

ASX ANNOUNCEMENT

31 JULY 2020

## COVID-19 BUSINESS REVIEW AND UPDATE

**Rewardle Holdings Limited (ASX:RXH) provides the following update following a Board and Management review of the Company's operations in light of the operating challenges posed by the COVID-19 pandemic.**

### Introduction

The Company is focused on ensuring that it can preserve its team, intellectual property and operating capability until business development conditions improve.

The Board and Management has determined that rebuilding Merchant Services(SaaS) revenue will remain challenging until local businesses return to unrestricted trading. The timing of this return is highly uncertain and out of the Company's control.

While the Company is eligible for State and Federal support, including JobKeeper, which provides some short term support, management expects that the impact of COVID-19 will likely extend beyond these programs and a more robust strategy to survive and thrive is required.

The Board and Management have determined that in the short term, the most prudent path forward is to leverage the Company's infrastructure and expertise to generate fee for service income.

While the amount and timing of services income is uncertain, based on the current activity and opportunity pipeline, the Company is confident that it can broadly achieve cash flow break even operations before the end of the JobKeeper program.

To support the Company's working capital requirements as the revised strategy is implemented, Executive Chairman, Mr Ruwan Weerasooriyas has extended the current unsecured, interest free, working capital loan of up to \$500,000 to \$1m. The loan is repayable at the Company's discretion when it has capacity.

### Impact and response to COVID-19 pandemic

As previously outlined, the measures implemented by authorities to slow the community transmission of COVID-19 have significantly impacted the local businesses that are the primary customers of Rewardle.

The majority of merchants that Rewardle services have had to close or have seen their trade significantly restricted. This resulted in Rewardle's Merchant Services (SaaS) revenue declining rapidly from early April, stabilising for the time being at approximately 50% of previous levels.

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**Impact and response to COVID-19 pandemic...(cont.)**

The Company expects that the majority of local businesses, which represent the underlying basis of the Company's business model, will experience significant financial hardship and many will fail as a result of the COVID-19 pandemic.

The recent return to Stage 3 restrictions in parts of Victoria and concerns over the growing case numbers in New South Wales and Queensland highlight the uncertain operating environment that the Company must navigate moving forward.

The Board and Management has formed the view that rebuilding Merchant Services(SaaS) revenue will remain challenging until local businesses return to unrestricted trading. Although we have seen some positive signs in States that have re-opened, the timing of further revenue growth is highly uncertain and out of the Company's control.

To address the short term challenges while positioning the business for the long term growth, the Company has developed a 3 part approach as follows:

1. Generate services revenue for stability
2. Exploit accelerating macro trends
3. Return to Network growth

**1. Grow Services Revenue for stability**

As part of its previously outlined Commercial Partnership Strategy, the Company is generating revenue by providing the following services to partners based upon Rewardle's proprietary technology, data, operations and corporate infrastructure:

- Marketing/advertising
- Software Licensing and/or development
- Telephone and field sales
- 1st tier customer service
- Business strategy and consulting
- Corporate strategy and capital raising support

The support short term cash flow, the Company is extending the above services offering beyond Commercial Partners.

The Company is confident it can build short term revenue by offering these above services to existing Merchant partners, new Commercial Partners and other organisations that are interested in accessing the Company's expertise.

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## 2. Exploit accelerating macro trends

Rewardle was established based on the understanding that macro technology trends are changing how consumers connect, engage and transact. The Company has successfully established a digital, mobile and transactional relationship with thousands of local businesses and millions of members around Australia.

While the COVID-19 pandemic has created short term operating challenges, it has also accelerated a number of the macro trends that underpin Rewardle's founding thesis, business model and value proposition. In particular, the adoption of eCommerce/omni-channel retail, cashless payments and digital media.

While stabilising the Company's operations through the generation of fee for service revenue, management intends to continue investing in research and development to extend the capabilities of the Rewardle Platform enhancing its value proposition for local businesses and other commercial partners.

Management intends to launch new features and services that align with the accelerated adoption of eCommerce/omni-channel retail, cashless payments and digital media across its substantial Merchant and Member network to drive high margin, incremental revenue.

## 3. Return to network growth

Rewardle's business model is based on acquiring fee paying merchants Merchants, which in turn grows members, and leveraging the combined Merchant and Member network to develop additional commercial opportunities.

While Rewardle has successfully established a substantial national network connecting thousands of local businesses and millions of members, cost effectively growing Merchant Services and advertising revenue has been an ongoing challenge.

During H1 FY20, the Company iterated its Merchant Services offering and developed a new sales process that in combination are expected to deliver superior cash flow and margins to previous approaches. The Company also evaluated the challenges faced in developing consistent brand advertising revenue and revised how it presents its media assets to create a more unique advertising proposition in the highly competitive digital media sector that is dominated by Google and Facebook.

The launches of the revised approaches to Merchant Services and advertising were placed on hold during H2 FY20 as the COVID-19 pandemic took hold while the Company reviewed and monitored its impact.

Following this review, management has determined to focus on servicing inbound enquiries and organic growth and reduce the allocation of outbound sales resources.

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### **3. Return to network growth**

Business development resources will be reallocated to fee for service revenue generation and supporting the development of features that align with scalable opportunities.

Moving forward management will monitor the recovery progress of various states and industry sectors and transition resources back to business development activity when conditions permit.

### **Implementation and working capital management**

Implementation of the approach outlined above is supported by the Company's eligibility to the JobKeeper program which is assisting in preserving roles while fee for service opportunities are secured.

In addition, the extension of Executive Chairman, Mr Ruwan Weerasooriya's working capital loan from \$500k to \$1m will support the Company's working capital needs which will be further bolstered when the Company's FY20 R&D submission is finalised and rebate received.

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

### **About Rewardle Holdings Limited**

Rewardle connects millions of Members with thousands of 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.

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