

# Livewire Mobile Announces Financial Results for the Quarter Ended December 31, 2010

LITTLETON, Mass., March 10, 2011 – Livewire Mobile, Inc. (otcmkt: LVWR), a Mobile Internet powerhouse with one of the most comprehensive one-stop digital content solutions for carriers, handset and tablet manufacturers, and media companies today announced financial results for the fourth quarter ended December 31, 2010.

- Completed acquisition of Fonestarz Media Group, Ltd. December 17, 2010
- Recurring managed service revenues increased 7% from fourth quarter of 2009
- Positive adjusted EBITDA performance for the fourth quarter and fiscal year 2010
- Positive cash flow from operations for fiscal year 2010

## Quarter Ended December 31, 2010 Results

The Company's results of operations for the quarter ended December 31, 2010 include the results of operations of Fonestarz Media Group, Ltd. for the period subsequent to the acquisition through December 31, 2010.

Total revenues for the fourth quarter of 2010 were \$3.1 million, compared to \$3.1 million for the third quarter of 2010 and \$4.4 million for the fourth quarter of 2009. Recurring managed service revenues increased 7% to \$2.5 million, from \$2.3 million, for the same period in 2009. The decrease in total revenues from the same period last year was primarily due to a \$1.4 million decrease in the cap-ex portion of our ringback tone (RBT) business, as well as, an expected decrease of \$57,000 in non-core handset royalty revenues. The cap-ex portion of the Company's business can result in considerable variability in quarterly revenues due to the timing of completion of cap-ex deployments.

Gross margin was 64% during the quarter ended December 31, 2010, consistent with the third quarter of 2010, and down from 68% during the fourth quarter of 2009, mainly due to a higher concentration of higher margin product revenue recognized during the fourth quarter of 2009. Excluding the effect of non-core handset royalty revenues, gross margin was 64% during the quarter ended December 31, 2010, compared to 67% for the same period in 2009.

Inclusive of the transaction costs related to the acquisition of Fonestarz Media Group, Ltd., the Company had a loss from continuing operations of \$(0.3) million for the fourth quarter of 2010, or \$(0.06) per share, compared to \$(0.2) million, or \$(0.04) per share for the third quarter of 2010, and compared to \$1.5 million, or \$0.31 per diluted share, for the fourth quarter of 2009, which included several non-recurring items described below. Excluding \$(0.3) million of transaction costs related to the acquisition of Fonestarz Media Group, Ltd., the Company had income from continuing operations for the fourth quarter of 2010 of \$0.1 million, or \$0.01 per diluted share.

Inclusive of the transaction costs related to the acquisition of Fonestarz Media Group, Ltd, the Company had a net loss of \$(0.2) million for the fourth quarter of 2010, or \$(0.05) per share, compared to a net loss of \$(0.3) million, or \$(0.06) per share for the third quarter of 2010, and net income of \$1.5 million, or \$0.33 per diluted share, for the fourth quarter of 2009, which included several non-recurring items described below. Excluding \$(0.3) million of transaction costs related to the acquisition of Fonestarz Media Group, Ltd., the Company had net income for the fourth quarter of 2010 of \$0.1 million, or \$0.02 per diluted share.

Results for the fourth quarter of 2010 included non-recurring transaction costs of \$0.3 million related to the acquisition of Fonestarz Media Group, Ltd. in December 2010. Results for the fourth quarter of 2009 included several non-recurring items including reductions in expenses of \$1.1 million related to lease termination agreements, \$0.2 million related to certain changes in subsidiary tax positions, and \$0.1 million for a settled claim relating to a vendor obligation from the Groove Mobile acquisition; partially offset by \$0.5 million of restructuring expenses incurred as part of a reduction in force during that quarter.

Adjusted EBITDA from continuing operations (a non-GAAP financial measure) was \$0.3 million, or \$0.07 per share, for the fourth quarter of 2010, compared to \$0.1 million, or \$0.02 per share, for the third quarter of 2010, and \$0.8 million, or \$0.17 per diluted share, in the fourth quarter of 2009. A complete reconciliation between adjusted EBITDA and operating income/(loss) on a GAAP basis is provided in the financial tables at the end of this press release.

Cash totaled \$4.8 million at December 31, 2010, compared to \$7.8 million at December 31, 2009. The Company generated positive cash flow from operations of \$0.4 million for the year ended December 31, 2010. The decrease in total cash from December 31, 2009 was primarily due to the Company acquiring Fonestarz Media

Group, Ltd. for net cash of \$2.1 million on December 17, 2010, and paying a declared dividend of \$0.9 million on March 26, 2010. The Company's board of directors voted to not declare a cash dividend for 2011.

### **Booking of New Managed Service**

The Company booked a new, multi-media ringback tone managed service at an existing North American customer during the fourth quarter of 2010 and expects the service to launch in early Q2 2011.

### **Entry into Worldwide System Distribution and License Agreement with a Major Worldwide Telecom Equipment and Services Provider**

As separately announced, the Company renewed under a global System Distribution and License Agreement its relationship with a major worldwide telecom equipment and services provider during the first quarter of 2011 that allows this partner to license and distribute worldwide the Company's new, multi-media ringback tone platform, MyCaller® 4.0.

### **Business Perspective**

Matthew Stecker, CEO of Livewire Mobile, said, "We are pleased with our results for the fourth quarter of 2010 and of our execution during the entire fiscal year of 2010; delivering upon the strategic imperatives we outlined at the beginning of the year. 2010 saw us deliver a full fiscal year of positive cash flow from operations and adjusted EBITDA profitability."

"On the product and services front, we launched new products and services, including MyCaller 4.0, our new highly scalable, multi-media, SIP-based ringback platform; our new DRM-Free Mobile Music Service, allowing the search, discovery and purchase of millions of portable full music tracks and videos; and Mediadrome, our new direct-to-consumer, label-friendly, integrated artist community service that leverages our rock-solid back-end content data engine."

Mr. Stecker continued, "In December 2010, we completed our acquisition of Fonestarz Media Group, Ltd. Fonestarz services are currently deployed with premier operators including Vodafone, Hutchison 3 and O2 in countries including the U.K., Ireland, Denmark, Sweden, Austria, New Zealand, South Africa and Egypt. We now have content aggregation agreements with handset manufacturers including Nokia, Sony Ericsson, Samsung and LG, and content licenses with more than 140 media companies, including Disney, Playboy, Turner, American Greetings and Manchester United. Together, we are a Mobile Internet powerhouse with a broad content-offering that includes application distribution, multi-media ringback tones, full-track music, video, advertising, ringtones, images and games. Furthermore, the acquisition expands our market reach to more than 400 million subscribers at over 40 mobile operators in nearly 30 countries, providing one of the most comprehensive one-stop digital content solutions."

Mr. Stecker concluded, "We believe we are very well positioned going into 2011 and are energized to gain market share worldwide with our complete Mobile Internet suite capable of delivering every facet of digital content to customers of mobile operators, handset and tablet manufacturers, and media companies."

### **Use of Non-GAAP Financial Measures**

In addition to reporting its financial results in accordance with generally accepted accounting principles, or GAAP, the Company has also provided in this release adjusted EBITDA from continuing operations which is a non-GAAP financial measure adjusted to exclude certain non-cash and other specified expenses. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method of evaluating its results of operations. Management uses these non-GAAP financial measures when evaluating the Company's financial results, as well as for internal planning and forecasting purposes. Specifically, the Company has excluded stock-based compensation, depreciation, amortization of intangible assets, acquisition transaction costs, restructuring charges, reversal of impairment charges of goodwill, interest income and expense, other income/expense, and taxes from its non-GAAP financial measures. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company may consider whether other significant non-recurring items that arise in the future should also be excluded in calculating the non-GAAP financial measures it uses. Reconciliations between the non-GAAP financial measures on a GAAP basis and a non-GAAP basis are provided herein, as applicable.

### **Net Operating Losses (NOLs) Protective Provisions**

During the third quarter of 2010, the Company received shareholder approval to amend its articles of

incorporation in order to protect its NOLs (the "NOL Protective Measures") and those measures are now in effect. Under the NOL Protective Measures any person, company or investment firm that wishes to become a "5% shareholder" of Livewire Mobile, Inc. must first obtain a waiver from the Company's board of directors. In addition, any person, company or investment firm that is already a "5% shareholder" of Livewire Mobile, Inc. cannot make any additional purchases of Livewire Mobile, Inc. stock without a waiver from the Company's board of directors.

Livewire Mobile, Inc. strongly urges that any stockholder contemplating owning more than 185,000 shares contact the Company before doing so.

#### **About Livewire Mobile, Inc.**

Livewire Mobile (otcmarkets: LVWR) is a Mobile Internet powerhouse with one of the most comprehensive one-stop digital content solutions for carriers, handset and tablet manufacturers, and media companies entering the mobile content market. The Company's integrated suite of personalization services includes ringback tones, ringtones, DRM-free mobile full-track music and videos, fully integrated storefronts, extensive content, and other applications, as well as dedicated content marketing, mobile advertising solutions, and integrated storefront management and merchandising. For more information, please visit [www.livewiremobile.com](http://www.livewiremobile.com).

Livewire Mobile is a registered service mark and MyCaller is a registered trademark of Livewire Mobile, Inc. All other trade names are the property of their respective owners.

Statements other than historical facts included or referred to in this Press Release are "forward-looking statements", including forward-looking statements about our expectation that a new, multi-media ringback tone managed service at an existing North America customer will be launched in early Q2 2011, our belief that we are very well positioned going into 2011 and are energized to gain market share worldwide with our complete mobile content suite capable of delivering every facet of mobile content to customers of carriers, handset and tablet manufacturers, and media companies, and our expected restructuring charge and cost savings from the amendment to our headquarters facility lease and expected cost savings from our new Master Services Agreement for hosting services. These statements are based on management's expectations as of the date of this document and are subject to uncertainties and changes in circumstances. Actual results may differ materially from these expectations due to risks and uncertainties including, but not limited to, our expectation that a new, multi-media ringback tone managed service at an existing North America customer will be launched in early Q2 2011, our belief that we are very well positioned going into 2011 and are energized to gain market share worldwide with our complete mobile content suite capable of delivering every facet of mobile content to customers of carriers, handset and tablet manufacturers, and media companies, our expected restructuring charge and cost savings from the amendment to our headquarters facility lease and expected cost savings from our new Master Services Agreement for hosting services, and other risks. In addition, while management may elect to update forward-looking statements at some point in the future, management specifically disclaims any obligation to do so, even if its estimates change. Any reference to our website in this press release is not intended to incorporate the contents thereof into this press release or any other public announcement.

#### **NOTES:**

##### **1) BASIS OF PRESENTATION**

The condensed consolidated balance sheet as of December 31, 2010, the condensed consolidated statements of operations for the three months and years ended December 31, 2010 and 2009, and the condensed consolidated statements of cash flows for the years ended December 31, 2010 and 2009 include the unaudited accounts of Livewire Mobile, Inc. and its wholly owned subsidiaries (collectively, the "Company"). The financial information included herein is unaudited. The condensed consolidated balance sheet at December 31, 2009 has been derived from, but does not include all the disclosures contained in the audited consolidated financial statements for the year ended December 31, 2009. The Company's condensed consolidated statements of operations and cash flows for the three months ended December 31, 2010 and the condensed consolidated balance sheet as of December 31, 2010 also include the results of operations of Fonestarz Media Group, Ltd. for the period subsequent to the acquisition on December 17, 2010 through December 31, 2010, and the net liabilities acquired.

In the opinion of management, all adjustments which are necessary to present fairly the financial position, results of operations and cash flows for all interim periods presented have been made. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, management evaluates various estimates including those related to the allowance for doubtful accounts and sales returns, write-down of excess and obsolete inventories to the lower of cost or market value,

income taxes, restructuring and other related charges, and accounting for acquisitions and dispositions. Management establishes these estimates based on historical experience and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The operating results for the three months and years ended December 31, 2010 and 2009 are not necessarily indicative of the operating results to be expected for any future period.

The Company encourages you to read these financial statements in conjunction with its other public disclosures.

## **2) ACQUISITION**

On December 17, 2010, the Company's wholly-owned subsidiary, LWM Holdings, Inc. entered into a Share Purchase Agreement ("SPA") with Fonestarz Media Group, Ltd. ("Fonestarz"), whose operations are based in the United Kingdom, for a purchase price of \$953,000, excluding transactions costs of \$319,000. Additionally, the Company repaid approximately \$1.3 million of Fonestarz liabilities at closing. Transaction costs have been recorded as operating expenses within the statement of operations during the three months ended December 31, 2010 in accordance with generally accepted accounting principles.

Fonestarz is a retailer of mobile entertainment content for mobile network operators. It manages digital content services, from its proprietary merchandising and delivery platform for 11 mobile operators in eight countries around the world. Fonestarz services are currently deployed with premier operators including Vodafone, Hutchison 3 and O2 in countries including the United Kingdom, Ireland, Denmark, Sweden, Austria, New Zealand, South Africa and Egypt.

In accordance with generally accepted accounting principles, the fair value of Fonestarz is allocated to Fonestarz's identifiable tangible and intangible assets and liabilities assumed based on their fair values as of the date of the completion of the transaction. The following table presents the allocation of the purchase price and the lives of the acquired intangible assets. The acquired intangible assets are amortized over their estimated useful lives using the straight-line method. Based upon a third-party valuation of intangible assets as of that date, the Company has allocated the \$953,000 purchase price to assets and liabilities as follows:

The acquisition of Fonestarz was accounted for as a purchase business combination. Accordingly, the results of operations of Fonestarz were included with those of the Company for the period subsequent to the date of the acquisition. The unaudited financial information in the table below summarizes the results of operations of Fonestarz for the period subsequent to acquisition through December 31, 2010.

## **3) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS**

The Company recorded goodwill and intangible assets as a result of the acquisitions of Groove Mobile, Inc. in March 2008 and Openera Technologies, Inc. in February 2006. On December 31, 2008, the Company recorded an impairment charge for intangible assets and goodwill, which reduced the carrying values of the goodwill and intangible assets to zero. During the three months ended June 30, 2009, the Company received \$111,000 in cash previously held in escrow from the Groove Mobile acquisition to settle certain outstanding claims by the Company. The \$111,000 was recorded as a reduction to operating expenses in the three months ended June 30, 2009.

## **4) RESTRUCTURING AND OTHER RELATED CHARGES AND ACCRUALS**

In the fourth quarter of 2008, the Company committed to several cost reduction plans focused on streamlining its operations and eliminating certain fixed costs. The Company eliminated 27 employee positions, primarily in its Livewire Mobile business, to better position it to improve operating margins in response to adverse market conditions experienced by the Company in 2008. In association with the sale of its NMS Communications Platforms business to Dialogic Corporation and in an effort to improve operating margins by eliminating business roles and functions which were not necessary for the go-forward business, the Company eliminated 20 employee positions. During the three months ended March 31, 2009, the Company recorded \$0.5 million of additional restructuring charges related to previously eliminated positions, as some of these employees continued to provide service during the first quarter of 2009.

In the second quarter of 2009, the Company announced a restructuring plan which consisted primarily of costs associated with a workforce reduction principally at its operations in India, with additional reductions in headcount in Littleton, Massachusetts, Canada and the U.K., and other associated costs. Net restructuring expense in the second quarter of 2009 included approximately \$0.9 million of restructuring charges related to the restructuring plan announced in May 2009, partially offset by approximately \$0.5 million related to changes in estimates associated with previously exited facilities.

## 5) INCOME TAXES

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions.

On January 1, 2007, the Company adopted accounting guidance relating to uncertainty in income taxes recognized in an enterprise's financial statements. The guidance prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken in or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. The Company has established a valuation allowance against net deferred tax assets in certain jurisdictions including the United States because the Company believes that it is more likely than not that the tax assets in those jurisdictions will not be realized prior to their expiration. During the three months ended June 30, 2009, the Company established a full valuation allowance of approximately \$135,000 against net deferred tax assets relating to its Indian subsidiary. During the second quarter of 2009, and as part of the restructuring plan described above, operations in India were terminated.

## 6) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes the following for the stated periods:

Three Months Ended Year Ended

December 31, December 31,

2010 2009 2010 2009

(In thousands)

Net income (loss) \$(241) \$1,532 \$(1,511) \$(2,780)

Foreign currency translation adjustment 41 (29) 46 (477)

Comprehensive income (loss) \$(200) \$1,503 \$(1,465) \$(3,257)

The Company maintains intercompany receivable and payable balances existing between the Company's worldwide subsidiaries. During the quarter ended June 30, 2009, the Company determined that it is unlikely that settlement of these intercompany balances will occur in the foreseeable future. Accordingly, these gains or losses for periods beginning on or after April 1, 2009 were excluded from the determination of net income and have been reported as a component of accumulated other comprehensive income.

## 7) DISCONTINUED OPERATIONS

On December 5, 2008, the Company sold its NMS Communications Platforms business and certain assets and liabilities of the NMS Communications Platforms business to Dialogic Corporation. Accordingly, the operating results, including certain compliance and other administrative costs related to several foreign subsidiaries of the NMS Communication Platforms business, have been reclassified as discontinued operations in the unaudited condensed consolidated statements of operations.

## 8) REVERSE STOCK SPLIT

On December 18, 2009, a one-for-ten reverse split of the Company's common stock became effective. The reverse stock split automatically combined every ten shares of Livewire Mobile common stock into one share of common stock. The impact of the stock split has been reflected in all periods presented in the financial statements.

## 9) DIVIDEND

On February 10, 2010, the Company's Board of Directors declared a dividend of \$0.20 per share of common stock for 2010. The dividend paid on March 26, 2010 to shareholders of record as of the close of business on March 12, 2010 totaled \$920,000 and is reflected in the statement of cash flows for the year ended December 31, 2010.

On March 1, 2011, the Company's board of directors voted to not approve the declaration of a cash dividend for 2011.

## 10) SUBSEQUENT EVENTS

On January 26, 2011, to reduce costs associated with excess office space, the Company amended the lease for its corporate headquarters in Littleton, MA to reduce its office space by approximately 37%, effective the earlier of April 1, 2011 or when the Company vacates the space. The Company vacated this excess space in February

2011. The Company expects to record both a restructuring charge of approximately \$100,000-\$125,000 and a rent expense reduction of approximately \$160,000 related to the elimination of a deferred rent liability associated with this exited space in the quarter ending March 31, 2011. The Company expects total cost savings of approximately \$400,000-\$500,000 over the remaining lease term through July 2013.

On January 21, 2011, to reduce long-term hosting costs and also provide for next generation content delivery capabilities associated with its managed service operations, the Company entered into a Master Services Agreement with a new third-party hosting partner to move and consolidate its existing hosting services. The consolidations will begin in the first quarter of 2011, and are expected to be completed during 2011. The Company expects annualized cost savings beginning in 2012 of approximately \$150,000-\$300,000 over the remaining term of the three year agreement.

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