

**2 February 2016**

## **LETTER TO SHAREHOLDERS**

Dear Shareholder

It is with great pleasure that I write to you today on behalf of the Board and the Company, and to share with you the strong progress made over the past twelve months, and exciting new opportunities and strategies Velpic have in place to accelerate and drive continued growth and momentum in 2016.

In 2015, Velpic established itself as a fast growing and innovative technology company, with a product and service offering that has been recognised as market leading and unique across the global Learning Management System (LMS) market. During the year, the Company continued to demonstrate strong demand and market opportunity for its proprietary cloud-based eLearning video platform, securing a number of new enterprise customers including Alcoa, Olam Australia and franchise owner Supercheap Storage. The hard work and efforts during the year culminated with an ASX-listing that has not only helped transform Velpic into a mid-size enterprise company, it has significantly raised the company's profile and attracted strong demand nationwide from customers and investors and has positioned the Company for the next phase of growth and expansion.

2016 is shaping up to be a pivotal year for Velpic. With a strong foundation in place, the Company is well positioned to accelerate customer growth and increase its market share – to become a leader in the global LMS market, a market currently expanding by more than 25% year on year to a predicted value of \$7.8b by 2018.

### **2016 Strategic Growth Initiatives**

#### **1. Customer Growth and Expansion - Three Pillar Sales Strategy**

During 2015, the Company developed and commenced executing a three-pillar sales strategy which enabled swift penetration across the Western Australian market and entry into the Australian East Coast market, and established sustainable revenue growth with recurring revenue streams at minimal cost and resourcing.

##### *Pillar One – Direct Sales Channel*

Execution commenced in 2015, focusing on direct, customer-facing relationships predominantly across enterprise clients. Customer demand through this channel has been strong, with customer growth increasing by a monthly average of 14% in the December 2015 quarter. The Company expects solid growth to continue with key catalysts in place, a strong activity pipeline and national level expansion of the sales team across the East Coast of Australia.

##### *Pillar Two – Reseller Sales Channel*

In December 2015, Velpic secured its first reseller partnership arrangement with leading retail industry trainer, John Blake. Reseller partnerships are pivotal for the Company, as they provide high revenue growth potential. Looking at the John Blake example, by signing one

partner Velpic in effect signed up 1,000+ SME Clients. This ability to scale means the partner channel will be fundamental to Velpic's client expansion plans for 2016.

#### *Pillar Three – SME Sales Channel*

The SME market is quickly becoming a significant contributor to the broader global LMS market. This has been largely driven by cloud infrastructure, which has helped to significantly lower the cost of entry for SMEs to access LMS, and the ability for an LMS to be deployed in-house by HR managers and without the need for IT involvement. Entry into this lucrative and rapidly growing market segment is a key strategic step for Velpic that will further enhance market share in the Australian market and also establish the Company as a global SaaS provider within the international LMS market, projected to be worth more than \$7.8 billion in 2018 (<http://www.marketsandmarkets.com/>).

As previously announced, Velpic remains on target to activate Pillar Three in Q3 CY2016 with the launch of Version 3.0 of the platform, which will include additional SaaS features that allows SMEs to better access the platform and implement the eLearning videos suited for their training and induction requirements.

### **2. Technology Optimisation and Development of New Modules and Features**

As a technology driven business, investment in technology and our service offering is pivotal. The Company will continue to invest considerable time and effort into optimising the platform's offering, and developing new modules and features that have the potential to augment subscription fees.

In 2016, in addition to launching Version 3.0, Velpic will also launch an expert modules marketplace that will allow customers to purchase lessons from a library and customise and then schedule these out to staff without the need to create lessons themselves, thereby saving further time for the employer. The expert modules marketplace will provide another revenue stream for Velpic and fast-track the rollout of Velpic for new customers.

### **3. International Expansion into new geographies**

International expansion will commence as planned, in Q1 CY2016.

The initial international target market for Velpic will be New Zealand, led by Chairperson and native New Zealander, Leanne Graham, who has a proven track record establishing and growing sales in new markets, particularly as the Global Head of Sales at Xero. Ms Graham has an extensive network of clients and customers and will provide guidance on the establishment of Velpic's global expansion strategy. The Company is already in advanced stages of appointing a Business Development Manager for New Zealand and will update shareholders in due course.

Other key target markets for Velpic include the United States, United Kingdom, Singapore, Hong Kong and South Africa with the second phase of our international roll out to commence in 2017.

### **Exciting 2016 Outlook**

The focus for 2016 is very much on accelerated client acquisition and increasing the Company's market share within the LMS industry. To this end, Velpic has put in place solid foundations to continue its strong growth momentum that started when the Company announced its ASX ambitions in early 2015.

With a top-tier Board and management team assembled and Business Development Managers appointed across Australia, Velpic has the managerial capability to execute on its growth strategy to become a leading player in the global LMS market that will ultimately help to drive revenue, cash-flow and profit growth for the Company.

I look forward to providing further updates on the Company's progress during the year, and on behalf of the Board, I would like to sincerely thank you for your continued support and loyalty.

Sincerely,



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### **About the Velpic Group**

*The Velpic Group consists of two related entities: Velpic, a cloud-based video e-Learning platform, and Dash Digital, a brand technology agency.*

*Velpic has developed a unique online platform that provides a scalable, cloud-based training, induction and education solution for businesses. The platform allows businesses to create their own training lessons and distribute them to staff and contractors, who can access the Velpic Platform on all devices including mobile phones and tablets.*

*The cloud-based platform has global potential and is set to disrupt the traditional Learning Management System (LMS) marketplace and Velpic already has an extensive list of ASX 200 clients using the platform.*

*Dash Digital is a full service digital branding, marketing, web and app development organisation that seamlessly blends creative and development talents across all disciplines – visual design, print graphics, websites, software development and online marketing.*