggregate exceeds AUD\$7M; and
 - A direct gross margin of 35% for the Human Link EX programs is maintained throughout both CY2022 and CY2023
2. 166,667 Rights shall vest on the vesting date for each entire \$100,000 of EX Revenue which exceeds \$4.5M EX Revenue in CY2023, subject to a direct gross margin of 35% for The Human Link EX programs being maintained throughout CY2023. The maximum number of Rights that may vest under this condition is 2,500,000 Rights.

The ordinary shares issued for this transaction in relation to the Upfront Consideration and the Founders Earn-Out will be from within LiveTiles' existing capacity under ASX listing rule 7.1. The unlisted Performance Rights issued pursuant to LiveTiles Employee Incentive Plan, as approved at the recent Company AGM on November 30, 2021.

LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach said, "We are very excited to welcome The Human Link team into LiveTiles. We have worked closely in partnership with the founders for over a year now, and they share the same passion and desire to create the world's leading EX company to make a real difference to the lives of people within the workplace. The Human Link team also provide an amazing opportunity to open up doors to enterprise companies through their unique approach to customer engagement, which in turn will drive strong Employee Experience software pipeline."

The Human Link Co-founder, Kelly Michael said, "After 12 months of partnership, it is fantastic to officially join the LiveTiles team. As co-founders, both Stephen MacDonald and I are committed to the strategic goals of the LiveTiles business, and we are excited to take our learnings and approaches globally over the next 24 months.

The feedback from our enterprise clients has been clear - the pandemic has cemented that a robust, diverse and human centred approach to Employee Experience is no longer just a "nice to have" for organisations, it is critical to their performance, talent attraction and retainment, and most importantly the sustainable wellbeing of their people. This acquisition puts LiveTiles in a unique stand-out position within the market to look at Employee Experience in a truly holistic manner combining technology and human centric development all under one roof."

This announcement has been authorised for release by the Board.

For further information, please contact:

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**About LiveTiles:**

LiveTiles is a global leader in the employee experience market creating software for employee collaboration and communications. LiveTiles is 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

About The Human Link:

The Human Link are human behaviour experts who partner with customers to build strong, innovative and inspiring organisations where people flourish. The Human Link is at the cutting edge of utilising technology to drive employee performance, wellbeing, engagement and culture and are passionate about leveraging technology to create greater access for all people within organisations. The Human Link have supported over 60 organisations to create a much more human centred workplace.

<https://www.humanlink.co/>