

OTHERLEVELS HOLDINGS LIMITED ACQUIRES XCOM MEDIA PTY LTD

OtherLevels Holdings Limited (**ASX: OLV**) (“**OtherLevels**” or the “**Company**”) is pleased to announce it has entered into a binding agreement to acquire 100% of XCOM Media Pty Ltd (“**XCOM**”).

Highlights:

- OtherLevels will acquire the business and assets of XCOM, a Brisbane based digital marketing automation agency
- The acquisition provides OLV with immediate distribution and service capabilities into the mid-market
- Aligns with OtherLevels strategy to consolidate comparable agencies
- XCOM has significant experience and tier 1 clients in the travel & hospitality sector which is a key growth sector for OtherLevels
- The acquisition will create material cross marketing opportunities for the OtherLevels platform, unlocking significant scaling potential
- The acquisition is earnings and cash accretive
- The transaction will be funded by a combination of cash and equity

OtherLevels has acquired XCOM for an initial consideration of \$889,000 cash and \$157,000 in fully paid ordinary shares. Additional earnout payments may be paid based on extra services revenue and OtherLevels licence royalties, as discussed in the Acquisition and Capital Raising presentation.

Mr Brendan O’Kane, CEO and Managing Director of OtherLevels said: “This exciting acquisition is an important step towards the Company’s goal of becoming the premier Australian supplier, and a global leader in digital marketing technology solutions. OtherLevels believes that the future go-to-market model for the sale and distribution of marketing technology (“mar-tech”) will be direct sales to a small number of large sophisticated enterprises, and a service led solution combining mar-tech and related services to the broader mid-market. A strategic and selective acquisition program, provides the opportunity to consolidate a fragmented sector, while securing further distribution channels for the OtherLevels platform.”

“Acquiring XCOM is a first step that increases distribution capability into the mid-market and has the additional strategic benefit of strengthening OtherLevels presence in the travel and hospitality sector.”

XCOM currently provides digital marketing automation solutions to leading clients including Tourism Queensland, Destination Gold Coast and Fiji Airways. XCOM has deep expertise in email and mobile messaging which is complimentary to the OtherLevels platform.

XCOM will enable OtherLevels to implement a number of cross marketing programs which along with cost savings in premises and back-office, will deliver revenue and cost synergies to OtherLevels.

The completion date for the acquisition is November 1st, 2018.

Sequoia Corporate Finance Pty Ltd, a corporate authorised representative of Sequoia Wealth Management Pty Ltd, acted as sole lead manager to the equity raising. The acquisition, which was oversubscribed, was funded by a placement to sophisticated investors and a number of small cap specialist funds. A presentation outlining the equity raise along with additional information follows this release.

Ends

Contacts

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About OtherLevels

OtherLevels is a leading second-generation digital marketing platform operating in Europe, the US and Australia.

The OtherLevels platform enables clients to **acquire sooner, engage smarter** and **retain longer** across desktop, mobile web and apps audiences. The OtherLevels platform offers both **Intelligent Messaging for Conversion**, and **Intelligent Messaging for Marketing Clouds and CRM**, hence delivering both acquisition and engagement capabilities for digital marketers.

For more information, please visit <http://otherlevels.com>.

For media enquiries please contact media@otherlevels.com.

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Acquisition &
Capital Raising
Presentation

ASX: OLV

22 October 2018



Executive Summary

OTHERLEVELS



OtherLevels is pleased to announce a \$1.435m capital raising to fund the acquisition of XCOM Media Pty Ltd (www.xcommedia.com.au)

Acquisition of XCOM

- Brisbane based digital marketing automation agency
- Deep expertise in email, social and mobile messaging services
- Strong track record and clients in travel / hospitality (strategic target sector for OLV)

Financial Metrics

- Consideration is an upfront payment \$1.05m and a conditional payment of \$400k subject to achieving minimum EBITDA of \$300k⁽¹⁾ excluding synergies.
- Additional earn-out payments may apply for additional service revenue and OLV licence royalties as detailed on Slide 13.

Capital Raising Details

- \$1.435m placement to sophisticated and professional investors
 - Offer Price \$0.03c per share
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(1) On a 12 month basis

Executive Team

Highly capable and experienced leadership team



Brendan O’Kane
Managing Director & Founder

- 25 years of software engineering, global sales and marketing experience
- 15 years with leading US and UK software companies including senior appointments with Oracle Corporation in the UK and Asia Pacific
- Experienced early stage and venture investor and Director



Ashika Lala
CFO

- 18-years international experience in tax and finance in Australia and the UK, including with Flight Centre Travel Group and EY
- Significant experience in successfully implementing tax & finance solutions to achieve commercial outcomes and maximise return on investment.



Andy Dellbridge
GM, OtherLevels UK

- Digital marketing expert, both client-side for brands such as Camelot, Nationwide Building Society and Santander, and also agency side.
- 10 years experience in architecting and managing large martech and data transformation programmes



Tim Warwick
Head of Engineering

- Seasoned engineering manager, with 25 years commercial software engineering experience. Previously at Technology One prior to OtherLevels.
- 15 years direct experience in the digital messaging space, building highly scalable messaging platforms

Vision

- To be the premier vendor in Australia and a global leader, in digital marketing technology solutions.

Strategy

- User acquisition (“above the line”) has been dominant area of focus at the expense of recurring audience engagement (“below the line”)
 - OtherLevels is able to bridge the gap - maximise the return from \$\$’s spent above the line, then engage & retain below the line
 - Combining the scale and economics of a leading digital messaging platform, with the solution capabilities of digital marketing service providers
 - Strategic M & A program to consolidate a highly fragmented sector
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Market

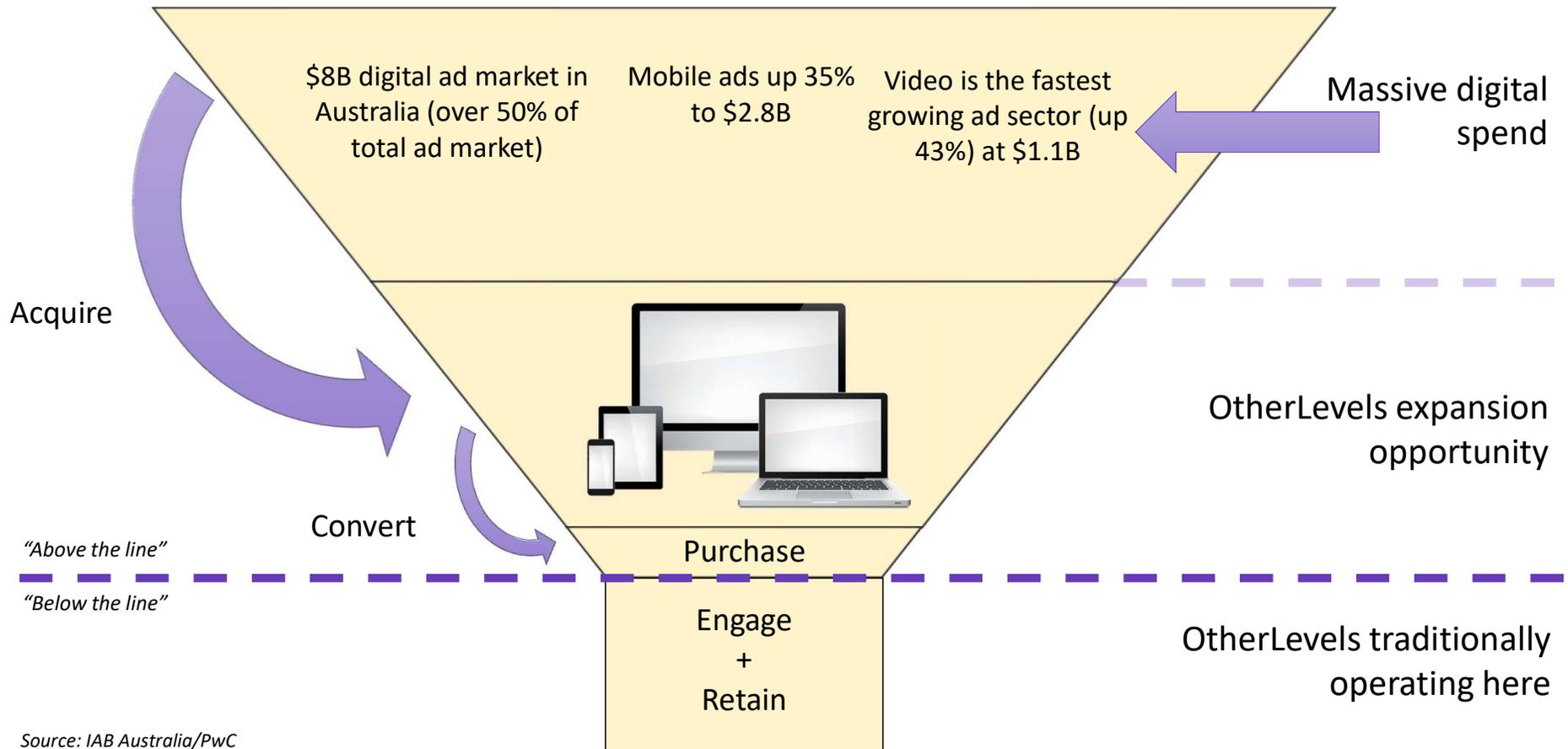
Sector	<ul style="list-style-type: none">Digital advertising is a large and growing market of A\$8.0bn, in CY 2017⁽¹⁾
Problem	<ul style="list-style-type: none">User acquisition (“above the line marketing”) has been the focus of digital agencies at the expense of recurring known audience engagement (“below the line”).Result is increasing advertising spend, to compensate for non-optimal conversion (Travel and hospitality can see 2%-3% conversion in many cases)⁽²⁾
Opportunity	<ul style="list-style-type: none">OtherLevels can now use existing technology to increase conversion by between 10% and 20%, hence optimise outcomes from every dollar of “above the line” advertising marketing spend AND then engage and retain to maximise “below the line” operational and platform marketing spend.Above the line spend can be 10x or more, greater than below the line spend.Opportunity recognised by US. startups, e.g. BounceX (raised US\$37m in 2018)
Execution	<ul style="list-style-type: none">Organic growth with OtherLevels existing enterprise focus, by-passes the mid-market space where brand needs are greater due to competitive and resource pressures.Rapid non-organic growth through selected M & A transactions, using an agency style “go to market” model, minimising risk via existing organisations with clients and deep martech expertise, so as to capture the opportunity.

(1) IAB 2017 Report

(2) OtherLevels client data from travel and hospitality sector

Opportunity

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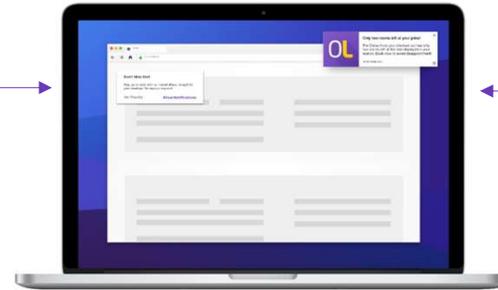
Unlocking Value Above the Line

Brands have unknown visitors visit their platforms

These visitors are often unwilling to provide personal data (eg email)

The OtherLevels SaaS platform allows companies to convert unknown visitors into known users

1. Single click Opt-in to messaging



2. Delivers brand content in browser



3. If on phone, receive messages



4. Highly targeted content with higher conversion potential



5. Content can also be triggered by location

This visitor is lost if no email or registration details provided

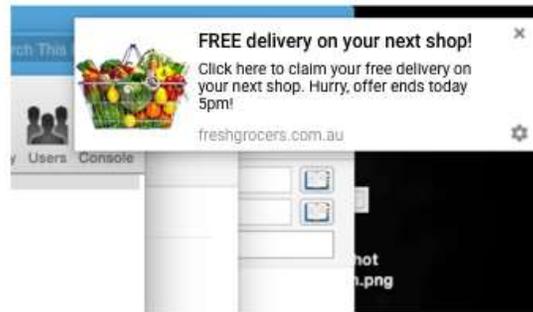
Increasing Value Below the Line

Once visitor information is captured, a user profile is built from their behaviour

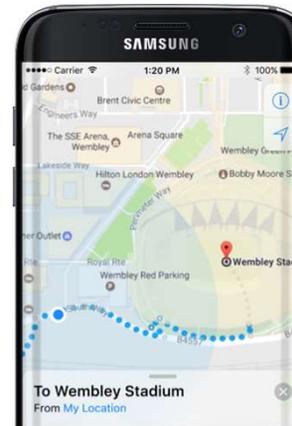
This is updated and refined with each subsequent engagement

This ongoing engagement is cost-effective with high ROI

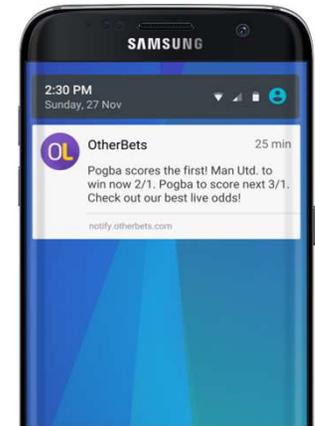
Context-based messaging



Location-based messaging



Event-based messaging



Messaging delivered to web, mobile web and app

Long term value

- Promote engagement
- Maximise retention
- Increase life-time value of users
- Reach across multiple channels

Achieving Success

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Corporate Overview

Company profile

OtherLevels vision is to be the premier vendor in Australia and a leader globally, in digital marketing technology solutions.

OtherLevels strategy is to:

- Combine the scale and economics of a leading digital messaging platform, with the solution capabilities of digital marketing service providers
- Grow organically with the existing enterprise focus
- Target non-organic growth through selected M & A transactions to enter and exploit the mid-market opportunity

Financial information

Share price (12-Oct-18)	A\$0.033
Number of shares	225.9
Market capitalisation	A\$7.5m
Cash (30-Sep-18)	A\$0.2m
Receivables (30-Sep-18)	A\$1.0m
Debt (30-Sept-18)	A\$2.9m

Key shareholders⁽¹⁾

HALFBRICK INTERNATIONAL HOLDINGS	12.67%
TARA INVESTMENT SERVICES PTY LTD	11.59%
BIRKDALE HOLDINGS (QLD) PTY LTD	6.81%
SILICA INVESTMENTS PTY LTD	6.36%
DOLNY KUBIN PTY LTD	5.43%
MT PARTNERS PTY LTD	4.65%
Top 20 shareholders (12-OCT-18)	74.09%
OtherLevels Directors	27.67%

OtherLevels Board, in addition to Managing Director, Brendan O’Kane



Brian Mitchell
Chairman

- 30 years’ in executive roles in the UK, USA, Australia and Asia Pacific including Senior Vice President for Oracle Asia Pacific
- Chairman of Bravura Solutions [ASX:BVS]



Cristiano Nicolli
Non-executive Director

- 35 years’ experience in the IT industry in sales, management and leadership roles across the Asia Pacific region.
- Director of Vista Group International [ASX:VGL] and Former CEO and MD of UXC Limited [ASX:UXC]



Tanya Cox
Non-executive Director

- Expertise and experience in capital management, equity raising, M&A, investor relations and ASX regulatory regime
- Director of BuildingIQ [ASX:BIQ], and former Chief Operating Officer of DEXUS Property Group for over a decade



Ian Lowles
Non-executive Director

- 25 years’ in senior executive roles in the software industry in the UK, Europe, CIS, Australia and Asia Pacific.
- Experienced early stage investor in successful investments including iSelect, KidSpot and ShippingEasy

Acquisition Rationale

- ✓ Immediate mid-market access
- ✓ Cost-effective new distribution channel for OtherLevels messaging platform and services
- ✓ Brisbane based, and founders Rob Bell and Darren Sutton committed for 2 years
- ✓ Large proportion of Year 1 revenues (\$1.53m) from existing clients
- ✓ Can deliver OtherLevels incremental royalty revenue of \$63k and \$441k in Year 2.
- ✓ Incremental service revenues from OLV services
- ✓ Earnings accretive with \$300k in EBITDA and synergies of \$130k in Year 1
- ✓ A launchpad for future consolidation opportunities in this space

	FY19 Forecast	Proforma Combined (post-synergies) ⁽¹⁾	Change post- acquisition
Revenue	\$7.087m	\$8.681m	↑ 22.5%
Expenses	(\$7.996m)	(\$9.185m)	↑ 14.8%
EBITDA	\$0.667m	\$1.096m ⁽²⁾	↑ 64.3%

(1) Proforma Combined based on management forecasts for the year ending 30 June 2019, assuming XCOM was 100% owned by OLV for the full year

(2) Proforma Combined EBITDA includes synergies of **\$130k**

Vendor Consideration

Transaction valued at 3.36x of proforma XCOM plus synergies EBITDA

Consideration*	\$1.440m (cash/equity)
Base	\$889k cash + \$157k equity in OtherLevels
Earn-out (12 months)	\$311k cash + \$83k equity in OtherLevels
Additional Earn-out	
12 months	If incremental EBITDA of \$0 - \$75k, a pro-rata payment of up to \$360k
24 months	If incremental gross revenue (ex OLV royalties) of up to \$600k, a stepped/pro-rata payment of up to \$450k If incremental annual recurring revenue OLV royalties of between \$360k and \$900k, a payment of \$300k and a pro-rata payment of up to a further \$450k

**All equity consideration escrowed for 24 months from completion*

Offer and Timetable

Overview

Issuer	OtherLevels Ltd (“OtherLevels”, “OLV” or the “Company”)
Listing	ASX:OLV
Securities on Issue	225,936,600 ordinary shares 45,396,407 Director/Employee/Shareholder options
Last Close Price	A\$0.033
Market Capitalisation	\$7.455m

Offer Details

Lead Manager	Sequoia Corporate Finance Pty Ltd (“Lead Manager”, ABN 31 602 219 072) is a corporate authorised representative (CAR No 469074) of Sequoia Wealth Management Pty Ltd (“Sequoia”, ABN 22 002 314 310, AFSL 472387)
Transaction	Placement of up to 47.8m new ordinary fully paid shares (“Offer Securities”) at A\$0.03 per security (“Offer Price”) to raise up to A\$1.435m (“the Offer”).
Offer Price	A\$0.03
Pricing Discounts	9.1% discount to last close of A\$0.033 20.2% discount to 21 day VWAP of \$0.038
Use of Funds	Acquisition of XCOM and transaction costs

Timetable

Allotment of shares	26th October, 2018
Transaction completion	Thursday, 1st November, 2018

OtherLevels Cap Table (post-acquisition)

Shares on Issue (pre-acquisition)	225,936,600	81%
Transaction equity consideration ⁽¹⁾	5,232,000	2%
Shares issued from placement	47,833,333	17%
Total	279,001,933	100%

(1) Transaction equity for base consideration, excluding earnout.

FY19 Execution Strategy

Grow SaaS & Managed Services ARR from existing clients

Secure new enterprise clients in iGaming, lottery & travel sectors

Scalable expansion into mid-market without reducing EBITDA

Strong revenue growth, positive EBITDA and operating cash flow

Maintain operational expenditure discipline



Important Notice & Disclaimer



This document has been prepared by OtherLevels Holding Ltd ABN 88 603 987 266 (“the Company”) in relation to bids for a placement of Offer Securities to be undertaken to institutional and sophisticated investors in Australia and certain other jurisdictions outside the United States of America (“Offer”). Sequoia Corporate Finance Pty Ltd, a corporate authorised representative (CAR No 469074, ABN 31 602 219 072) of Sequoia Wealth Management Pty Ltd (“Sequoia”, ABN 22 002 314 310, AFSL 472387), has been appointed as Lead Manager (“Lead Manager”) to the Offer.

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