

27 October 2022

LiveTiles Operational Review update

HIGHLIGHTS

- Operational Review has been completed following a detailed process
- Operational Review has resulted in annual savings of \$6.48M
- Changes to personnel include Directors, executives and senior managers
- A go-to-market and product consolidation project is underway to align strategic goals with expectations of key LiveTiles stakeholders
- The Board continues to carefully assess the unsolicited proposal from BigTinCan, and has held preliminary discussions with other parties

LiveTiles Limited (ASX:LVT) (LiveTiles or the Company), a global leader in Employee Experience software for employee collaboration and communications, is pleased to announce the outcomes of the recently completed Operational Review.

On 21 September 2022, LiveTiles announced it was undertaking an extensive Operational Review to refocus its growth strategy and prioritise profitability to deliver increased shareholder value. This has led to identified annual savings of \$6.48M.

The Company also completed a Strategic Review in 2021, which resulted in annual savings of \$3.5M. The outcomes of the strategic review helped the company deliver an FY22 EBITDA of \$5.1M, and the outcomes of this Operational Review will also result in further strengthening of the Company's financial position.

The Operational Review of the business ("**Operational Review**") was designed to achieve the following objectives:

- Building on LiveTiles' **leading market position** in employee experience technology;
- Delivering ongoing **revenue growth** through value-enhancing strategic opportunities;
- Attracting and retaining **top talent**;
- Generating **free cash flow and profitability** on a sustainable basis.

COMPONENTS OF OPERATIONAL REVIEW

The key components of the Operational Review were as follows:

- Review management and broader organisational structure;
- The rationalisation of LiveTiles' portfolio of software products (several of which have been acquired) to drive incremental sales growth, reduce costs and enhance customer value proposition;



- Greater focus on winning additional large enterprise customers. Whilst this initiative is expected to lengthen the Company's average sales cycle, it is expected to deliver more profitable and longer-term customers;
- Consider re-branding to better reflect the Company's technology offering and product roadmap; and
- Continued transition of certain roles to lower-cost locations of Portugal and Philippines.

Overall people changes

The review of the management and operational structure allowed the Company to identify areas where roles could be reduced or consolidated to improve internal business flow and efficiency. To this end, the Company has reduced overall headcount globally by 32 employees across executive, senior management and general staff, representing annual savings of AUD\$5.48M. In addition to these exits, 12 roles have been changed to better align with strategy and growth plans.

The Company reviewed the structure of the executive and senior management team, and as a result, the following changes have or will be made over the coming weeks:

- Co-founder, CXO and Executive Director Peter Nguyen-Brown will be finishing in his roles as CXO and Executive Director of LiveTiles by the end of October 2022;
- Vanessa Ferguson will be stepping down from her role as SVP of People and Experience;
- Other changes at senior management level have been made, in addition to the appointment of Daniel Goss to COO as announced in July;
- The Company has engaged accounting firm PKF to provide financial support to each region and assist with our audit and governance obligations as a public company while it continues its recruitment process for a CFO.

Additionally, the Company has appointed a single General Manager per region to oversee the Sales, Account Management and Professional Services teams. Following the appointment of a General Manager for EMEA in May 2022, the Company has promoted two employees to General Manager of APAC and US respectively. The creation of these roles will encourage closer collaboration in those regions. The Company has also promoted two senior employees to be responsible for Product Strategy and Development, with both roles reporting to the COO.

Board changes

The following changes have been affected:

- Dr Marc Stigter resigned from his position as non-executive Chair and Board Director, effective 27 October 2022, after more than two years as a Director of LiveTiles;
- Peter Nguyen-Brown resigned from his position as Executive Director, effective 27 October 2022, after more than seven years as a Director of LiveTiles;
- Vanessa Ferguson, former SVP of People & Experience, was appointed as a non-executive Director on 27 October 2022;



- Kevin Young, an experienced executive based in the USA with strong expertise in Product, Strategy, and Climate Change, also joined the LiveTiles Board as non-executive Director on 27 October 2022; and
- Jesse Todd is appointed interim Chair.

The Company believes these changes will provide LiveTiles with the support needed to deliver on its strategic goals and the planned benefits following the completion of the Operational Review. The Board will continue with its process to review overall board composition and seek to appoint a Chair in the short-term.

Non-people changes

In addition to Board, executive and team changes, the Company has identified approximately AUD\$1.0M of non-people costs that can be removed from the business. Whilst the Company is still reviewing all non-people costs, the following areas have been prioritised:

- Reduction in lease expenses, as the Company looks to find some more suitable office spaces following the shift to hybrid work over the past two years;
- Reviewing service providers, to determine which services are providing most value to customers and staff;
- Amending software subscriptions, through actual reductions but also by negotiating new contracts with revised pricing; and
- Reviewing paid marketing services, including reducing spend on external content agencies and focusing on specific in-person events targeting Employee Experience buyers.

New roles

- The Company is continuing its plans to recruit a CFO.
- The Company is looking to recruit a Global Marketing Lead over the next six months, to consolidate marketing content on a global level and communicate the LiveTiles suite of products to the market.
- The Company will continue to focus the expansion of the Product team in the lower cost jurisdictions of Portugal and the Philippines.

As expected, it will take some time for these changes to be completed and reflected in the Company's financials. These changes have a significant impact on people and culture within the business, which is being managed with increased engagement from the People and Experience team, and through providing Employee Assistance Program (EAP) support. Once the changes have been completed and momentum is regained in early 2023, it is expected that the changes will start to reflect positively in the company's financial statements and performance.

Following the recent EGM on 5th September 2022 to vote on the delisting recommendation, given the failure of this resolution to pass, the Company also notes the following:

- The Company cannot save AUD\$1.5M annual costs due to direct and indirect costs associated with being listed;

- The Company will not be carrying out a re-brand in the short-term, but will reconsider in the new year;
- The cost reductions announced today are greater than if the delisting had taken place;
- There will be a short to mid-term impact on performance as changes are implemented and as the Company's focus is transitioned with a renewed and simplified go-to-market and product offering.

OBJECTIVES OF OPERATIONAL REVIEW

In addition to the key outcomes noted above, the following commentary relates specifically to each of the four objectives covered in the review.

Objective 1 - Generating free cash flow and profitability on a sustainable basis

LiveTiles' priority remains to generate free cash flow and profitability. The changes that have been made are designed to put the Company on a pathway towards looking to achieve this objective within calendar year 2023. The outcomes of the strategic review in 2021 and the recently completed operational review have in total reduced expenditure in the business by AUD\$9.98M.

Objective 2 - Delivering ongoing revenue growth through value-enhancing strategic opportunities

As 2023 approaches, so too do new revenue growth opportunities in addition to the Company's current products and services provide. The key areas are Sustainability, climate action and employee engagement for large enterprise, as this has been identified as a large opportunity based on our research and customer engagement. And the Company has also identified Marketplace revenue opportunities which will be explained further in due course.

The other areas where the Company believes it can drive the fastest growth from within its traditional product and services are:

- Global expansion of The Human Link team focusing on Employee Experience services which become major lead generators for product revenue sales; and
- Reach Zero – as announced on 19 September 2022, Reach Zero addresses the growing demand for employers and employees to proactively work together in driving climate outcomes. This allows the Company to market directly to a captive and focussed audience.

Objective 3 – Building on LiveTiles' leading market position in employee experience technology

The key to lead a market and maintaining it, is to have the best technology and talent, and to differentiate by having a strong vision and unique set of capabilities. The recent acquisitions of My Net Zero and The Human Link are clear examples of the Company taking steps to double down on the opportunity.

The Company is also undertaking a project to consolidate and simplify its go-to-market and product portfolio, to be in a strong position to target key markets and buyers in early 2023, with a particular

emphasis on attracting larger enterprise customers. This project will be run until the end of 2022 with the intention to implement and deliver on the revised offering early in the new year.

Objective 4 – Attracting and retaining top talent

One of the greatest challenges for all companies globally is attracting and retaining talent. Well-documented research speaks to the new phenomena of the Great Resignation and Quiet Quitting where employee loyalty is driven less by monetary incentives, and more by connection to a greater purpose in one's work. Furthermore, employees are searching for work environments that are inclusive and supportive, and reflective of the varied ways in which productivity is achieved and goals are met. The Company continues to develop alongside the evolution of what constitutes Employee Experience, with the recent acquisitions of The Human Link and My Net Zero in 2022 demonstrating the Company's understanding of how to provide greater purpose in the workplace. Continued evolution by the Company will make it easier to retain and attract talent.

To improve its ability to attract and retain key talent, the Company is engaging with third party remuneration consultants to design appropriate employee incentive schemes that align with the Company's strategic and operational goals. The review will consider long-term incentives for the Company, including Directors, Executives and senior management. Shareholder approval will be sought for any incentive scheme or component of it as and where required by the listing rules or the *Corporations Act 2001* (Cth). The Company expects the outcomes of this project to be completed early in the new year.

GENERAL BUSINESS UPDATE

As the Company heads towards the end of the calendar year with a strong focus on customer engagement, a project is underway to consolidate and simplify its go-to-market and product portfolio to help implement priorities for the start of 2023, especially given the approaches of offers to acquire the Company.

As announced on 18 October 2022, LiveTiles has entered into an agreement to obtain the right to acquire the remaining 80.03% of shares in My Net Zero (**MNZ**) which LiveTiles does not already hold. MNZ is a climate advisory, tech platform and marketplace enabling employers to involve and activate their people in positive climate action. The acquisition of MNZ expands LiveTiles product offering and fully aligns with the Company's plans to attract larger enterprise customers while meeting current customer demands to address meaningful employee experience issues.

The Company will pause a number of internal innovation projects relating to product development to focus on key short-term priorities and will assess again early in 2023.

The AGM will be held on Wednesday, 30 November 2022 and with the significant changes being announced as part of this Operational Review, it is important that the Company put forward key resolutions for Shareholders to vote on, and allow the Company to focus on maximising opportunities for growth in the new year and delivering on the outcomes of the objectives from the Operational Review. The resolutions relating to employee incentive schemes are of particular importance to the growth plans of the Company.



UPDATE ON UNSOLICITED PROPOSAL

The Board continues to carefully assess whether the Proposal from BigTinCan (ASX:BTH) to acquire all of the outstanding shares in LiveTiles for \$0.07 per share, announced 4 October 2022, is in the best interest of all LiveTiles shareholders. Following receipt of the Proposal, LiveTiles has held preliminary discussions with other parties that have expressed interest in LiveTiles. The Board remains committed to maximising shareholder value and will inform the market of any developments.

There is no certainty that either the Proposal or any of the expressions of interest will lead to a definitive transaction or offer being made for LiveTiles and LiveTiles shareholders should not take any action in response to the Proposal.

LiveTiles CEO Karl Redenbach said, “We’re committed to maximising Shareholder value in the Company, and this Operational Review was conducted in response to Shareholder feedback and evolving market conditions. The Review has resulted in significant changes which will positively impact the Company’s cost base but naturally impact short to medium term performance. We are confident that the combination of cost reductions along with a committed focus on the high impact opportunities will put the company in good stead as we head to 2023.

It’s never easy to say goodbye to great people in our business, and we thank all of those impacted by these changes for their efforts with the Company.

Dr Marc Stigter will depart the board after serving the Company for over two years as Chair, and he has done a fantastic job in supporting the business, our people and Shareholders. Dr Stigter has provided tremendous leadership to the board, providing expertise in particular with strategy, culture and business leadership. And as previously announced, Peter Nguyen-Brown is also departing the board as an Executive Director and in his role as CXO, and Peter will remain an ally to the business for years to come.”

This has been authorised for release by the Board.

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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.