

Pointsbet Holdings 2021 AGM Report

ASX Code	PBH
Meeting Time/Date	11am, Tuesday 5 October 2021
Type of Meeting	Virtual
Monitor	Mike Robey assisted by Richele Janjatovic
Pre-AGM Meeting?	Yes, with Chair Brett Paton and Andrew Hensher, GC and Company Secretary

Betting on US growth

What the Company Does

Pointsbet is an online betting platform, well established in Australia and focussed on the newly de-regulated North American market. They operated in 6 states in FY2021 and are expanding to 18 states by Dec 2022, as well as into at least two provinces of Canada. They are at the market building stage in these new markets and have just turned a profit in 2020 and 2021 in Australia.

They are essentially a technology company, creating a large integrated range of real-time betting options on sports events, covering the NFL (US football), NBA (US basketball), MLB (baseball), NHL (ice hockey), cricket, horse racing and recently, the i-gaming market (casino gambling), with arguably the most advanced in-game betting options on progressive scores. They are competing with large global betting companies in these markets, some with physical betting, casinos as well as online offerings.

Developments in the Financial Year

- PBH spent the year expanding the number of online gambling licences in the US from 3 to 6. They also struck a 5-year deal with one of the major US sports broadcasters, NBC in exchange for 4.99% of their equity and US\$395m in committed spend with the network. This gives them exclusivity across the NBC network, access to their database of customers who play sports games over the network.
- They gained licences in 3 new States and laid the groundwork for further licences in 11 more US states and Ontario, Canada.
- Struck partnerships with selected teams in the NBA, MLB, NFL and NHL to use their logos in promoting their betting offers.
- Launched i-gaming in Michigan and New Jersey
- Conducted a combined Institutional /retail capital raising of \$400m, using our preferred PAITREO method, which allows trading of the rights, for those retail shareholders who elect not to take up their entitlements. This leaves the company with sufficient balance sheet strength to get through the cash burn required to build their new target market positions.

The table shows the growth in activity year-on-year, where the US growth is the standout, on slim margins and high marketing and labour costs.

PERFORMANCE SUMMARY

GROUP

ALL FIGURES IN \$	GROUP			AUSTRALIA			US		
	FY20	FY21	PCP	FY20	FY21	PCP	FY20	FY21	PCP
SPORTS BETTING									
TURNOVER/HANDLE	\$1,151.6m	\$3,781.4m	+228%	\$830.5m	\$1,989.0m	+140%	\$321.1m	\$1,792.4m	+458%
GROSS WIN %	10.2%	9.3%	(0.9pp)	12.1%	12.9%	+0.8pp	5.1%	5.3%	+0.2pp
GROSS WIN	\$117.3m	\$353.1m	+201%	\$100.8m	\$257.3m	+155%	\$16.5m	\$95.8m	+481%
NET WIN %	7.1%	5.5%	(1.7pp)	9.0%	8.4%	(0.7pp)	2.2%	2.3%	+0.1pp
NET WIN	\$82.1m	\$207.0m	+152%	\$75.1m	\$166.1m	+121%	\$7.0m	\$40.9m	+481%
GAMING									
NET WIN	-	\$1.5m	-	-	-	-	-	\$1.5m	-
TOTAL									
TOTAL NET WIN	\$82.1m	\$208.5m	+154%	\$75.1m	\$166.1m	+121%	\$7.0m	\$42.3m	+502%

The Australian business turned a small positive earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$9.2M and the US business operated at a loss, EBITDA of (\$149.6M), which was up from the prior year loss of (\$38.2M). Active users doubled in Australia and increased 6-fold in the US, in the land grab which is the US market at the moment.

Summary of Historical ASA Issues with the Company

This is the first year of monitoring this fast-growing company, so there is no history of issues. The company is in transition from a founder-led one, in which the major figures have substantial equity, and modest fixed remuneration to a more mature ASX200 company. Remuneration plans are a blend of what is required to attract US executives together with an Australian core executive. They are clearly not the norm for the Australian market but the Chair has undertaken a process to review them this year. The founder CEO was on a modest package which is being re-aligned (upwards!) with benchmark companies in the range of their market capitalisation of \$2.6B. The board fees are also undergoing benchmarking and will rise this year to reflect this growth.

Debate and Voting at the AGM

The Lumi platform offered voice for the AGM but it wasn't used by either of the two questioners, your ASA representative and Mr Stephen Mayne. In part this is because a voice questioner has to pause the broadcast in order to ask a question.

There were three resolutions which gained about 86% only of the vote: two for the issue of performance share rights to both the CEO Mr Swanell and the President of Technology Mr Singh. The third was for the constitutional change, for which we had also voted against. The delays in the system and apparent congestion caused by the questions by Mr Mayne prevented a follow up question by the ASA on the voting outcomes to be answered in time. The against votes for all three were from the major proxy houses, with Ownership Matters just voting against the constitutional change, as we had. Given the high equity ownership from the founders, US partners and insiders, which is in the order of 30%, these against votes were a significant retail shareholder

statement of opposition to both the remuneration arrangements and the constitutional change. Discussion with them after the meeting revealed what they had advised us at the pre-AGM, namely that they will review the remuneration structure to bring it into a form more normal to the ASX200. They also reaffirmed that their preference is to have face to face AGMs.

All other resolutions were carried in the high 90's%.

The incoming Director, US based Ms Kosha Gada gave a fluent introductory speech outlining her background and suitability to the position. She received nearly 100% support from the voters!

Other questions:

- ASA requested a skills matrix in future Annual Reports (agreed to by the Chair),
- the peculiarity of having two of the Executive on the board (Mr Singh is a technology whiz and invaluable to the Board)
- why use Shaq (an American basketballer) as spokesman for the brand and not an Aussie? (NBA is the biggest betting segment in Australia and SHAQ is the man)
- if gambling gets heavy handed regulation, what will the impact be on PBH? (Unregulated offshore betting is the real problem child here, not the heavily regulated onshore players)
- Political donations? (There were none)
- Sale of shares by founders. (They need to pay bills too, and the CEO founder has promised recently that we will do no more selling for 12 months)

Outlook Statements from the Company

PBH gave no financial outlook statements at this AGM but gave guidance on the number of US states and Canadian provinces in which they expect to obtain licences. See the commentary above. They also stated they are targeting 10% market share in each of the states in which they offer sports betting within 3 years of launch. They also stated they intend to be the market leader in US in-play sports betting over time. Shareholders will be interested if the eye-watering costs to gain share in the US will enable PBH to turn EBITDA positive within a few years. PBH is also carrying \$143m in intangible assets, including gaming licences, and associated with the newly acquired tech companies Banach and PTC.

Meeting Statistics

Number of Holdings Represented by ASA	10
Number of Shares represented by ASA	14,684
Value of Shares represented by ASA	\$146K
Number Attending Meeting	26 shareholders plus 28 visitors
Market capitalisation	\$2.67B
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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