



## ASX Announcement

26 August 2021

### LiveTiles FY21 operating revenue of \$45m grows +19% and Underlying EBITDA improves 91%

Highlights for the 2021 Financial Year (FY21) compared to Financial Year 2020 (FY20) include:

- Operating Revenues increased 19% to \$45m
- Underlying EBITDA of \$(1.1)m, an improvement of \$11.4m and 91%
- Total Contracted Licences grew +48% to 2.3m, with Mobile (Reach) licences +1211%
- Annualised recurring revenue (ARR) up 17% to \$62.8m. On a constant currency basis ARR increased 20% to \$64.7m when compared to the June 30, 2020 FX rates.
- Cash receipts grew +26% to \$51.8m. Net cash operating outflows (excluding govt. grants and non-recurring items) improved 71% to \$(6.2)m.
- New Company Strategic “Premiership Plan” launched in response to a recently completed independent company review. The plan aims to improve operating efficiencies and the go-to-market model, in-order to achieve scale and capitalise on the large market opportunity across the Employee Experience Platform space.

**LiveTiles Limited (ASX:LVT) (LiveTiles or the Company)**, the global leader in employee experience software for employee collaboration and communications, today announced annual results for the year ended 30 June 2021, reporting strong growth in operating revenue, substantial improvements in underlying EBITDA and operating cashflows. With a new Strategic Plan to start in FY22, LiveTiles is focused on capitalising on the opportunity in the growing Employee Experience market.

**LiveTiles Co-Founder and Chief Executive Officer, Karl Redenbach states:** “We are pleased with LiveTiles FY21 results in a year that was not without its challenges; operationally, and on a global scale due to the ongoing uncertainty with COVID19. Despite this, we have continued to make significant improvements across the business during the year, growing our contracted licence base +48% to 2.3m, delivering 19% growth in operating revenues to \$45m, reducing our operating expenditures and have now put the company on a path to profitability with Underlying EBITDA at \$(1.1)m, a 91% improvement from 2020.

During FY21, the Company commissioned an independent Strategic Review, which was presented to the Board in Q4, and we are pleased to be able to share the review findings; as well as the new Company Strategy, the LiveTiles “Premiership Plan”. A detailed outline of the review and the strategic plan is provided in the Directors Report of the Appendix 4E 2021 Financial Statements.

We are really pleased with the success we have seen from Reach, our Employee Experience mobile app and the competitive advantage it has given us in the market and was instrumental in helping us to sign record company deals and work with some of the world’s largest brands, including United Healthcare Group, Nestle and Footlocker.

We look forward to the opportunity in FY22 as we look to leverage our market leading mobile and desktop Employee Experience Platform to address both the corporate and front-line workforce needs, in a changing workforce due to the pandemic.

Our Board and Management team are 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.”

**FY2021 Highlights**

	Notes	FY21 (\$000s)	FY20 (\$000s)	Movement
Software subscription revenue		34,402	28,981	19 %
Software related services revenue		10,574	8,810	20 %
<b>Total operating revenue</b>		<b>44,977</b>	<b>37,790</b>	<b>19%</b>
Other income		1,745	6,678	(74)%
<b>Total Revenue</b>		<b>46,722</b>	<b>44,468</b>	<b>5%</b>
Cost of revenues		(12,155)	(9,591)	(27)%
<b>Gross Profit</b>	(a)	<b>32,821</b>	<b>28,200</b>	<b>16%</b>
<i>Gross Profit Margin</i>		73.0%	74.6%	(16 pp)
Product research and development	(b)	(12,158)	(7,086)	(72)%
Sales and marketing		(15,399)	(24,628)	37 %
General and administration		(13,856)	(21,060)	34 %
<b>Total operating expenses</b>		<b>(41,412)</b>	<b>(52,774)</b>	<b>22%</b>
One off costs	(c)	(14,030)	(2,197)	(539)%
Depreciation and amortisation		(5,950)	(6,508)	9 %
Non cash expenses	(d)	(2,737)	(5,139)	47%
<b>Net Operating Profit / (Loss)</b>		<b>(29,562)</b>	<b>(31,740)</b>	<b>7%</b>
<b>EBITDA</b>		<b>(16,206)</b>	<b>(19,891)</b>	<b>19%</b>
<i>EBITDA Margin</i>		(36.3)%	(52.6)%	163 pp
<b>Underlying EBITDA</b>	(e)	<b>(1,134)</b>	<b>(12,558)</b>	<b>91%</b>
<i>Underlying EBITDA Margin</i>		(2.8)%	(33.2)%	304 pp
<b>Net Profit / (Loss) after tax</b>		<b>(30,141)</b>	<b>(31,604)</b>	<b>5%</b>

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<sup>1</sup>), 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**

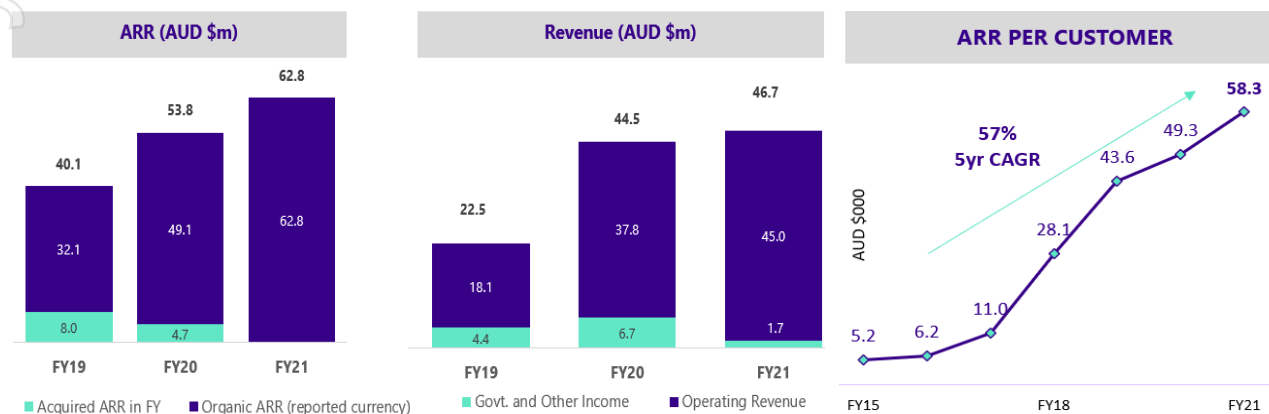
- (a) Excludes other income
- (b) Includes amortisation of capitalised software development costs of \$5.3m during the period
- (c) One-off costs include non-recurring expenses in connection to the settlement of litigation settled during the financial year, and one-off \$1.6m Employee restructure and redundancy costs made in Q4FY21
- (d) Non-cash expense items include \$0.7m share based payments, \$1.7m finance charges related to discounting of CYCL earn out provision and \$0.3 unrealised foreign currency movements.
- (e) In the 31 December 2020 appendix 4D accounts, the term Adjusted EBITDA was used; this has now been changed to Underlying EBITDA as a more accurate and appropriate measure of underlying company performance. Underlying EBITDA excludes non-cash expenses unrealised foreign currency movements and share based payments and one-off non-recurring items.

This ASX announcement should be read in conjunction with the Appendix 4E Annual Report which can be found on the Company's web site.

1. 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.

## FY2021 Performance

### ARR and Revenues



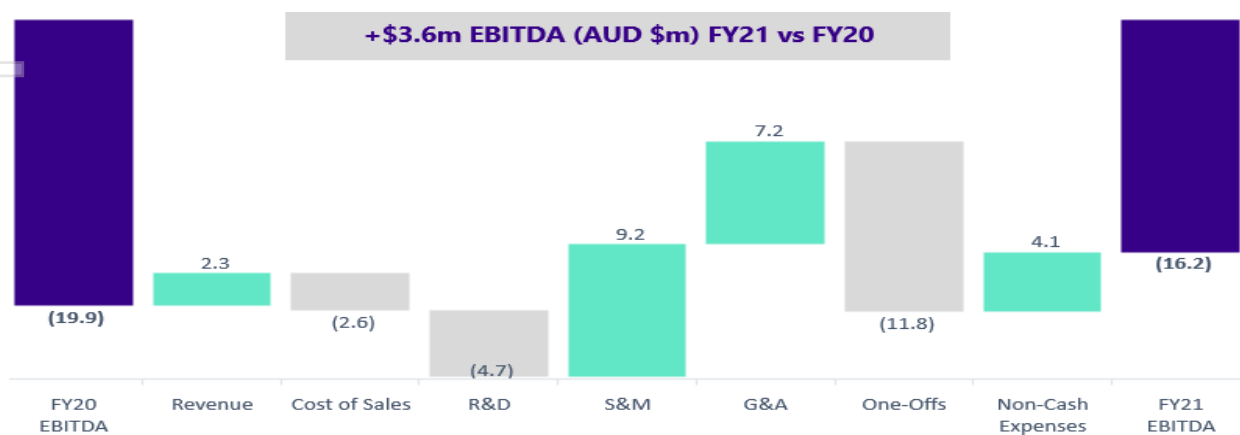
Operating revenues increased 19% to \$45m, whilst total revenues (incl. govt grants) grew 5% to \$46.7m. This was due to growth across both new customers and existing customers via upsell and product cross sells. Software subscription revenues also grew 19% whilst software related services revenue +20%.

The FY21 revenues of \$45m compares to ARR of \$53.8m as at 30 June 2020. The contributing factors to this difference stems from the past 12-18 months as LiveTiles, its customers and partners all experienced various financial challenges from the impact of COVID-19 pandemic and as a result; variances between the reported ARR and FY21 operating revenues were realised, with the following key contributing factors:

- COVID relief and deferred billings
- Alliance Partnerships
- Adverse FX movements
- Delays in projects go-live
- Partner Margin

A more detailed overview to the above and their amounts is provided in the Directors Report of the Appendix 4E 2021 Financial Statements.

### Operating Costs, EBITDA and Cash Flows



**Gross Profit** of \$32.8m grew +16%, driven by strong operating revenue performance. Gross margin of 73% reduced (16)pp vs FY20, due to an increase in customer support and platform maintenance resources and higher licencing costs. FY21 also included a full year of CYCL professional service resources compared to 7 months in FY20.

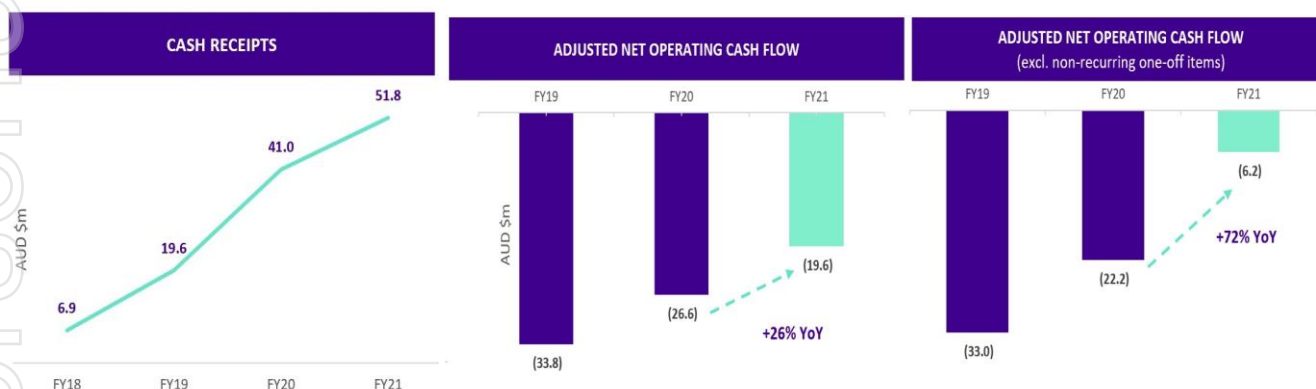
**Total operating expenditure** of \$41.4m (excluding one-off's, non-cash expenses, depreciation) improved \$11.4m, +22% over FY20. Savings were generated from:

- Sales & Marketing spend as a % of revenues decreasing to 34% down from 62% through reduced Marketing events, conferences, travel & entertainment, in addition to the cancellation of a large US sales partnership in Q3-2020.
- General & Administration spend as % of revenues improving to 30% from 47%, through reduction in office locations, professional fees and a slowdown in hiring.
- Product and R&D spend as a % of revenues increasing to 26% from 16% with the CYCL development team costs realised for the entire FY21 period (FY20: 7 months) and new strategic investments with third party R&D partners that commenced in Q4FY21 (see Company Strategic Review update below).

**EBITDA** of \$(16.2)m was a +19%, \$3.7m improvement on FY20, achieved through improved cost management combined with strong revenue growth. Underlying EBITDA of \$(1.1)m saw a +91% and \$11.4m improvement.

**Net loss after tax**, on a statutory basis, also improved by \$1.5m or 5% to \$(30.1)m.

## Cash Flows



Cash Receipts of \$51.8m in FY2021 were a record and saw a 26% increase YoY and a 96% 3-year CAGR.

Adjusted Net Operating Cash Flows<sup>2</sup> on a Trailing Twelve Month (TTM) basis of \$(19.6)m, improved +26%, compared to FY20 and when excluding one-off non-recurring items, it was an improvement of +72% to net outflows of \$(6.2)m.

Cash and cash equivalents of \$16.8m as at 30 June 2021, leaving sufficient capital to manage ongoing operations with growing cash receipts and disciplined costs management practices across the business.

<sup>2</sup> 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

## Company Strategic Review

The LiveTiles Board and Management are pleased to share the outcomes of the recently completed review of the global business and the Company's strategic plan going forward.

The review was initiated in Q3 2021 with the view to evaluate and simplify its operations, to improve its financial health, build a strategy to reposition the business for new growth and scale, as well as to align and optimise the company structure.

The strategic business review was completed by an independent ex-McKinsey consultant with over 10 years of global SaaS experience. The following key findings were identified:

- |   |   |
|---|---|
| <b>1. Business Model</b>                        | <ul style="list-style-type: none"><li>• Current model too complicated</li><li>• Inherited challenges from past acquisitions</li><li>• Now has two core products requiring different operating models</li><li>• The go-to-market strategy and execution needs an overhaul to deliver scalable, high velocity growth</li></ul>        |
| <b>2. Financial &amp; Operating Performance</b> | <ul style="list-style-type: none"><li>• KPI's need to be clear and aligned to Strategy</li><li>• Opportunity to improve ROI, CAC, Customer upsell and churn</li><li>• Reach cash flow break even and invest in growth</li></ul>   |
| <b>3. Product</b>                               | <ul style="list-style-type: none"><li>• Product offering relevant and differentiated - evidenced by recent key wins</li><li>• Opportunity to increase market share in a US\$300bn TAM</li><li>• Reach, a key focus given lower complexity</li><li>• Simplify both the go-to-market and the product development priorities</li></ul> |
| <b>4. Go To market</b>                          | <ul style="list-style-type: none"><li>• Strategy &amp; execution to be refined to increase scale and velocity of growth</li><li>• Shift required in the sales focus and marketing efforts around a new scalable SaaS mobile product and leveraging the core intranet customer base for profitable expansion</li></ul>               |
| <b>5. Strategy</b>                              | <ul style="list-style-type: none"><li>• Opportunity to clearly define vision, strategy, and direction of the company, to provide focus for product, sales, and marketing teams, and to provide clarity to customers and investors</li></ul>   |

Following the review, the Board has since approved a new Company strategic plan with clearly defined goals. Underpinning this plan are three key strategic areas of focus, outlined below, which will be executed over the short to medium-term, with part of these focus areas already implemented. These initiatives are designed with the intent to drive the business to be more focused, simple, efficient, sustainable and achieve product-led growth for FY22 and beyond.

**By 2024 the Company aims to achieve the following three key strategic goals:**

1. Be recognised as the global leader in Employee Experience
2. Significantly increase Licenced User numbers, with minimum 5x growth
3. Have 50% of the world's top 300 employers as LiveTiles customers

Achievement of these goals will be made through three key strategic areas of across the business:

### GO TO MARKET MODEL

<b>Land and expand</b>	<ul style="list-style-type: none"> <li>• Adjustment of go-to-market and sales model to focus on account management and upsell/cross sell</li> <li>• Account Management roles +16% from FY21</li> <li>• Specific focus on existing customer base (aim for 40% of ARR growth)</li> <li>• Improvement in Net \$ retention rate</li> </ul>
<b>Product simplification</b>	<ul style="list-style-type: none"> <li>• Sales &amp; marketing strategies to be renewed to re-align with product evolution</li> <li>• 65-70% of marketing investment will move towards scaling Reach</li> </ul>
<b>Enterprise and small-medium sized business (SMB)</b>	<ul style="list-style-type: none"> <li>• Online sales platform to be launched for SME sales (low touch) for downloads</li> <li>• New dedicated Reach website to support new marketing strategy</li> </ul>

### OPERATING EFFICIENCIES

<b>Organisational restructure and alignment</b>	<ul style="list-style-type: none"> <li>• Implementation of organisation restructure</li> <li>• Reduction of 27 roles (16% headcount) realising \$3.5m in annualised savings</li> </ul>
<b>Improvement in customer acquisition costs (CAC)</b>	<ul style="list-style-type: none"> <li>• Re-design of go-to-market pricing structure</li> <li>• A new account management model with appropriate incentives</li> <li>• Focus to move CAC: LTV from 2.6x (2020), 3.7 (2021) up to +6x</li> </ul>

### PRODUCT and R&D

<b>Continue to expand and accelerate existing product roadmap</b>	<ul style="list-style-type: none"> <li>• R&amp;D expenditure of approximately 25-35% of Revenue.</li> <li>• Investment into Live Tiles Roadmap with new products, including:             <ul style="list-style-type: none"> <li>• Analytics services &amp; insights platform</li> <li>• Integration Core - a one-stop platform for connecting all business-critical systems into LiveTiles Platform</li> </ul> </li> </ul>
<b>Innovation and scale through R&amp;D Partners</b>	<ul style="list-style-type: none"> <li>• LiveTiles platform to be leveraged with R&amp;D Partners to innovate new use cases – e.g., Reach trial for employee “well-being” with a global mining company</li> <li>• Partnerships with a variety of organisations (i.e. CSIRO and Monash University)</li> <li>• Development of a LiveTiles marketplace for Employee Experience software enabling low touch deployment</li> </ul>

A more detailed overview of the Company Review and Strategic Focuses is provided in the Directors Report of the Appendix 4E 2021 Financial Statements.

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## **Outlook**

In light of the ongoing uncertainty created by the global COVID-19 pandemic and the challenges it brings to the global business operations, the Group has decided not to provide guidance in respect to Financial Year 2022, other than to reiterate its continued focus on disciplined cost management strategies and execution of the following key strategic measures:

- Continuing to leverage the operating model for efficiencies to maximise commercial opportunities
- Reshaping the go-to-market model and simplifying LiveTiles' product portfolio
- Accelerating the product roadmap for scale and working with strategic partners in new product development to further cement LiveTiles leading position in the global Employee Experience market

The Directors continue to expect strong medium to long-term growth potential for LiveTiles, driven by increased remote working and the demand for Employee Experience solutions to support organisations in a post pandemic working environment.

This announcement has been authorised for release by the Board.

## **Full Year Results Webinar**

LiveTiles management will host a webinar to discuss the 2021 Appendix 4E and company results at 11.00am (Sydney AEDT), Thursday 26 August 2021.

Registration link : [Registration Link](#)

Participants are encouraged to pre-register for the webcast. A replay of the webcast will be available shortly after the event on the LiveTiles website <https://livetilesglobal.com/>

**For further information, please contact:**

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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.