



Perk Labs Letter to Shareholders

Vancouver, Canada / November 17, 2020 / Perk Labs Inc. (CSE:PERK / OTCQB:PKLBF / FKT:PKLB) (“Perk” or the “Company”).

Dear Shareholders,

In October 2019, I released my first Letter to Shareholders setting out our plan to put the Company on a new path for growth and emphasizing our determination to focus on the right priorities and revenue drivers in order to improve business operations and ultimately, maximize shareholder value.

A year later, I would like to review what has worked for us during this timeframe and provide an outlook for the next year, taking into account both internal developments and external conditions.

The COVID-19 pandemic has disrupted the daily lives of people everywhere. Some of the changes, however, such as the accelerated shift from in-store purchasing to online and digital, present **tremendous new opportunities** for our Company. Following these recent shifts in consumer behaviour which we believe to be permanent, we have re-evaluated and shifted our efforts and priorities accordingly.

In this letter, we will discuss the following:

1. Pursuing Bigger Market Opportunities
2. The Food & Beverage Industry
3. Sales and Marketing
4. Financial Condition and Investor Relations

Pursuing Bigger Market Opportunities

We have received feedback from several long-term shareholders suggesting we “think big” and pursue larger market trends and opportunities in the United States. We agree. We have been developing new revenue strategies and technologies for our Company that we believe can be scaled internationally and in which we can achieve a higher return on capital. We have identified three distinct business lines where we see tremendous opportunities for growth:

1. Mobile Commerce and Dropshipping
2. Merchant Solutions
3. Digital Gift Cards

An advantage of these three business lines is that we are **no longer restricted by the limitations of regional geography** - you can buy a digital gift card or e-commerce product from anywhere (as opposed to buying food from a restaurant in Vancouver requiring you to be in Vancouver). Our goal is to carve out a leadership position in each of the three categories identified above. These moves reflect a major step in our efforts to achieve **a more diversified base of earning power** and a strong desire to establish product lines away from areas of direct competition with major tech giants such as Uber who have bigger marketing and operating budgets that help them obtain market dominance.

Mobile Commerce and Dropshipping

We recently developed the capability to enable both brick & mortar and e-commerce businesses to sell their products through the Perk Hero app, without having to add any inventory or shipping capabilities. Online and mobile commerce selling, relative to restaurant delivery and payment, is characterized by much lower variable costs (e.g., each restaurant must be supplied with an iPad to accept orders) and we can charge a higher commission on the sale of items. We have already started building a marketplace of unique items and exclusive offers for our end-user customers.

According to a report by ResearchandMarkets.com, the global dropshipping market was valued at US\$ 162.44 billion in 2019 and is projected to reach US\$ 591.77 billion by 2027; it is expected to grow at a CAGR of 18.3% from 2020 to 2027.¹ According to a report by Shopify, global e-commerce sales are expected to top \$4.2 trillion USD in 2020 and reach more than \$6.5 trillion by 2023.²

Within our app, we are able to provide merchants with a mobile storefront and digitally notify the business of orders placed through the app. The merchant then ships the products directly to the customer. As part of our digital loyalty flywheel, we promote our mobile commerce merchants to customers with targeted email advertising and push notifications thus helping the Merchant increase their customer acquisition and product sales. We see opportunity to position our Company as an alternative to marketplaces such as Amazon, where we can curate a collection of high quality independent eCommerce sellers with unique products not sold on Amazon and connect them with discerning customers looking for high quality goods from sellers in Canada and the USA. Although Amazon is formidable competition in this market, Bookshop is a current example of a company challenging Amazon in one of its prime market areas and being successful having grown from selling US\$50,000 of books in all of February to selling US\$1 million of books in a day in June and raising financing of US\$7.5 million.

Merchant Solutions

The second growth opportunity is helping SMB (small and midsize business) merchants to build mobile store fronts in Perk Hero app in an easy way and enable them to conduct business even when their brick and mortar stores are closed or restricted during the pandemic. Offline SMB merchants are an underserved group that forms a majority of the local economy. We are developing a Software-as-a-Service business model that serves their needs, during this historic crisis and opportunity, by utilizing QR codes for products and services ordering, customer information management and marketing. The Company's positioning as a mobile commerce platform will tap into the huge demand of a physical economy that is largely ignored by the e-commerce community. We believe this strategy will help us grow our footprint in both merchants and consumers in a meaningful way.

Digital Gift Cards

As a third revenue opportunity, we have identified the offering of digital gift cards as a key driver for growth moving forward. The industry is growing rapidly: according to the report published by Allied Market Research, the global gift cards market generated \$619.25 billion in 2019, and is estimated to reach \$1.9 trillion by 2027, registering a CAGR of 15.4% from 2020 to 2027.³

We tested out demand for gift cards in the last two weeks of August. The revenue earned by the Company in the third quarter was primarily generated by this test program. As recently announced, we are now offering digital gift cards through an agreement with InComm Payments, a leading pre-paid product and payments technology company. We are now able to offer something we could not do before: allow customers *across Canada* (not just Vancouver) to use our app to purchase products from their *favourite national and global brands*.

¹ <https://www.businesswire.com/news/home/20201009005175/en/Dropshipping-Market-Forecast-to-2027---Global-COVID-19-Impact-and-Analysis-by-Product-Type-Organization-Size-and-Geography---ResearchAndMarkets.com>

² <https://www.shopify.com/enterprise/the-future-of-ecommerce>

³ <https://www.alliedmarketresearch.com/gift-cards-market>

The Food & Beverage Industry

Since Glance Pay's inception, the Company has always focused on the food and beverage industry. Our plan with Perk Hero was to gradually phase out Glance Pay, which focused on in-restaurant payment, and replace it with our new app, Perk Hero, which features mobile ordering, in-restaurant payment, and a universal rewards program. We identified mobile ordering as a necessity for restaurants and a great entry point to offer additional mobile payment services. We thought it was logical to leverage our existing Glance Pay restaurant merchant base in order to grow our platform. As we were planning to transition from Glance Pay to Perk Hero, the COVID-19 pandemic caused in-dining restaurants to temporarily shut down operations. We then moved quickly to launch a minimum viable product version of Perk Hero which was better suited to the new COVID-19 environment as it allowed restaurants to accept orders for curbside pick-up and we shut down Glance Pay to save on maintenance costs.

We recognized and heard complaints from our restaurant partners that the big delivery platforms were charging egregious fees of up to 30% per order. We saw an opportunity and attempted to position our product as a more affordable and sustainable solution for restaurants. Ultimately, this did not work: the shutdowns caused by the pandemic resulted in the big delivery platforms acquiring many new restaurants which are increasingly dependent on those platforms. We have seen the overall volume of in-restaurant payments decline and the number of insolvencies and business closures in the restaurant industry rapidly increase. This is intensifying with a second wave of COVID-19. The big delivery platforms responded to industry complaints about their fees by reducing them on pre-order and pickup (but not delivery) and by providing their end users with discounts of up to 75% to drive usage of their platforms. The food delivery industry is a textbook market share war where the big platforms are using their war chests and economies of scale to drive other competitors out of business.

Since launching our new app, we've had positive response from restaurants about our low fees and gamified rewards, however, consumers tend to choose to use the platforms that offer the lowest price and best discounts: currently the lowest prices offered are subsidized by the shareholders of the big delivery platforms. Unless market conditions change, our efforts for the immediate future will be focused on the mobile commerce, digital gift cards and other opportunities as explained in the first part of this Letter.

Sales and Marketing

In order to successfully achieve the ambitious goals we have set out in our new business lines and grow our gross merchandise volume, we will need to have a powerful sales and marketing capability.

I'm pleased to report that since Daniel Zou joined our team as our new COO, we've witnessed a turnaround in our sales and marketing culture. Daniel was previously the Head of Business Development for Alipay Canada. Results-driven, Daniel brings a wealth of expertise and experience to our organization. It has been exciting to see the impact he has had on the performance of our team which has been focused on increasing our gross merchandise volume (GMV), which, in turn, drives our revenue. We have already started to see the early fruits of the team's efforts.

As mentioned earlier, we have started to "think big" and you will see this reflected in our marketing campaigns - we are no longer taking a regional approach and are instead pursuing a national campaign strategy. As soon as possible we will launch our sales and marketing campaigns in the US market. We have also updated our consumer marketing strategy to appeal to a larger demographic. Several shareholders have pointed out our overreliance on using animated characters and promoting the gamification elements of our app which prompted us to change the way we position our products on the website and in the marketing materials.

To scale up our sales and marketing operations, we have also developed and recently launched an affiliate program. Our affiliates will receive a commission on the GMV that is generated by merchants they sign up for our app. This allows us to augment our sales and marketing capabilities without making a major capital investment.

Financial Condition and Investor Relations

Our ambitious plans are premised on our ability to continue funding our business. In 2019, we undertook cost cutting measures. Our disciplined approach to costs has continued through 2020. We will continue to be nimble and adapt our business model as market conditions evolve.

We currently have three main avenues for funding:

1. **Revenues:** We are working to grow our revenues as quickly as possible to help fund operations and demonstrate a growth trajectory to our shareholders.
2. **Marketable Securities:** We own publicly traded stock in Better Plant Sciences Inc. that we can liquidate over time. We also own 8,500,000 shares in a private company Euro Asia Pay Holdings Inc. that was issued a final receipt on its final long form prospectus in October of this year. If that company completes an initial public offering, we will be able to divest those shares over time.
3. **At-the-Market Program:** We will continue to work with Echelon Wealth Partners to sell Perk Labs through our at-the-market offering. We've already raised over \$200,000 from our At-the-Market Program prior to any spending on investor relations.

We remain optimistic that these avenues will support our plans.

We are always looking at new opportunities to expand our operations. While our present liquid resources in cash and marketable securities are available to fund our Company, we are also open to partnerships, joint ventures, and other opportunities to grow our business. We might also refer to a debt financing if we come across any attractive business opportunities. Our goal is to obtain a reasonably stable and substantial level of earning power commensurate with the capital employed in the business.

Our stock and the overall market have had extreme fluctuations due to multiple factors. While we typically do not discuss the performance of our stock price in our press releases or communications with shareholders, this year has been far from typical and we decided to make an exception.

One factor that we thought relevant to highlight is the final release of Founder's shares from escrow on September 7th, 2020. We see this as a positive development for our shareholders. We believe that our Founder shares represented a longstanding overhang for our Company's stock. Now that original Founders hold a much smaller number of shares, over time it should contribute to stabilizing our stock price.

We are encouraged by the messages from some of our long-term shareholders about them growing their ownership in our Company. Owners differ from tenants, and long-term thinking is a requirement of true ownership. We believe that a focus on short-term results or short-term stock market consequences will, in large part, attract shareholders who focus on the same factors. Therefore, our focus will remain on long-term results and the ability to generate revenue at a high-profit margin.

Final Thoughts

At Perk Labs we believe the companies that will thrive in the future are those that can adapt quickly. COVID-19 threatened our prior model and in a very short period of time we have shifted, pivoted, and adapted to a new model and made tremendous strides to set us up for success. With a smaller more nimble and focused team we have achieved a great deal and proven to ourselves we are more than capable of thriving in this new economy.

I thank the Perk Labs' team and the Board for their continued commitment to advancing our plans forward. We have a lot of work ahead of us, but we are clear on our priorities and are addressing them with focus and energy.

We will be executing on the plan we have laid out to create value for our shareholders and our customers. Thank you for your support and encouragement.

About Perk Labs Inc.

Perk Labs Inc. is the owner of Perk Hero, a mobile commerce platform with cashback rewards on e-gift cards and curated goods. For more information about Perk Labs, please visit www.perklabs.io

For more information contact:

Jonathan Hoyles, CEO
Perk Labs Inc.
(833) 338-0299
investors@perklabs.io

Iryna Zheliasko

CHF Capital Markets
[416-868-1079 x 229](tel:416-868-1079)
iryna@chfir.com

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

This press release contains forward-looking information or forward-looking statements (collectively "forward-looking information") within the meaning of applicable securities laws. Forward-looking information is typically identified by words such as: "may", "believe", "thinks", "expect", "exploring", "expand", "could", "anticipate", "intend", "estimate", "plan", "pursue", "potentially", "projected", "should", "will" and similar expressions, or are those, which, by their nature, refer to future events. These forward-looking statements, which involve risks and uncertainties, relate to, among other things, the discussion of the Company's business strategies and its expectations concerning future operations, that changes caused by COVID-19 present tremendous new opportunities for our Company, that the new business lines of mobile commerce and dropshipping, merchant solutions and digital gift cards provide a tremendous opportunity for growth, that new revenue strategies and technologies can be scaled internationally and we can achieve a higher return on capital, that the size of the global dropshipping market will reach US\$ 591.77 billion by 2027, that we can position our Company as an alternative to marketplaces such as Amazon, that we will be able to develop a Software-as-a-Service business model and there will be demand for these solutions, that we will be able to fund our plans through our revenues, marketable securities, and At-the-Market Program; that the final release of Founders' shares will contribute to stabilizing the Company's stock price. Although the Company considers these forward-looking statements to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. The Company cautions investors that any forward-looking information provided by the Company is not a guarantee of future results or performance, and that actual results may differ materially from those in forward-looking statements. Undue reliance should not be placed on such forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.