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## Versus Systems Issues Annual Shareholder Letter

Vancouver, British Columbia – (January 7, 2020) Versus Systems Inc. (CSE: VS) (OTCQB: VRSSF) (FSE: BMVA) (“Versus” or the “Company”) is pleased to provide the following shareholder letter from Matthew Pierce, Chief Executive Officer, reviewing the Company’s achievements, corporate objectives and goals from the 2019 fiscal year.

Current and future shareholders,

Welcome to Versus.

We had a very productive year in 2019, highlighted by the launch of our multi-year relationship with HP. Our proprietary prizing technology now powers OMEN Rewards and the OMEN Command Center, available on all OMEN desktops and laptops, and also in the Microsoft Store. We have spent the year dedicated to making games, apps, and all interactive media more fun and more engaging - and it’s working. Despite trying market conditions, Versus is in a better position than it ever has been as we enter 2020.

This letter will focus on three areas:

- Provide an update on our goals from the 2018 letter
- Highlight some of the key data from 2019 case studies
- Lay out goals for 2020 with respect to partnerships, user growth, and revenue

In the 2018 version of this letter, we talked about three key goals for 2019: transformative growth through major partners, organic growth in smaller games, and developing and expanding our intellectual property portfolio. We discussed our hope that in 2019, we would see some of our patents granted, we would see more integrations into mobile games, and we would see a major partner integrate our platform and bring Versus rewards to a larger audience. We are proud to say that while we are still advancing our organic growth initiatives our patent portfolio and our transformative growth goals were unqualified successes.

### 2018 Goal Update

#### ***Transformative growth***

Signing a multi-year partnership with HP in the first half of the year, and launching OMEN Rewards in the second half of the year were the defining successes of 2019 for Versus. HP is one of the world leaders in laptop and desktop computing and OMEN is one of the best-known gaming hardware brands – as well as being a leading sponsor of esports and gaming influencers. Our relationship with HP is poised to expand both into additional hardware as well as a staged roll-out into Europe and Asia in 2020. This integration has already been a massive technical achievement, providing the high level of security, privacy, and scalability expected by millions of HP users. The HP launch is also a success on a business level, with a key partner acknowledging Versus’ ability to generate new users, as well as retain, engage, and delight existing users. 2020 promises to leverage this new partnership to drive more

users, more prizing partners, and more revenue.

### ***Organic growth into games***

We launched the Versus platform into two different mobile games in 2019: Gamecake's casual family game Emoji Charades, and Men In Black: Global Invasion, an augmented reality game for iOS and Android made by Ludare for Sony Pictures based on their \$1.9 billion dollar film franchise. These games expanded the use cases for our platform (smart TV games and augmented reality) and they also promoted new features and functionality, particularly in the localization of prizing. As the time to integrate our SDKs into iOS, Android, and Unity games has dropped from 6 months to 10 days, the sales cycle has also shortened and our 2020 forecast looks strong with a number of mobile games and non-gaming apps already in the pipeline.

### ***Patent portfolio***

In March, the US Patent and Trademark Office issued **U.S. Patent 10,242,538: Systems and Methods for Creating and Maintaining Real Money Tournaments for Video Games** - our first 11 granted patent claims that protect dynamic regulatory compliance for in-game rewards. The patent, based on our original 2015/2016 filings, includes coverage for determining player eligibility and prize payouts based on player age, location, prize type, and game type. Further filings, including November's **In-Content Challenge System and Methods** cover a broad range of unique technology solutions that have been developed by the Versus team for solving the market's need for personal, local, rewards across a wide variety of interactive media. We are developing and protecting valuable innovations at Versus - and our patent portfolio is growing to reflect that fact.

### **Key Data From 2019: Unparalleled Engagement**

The guiding principle of Versus, from a company KPI perspective, has always been to make media more fun and more engaging. It is our belief that Versus' capacity to improve the player/viewer experience has resulted in something very special. It is universally accepted that advertising erodes engagement. Only 3.5% of people watch ads all the way through.

Versus is different. It's better.

This year we showed that people who are introduced to Versus rewards play materially longer than they did before they were introduced to our system. We now have clear data from both mobile and PC games that show a 30+% lift in playtime. We also see a meaningful increase in new users when rewards are introduced. This translates directly into more minutes per day and more hours per week in-game. This is obviously good news for content companies, but it is also positive for hardware partners and for those who are working to make 5G and greater bandwidth a priority. This is the central story of the technology and of the company.

People play more because winning prizes is fun. We are making games more fun.

We are also adding new kinds of in-game rewards. Not only did we improve our direct in-game integration process, cutting integration costs by over 85% with Software Development Kits (SDKs) for iOS, Android, C++, and Unity, we also built up a new method for in-game achievements that's based on working with a given game's Application Program Interface (API). Working with API integrations was a big step for Versus this year.

League of Legends by Riot Games is the most successful PC game in history by most measures. With over 100 million monthly active users and a World Championship that drew

more viewers than the Super Bowl, League of Legends, in its 10th year, is one of the most played, and most watched games in history. Versus Systems launched in-game challenges in League of Legends in October, exclusively on OMEN, and these challenges are among our highest-performing to date. We are able to use the League API not only to provide players with rewards for their Champions' achievements, but also to definitively demonstrate that people play longer, and more frequently when they're playing for real prizes.

#### Choice and rewards improve brand perception

It's not just players and content partners who are seeing valuable results from improved engagement. Versus is working for brands as well. Brands that place their products on our platform see orders of magnitude better results in email open rates, brand affinity, and transactions. When players can opt-into Versus mode, and they can choose what they want to play for, the prizes cease to be ads. They're rewards. Players and viewers control what they see and what they win. We see this in the data: players click on the prizes - they want to learn more and spend more time learning more about the products, deciding what they want to win. They are opting in to more clicks, more minutes spent with the brand, than with any ad. Versus then goes further to place by making the product aspirational. This is especially valuable in interactive media since people's dislike of advertising rises as the media becomes more interactive.

The Versus platform has generated incredible stats for brands in 2019 that will bear fruit in 2020:

- email open rates in excess of 50%,
- attributable positive return on ad spend (ROAS) of 3-5X on individual campaigns
- a 70X increase in transaction rates for one prize provider who saw 36% of prize winners actually walk into a physical location to complete a transaction

When we harness the power of choice and earned-rewards, players win, content partners win, and brands win.

#### **2020 Goals: More Users, Revenue, Profit**

The team at Versus has built an incredibly effective, scalable platform that can be integrated into everything from mobile games to fitness apps to over the top television services. We have a patented process that accounts for a complex landscape of legal and regulatory issues. We have incredible engagement for brands, for content partners, and we have players and viewers who love winning real prizes while playing the games they love.

The goals for 2020 are to scale that success, and then convert that engagement and user growth into revenues and profits.

Our business model is, at core, transactional. We get paid when people make a conscious choice to try to win a prize. We believe that this is the right model for rewards and advertising in interactive media - and the data now clearly supports this assertion. What we now have to do is bring this platform to more users.

In 2020, we will be scaling the platform across four main categories:

- Within HP
- Adding gaming partners
- Introducing non-gaming partners

- Taking Versus global

Our multi-year contract with HP includes multiple avenues that will deepen the relationship with HP and reach more users. Not only will we work alongside HP to push for more user acquisition efforts for OMEN and OMEN Rewards, but we will continue our staged roll-out of OMEN Rewards across both Europe and Asia as we begin to incorporate rewards into other HP product lines.

Beyond HP, we will be working to integrate our technology into new games in 2020 - both with direct integrations into casual mobile games like those developed by Animoca Brands - a partner whose games have been downloaded over 125 million times, as well as API connections for games like Playerunknown's Battlegrounds (PUBG), the game that kicked off the battle royale revolution and regularly hosts half a million concurrent users. Our existing PUBG achievement challenges for OMEN that kicked off in November have already attracted players and streamers alike - with bespoke challenges from top Twitch influencers as our most attractive campaigns.

## **BEYOND GAMING**

Versus has also been asked to explore a number of non-gaming applications in 2020, with a number of potential partners asking for rewards inside apps and video - to encourage in-app behaviors, to reward loyal viewers, and to help promote rising streamers. Fitness applications, in particular, are going to be a focus for 2020 given their similarity to gaming. The idea of working hard to achieve a goal will be as natural for fitness-focused consumers as it is for gamers - and in 2020, we will roll out our first of many rewards systems for these types of applications.

As we grow our portfolio of products, within HP, within gaming, and into fitness and video, we will also be expanding our reach. Right now our platform is only available to players in the US and Canada. In Q1 of 2020, we will be able to reach players in Europe - the only technology of our kind with GDPR compliance - and by the end of the year, we will launch in Asia. We recently signed an agreement with Iclick (NASDAQ: ICLK) one of the largest digital marketing agencies in China, with over 800 million consumer profiles - connecting brands like Nike, McDonald's, and Estee Lauder to Chinese consumers worldwide.

2019 was an important year for our company - improved technology, granted patents, and the start of a transformative relationship with HP. 2020 is already poised to be much bigger, with a growing user base, growing geographic reach, improved revenues, and cash flow breakeven - the key objectives and metrics we are measuring against over the next twelve months.

We hope that you had an excellent 2019. We thank you for following our story and we thank you for your continued support. We are eager to see you in the new year.

Stay tuned.

Matthew Pierce  
Founder, CEO  
Versus Systems

## **About Versus Systems**

Versus Systems has developed a proprietary in-game prizing and promotions engine that allows game publishers and developers to offer in-game prizing across various platforms including mobile, console, PC games, and streaming media. Brands pay to place products in-game and gamers compete for those prizes.

For more information on Versus Systems visit [www.versussystems.com](http://www.versussystems.com) or visit Versus Systems official YouTube channel.

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