

FY2021 Growth in Insurance Brokerage Services

Highlights¹

- Revenue from insurance offerings for 99 Loyalty Technology in FY2021 is expected to be RMB 154.2 million (+72%)
- Continues a strong four-year growth trajectory in play since 2018
- 99 Loyalty Technology expects Insurance Brokerage Services to drive group revenue growth in the short to medium term
- Total group revenue of RMB 208.13 million (AUD 42.95 million) in FY2021, decrease of 10% compared to FY2020
- Gross profit of RMB 207.05 million (AUD 42.72 million) in FY2021, decrease of 10% compared to FY2020
- EBITDA of RMB -48.17 million (AUD -9.94 million) in FY2021
- Net loss of RMB 74.23 million (AUD 15.32 million) in FY2021

99 Loyalty Limited (ASX: 99L) (**99 Loyalty Technology** or the **Company**) is pleased to announce its results for the 12 months ended 31 December 2021.

99 Loyalty Technology Chief Executive Officer, Scott Shen, commented:

"During the year, 99 Loyalty Technology obtained an Aggregated Payment Qualification, was awarded 'the best financial digital innovation service provider', and also '2021 responsible Internet Company'. These awards help to demonstrate how 99 Loyalty technology is recognised by our business partners and the market. With over 10 years' experience in this industry, we continue to look to enhance our core competences and grow alongside our business partners."

2021 presented a number of external challenges including the impacts of COVID-19, a general economic slowdown, and the Chinese Government issuing a series of policies related to data security and financial risk control. These policies heavily impacted the development of the online commerce and financial service industries. Despite these challenges 99 Loyalty Technology pushed forward and focused on improving data management and data analysis to optimise our services and virtual goods, whilst continuing to grow our online insurance business with great success."

¹ RMB translated into AUD using the average rate of AUD/RMB 4.8464 for FY2020 and FY2021 to eliminate the exchange rate impact, except otherwise stated. The information for FY2021 is in the process of being audited

99 Loyalty Technology Chairman, Ross Benson, commented:

“We are encouraged to see that in a weaker macroeconomic environment, our revenues in 2021 reached 90% of the previous year and our insurance strategy is delivering strong revenue growth outcomes so quickly. The Company is well positioned to capitalise on the market opportunities emerging from China’s fast evolving consumer market and digitalisation of products and services.”

Results Discussion

99 Loyalty Limited provides leading loyalty technology solutions to enterprise clients in the financial services industry. In FY2021, the Company’s insurance brokerage services experienced a strong growth thanks to the low insurance penetration rate in China and the increased consumer awareness of the need for risk protection and insurance products. However, the Company’s total revenues and gross profits decreased by 10%, as the lockdown responses to Covid-19 and its variants have impacted different cities in China, causing a low consumer demand; plus China’s industry restructuring has impacted macro-economic development and the financial risk control measures led the Company’s enterprise clients to being cautious across loyalty and marketing activities. All these factors lowered the Company’s revenue in FY2021. As a result, the Company generated revenues of RMB 208.13 million and gross profits of RMB 207.05 million in the year.

The Company reported EBITDA of RMB -48.17 million and net loss of RMB 74.23 million in FY2021. The loss can be attributed to the following aspects:

- The Company’s business was negatively affected by poor market conditions and national regulatory control over enterprise clients - financial institutions. This affected the Company’s business and reduced revenues.
- The Company extended and diversified enterprise clients and expanded its sales channels for the rapidly growing insurance brokerage services, resulting in a significant increase in sales and distribution expenses.
- An accounting treatment to record a provision of an impairment loss of RMB 36.38 million on trade receivables due to the restructuring of payment terms, and an accounting treatment to record a provision of an impairment loss of RMB 16.23 million on intangible assets and goodwill due to the reductions in the Company’s revenues and the fluctuation of China’s economy.

Summary Financials²

RMB, 31 December year end	FY2021	FY2020
Revenue	208,131,952	231,734,330
Gross profit	207,047,798	231,047,450
<i>Gross margin (%)</i>	<i>99.48%</i>	<i>99.70%</i>
EBITDA	-48,173,245	73,945,334
PBT	-73,644,465	46,508,587
NPAT	-74,231,582	31,559,540

² The information for FY2021 is in the process of being audited

Outlook for FY2022:

China's 14th five year plan and the Central Economic Work Conference (held in December 2021) set an upbeat tone for the China's economic development in FY2022 with sustainable economic growth being targeted alongside economic stability. To achieve these goals the Chinese government and related parties intend to encourage the development of markets and enterprises with a full range of policy tools including fiscal and financial levers.

Conditions for the continued strong growth of the online insurance sector remain highly favourable. China's insurance penetration is currently at 4.30%, well below the global average of 5.40%. Advanced economies such as the UK and US have 9.9% and 7.3% insurance penetration rates respectively. Within the broader insurance market we estimate that in 2020 only 6.6% of the total premium's collected in China were through online platforms and sale channels. We expect this to increase substantially in the years ahead given the already extensive use of smart phones and consumer expectations for online financial services interaction. New financial regulations favour established and leading industry providers. Since 2021, the China Banking and Insurance Regulatory Commission (CBIRC) successively issued new regulations to protect consumers and bring about more orderly growth and development for the sector. We expect a concentration and rationalisation of the industry structure leading to 99 Loyalty Technology, as a licensed insurance brokerage service provider, positioned to benefit from the new regulatory environment.

99 Loyalty Technology expects Insurance Brokerage Services to drive group revenue growth in future years. This is due to the significant growth outlook for insurance products, the capital efficiency required for 99 Loyalty Technology to access this growth, and previously outlined challenges facing the Loyalty and Marketing Services business on account of recently introduced financial regulations, Covid-19 impacts, and general economic conditions. We look forward to strong growth from Insurance Brokerage Services being augmented with a recovery in Loyalty and Marketing Services as conditions normalise.

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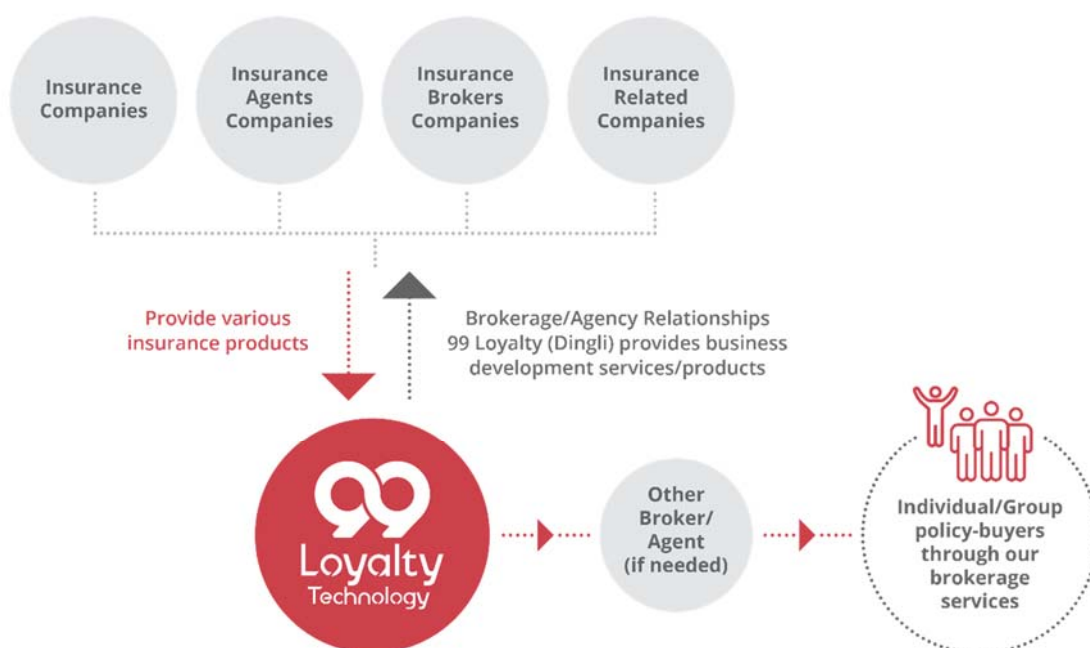
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About 99 Loyalty

99 Loyalty Technology delivers a platform and insights that enables China's leading banks and insurance companies to enhance customer loyalty and win new business.

99 Loyalty Technology is a business to business (B2B) enterprise technology solution with greater than 200 enterprise clients. It delivers the "technology behind the scenes", integrating seamlessly into the client's own ecosystem. This allows users to interact in the client's ecosystem as per normal, with an enhanced experience. The enterprise client benefits from access to a full suite of technology services – which ranges from security to full analysis, virtual goods and payments.



99 Loyalty Technology's Redemption Management Technology helps clients acquire and retain customers through loyalty programs. 99 Loyalty Technology provides the technology platform to manage rewards points, manage points redemptions, and the sourcing and delivery of rewards within the client's own digital assets. This service is predominantly used by Chinese banks.

99 Loyalty Technology's Interactive Marketing Technology helps clients acquire and retain customers through interactive marketing campaigns. 99 Loyalty Technology provides the technology platform that includes drawing customers into the client's app, gamification of app activities, and the sourcing and delivery of rewards for that activity. This service is predominantly used by Chinese insurance companies. Importantly 99 Loyalty Technology is also licensed to use its technology platform for brokering insurance policies in China.