

VGW Holdings Limited Shareholder Update

7 April 2020

Dear Shareholders

VGW has had some exciting developments over the last few months, and it gives me great pleasure to update you across a range of these matters.

Financial results for 6 months to 31 December 2019

The 6 months to 31 December 2019 represented a period of significant operational improvement for VGW, and a more restrained approach to marketing, specifically on user acquisition spend.

The audited financial statement for 6 months to 31 December 2019 is available under the “Investor Relations” tab at www.vgw.co.

Revenue prior to any deferral was \$228.7 million, up significantly from the prior comparable period.

The growth in our business has led to an increase in the amount of revenue we defer (under accounting standard IFRS15), and with that adjustment recognised revenue will be approximately \$215.2 million for the period, also up significantly from the prior period as restated.

Approximately \$13.5 million of cash receipts from customers was booked as deferred revenue, as is required under the relevant accounting standards. The cash from this deferred revenue is a current asset on VGW’s balance sheet

The result for this six month period is a loss before tax of c.\$6 million. If the deferred revenue of \$13.5 million is added back, this results in a look through profit before tax of approximately \$7.7 million.

As VGW’s payments stack becomes more complex and utilises more providers, we are updating our revenue recognition to include purchases made by customers for which funds are owed to us, but not yet settled, by our payments providers. This timing difference is typically only a handful of days.

In our financial statements, this required restating the prior corresponding period to be comparable to these results. This had the effect of slightly increasing recognised revenue and profit for that period.

The group ended the financial period with a strong balance sheet, including \$45 million of cash and cash equivalents.

Indicative performance 2020 year to date

Although only three full months into the year, VGW has had a relatively strong start to 2020. Each of January, February and March has been strong for revenue, profit and operating cash flow (unaudited). March in particular has been a very strong month for all of VGW's products.

We are pleased with results to date, and while representing only a short period of time, believe the outlook for 2020 is positive. We do however remain cautious with respect to external operating risks which can impact our business, especially in the current macroeconomic environment. We also maintain a cautious footing with respect to the critical nature of payments relationships for our games platforms, and our on-going ability to take payments from customers in an online environment with low customer friction.

Providing liquidity to shareholders

Shareholders continue to have the opportunity to buy and sell VGW shares via Primary Markets.

Primary Markets is a global, independent marketplace for unlisted companies which allows VGW shareholders to trade their shares in a transparent, orderly environment. Primary Markets' service is effectively an 'over the counter' market in VGW shares, which is similar to listing shares on an exchange such as the ASX, albeit in a smaller trading ecosystem.

More information is available at <https://www.primarymarkets.com/>

Potential for capital management

Post finalisation of the 31 December 2019 accounts, and with regard to the strong financial performance during the first quarter of calendar year 2020, the Board has determined to pay a \$0.02 dividend per ordinary share, payable on 7 April 2020 with a record date of 7 April 2020.

VGW has enjoyed strong financial performance and cash flows in the past few months, and at a time of concerning global macroeconomics, the Board is pleased to take this opportunity to return capital to shareholders to contribute to liquidity at this time.

This represents a one-off dividend payment and does not set expectations or guarantees for future dividends or any payout ratio. Further consideration will be given to capital management by the Board at the appropriate time, and shareholders will be kept up to date in relation to this matter. The balancing consideration remains providing a return to all shareholders, while ensuring the group has adequate liquidity to fund both existing operations and continued growth.

Yours sincerely,



Laurence Escalante
Executive Chairman and CEO
VGW Holdings Limited

Note: some financial information relating to financial performance during 2020 included in this document is based on indicative unaudited management estimates only, and is subject to audit, change and finalisation. Accordingly, that information is subject to change and should not be relied upon.