



ASX ANNOUNCEMENT

23 January 2017

Norwood Signs Distribution Agreement with Affinion International, Leading Global Provider of Loyalty and Engagement Solutions

Agreement to Lead to up to a Potential \$3Million Dollar Annual Revenue Stream

Highlights:

- Norwood and loyalty and engagement solutions supplier Affinion International sign Global Partnership Agreement
- Affinion will include Norwood's **World Apps** in their Loyalty Proposition Portfolio targeting international brands including major card processors and issuers, and firms in the financial services, retail, travel, and Internet commerce sectors
- Next steps comprise an aggressive "go to market" program targeting Affinion's top global clients for an exclusive introductory period
- Exposes Norwood's **World App** portfolio to millions of new high-value monetisable customers
- The parties have forecast up to a \$3million dollar annual revenue stream, based upon agreed commercial terms and modelled deployment and uptake of services within Affinion's client base

"Sharing Economy" telecommunications pioneer Norwood Systems Ltd ("Norwood" or "the Company") (ASX: NOR) and Affinion International Ltd ("Affinion") are delighted to announce that they have formed an initial three-year partnership and agreed a set of commercial terms for wholesale and/or white label distribution of Norwood's award-winning consumer **World Apps, World Phone** and **World Wi-Fi**.

The terms of the distribution agreement will enable Affinion to develop downstream offers for their loyalty program clients, initially utilising white label custom versions of **World Phone** that include bundles of pre-paid calling minutes to 94 landline and 60 mobile network destinations around the world. Customised versions of **World Wi-Fi** will be incorporated into Affinion's portfolio shortly after its public release.

The new partnership will see Norwood's **World Apps** integrated alongside other valuable loyalty program benefits to create compelling packaged loyalty and reward offerings for Affinion's clients that incorporate innovative digital services enabled by **World Phone** and **World Wi-Fi**. Affinion's clients include leading credit card processors and issuers, frequent flyer and retail loyalty programs and other customer engagement programs.

The inclusion of App-based services such as **World Phone** in loyalty programs fits with the trend for credit card and other rewards schemes to focus on the digital benefits increasingly demanded by today's tech-savvy consumer. As credit card "interchange fees" are being squeezed by regulators, card issuers are increasingly looking to membership-based loyalty programs to supplement their income from card users. Accordingly, demand from card issuers is increasing for innovative and differentiated benefits offerings.

As a global leader with over 40 years' experience, Affinion enhances the value of its partners' customer relationships by developing and marketing loyalty solutions. Headquartered in Stamford, Connecticut, USA, Affinion has over 3,700 employees and marketing capabilities in 20 countries. Leveraging its expertise in customer engagement, product development and targeted marketing, Affinion provides programs to help generate increased customer loyalty and significant incremental revenue for more than 5,600 marketing partners worldwide, including many of the largest and most respected companies in financial services, retail, travel, and Internet commerce.

Under the agreed terms, Norwood will initially offer **World Phone** together with specified amounts of included minutes in several tiered wholesale bundles, direct to Affinion to on-sell to their clients.

Norwood will be paid a high-margin Software as a Service (SaaS) monthly fee for every end customer offered the **World Phone** benefits bundle as part of their loyalty program, in addition to upside revenue potential arising from usage of the World Phone service beyond the initial bundled minutes.

The distribution agreement further anticipates paid systems development (to be finalised) for Norwood to integrate Affinion's Loyalty and Engagement platform with Norwood's services platforms, and the paid creation of white label versions of **World Phone**, in line with the branding and functional requirements of Affinion's clients.

As a precursor to this distribution agreement, Affinion and Norwood jointly presented both the **World Phone** and **World Wi-Fi** loyalty propositions to selected major Affinion clients. Both parties were very encouraged by the clients' initial responses to the Norwood **World Apps** propositions.

Based on the detailed analysis of uptake scenarios, jointly done by both parties prior to the signing of this agreement, the parties have modelled up to a \$3million dollar annual revenue stream arising to Norwood under the agreed commercial terms over multiple years, based on conservative client uptake projections, subject to additional downstream agreements with Affinion's clients.

As an immediate next step, Norwood will be engaging with Affinion's worldwide sales force and UK-based product marketing teams, targeting an initial shortlist of up to 20 key Affinion accounts with the goal of incorporating Norwood's innovative **World Apps** into those clients' loyalty programs. The first engagement meetings are currently scheduled from early February 2017 onwards.

Norwood Systems' CEO and Founder, Paul Ostergaard, commented:

*"This is a breakthrough agreement for the distribution of our **World Apps** to high-value channels and customers around the world. We are looking forward to **World Phone** and **World Wi-Fi** being featured in the rewards programs offered by global top credit card, airline loyalty or store loyalty programs around the world.*

*"Securing Affinion as a partner, a global and highly regarded leader in the Loyalty and Affinity sector, is a material relationship win for Norwood and a testament to the quality of Norwood's **World App** portfolio. This agreement creates a scalable distribution channel for Norwood to monetise the **World Apps** through exposure to millions of credit card users, retail shoppers and airline travellers. The agreed monetisation model drives an attractive margin and revenue opportunity for both Norwood and Affinion.*

"The Loyalty segment is currently one of the most highly regarded segments of the FinTech space due to the emerging worldwide growth trend for loyalty benefits programs, including those managed and curated by Affinion.

*"Given the pressure that card issuers are facing on transaction fees, there is a significant and growing opportunity to help card issuers to replace declining transaction fee revenue with fees from membership-driven loyalty programs. Loyalty programs additionally have a growing and ongoing need to update and differentiate their underlying benefits portfolio by moving to more digitally-oriented benefits and services, such as those enabled by the Norwood **World Apps**.*

*"With its high-quality **World App** portfolio, Norwood is perfectly positioned to take maximum advantage of this trend to digital loyalty program benefits. We are delighted to be working with Affinion and their clients to help them grow digital loyalty program revenue using our specifically adapted loyalty-focused **World App** bundles.*

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About Affinion International

Affinion International Ltd is a global leader in loyalty and engagement solutions. The Company design, administer and fulfil loyalty and engagement programs that strengthen and expand the value of relationships for their leading clients around the globe. They provide end-to-end loyalty solutions that help clients reward, motivate and retain customers, including program design, points management and administration, and broad-based fulfilment and redemption. <http://www.affinion.com/solutions/loyalty-solutions>

Background

Individual travellers, businesses and governments globally are incurring significant international call roaming charges. Informa Telecom estimates that mobile operators today bill more than US\$55 billion annually in roaming charges* (source: *Juniper Research report on the Mobile Roaming Market, 2014*).

Norwood Systems' patented cloud service platforms and Apps integrate the international fixed phone network with short-haul Voice over Internet Protocol (VoIP) technologies to provide high quality, well priced calling abroad or at home.

Customers in over 5000 cities and 200 countries are using Norwood's services today. The Company has built up a significant pipeline of prospects, including global players in the areas of aviation, professional services, banking, telecommunications, engineering and legal services.

About Norwood Systems

Norwood Systems Ltd (ASX: **NOR**) is revolutionising the 'Shared Economy' delivery of high-quality telecommunications services for individual business travellers and organisations globally. The Company listed on the ASX on 16 June 2015.

Norwood Systems was founded in 2011 to develop and supply the best possible global voice, data and messaging solutions using Over-The-Top (OTT) technologies. The Company's breakthrough offerings, **Corona** and **World Phone™**, deliver the world's most advanced international and roaming calling solutions addressing a broad spectrum of customers - from individuals and business travellers, to enterprises and government clients.

Corona is an award-winning, enterprise-class services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location. It also offers a frictionless Corona Cloud option.

World Phone is an award-winning, revolutionary communications App, delivering 'Shared economy' consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries. The App is available for Android and iOS.



World Phone