

ASX Release: 4 May 2016

ASX: WSG

Shareholder update

- **Australian presence established – first sales secured in Australia and targeting 10,000 customers within 3-4 years**
- **New Zealand operations performing well – individual customer numbers growing beyond +3,000 levels**
- **New funding facilities are being sourced to refinance the rental books to improve cash flow and reduce interest costs**
- **Australian based acquisitions currently being assessed**
- **Multiple near-term growth drivers being put in place**

Technology rentals company, WolfStrike Rentals Group Limited (ASX: WSG) is pleased to provide this update to shareholders following the release of the Appendix 4C consolidated statement of cash flows for the period ended 31 March 2016.

Financial update

The Company confirms that the Appendix 4C reflects cash receipts for a period of two weeks only in regard to the three companies acquired (WolfStrike Distributors Ltd, WolfStrike Rental Services Ltd, and WolfStrike Distributors Pty Ltd), and does not include new sales of an additional A\$195,000 which were not booked as receipts from customers under the Appendix 4c. As such, sales and cashflows for the two-week period were approximately \$369,000, which WSG believes better represents the cash flow being generated, mainly from the Company's New Zealand business over a fortnightly period. These additional sales are represented in the increasing size of the rent book.

As at 31 March 2016, WolfStrike had cash at bank of \$1.523 million with the majority of the significant one-off and non-recurring items associated with the re-listing process being paid last quarter and the remainder will be paid in this quarter.

Subject to obtaining ATO and ASIC approvals, WolfStrike also confirms that the Company plans to change its balance date to 31 March.

New Zealand Update

WolfStrike's New Zealand operations are performing well and there is still considerable scope for growth in this market. Whilst seasonable in terms of revenues, the sales model is working well and the company can see ongoing growth from new products and a continuation of the sales of existing product lines.

The contracted future cashflows of the rental book continues to increase and now stands at A\$9.18 million, up from A\$4.14 million as at March 31st 2015. This growth reflects the strong sales performance in New Zealand and the fact that the customer base has grown substantially to well over 3,000 individual customers that collectively have more than 5,000 individual products installed, up from a base of 1,650 customers at the same time as March 2015.

Importantly this shows an average increasing value per customer of over \$3,000 per contract vs a previous year average of \$2,500 per customer contract.



Of particular note is the growth being achieved from WolfStrike's corporate accounts including major customers such as Virgin Pacific, Partsmaster NZ, China Travel NZ and L'occitane in NZ. It is expected the company will look to expand its Australian sales by leveraging off its New Zealand SME and corporate sales base. Corporate customers are driving solid organic growth due to new product installations over multiple sites on an ongoing basis.

New corporate accounts, further customer base acquisitions, and the ongoing focus on the small business sector present WolfStrike with considerable growth opportunities in New Zealand and the Company expects individual customer numbers to increase in the current quarter beyond the current 3,000 levels.

Strong Progress in Australia – a large growth opportunity for WolfStrike

As reported at the time of the prospectus lodgement, WolfStrike's intention was to establish its operations in Australia to significantly scale up growth. The Australian business has been established, an experienced General Manager appointed, **and sales are already being generated**. Our market presence continues to strengthen through ongoing marketing and business development initiatives.

WolfStrike expects to invest heavily in building a presence in Australia and **is targeting a customer base of approximately 10,000 individual customers**, within three to four years.

The Company is using the same proven growth formula to grow in Australia as it implemented in the NZ market to give it over 3,000 customers within two years. The Australian market is five times the size of New Zealand and WolfStrike has every confidence that it will establish a large rental book in Australia generating significant recurring cashflows and revenue streams.

This will be underpinned by key strategic relationships with groups such as Mint Payments and other pending new agreements with payment technology companies, combined with developments underway with the WolfStrike POS providers to increase functionality and expand capability.

WolfStrike is also pleased to confirm that it expects to accelerate its revenue base in Australia through not only organic growth but strategic acquisitions of businesses that deliver rapid expansion of its rental base. The first such opportunity has been identified.

Whilst this may impact cashflows in the initial stages of the growth curve in Australia, the longer-term revenue streams and growth strategy are solid.

Future funding of rental books

As advised previously, WolfStrike also expects to significantly reduce its operating expenses and improve its cash flow by refinancing and restructuring its rental book funding with lower interest rates and better financing structures.

Proposals from funders are currently being received and additional offers sought to reduce interest costs and increase cashflows. In addition to this, consideration is also being given to the issue of convertible notes at lower than the current interest rates, being paid by the company, to improve rental book funding as well as fund acquisitions.

Outlook

WolfStrike is well placed for growth for the current quarter and beyond. Near term objectives include:

- Securing a second product distribution agreement in Australia which will significantly expand the product rental range in Australia and boost sales;
- Build and report on the sales pipeline in the Australian market as new customer sales build;



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- Provide an update on customer growth in New Zealand;
 - Confirm new terms for rental booking funding to lower costs and improve cash flow performance;
 - Announce acquisition of rental book to fast-track growth in Australia.

- ENDS -

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