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## Versus Systems March 2022 Shareholder Update

Welcome Shareholders,

I hope all of you are well. I write to you today to share with you some highlights from the work that we completed in 2021. I am eager to describe how that work is driving our recent progress. I will also update you on our key performance indicators and describe some of our 2022 roadmap as we continue to grow our platform, improve our revenue mix, and expand our reach. The short version is that the work of 2021, including the integration of Xcite Interactive that began in June of last year, has begun to bear fruit as we now have more scalable products that we are actively deploying in more verticals, with a better revenue mix, than we have ever had in our company's history. With our recent financing, our shelf-listing, and our growing list of partners and strategic investors, Versus Systems is well-positioned for 2022 and beyond.

As you know, Versus Systems is, first and foremost, an engagement and rewards company. We have spent the last year developing a software platform that will enhance our position as a world leader in audience engagement and rewards. Right now, fans all over the world are engaging with Versus-enabled content on their phones, their laptops, and on jumbotrons and halo display boards in the biggest venues in the world. Since our acquisition of Xcite Interactive in June of 2021, we have spent the last nine months integrating their team and technology into a single Versus Systems. Now, we have an exceptional, unified set of products and offerings that bring interactivity and rewards to some of the biggest events in the world – including the biggest names in the NFL, NBA, MLB, NHL, and NCAA.

Versus has brought in the best of Xcite, a world leader in in-venue interactivity and fan engagement, and we've developed a series of interactive games and features that can be played alongside your favorite live events as well as your favorite video games. Versus gives fans the opportunity to play games, complete challenges, and win real-world rewards that matter. Whether it's trivia contests, predictive games, or casual mobile games like skeeball or hockey shootout, Versus makes the games, and the rewards, available to teams, leagues, and other content partners. The content partners use our interactivity and rewards to make their content more engaging and more valuable. And it works. Tens of millions of people have viewed our games in-venue and over a million prizes have moved through our system. As of Q1 2022, Versus is working inside up to 50 different events per week, appearing in front of up to a million fans weekly. And now, with the work of the last year, we can do this at scale, at any size event, with any kind of reward.

The work of 2021, including the integration of Xcite, has allowed Versus to significantly change our revenue mix to a much more advantageous and scalable one moving forward. Right now, we have three key revenue sources, and it is the more optimal mix of these revenues, as well as the target verticals that we can now pursue with our combined products, that get us excited for 2022, 2023, and beyond.

The first of our revenue streams is **Professional Services**, where our software developers and event producers earn hourly rates for bespoke work. One year ago, the professional services category was 100% of our business. This category is valuable, certainly – especially for the networks it has allowed us to develop within key content partners – but this category on its own is not especially scalable or capital efficient. The key then, is to maintain, and even grow, the number of partner relationships that we have, while growing the percentage of our revenues that come from the two other key revenue streams: **Licensing/SaaS, and Advertising.**

Our Licensing business is the fastest growing part of the company. This is largely due to the development and continued improvement of our XEO platform for live events. The XEO platform has allowed us to take all of our world-class fan engagement expertise, and place it into a single, easy-to-use product that can be used by any team, league, or event. Fans have access to in-game features, games, and social elements that can be played on phones and mobile devices, and then displayed on jumbotrons and halo boards in stadiums and arenas all over the world. Since the Xcite acquisition, XEO has improved as a product week-over-week for nine months, and it's now played at multiple major live events almost every day – from championship fights to bowl games, and from rodeos to stock car races. Our partners use our software to make their events more engaging and rewarding for their fans.

Speaking of rewards, on the advertising side, our team is working to grow our proprietary rewards platform not just within XEO, but within all of our products. We know that fans play longer, watch longer, and engage more deeply with their favorite teams, games, and events when they have stakes that they care about, so we have built out all of our products with the ability to include all types of rewards, from real-world rewards to downloadable content, and from coupons and sweepstakes to all-expense-paid experiences. The advertising side of our business has always been a huge source of potential revenues and you're now seeing advertisers join our list of partners alongside teams and leagues, as they too see the benefits of interactivity and rewards. Q2 and Q3 of this year will begin to show even more on the advertiser front as we increase both the number of partners that have Cost Per Click (CPC) and Cost Per Engagement (CPE) elements in their contracts, and as we work with more agencies and brands directly.

*The real story of 2021 is that when the year began, our revenues were derived 100% from professional services, and as the year ended, 91% of our revenues came from the scalable sources of licensing, SaaS, and advertising.*

Our key performance indicators are how we measure our success both now and moving forward. These KPIs will also give you some insight into how we think about the business, and how you might contextualize our press releases and other public announcements. The hope is that by showing you how we measure success, we will all be more able to see good news as it's happening.

The first KPI is, of course, **our partner list**. This is most easily measured in the number of partners we have – measured in our active contracts. Versus works with dozens of teams in the NFL, NBA, MLB, NHL, and NCAA and we are now actively adding partners not just in these major categories, but also in other leagues, other countries, and in other live event areas. In the last twelve months, Versus has gone from one active partner to over 75 partners today, and our partner list includes some of the biggest teams and events in the world.

The second KPI we track is **contract value**. This relates both to the absolute dollar value of each contract and the mix of the sources of revenues, which is related to scalability, and contribution margin. Both metrics within contract value are moving in the right direction, with our average dollar value moving up, and our mix shifting from 100% professional services to 91% licensing, SaaS, and advertising revenues by the end of 2021. Our goal remains to move these numbers up – in particular, by adding more advertising revenues, since these can be added independent of the licensing revenues that come from our content partners. Look for more advertising and rewards partners coming throughout 2022 and beyond.

With the development of the XEO platform for engagement and rewards, and improving that product to the point where it can be easily used by a larger number of partners, we are also now seeing growth in our third KPI, which is growth in **new partner types**. The two new partner types to focus on in 2022 are advertising agencies and brands, and streaming media. Agencies and brands are already taking advantage of Versus interactivity and rewards to drive longer session times and improve brand affinity and recall across a wide variety of applications. Very soon, you will see more Versus-enabled second screen content in streaming media and over-the-top television. Adding these new verticals in 2022 and 2023 will massively increase the size of our audience and our player base. Streaming, OTT, Television, and additional media types will allow Versus and our partner brands to reach ever larger and more engaged audiences. A huge football stadium may have 90,000 people in the venue cheering for their favorite team, but millions more fans are watching at home on TV and streaming highlights on their phones. And because we are obsessed with improving the audience experience everywhere, we can reach them all.

Looking at our growth roadmap, here is where Versus is heading next: within the sports and live events world, we look to grow our number of partner teams, but we also look to improve the fan experience outside the venues, to reach the millions of fans at home. Our focus is on streaming, TV, and web3 tools that will allow us to engage with and reward fans for watching what they love, listening to what they love, and playing what they love. This is about meeting large, engaged audiences where they are, and providing them with the rewards that they want the most. Rewards are the future. Content companies everywhere are finally coming to the realization that they must make their offerings more engaging and more rewarding for fans. Global leaders in media are now talking about interactivity, personalization, and rewards that have been the hallmarks of Versus Systems since its inception. This isn't just about web3 or the metaverse – it's not just a buzzword to turn heads for a moment. Play to earn, watch to earn, play to win – these aren't just empty phrases – these are the core of our technology, the core of our patent portfolio, and the core of our team and their expertise. This is where everyone in entertainment is going – and Versus is already there. We have the products, the patents, the partners, the team and the expertise. When industry leaders like Animoca Brands wanted to get into the rewards space for content, they invested in us.

This is the best time in history to be at Versus. We have great products and a great team. Our scalable, powerful, proprietary software brings interactivity and rewards to millions of fans all over the world already, and there are hundreds of millions more to come. The company is growing. The opportunity is growing. Versus is the future of interactive rewarded entertainment and we look forward to working with you.

Thank you for your continued support of Versus Systems.

Matthew Pierce  
Founder and CEO, Versus Systems

### **About Versus Systems**

Versus Systems Inc. is an engagement and rewards company that makes live events, games, shows, and apps more fun to watch and to play. Versus adds interactive games, polling, trivia, predictive elements, casual games and more that can be played alongside existing entertainment content - whether in-venue or online - making the content more contextual, personal, and rewarding. Versus works with world-class sports teams, leagues, venues, entertainment companies, and other content creators to make engaging, rewarding experiences for fans all over the world. For more information, please visit [www.versussystems.com](http://www.versussystems.com) or visit the official Versus Systems [YouTube channel](#).

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