Subject: Re: Verrency Investor Update - Confidential - March 2020

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| |  | | --- | | **David Link <david.link@verrency.com>** | | Tue, Apr 7, 2020, 2:43 PM |  |  |
| |  | | --- | | to joe.tawfik@bigpond.com  https://mail.google.com/mail/u/0/images/cleardot.gif | | | |

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Joe,

Thanks and I hope you and your family are well.

The last external capital raise was at i$0.12 per share.

Stay healthy.

Kind regards, David

**David Link**Group Chairman & CEO

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| --- | --- |
| **Telephone** | +61 4 2996 2916 +44 20 3289 2916 +1 917 267 8974 |
| **Email** | [david.link@verrency.com](mailto:david.link@verrency.com) |
| **Skype** | david.c.link |
| **Address** | Singapore **|**London**|**San Francisco **|** Sydney **|** Melbourne **|**Sao Paulo |

Executive Assistant - Cherelle Latta  
Email:             [cherelle.latta@verrency.com](mailto:cherelle.latta@verrency.com)  
Telephone:            +61 427 337 576

|  |  |
| --- | --- |
|  |  |

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**From:** [joe.tawfik@bigpond.com](mailto:joe.tawfik@bigpond.com) <[joe.tawfik@bigpond.com](mailto:joe.tawfik@bigpond.com)>  
**Sent:** Tuesday, April 7, 2020 1:43:11 PM  
**To:** David Link <[david.link@verrency.com](mailto:david.link@verrency.com)>  
**Subject:** RE: Verrency Investor Update - Confidential - March 2020

Thanks for the update David. Wishing you and the team the very best during these challenging times.

Can you please provide the price paid per share for the Series A round. Anyone with an Australian Superannuation Fund is required to report the value of their holding in each return.

Thanks

Best Regards,

Joe Tawfik

CEO

Mobile: +61 (0) 411283994

Kinetic Consulting Australia

**From:** David Link <[david.link@verrency.com](mailto:david.link@verrency.com)>  
**Sent:** Monday, 30 March 2020 7:24 PM  
**Cc:** Cameron Abbott ([Cameron.Abbott@klgates.com](mailto:Cameron.Abbott@klgates.com)) <[cameron.abbott@klgates.com](mailto:cameron.abbott@klgates.com)>; Alan Sharfman <[alan.sharfman@verrency.com](mailto:alan.sharfman@verrency.com)>  
**Subject:** Verrency Investor Update - Confidential - March 2020

Firstly, I’d like to send you my sincere best wishes to you and your families in what is an extraordinary and challenging time.  The effect of the COVID-19 pandemic has been widespread and unsparing – in all countries and in all walks of life.   In this context, the health of all of the Verrency family, from staff through to investors and all our wider stakeholders, remains front of mind in these troubling times.

Secondly, we also know that the economic effects of the actions to slow the spread of the pandemic are causing widespread economic disruption, job and investment losses, and the failure of thousands of businesses – and that many of you are touched in some way by these once-in-a-lifetime events.  Our thoughts are with all that are affected in this way.

Despite these particularly challenging conditions, Verrency continues to make commercial progress but is also clearly affected by the pandemic.

**Verrency’s Existing Clients**

In response to the global pandemic and to support slowing of the spread of the Covid-19 virus, Verrency invoked its Business Continuity Plan (BCP) and moved all teams, staff, and offices to remote working over two weeks ago.  As a global technology firm, Verrency already operates ‘remote-ready’ processes (ie, leadership, tech & client meetings via video conference, remote work management, etc..) and we also practice BCP processes/ fully remote working in our tech operations on a regular basis.   Verrency’s clients were fully informed of the transition and the effort has proceeded seamlessly, with no decrease in productivity.

In this context, Verrency’s multiple long-term clients have advanced to launch since our last update, with Verrency now having a clearly established footprint of ‘live’ and ‘near live’ Tier 1 institutions across the globe.

* **FIS** – US global processor and our leading blue-chip client, continues to progress since our last update.  Verrency has now begun the process of formal certification to move its first services – real-time transaction roundups to savings and to charity - into live production, and expects to move to recurring revenue this coming month.   Over the course of the next three quarters, the first Verrency-enabled services are planned to be ‘live’ at over 3500 US-based banks, with the first bank being implemented beginning this coming month.   Further, Verrency is in contracting stages with two additional services – instalment credit (USA) and expansion to Brazil.  The scale and breadth of FIS represents enormous potential for our business. Given the progress on new Statements of Work (SOWs) in the US and expansion to Brazil, we have demonstrated a clear appetite for a major global processor to utilise the Verrency platform.
* **Emirates NBD Liv Bank –**Middle East’s largest banking group, has now begun the public launch of its new Verrency-enabled Liv credit card.  The personalisable services enabled by Verrency have been a hit in their ‘friends and family’ launch, and they expect that the public launch will be highly successful.   As these services launch, ENBD will begin planning of implementation of Verrency to other ENBD portfolios, brands, and countries.
* In Australia, Verrency’s initial client **Volt Bank** is moving close to its public launch.  The Verrency platform will be used to power a number of different consumer services starting at **Volt Bank’s** public launch and also launched in releases over the course of this coming year.
* Our other signed clients – including **EFTPOS** - also continue to advance towards implementation, with our joint technical and commercial activity ramping up at **EFTPOS** this past month as we focus on enabling a first set of services to launch later this year to Australian consumers that will be applicable in the coming environment of austerity.

Verrency’s technology platform continues to develop, as many of Verrency’s key services are launched by its customers.  For example, in this past quarter the product set has developed further in its ‘backend’ management tools – specifically the customer service portal and rewards/ loyalty management portal.

Verrency’s revenue continues to grow consistently, with the current quarter’s total revenues at end March expected to hit U$325K, a growth of over 50% from the previous quarter.  Verrency’s recurring revenues for the quarter are expected to hit U$207K, a growth of 160% from the same quarter in the previous year, with recurring revenue expected to grow by another 50% this coming month.

While the global Covid-19 pandemic is having absolutely devastating impacts on business revenues in many industries, Verrency believes that the risk of the Covid-19 pandemic having material effects on Verrency’s ongoing revenues at its existing clients is moderate to low.   Verrency has multiple long-term client contracts that recognise fixed levels of recurring revenue with consumer services launched or near-launch, and these clients – banks, processors and national debit schemes – are relatively stable institutions in these current troubled times.   However, we note that the effects of the global Covid-19 pandemic are changing daily, and that this assessment could change in the future.

**Verrency’s Commercial Pipeline**

We do, however, see greater risk of delay in closure of commercial agreements with new banks and processors due to the Covid-19 pandemic.   This risk will impact Verrency’s future projected revenue and new client growth.

However, Verrency is not seeing this timing delay across all of its clients who are in proposal or contracting stages.  We attribute this to the fact that Verrency is the only low cost global solution for financial institutions wanting to implement value-added services for their existing customers, and also that many Verrency enabled-services are applicable to bank customers in a post-Covid-19 world of greater consumer austerity.  We are working rapidly to refocus our commercial activities around the specific Verrency services and V+ partners that are particularly important to consumers in the new expected world of austerity.

Below are selected opportunities in Verrency’s commercial pipeline that are advancing at various stages around the world, noting that many of these opportunities are experiencing temporary – but so far not permanent - slowdowns as institutions adjust to working remotely and also react to changing corporate priorities driven by the pandemic:

* In Europe, Verrency continues to advance in the contracting stage with a large issuing processor in the Nordics, now targeting a contract closure in the second quarter of 2020.
* In the Americas, Verrency is advancing as noted above with opportunities in the contracting stage for multiple new services and geographies with FIS, and has also begun commercial discussions with another major US processor.
* In the Middle East, Verrency continues advancing commercial discussions with multiple banks – at a temporarily slower pace - who are interested following **ENBD’s** imminent launch of its ground-breaking new product.
* In ASEAN, Verrency has just signed this past week a formal commercial referral agreement with **VISA** for joint commercialisation of Verrency services to VISA’s client banks in the region.   This is an important milestone in our relationship with **VISA**.  Additionally, Verrency is participating in one of the consortiums bidding for Singapore’s new digital banking licenses.   Verrency is also continuing commercial discussions – albeit at a much slower pace temporarily – with Union Pay International for services across their network.
* In Australia, Verrency is awaiting final approval for its contract with a ‘buy-now-pay-later’, which has been temporarily delayed as the company focuses on pandemic-related actions.

**Verrency’s V+ Partnerships**

* Verrency currently has 44 partners in the V+ partnership ecosystem.  With a mature ecosystem in place, the V+ initiative has demonstrated a clear product/market fit and is now actively looking at avenues for monetisation. The long-term revenue and growth opportunities in this space are significant, and notably are interdependent on commensurate progress with our pipeline and client implementations.
* In the context of the pandemic, Verrency is now focusing efforts on leveraging specific partners to drive joint commercial opportunities applicable in a post-Covid-19 world of austerity.

**Capital Raise Process and COVID-19 effect**

As of a few weeks ago, Verrency was in the process of finalising a capital raise with closure planned for early in the second quarter of 2020.   As you are aware, global capital markets have experienced extreme volatility and significantly decreased market valuations over the past two weeks, triggered by the Covid-19 pandemic and actions relating to containing its spread.

**These events have affected the expected closure of Verrency’s capital raise**.  Whilst we continue to advance in discussions with institutional investors, the investing climate and views on valuations have now permanently changed with a period of uncertainty in their investments themselves, and many have indicated they will be deferring investment decisions or potentially changing how they look at specific investments.

While Verrency’s value proposition and hence growth prospects in a post COVID-19 environment are solid, Verrency has taken important actions to respond to the changing investment conditions and to prepare for an possible delay of up to 6 months in closing its capital round.

**Restructure of Cost Base**

Verrency has taken the difficult but important decision to restructure its cost base, ensuring enough runway to manage a delay in capital raising.  This has involved a number of key actions:

* Verrency has significantly reduced staff costs – working to protect jobs in this time of economic crisis by making no layoffs, but rather making company-wide reductions in pay.  Reductions are most strongly felt by our executive leadership and commercial teams, with those at the most senior level taking the deepest cuts.   Given we are first and foremost a technology company, we have sought to minimise the impacts on our technology staff.   As CEO, I am taking no salary.
* We have made major cuts in every other non-essential area.  Specifically:
  + Closing all offices.
  + Standing down all external services – legal, accounting/ finance, marketing – excepting tax filing.
  + Halting all other expenses, and eliminating all non-essential software expenses.
* We have also reduced our core infrastructure expense to the limit possible.

Given that a majority of our cost base is our staff, this has been a particularly challenging exercise.   The decisions – at this stage – have been well received by a mature and capable team.   I am grateful for the willingness of our entire staff to make these sacrifices in support of Verrency and each other, and for the dedication of our leadership team in managing through this challenging period.

These actions have had the effect of reducing Verrency’s current cost base by over 50% compared to February and by almost 70% compared to September last year.  Over the next few months, we will be heavily focused on servicing our existing clients and beginning to implement our late stage pipeline, and critically the extra runway of a few months keeps myself and others on the path to securing equity funding.   We will also be accessing government stimulus where possible.

Importantly, while some of these restructuring actions are temporary, we have also shifted our planning over the longer term in order to operate at a far lower planned cost base than previously projected, hence making Verrency more streamlined and attractive to investors.  This is now possible as Verrency’s product set is reasonably mature with its current ‘live’ and ‘near-live’ services.

Verrency will now be prioritizing earlier profitability over pure client footprint growth, and re-focusing our equity funding around a lower capital requirement as we also manage our cash position very tightly throughout the coming period.

**Conclusion**

Notwithstanding the challenging conditions in which we currently operate, I and my team remain utterly committed to the Verrency mission.  We are focused relentlessly on our clients, our people, and on the actions that will ensure that we manage through this challenging period in a manner consistent with our values.

Separately, as many of you have enquired over the past month, the 2019 Audited Financials took longer than normal due to application of new IFRS standards in various areas, and the auditors have just successfully completed their work this past weekend.

I thank all share and noteholders for their continued support, especially in these difficult times.  I wish the best for you and your families, and am available should you have questions on this update and Verrency’s actions as we move ahead.

**David Link**Group Chairman & CEO

|  |  |
| --- | --- |
| **Telephone** | +61 4 2996 2916 +44 20 3289 2916 +1 917 267 8974 |
| **Email** | [david.link@verrency.com](mailto:david.link@verrency.com) |
| **Skype** | david.c.link |
| **Address** | Singapore **|**London**|**San Francisco **|** Sydney **|** Melbourne **|**Sao Paulo |

Executive Assistant - Cherelle Latta  
Email:             [cherelle.latta@verrency.com](mailto:cherelle.latta@verrency.com)  
Telephone:            +61 427 337 576

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**David Link**Group Chairman & CEO

|  |  |
| --- | --- |
| **Telephone** | +61 4 2996 2916 +44 20 3289 2916 +1 917 267 8974 |
| **Email** | [david.link@verrency.com](mailto:david.link@verrency.com) |
| **Skype** | david.c.link |
| **Address** | Singapore **|**London**|**San Francisco **|** Sydney **|** Melbourne **|**Sao Paulo |

Executive Assistant - Cherelle Latta  
Email:             [cherelle.latta@verrency.com](mailto:cherelle.latta@verrency.com)  
Telephone:            +61 427 337 576

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| --- | --- |
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