

December 31, 2018



Versus Systems Provides Corporate Update

LOS ANGELES, Dec. 31, 2018 (GLOBE NEWSWIRE) -- The following is a letter to Versus Systems shareholders:

Shareholders,

This is our first annual open letter describing the company's strategies, goals, and progress. We have had a very productive year, making games more fun to play, shows more fun to watch, and interactive experiences more engaging and more valuable for viewers, players, creators, and brands. In this letter, I would like to cover four main areas:

1. Data and results from 2018
2. New tools and intellectual property
3. Organic growth opportunities
4. Transformative growth opportunities

In April, we brought our proprietary prizing solution, Winfinite™, to the one hundred billion dollar per year gaming market. This has been the fulfillment of three years of dedication to technology, intellectual property, and business development - and thus far, the data is remarkable. Our technology works. The Winfinite™ platform makes games more fun, and more engaging for players. We've given brands and advertisers huge gains in email open rates, transaction rates, and on-screen engagement time. Players and fans love playing their favorite games for real-world prizes – winning everything from NASCAR Heat 3 downloads, to cheese sticks from White Castle, to branded apparel and hats from Fanatics. Players win. Brands win. Content providers win.

In the next six months we will be adding additional games, additional platforms, new prize providers, and filing new patent claims to protect our position as the preeminent provider of in-game rewards. The future of Versus Systems is bright.

Data and Results from 2018

The results are clear: People hate ads. People love winning prizes. We believe that if people have the opportunity to win things that they really want while playing games, watching TV, or shopping online – they will. This is especially true when the alternative is being bombarded with banner ads, pre-roll videos, commercials, and other advertising systems. This data has been borne out by our seven months of case studies since Winfinite's™ launch, as well as through the annual media survey that we recently completed alongside UCLA Anderson and the UCLA center for Management of Entertainment in Media Entertainment and Sports.

Winfinte™ launched in April 2018 in NASCAR Heat Mobile on iOS and Android. We initially started by offering downloadable content (DLC) as the primary prize and by June, we were running real-world prizes including offering over \$100,000 of NASCAR race tickets through Winfinite™ to NASCAR Heat Mobile players. By playing in Winfinite™ mode, players who won in the game, could win tickets to real, live races. Since that first campaign, we've given

away apparel, jewelry, food, beverages, and other consumer goods – over 500,000 prized sessions in all.

The results have been staggering. Across live games, tests, and beta trials, players play 44% more sessions, with longer average session lengths, when they play in Winfinite™ mode. People chose to interact directly with the brand's prizes for almost 15 minutes per campaign. Winfinite™ campaign email open rates average over 400% better than industry averages according to ConstantContact, and transaction rates – the number of people who actually purchase something after being exposed to a campaign on Winfinite™ – are 3,500% better than industry averages according to eMarketer. Our in-game results are exceptional.

To better understand advertising in interactive media, we produced a survey in partnership with UCLA Anderson and the UCLA Center for Management of Entertainment in Media Entertainment and Sports. The survey had over 89,000 respondents across every demographic and to our knowledge is the largest survey ever conducted on the subject.

Here too the results are clear: people hate ads. Only 3.6% of people watch ads all the way through, and 51.8% frequently or always avoid ads entirely. Our platform solves this problem by turning passive advertising into opportunities to win real prizes from their favorite brands. This solution holds across multiple types of media. For example, 77% of survey respondents would be more likely to watch TV or other media live rather than recorded if they had the ability to win prizes. We continue to analyze the data to improve our products.

By making it easy for brands and agencies to place real-world prizes, coupons, and offers inside games and other content, Versus offers a unique opportunity for companies to place their products in front of the most engaged audience on earth: the over one billion gamers worldwide who spend more than 100 million hours per day immersed in games.

New Tools and Intellectual Property

Following our initial product launch in the spring, we focused on making Winfinite™ easier for our content partners to integrate. This is best accomplished through scaling our infrastructure, developing additional tools such as SDK plug-ins for partners, and developing new products such as our dashboard for advertisers.

In Q2, after proving out the main feature sets with our Beta users, we successfully migrated of our backend system from Ruby-on-Rails to Elixir to increase our ability to manage the high numbers of concurrent users that are inevitable when dealing with the world's most popular games. We choose Elixir because it has been proven to be massively scalable, available, and reliable, even when supported by relatively small engineering teams. Elixir is a functional, concurrent, general-purpose programming language that runs on the Erlang virtual machine. Elixir builds on top of Erlang and shares the same abstractions for building distributed, fault-tolerant applications.

What this means is the system can handle large volumes of players and if any part of the system hits a problem, it is automatically restarted in milliseconds. The system can not only handle large volumes of concurrent activity, it can do so in a resilient self-healing fashion. Pinterest and WhatsApp are two of the more well-known companies which develop in similar stacks. Versus now has one of the largest production applications of Elixir in existence. We continue to gain recognition within the technical community for our efforts and believe this creates additional value for Versus Systems.

We are also actively developing a Unity plug-in that will be available in Q1 2019. This productized plug-in will make it possible for thousands of game developers globally to integrate the Winfinite™ platform. We also expect that this plug-in will reduce install times from the six months that it took to integrate into our first game, down to seven to ten days.

Over 70% of mobile games use Unity, so we expect this to significantly improve our ability to attract and integrate content partners.

As we develop these industry-leading tools, we are regularly inventing new techniques, systems, methods, and software. We have been filing this intellectual property both in the US and with the Patent Cooperation Treaty countries, since 2014. We will continue to write and file IP and we expect to see some of those claims granted in 2019 – further protection for our unique technology, and for our company.

Organic Growth Opportunities

Our efforts in Q2 culminated in the announcement of new gaming and content partners including GameCake, who we signed during the early portion of Q3. GameCake is a Comcast Ventures portfolio company that builds family games for mobile and for connected TVs. The first game we are working on with GameCake is Emoji Charades, a game that has already garnered multiple “Game of the Day” placements on the Apple App Store worldwide, will increase our user base and broaden our demographics. The game is available now and will include Winfinite-enabled prizing in Q1 2019.

Beyond the partners already signed, and those that have been announced, we are also eager to launch the productized Unity Software Developer Kit, which will allow a broader range of game developers to integrate our prizing platform. The audiences for these games will then allow brands and agencies to find their ideal demographics within the most engaged, and difficult to reach, audiences on earth. We have already spoken to a number of major brands and agencies that are eager to reach out to the gaming audience as soon as we have more players on the system.

Transformative Growth Opportunities

Outside of the organic growth opportunities that will result from our improving platform and growing product suite, we have also been approached by a group of companies that could use the Winfinite platform, and other Versus technologies, at scale, to bring prizing to millions of users.

At its core, the Versus suite of products, and our IP, allow any content company – including gaming companies, but also streaming video, e-commerce, and even business performance software companies, to offer real-world prizes whenever a user completes a pre-determined “win condition.” In gaming, a win condition can be anything from win this race, to score X number of points, to defeat this boss, or take this objective. In other applications, the exact same technology can reward users for purchase behaviors, binge watching, or even completing training videos, or sales calls. This would require no changes to the core technology or IP.

We are working with a number of significant potential partners, including global e-commerce giants, top tier film and television companies, and major consumer electronics manufacturers to evaluate opportunities for Versus technologies and the Winfinite platform. Any of these opportunities would transform Versus by bringing prizing to a potentially enormous global audience.

While we continue to develop technologies that will promote organic growth, focusing on the hundred billion dollar per year gaming industry, it is important to note that we are also talking with a number of potential transformative partners who would seek to scale our prized technology very quickly in 2019 and beyond.

Into the future

Between our results, our new technology, our intellectual property, and the growth opportunities that are in front of us, the Versus team and I know that we are on the cusp of the most exciting times in our company's history. We thank you for joining us, and for your continued support of the work we do. We are eager to see you in 2019.

Stay tuned.

Matthew Pierce
Founder, CEO

Suite 302 - 1620 West 8th Avenue Vancouver | V6J 1V4 | Canada
T: 604.639.4457 | F: 604.639.4458
www.versussystems.com



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