

Shares:	526.32m	Merchants (as at 31 Mar 2019):	4,941
Market cap (@ \$0.004):	\$2.10m (Approx)	Members (as at 31 Mar 2019):	3,176,213
Cash (as at 31 March 2019):	\$0.12m (Approx)	Check-ins (as at 31 Mar 2019):	67,443,119

Strategic Partnership with Pepper Leaf Meal Kit Delivery Service

Key highlights

- **Rewardle has established a strategic partnership with Pepper Leaf, a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.**
- **Rewardle to assist Pepper Leaf in growing its business through marketing, operational support and corporate strategy services.**
- **Rewardle will be compensated for the provision of services through a combination of options to acquire shares in Pepper Leaf (Options) and hourly rate service fees (Cash).**
- **Pepper Leaf will issue Rewardle 12,000,000 options with an exercise price of \$0.125 and 4 year expiry term. On a fully diluted basis Rewardle will hold approximately 54% of Pepper Leaf's equity.**
- **Pepper Leaf will pay Rewardle cash fees for a variety of business services based on mutually agreed time and materials rates.**

Rewardle is pleased to announce that as part of its strategy to leverage its operations, the Company has established a strategic partnership with Pepper Leaf, a profitable, Australian owned and operated subscription-based meal kit delivery service based in Melbourne.

Rewardle founder and Executive Chairman, Ruwan Weerasooriya said,

"Pepper Leaf's founders have built a great, profitable business that is ideally placed to capitalise on the disruption of Australia's \$100 billion food and grocery sector."

"While subscription meal kit businesses address key macro consumer trends and offers attractive margins, we believe that customer acquisition costs in the category have been driven to unsustainable levels by a combination of venture capital funding, aggressive growth strategies and the biddable nature of digital media pricing."

"Through our partnership, Rewardle will provide Pepper Leaf with a substantial operating advantage to grow without the constraints of unprofitable customer acquisition costs that have compromised the subscription meal kit business model."

"Combining the profitable underlying operations of Pepper Leaf with Rewardle's digital marketing capability to reach millions of potential subscribers is a great recipe for success."

Pepper Leaf co-founder and CEO, Simon Kahil said:

"While many customers will experiment with meal kits, especially when offered deep introductory discounts, the key to the meal kit business model is cost effectively acquiring customers and developing long term subscription relationships."

"The partnership with Rewardle gives us an opportunity to scale our business that is insulated from the highly competitive and unprofitable customer acquisition costs that otherwise compromise the meal kit business model."

"Rather than raising capital and engaging in the meal kit marketing arms race, we are delighted to make Rewardle a substantial equity stakeholder in return for exclusive access to promote our meal kit service to millions of Aussie consumers in innovative and engaging ways across the Rewardle Platform."

Pepper Leaf co-founder and CEO, Simon Kahil said... (cont.)

"As a bootstrapped Aussie start-up it has been difficult to compete for new customers on Facebook and Google against our foreign VC funded rivals."

"Quite simply, too much money is being spent chasing customers and this is distorting the market equilibrium. We believe our competitors are pursuing customer acquisition based on questionable metrics."

"We have elected to sacrifice growth and market share to establish a sustainable, profitable operating basis for our business while constantly looking for unique, exclusive opportunities to support growth."

"The Rewardle partnership allows us to own a unique marketing channel to build our brand and grow our customer base. We will be able to promote our market leading, locally founded, funded and operated meal kit service to millions of Aussie consumers without risk of being ambushed by our foreign rivals."

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

In Australia the 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.

The Australian meal kit sector has grown rapidly in recent years with the Financial Review reporting the market for meal kits was worth approximately \$300 million per annum in late 2018. Due to the disruptive nature of the meal kit business model, the sector has attracted significant investor and trade attention.

Earlier this month, Woolworths (ASX: WOW) announced a \$30m investment in Berlin based Marley Spoon (ASX: MMM). On announcing the partnership and investment in Marley Spoon, Woolworths Group CEO Brad Banducci said;

"This partnership gives Woolworth's exposure to the high-growth ready-to-cook meal kits segment and aligns with our ongoing goal of meeting our customers' needs for healthy and convenient meal solutions."

Separately, the Financial Review reported that Coles (ASX:COL) managing director Steven Cain was "fascinated" by the growth of meal kits and that he plans to take on meal kit companies Marley Spoon and HelloFresh as part of a new convenience strategy.

While meal kits have demonstrated operational efficiency and attractive margins. These high margins have been eroded by the high cost of customer acquisition which is widely acknowledged to the sector's 'Achilles heel'.

The partnership between Pepper Leaf and Rewardle is seeking to remedy the customer acquisition challenge that the parties believe has not been adequately addressed by the dominant players in the sector.

Pepper Leaf overview:

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

The business currently services customers in Metropolitan and regional centres of Victoria, New South Wales, 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 is able to invest in delivering the highest quality product and attentive customer service to their subscribers.

This was evident when Pepper Leaf was awarded 5 stars for its service by The Age Good Food Guide in a recent review of meal delivery kits. Pepper Leaf outscored its significantly larger and better funded foreign based competitors HelloFresh (4 stars), Marley Spoon (4 stars) and Dinnerly by Marley Spoon (3 stars).

For full article visit - <https://www.goodfood.com.au/recipes/news/homedelivered-meal-services-tested-tasted-and-reviewed-20180918-h15kau>

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.

The cost of meal kit customer acquisition has been driven up to unsustainable levels by venture capital funding, aggressive growth strategies and the biddable nature of Facebook and Google advertising.

Rival foreign brands in the meal kit sector are willing to pay over \$100 to acquire a new customer in addition to heavy and ongoing discounting practices.

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 ripe for scaling and the business will enjoy a substantial operating advantage by using the Rewardle Platform to acquire customers without incurring marketing costs.

In contrast to its larger foreign competitors that require constant follow on funding to execute their strategy, 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.

Rewardle x Pepper Leaf partnership overview:

The parties have identified that 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 parties have executed a binding term sheet under which Rewardle will provide a variety of services as outlined below:

- Marketing and advertising services to build brand awareness and acquire new subscribers for Pepper Leaf.
- Software development services to support the operation and enhancement of the Pepper Leaf website.
- Customer service support to enhance Pepper Leaf customer experience.
- Corporate strategy and fundraising assistance.

Under the terms sheet, Rewardle will be compensated for the provision of services through a combination of options to acquire shares in Pepper Leaf (Options) and hourly rate service fees (Cash).

Pepper Leaf will issue Rewardle 12,000,000 options with an exercise price of \$0.125 that expire in 4 years. The options will vest in 3 years or earlier if a trigger event occurs. On a fully diluted basis Rewardle will hold approximately 54% of Pepper Leaf's equity (non-dilution provisions apply).

In addition, Pepper Leaf will pay Rewardle cash fees for a variety of business services (excluding advertising and media services) based on mutually agreed time and materials rates.

Rewardle will provide Pepper Leaf with "always on" promotion and customer acquisition campaigns across its suite of digital signage, in app and broadcast email media assets at no charge.

As previously outlined, Brand Partnership (advertising) revenue is typically based on once off transactions which results in significant, idle, excess advertising inventory.

The partnership gives the Company an opportunity to realise value for unsold advertising inventory by supporting and sharing the growth of Pepper Leaf via the equity component of the partnership.

With the Rewardle partnership in place Pepper Leaf will be uniquely positioned in the Australian subscription meal kit sector as a profitable, Australian owned and operated service with exclusive access to a membership database of over 3.2 million Australian consumers to power customer acquisition.

The Company believes that Pepper Leaf will be a high quality candidate for partnership and investment opportunities with traditional operators in the hyper competitive food and grocery sector once the partnership has been bedded down.

Rewardle's Corporate Partnership Strategy:

The Company has identified that Rewardle's proprietary technology, data, operations and corporate infrastructure can be leveraged to support the objectives of complementary businesses with minor operational disruption or incremental cost.

As such, the Company is developing a pipeline of partnership opportunities based on earning equity in return for the provision of the following services:

- Marketing/advertising
- Software Licensing and/or development
- Telephone and field sales
- 1st tier customer service
- Corporate strategy and fundraising

While transactions that progress in this manner are not expected to deliver significant short term cash flow contributions. The development of these opportunities aligns with the long term strategic objectives of the Company.

In addition to Pepper Leaf, the Company is in discussions with a number of potential partners and will provide updates with respect to progress of transactions as appropriate.

Working capital management:

As previously outlined, the board is regularly reviewing operating budgets and strategy taking into consideration a variety of commercial and corporate scenarios and opportunities.

While the Pepper Leaf partnership is expected to be marginally cash flow positive for the Company due to the fee for service component, in the short term the Company may require additional working capital to support the implementation.

Mr Ruwan Weerasooriya has extended the existing loan facility of up to \$100,000 on favourable terms to the Company by a further \$100,000 to a total of up to \$200,000 to support implanting the Pepper Leaf partnership.

About Rewardle Holdings Limited

Rewardle connects over 3.2 million Members with around 5,000 local businesses across Australia.

The Rewardle Platform 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.

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.

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

For more information please contact:

Ruwan Weerasooriya (Founder and Managing Director)

Email: ruwan@rewardle.com

Mobile: 0412448769