

OTHERLEVELS HALF YEAR RESULTS

OtherLevels Holdings Limited (ASX: OLV) (“OtherLevels” or the “Company”) today announced its half year FY17 financial results. Highlights included:

- **Revenue of A\$1.7m in H1 FY17, 101% of the corresponding period in FY16.**
- **11% growth over the corresponding period in constant currency, when adjusted for GBP depreciation.**
- **Continued sales growth with 4 new customers signed, and strong H2 FY17 sales pipeline**
- **Successfully restructured US operations, realising cost savings and securing revenue base for FY17**
- **Significant improvement in Q2 operating and investing cash outflows, A\$1.2m less than Q1**
- **Strong progress towards the goal of achieving cash flow positive in H2 2017.**

Financial highlights

- Revenue of 101% at A\$1.7m against comparable period in FY16, impacted by depreciation in the GBP. **Underlying growth** in constant currency was 11%.
- Net loss of A\$3.5m in H1 FY17.
- **A reduction in operating and investing cash outflows** for research, development, staff, administration and corporate expenses to A\$2.0m in Q2 from A\$3.2m in Q1.
- As a percentage of total revenues, non A\$ revenues accounted for 82% for the half-year ended 31 December 2016.
- Favourable SaaS license/service revenue split of 65% / 35%
- **Customer receipts of A\$1.6m**, in addition to the R & D claim rebate of A\$0.8m.

The first quarter of the financial year is historically a low billing period as it corresponds to the northern hemisphere holiday season. However, the second quarter of FY17 saw strong billings, with A\$1.2m received in customer receipts for the period. This increase in billings is forecast to grow through Q3 FY17.

The depreciation in the GBP, of approximately 25% compared to the prior period, negatively impacted A\$ revenues. Revenue growth was 11% in constant currency. Many prospects and customers delayed decisions in Q1 which resulted in new customer signings being heavily weighted towards Q2.

During the first half, operating and investing cash outflows were A\$5.2m, and on a quarter by quarter basis, operating and investing cash outflows in Q2 were A\$1.2m less than Q1. This highlights the impact of cost reduction strategies, in support of the goal of achieving positive operating cash flow in the second half of the 2017 calendar year.

The Company completed a capital raising of A\$1.1m (representing 13,750,000 ordinary shares at \$0.08 per share) in December 2016 under the terms of the Subscription Agreement to raise A\$1.6m, entered into on 22 June 2016. In addition, the Company issued an option for the balance of A\$0.5m which is capable of exercise within six months at \$0.08, or, if the company raises funds at a lesser price during the period, the price of that capital raising. The Directors have put in place a loan facility of up to A\$0.8m if required, and are working with the Company's advisors, Lodge Partners on replacing this with a Convertible Note facility.

Operational Achievements

The OtherLevels strategy to provide the **leading enterprise marketing automation platform** remains unchanged. The Company is leveraging the **continued shift in enterprise marketing** spend to on-line and digital, and the growth of mobile devices. OtherLevels remains focused on the goal of achieving positive operating cash flow in H2 calendar 2017. During the first half the company achieved a number of outcomes, including:

- Strong revenue growth, particularly across both existing and new customers in the UK, partly offset by a number of low revenue US customers.
- **Restructured US operation**, and moved to a partner driven sales model for the US.
- Improved cost management, with cash burn relating to operating and investing activities in Q2 FY17 **reduced by A\$1.2m** compared to Q1 FY17
- Successful renewal of largest ever customer contract (previously signed in November 2015), including an increase in the customer's annual GBP licence payments of 21%.
- Professional service opportunity continuing to expand
- Released Action Engine module, and sold first 2 licences
- Continued growth in message volumes

OtherLevels now has an experienced sales team in place in the UK, addressing the UK and European markets. In particular, the focus on the wagering sector in the UK continued to drive new customers. The Company's presence in that industry is significant, as evidenced by over 45 customer and prospect meetings at the January 2017 ICE industry conference.

During the period the Company optimised the US go to market model, leading to significantly reduced costs as detailed previously. The company has shifted to a partner led distribution model, and will continue to selectively win new US customers via this model such as the new US gaming customer announced in January 2017. The Company is focused on retaining all its key customers in this market.

OtherLevels provides supplementary value added services including training, implementation and report customisation services to support its core software offering. Professional services activities continue to grow, reflecting increased awareness from customers that OtherLevels is building deep expertise in the creation and deployment of strategic messaging campaigns, which support the deployment of the OtherLevels digital marketing platform. This is translating into customer interest in "managed services" where OtherLevels takes a greater role in service delivery. This activity, which is primarily delivered remotely, is highly scalable with strong margins, and the Company is in active discussions with a number of interested customers. Services contributed 35% of total group revenues in H1 FY17.

Sales Progress

The Company continued to execute on its focused strategy of:

- Securing new customers in key focus segments
- Expanding existing customers
- Retaining high value enterprise customers

Sales highlights for the half-year included:

- A leading Australian retailer – agreement extended for a managed service for campaign management;
- One of the UK's top 3 comparison site providers – web notifications and interstitials messaging;
- New York based on-line publisher – web notifications to reduce acquisition costs and low conversion rates;
- UK LSE listed gaming and financial trading software/services provider – mobile app notifications;
- A leading UK based online wagering and gaming company – web notification messages

There was a continued increase in sales activity during the period, with 4 new customers signed during the half-year, and a growing pipeline of 2017 opportunities identified. Furthermore, there was strong growth in message volumes and new product adoption from a number of large customers, which will convert into higher renewals early in 2017, along with the purchase by 2 customers of the new Action Engine real-time messaging option.

Customers that have been using the OtherLevels platform for more than 12 months spent an average of US\$118K per customer. During the half, this figure was impacted by a number of factors including the weaker GBP, smaller lower value customers in the US, and the decline of previous games customers.

The Company has previously stated that although this measure may fluctuate as a result of contract timings, over the long term this measure will continue to grow strongly as OtherLevels technology is deployed by existing customers in additional application areas and in increasing volumes.

The Company continues to develop strategic partnerships with companies such as Optimove, Qubit and Tealium, and to further integrate with Salesforce Marketing Cloud. Expanding and leveraging these partner opportunities, with resulting increased distribution and lower cost of sales, continues to be a focus for OtherLevels in 2017.

The Company is well positioned for continued sales growth in H2 FY17 with 2 new customers already added in 2017. The customer pipeline continues to expand as a result of the wider web opportunity, and a sector focused sales approach.

The UK business in particular is building to a strong second half of FY17, with a major UK wagering customer already increasing its annual contract value by 140% to over £217,000 from a spend of approximately £90,000 twelve months ago,

Investment in the OtherLevels Platform

OtherLevels continued to refresh and expand the platform:

- ✓ First production deployments of OtherLevels 2, the flagship release of the latest version of the OtherLevels platform;
- ✓ Expansion of Web Push onto further browsers, using new technology to take advantage of the web messaging opportunity - which is vastly greater than the app based messaging opportunity;
- ✓ Release of new optional module - Action Engine, which meets the needs of advanced customers for real-time messaging with dynamic content and audience selection.

The OtherLevels strategy to provide the **leading enterprise marketing automation platform** remains unchanged, and OtherLevels was recognised for the second time in the 2016 Forrester Mobile Marketing Automation Report as an emerging competitor alongside industry heavyweights Oracle, Salesforce, Adobe and IBM.

Summary

In summary, after a challenging period in mid-2016, the Company is seeing the results of its streamlined sales focus and reduced cost base. In the last few months of 2016, the Company signed a number of new clients, and has a strong and growing pipeline of opportunities. The company is maintaining its recognised leadership in the wagering sector, and growing its presence in membership sectors such as publishing, travel and hospitality.

The Company's Board and management remain absolutely focused on successfully monetising OtherLevels' valuable proprietary messaging platform in global markets through increased sales, reduced operational costs and achieving positive operational cash flow in H2, 2017.

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About OtherLevels

OtherLevels is a leading second-generation digital marketing platform with offices in San Francisco, London, Brisbane and Melbourne. OtherLevels is at the forefront of the enterprise marketing transformation being driven by the massive shift to mobile.

The OtherLevels digital marketing platform enables marketers to engage and retain their audience across desktop, mobile web and apps. For more information, please visit <http://otherlevels.com>, OtherLevels Holdings Limited ACN 603 987 266.