

\$1.5m INVESTMENT IN MEAL KIT PARTNER

PROGRESSING PARTNERSHIP WITH PEPPER LEAF

Key Highlights and Summary



\$1.5m investment to acquire controlling stake in meal kit partner Pepper Leaf

54% shareholding acquired in long term partner Pepper Leaf, a Melbourne based meal kit delivery service which complements Rewardle's acquisition of YourGrocer.



Majority of investment retained as working capital via commercial loan arrangement

Pepper Leaf has agreed to loan \$1.5m to Rewardle which has in turn agreed to loan \$220,000 to the two founders of Pepper Leaf on the same commercial terms.



Consolidates grocery volume and expands grocery service offering

Combining Pepper Leaf with YourGrocer adds volume and unlocks operating efficiencies while accelerating growth by offering consumers a broader, more comprehensive and compelling grocery delivery service.

Rewardle Holdings Limited (ASX:RXH) ("**Rewardle**"; or the "**Company**") provides the following update with respect to its long term, strategic partnership with Pepper Leaf; a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.

As per the terms announced on 18th June 2019, Rewardle has subscribed for 12,000,000 shares at a price of \$0.125, investing a total of \$1.5m in cash to secure a 54% shareholding in Pepper Leaf.

In keeping with the Company's strategy to operate and grow without the need for additional funding, the Company has made the investment with cash and concurrently entered into loan arrangements with Pepper Leaf and its founders to maintain working capital.

Under the loan arrangements, Pepper Leaf has agreed to loan \$1.5m to Rewardle which has in turn agreed to provide a loan of \$110,000 to each of the two Pepper Leaf founders on the same commercial terms.

Vertically integrating grocery services into its operations is part of the Company's strategy to commercialise the local membership, points, rewards and payments application of its proprietary Business to Business to Consumer (B2B2C) software platform.

As per the Rewardle's strategy to leverage its operations and resources to drive growth, Pepper Leaf's meal kit service will be combined with Your Grocer grocery marketplace and delivery operations to take advantage of efficiencies while also creating a more comprehensive grocery delivery proposition that will be integrated with the Rewardle Platform and promoted to members.

Rewardle's Founder and Executive Chairman, Ruwan Weerasooriya, said;

"We're delighted to be progressing the partnership we established with Pepper Leaf in 2019."

"Over the past 4 years we've developed a strong relationship and understanding of Pepper Leaf's business by providing operational support on a fee for service basis."

"Having successfully acquired and relaunched YourGrocer we can leverage its operations to develop a broader grocery service by consolidating our partnership with Pepper Leaf."

"Groceries and rewards go hand in hand and vertically integrating the combination of Pepper Leaf and Your Grocer will support our commercialisation of the local membership, points, rewards and payments application of our proprietary software."

"We believe the combined grocery operation will create an innovative grocery solution that will make meal planning and grocery shopping simpler and more convenient for customers."

Rewardle x Pepper Leaf partnership overview:

As demonstrated by the large supermarket chains, groceries, points and rewards have strong consumer appeal.

Vertically integrating grocery services into its operations is part of the Company's strategy to commercialise the local membership, points, rewards and payments application of its proprietary Business to Business to Consumer (B2B2C) software platform.

Under the strategic partnership established with Pepper Leaf in June 2019, Rewardle was issued Options to subscribe for Pepper Leaf shares @ \$0.125/share, resulting in a 54% shareholding in Pepper Leaf.

Key terms of the investment and loan arrangements are as follows:

- Rewardle has subscribed for 12,000,000 shares at a price of \$0.125/share, investing a total of \$1,500,000 and establishing a 54% shareholding in Pepper Leaf.
- Rewardle has entered into Pepper Leaf's Shareholder Agreement
- Pepper Leaf shareholders have agreed to amend the Pepper Leaf Shareholder Agreement to grant Rewardle two of four board seats, including the right to nominate the Chairperson who will have a casting vote in the event of a deadlock.
- Rewardle's Directors, Mr Ruwan Weerasooriya and Mr David Niall have been appointed as Directors of Pepper Leaf, joining the founders, Mr Simon Kahil and Mr John Cincotta.
- Pepper Leaf has agreed to loan \$1.5m to Rewardle on the following terms:
 - o May be drawn down and repaid as required during the 13 month term
 - o 10% interest to be calculated daily and accrued
 - o To be repaid no later than 30 November 2024
 - o Unsecured
- Rewardle has agreed to loan \$110,000 to each of the two Pepper Leaf founders on the following terms:
 - o May be drawn down and repaid as required during the 13 month term
 - o 10% interest to be calculated daily and accrued
 - o To be repaid no later than 30 November 2024
 - o Unsecured

For the past 4 years Rewardle has provided Pepper Leaf with a variety of operational resources on a fee for service basis including strategy and technical infrastructure consulting, business development, software development, customer support and creative design services.

In addition to the fee for service arrangement, the Company has undertaken work to integrate Pepper Leaf's meal kit service into its local rewards eco-system which has included beta-testing of new capabilities that extend the Rewardle Platform to support transactional based rewards.

The Platform extension being developed by the Company with Pepper Leaf will underpin a variety of new membership features and support the Company developing high-margin digital-revenue opportunities with other partners and brand partners.

As the parties had originally identified in forming their partnership in 2019, Rewardle's proprietary technology, data, operations and corporate infrastructure can be leveraged to support scaling Pepper Leaf's existing operations and extending the business into other opportunities across the fast-changing grocery and food services industry.

The initial opportunities identified have subsequently been enhanced by the Company's acquisition and relaunch of Your Grocer which has expanded its operational infrastructure and capabilities with respect to grocery delivery. The Company will continue to provide Pepper Leaf with operational support services on the existing fee for service basis.

As per the Rewardle's strategy to leverage its operations and resources to drive growth, Pepper Leaf's meal kit service will be combined with Your Grocer grocery marketplace and delivery operations to take advantage of efficiencies while creating a more comprehensive grocery delivery proposition that will be integrated with the Rewardle Platform and promoted to members.

Meal Kit Sector Overview

Meal kits provide consumers with a convenient solution to assist them in preparing tasty, healthy home cooked meals while reducing food waste.

The fast-growing meal kit sector has emerged in recent years in response to macro trends that are disrupting the traditional food and grocery retail business model:

- Grocery spending shifting to online and home delivery services
- Increasing demand for convenient, healthy meal solutions
- Growing consumer awareness of issues related to food waste and sustainability

The COVID-19 pandemic accelerated these trends by driving households to try online grocery shopping.

In Australia the meal kit sector is dominated by large foreign operated brands Marley Spoon (ASX:MMM) and Frankfurt listed HelloFresh (FRA:HFG) that have been heavily funded by venture capital to invest in an aggressive customer acquisition strategy.

While the meal kit business model has demonstrated operational efficiency and attractive margins. These margins have been eroded by the high cost of customer acquisition and customer churn.

The partnership between Pepper Leaf and Rewardle addresses the customer acquisition challenge of meal kit businesses by providing Pepper Leaf access to promote its meal kit service to Rewardle's large membership base.

Pepper Leaf Overview

Pepper Leaf is a profitable, Australian meal delivery kit service, founded in 2015 by Melbournian foodies Simon Kahil (CEO) and John Cincotta (COO).

The business currently services customers in Metropolitan and regional centres of Victoria, New South Wales, Queensland, Australian Capital Territory and South Australia with the capability to extend to other capital cities and regional centres.

Pepper Leaf has built a reputation as a high quality, locally owned and operated meal kit service provider. By applying a disciplined approach to customer acquisition, Pepper Leaf can invest in delivering the highest quality product and attentive customer service to their subscribers.

While Pepper Leaf has been rated as superior to its larger rivals and operates profitably, its ability to grow has been constrained due to the aggressive marketing approach of the larger, well capitalised, foreign owned brands.

Cost effective customer acquisition strategies are critical to the long-term sustainability of meal kit companies and Pepper Leaf has demonstrated a pragmatic, disciplined approach to operating and growing its business.

Having avoided engaging in the meal kit marketing arms race, Pepper Leaf has slowly but surely built a loyal, engaged customer base and established a profitable operating business.

Pepper Leaf is well positioned for scaling and the business will enjoy a substantial operating advantage by using the Rewardle Platform to acquire customers without incurring marketing costs.

The partnership with Rewardle positions Pepper Leaf to grow aggressively from its own cash flow by leveraging Rewardle's owned media assets to reach millions of Australian consumers.

Furthermore, the operations of YourGrocer, which Rewardle acquired in May 2023, align with growth and the development of its strategic partnership with Pepper Leaf.

This ASX announcement has been approved for release by Executive Chairman, Ruwan Weerasooriya.

About Rewardle Holdings Limited

Rewardle is positioned to be a leading player as the worlds of social media, marketing, mobile and payments converge to transform how we connect, share and transact.

Rewardle is a software business undertaking the development, operation and commercialisation of its proprietary Business to Business to Consumer (B2B2C) software platform (Rewardle Platform).

The Rewardle Platform connects millions of members with thousands of local businesses across Australia. It is a marketing and payments platform that combines membership, points, rewards, payments and social media into a single cloud based platform powered by Big Data analysis.

As part of its long-term strategy, the Company is seeking to leveraging its operational capabilities, expertise and IP to develop new markets and opportunities.

In addition to operating the Rewardle Platform, the Company is building a portfolio of transactional, licensing and equity positions in partner businesses by leveraging the Company's operational team, platform and network of merchants and members.

The Company is led by an experienced entrepreneurial team with a successful background in Internet and media businesses.

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