

PointsBet Appendix 4C and Quarterly Activities Report

Melbourne, Australia, 28 July 2020 – PointsBet Holdings Limited (ASX:PBH) (“PointsBet” or the “Company”) is pleased to provide its Quarterly Cash Flow Report (Appendix 4C) for the quarter ending 30 June 2020 (“Q4 FY20”)¹.

PointsBet also provides an overview on its trading performance for Q4 FY20 (prior period being Q4 FY19 (PCP)). Due to the seasonal nature of the sports betting industry, quarterly figures are not intended to represent an indication of likely full year performance.

QUARTERLY HIGHLIGHTS - Q4 FY20

- PointsBet reported strong PCP growth across the following key metrics:

FY2020 Group – PCP Performance (A\$m)²						
Key metrics	Q4 FY2020	Q4 FY2019	Change vs PCP	FY2020	FY2019	Change vs PCP
Turnover³	349.4	221.3	57.9%	1,151.6	567.1	103.1%
Aus	302.9	167.8	80.5%	830.5	490.1	69.5%
US	46.5	53.4	(12.9%)	321.1	77.0	316.8%
Net Win⁴	33.5	7.4	355.7%	82.1	28.2	190.9%
Aus	32.4	7.5	330.4%	75.1	28.9	159.4%
US	1.2	(0.2)	<i>n.m.</i>	7.0	(0.7)	<i>n.m.</i>
Net Win Margin	9.6%	3.3%	+6.3pp	7.1%	5.0%	+2.2pp
Aus	10.7%	4.5%	+6.2pp	9.0%	5.9%	+3.1pp
US	2.5%	(0.3%)	+2.8pp	2.2%	(0.9%)	+3.1pp
Active Clients⁵	111,361	80,008	39.2%	111,361	80,008	39.2%

Trading Performance

- The Australian Trading business continued its strong performance, achieving a record Net Win for the quarter of \$32.4 million, up 330.4% from the PCP, with each month in the quarter successively breaking PointsBet’s Net Win record. Net Win margin of 10.7% was up from 8.7% in the previous quarter, this represents a record quarterly Net Win margin since the launch of Fixed Odds Sport and Racing. This strong performance has been driven by three key factors:
 - PointsBet’s racing turnover growth (in percentage terms), outperforming the market when compared to other Wagering Service Providers⁶;
 - The improvement in PointsBet’s overall product offering, leading to a greater share of wallet (spend) from existing clients; and

¹ Unaudited and in Australian dollars unless otherwise stated

² The AUD:USD foreign exchange rate used for the figures in the table was the average rate for the specified period

³ Turnover is the dollar amount wagered by clients before any winnings are paid out or losses incurred

⁴ Net Win is the dollar amount received from clients who placed losing bets less the dollar amount paid to clients who placed winning bets, less client promotional costs (the costs incurred to acquire and retain clients through bonus bets, money back offers, early payouts and enhanced pricing initiatives)

⁵ Active Clients are clients that have placed a bet in the 12 months preceding the relevant quarter end date

⁶ Based on various commercial in confidence reports from racing controlling bodies

- The shift of gambling spend online as a result of COVID enforced retail venue closures.
- The Australian Trading business delivered consecutive positive EBITDA quarters (Q3 and Q4 FY2020).
- The Australian Trading business achieved record monthly Net Win in each of April, May and June 2020.
- Whilst the US business has been impacted by the suspension of US sporting leagues, PointsBet US kept clients engaged on lower tier sports, achieving a quarterly Net Win performance of \$1.2 million, which resulted in a year-to-date Net Win of \$7.0 million. As previously communicated, the US marketing spend was reduced significantly during the quarter from pre-COVID expectations.
- Achieved 8.7% market share in New Jersey for online handle during the quarter⁷.
- On 9 July 2020 PointsBet announced an agreement with BetMakers Technology Group Limited to offer fixed odds betting on racing (thoroughbred, harness and greyhounds) to clients in New Jersey, initially on races held at Monmouth Park, with scope to expand to additional tracks and jurisdictions, subject to receipt of all necessary regulatory and other approvals. This represents a significant opportunity for the Company given PointsBet's experience in fixed odds racing in Australia, as well as the potential size of the opportunity in the US.
- On 16 July 2020, PointsBet announced that it had been issued a Temporary Operating Permit by the Illinois Gaming Board, allowing PointsBet to commence retail and online sports betting operations in Illinois, subject to the Company's partner, Hawthorne Race Course Inc., receiving a Master Sports Wagering Licence.

Marketing and Sponsorship

- Execution of an agreement in Australia to become the exclusive wagering partner for Fox Sports AFL during the 2020 AFL season. This successful partnership complements the Company's earlier media partnership with Channel 7 to become the exclusive Victorian odds integration partner for the Autumn and Spring Carnival National Horse Racing coverage, and highlights management's continued disciplined and opportunistic approach to targeting media assets to deliver efficient client acquisition and increased betting volumes.
- PointsBet announced on 3 July a partnership with the Detroit Tigers Major League Baseball (MLB) team, being the first sports betting partnership for a professional sports team within Michigan and also the first for any MLB franchise.

⁷ Based on total New Jersey online sports betting handle for the quarter, as reported by the New Jersey Division of Gaming Enforcement ("NJUDGE")

GROUP CLIENT GROWTH

The suspension of the key global sports since 12 March had an impact on client acquisition and client activity overall in both the US and Australia.

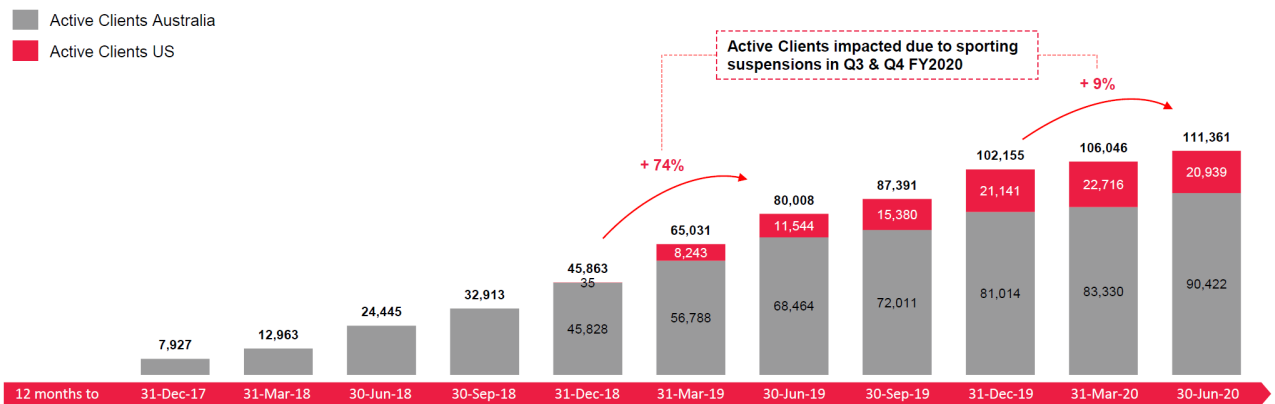
With the NRL and AFL seasons re-launching in the months of May and June respectively, PointsBet has seen client acquisition activity normalise towards pre-COVID expectations.

In the US, due to the lack of premium sporting content for clients to bet on, and the intentional reduction of marketing spend in Q4, the Company expected to experience a fall in activity and client acquisition.

For the 12-months to 30 June 2020, the Group had 111,361 Active Clients, being those clients who have placed a bet during that 12-month period. As can be seen below, 12-month Active Clients have increased by 9,206 (being 9%) in H2 FY20 compared to an increase of 34,145 (being 74%) in H2 FY19, and this is a direct result of the suspension of sports in Q3 and Q4 and the reduced marketing spend in the US.

Active Clients⁽¹⁾

Clients who have bet in the last twelve months



POINTSBET AUSTRALIA

PointsBet Australia - Quarterly & PCP Performance (A\$m)							
Key metrics	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Increase on PCP	FY2020	Increase on PCP
Turnover	164.4	184.8	178.4	302.9	80.5%	830.5	69.5%
Gross win	17.3	20.7	21.2	41.6	163.1%	100.8	99.6%
Gross win margin	10.6%	11.2%	11.9%	13.7%	+4.3pp	12.1%	+1.8pp
Net win	12.6	14.6	15.5	32.4	330.4%	75.1	159.4%
Net win margin	7.7%	7.9%	8.7%	10.7%	+6.2pp	9.0%	+3.1pp

PointsBet's Australian Trading business reported continued Net Win growth in each quarter of the financial year, further demonstrating its capability to disrupt and grow market share in a highly competitive and ever-changing wagering environment.

The strong Q4 FY2020 Net Win performance has been driven by three key factors:

- PointsBet's racing turnover growth (in percentage terms), outperforming the market when compared to other Wagering Service Providers⁸;
- The improvement in PointsBet's overall product offering, leading to a greater share of wallet (spend) from existing clients; and
- The shift of gambling spend online as a result of COVID enforced retail venue closures.

Q4 FY2020 represented consecutive positive EBITDA quarters for the Australian Trading business (being Q3 and Q4 FY2020). It has been extremely pleasing to achieve this in less than three years since the launch of Fixed Odds Sport and Racing, whilst aggressively growing market share and competing against well-established and well-capitalised competitors.

The Australian Trading business recorded a 330.4% increase in Net Win on the PCP and increased Net Win Margin to 10.7% in Q4 FY2020, up from 8.7% in Q3 FY2020. This trading result was achieved despite major Australian and US sporting codes being suspended for most of the quarter, with the Australian Trading business seeing a strong trend of clients transferring to racing. It should be noted that Fixed Odds Racing is a higher margin product than Fixed Odds Sports which along with favourable results assisted overall Net Win margin. Despite this large increase in Net Win margin, the PCP growth in Turnover remained strong at 80.5%.

During the quarter, the Company announced an agreement to become the exclusive wagering partner for Fox Sports AFL during the 2020 season. This highlights management's continued disciplined and opportunistic approach to targeting media assets to deliver efficient client acquisition and increased betting volumes.

Importantly, despite the impact of sports suspensions, Q4 FY2020 saw significantly improved results compared to Q4 FY2019 across metrics such as bets per client, turnover per client and net win per client. Further, the launch of the Same Game Multi product in July should drive an increase in Gross Win Margin.

⁸ Based on various commercial in confidence reports from racing controlling bodies

Australian Media Partnership with Fox Sports AFL



POINTS BET US

PointsBet United States - Quarterly & PCP Performance (A\$m) ⁹							
Key metrics	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	Increase on PCP	FY2020	Increase on PCP
Turnover	71.4	112.5	90.7	46.5	(12.9%)	321.1	316.8%
Gross win	1.1	8.1	5.6	1.6	29.4%	16.5	651.9%
Gross win margin	1.5%	7.2%	6.2%	3.5%	+1.2pp	5.1%	+2.3pp
Net win	(0.8)	3.4	3.3	1.2	n.m.	7.0	n.m.
Net win margin	(1.1%)	3.0%	3.6%	2.5%	+2.8pp	2.2%	+3.1pp

As a result of key US sporting leagues being postponed for the majority of Q4 FY2020, PointsBet US recorded a Net Win of \$1.2 million at a Net Win Margin of 2.5%. This resulted in a year-to-date Net Win of \$7.0 million for the US business. During this quarter, PointsBet executed a strategy of client engagement and activation and as previously communicated, the US marketing spend was reduced significantly from pre-COVID expectations.

Following the suspension of the major sports leagues, the US market pleasingly saw a number of new sports and competitions approved for wagering by US regulators, some of which were driven by submissions from PointsBet, including darts, eNASCAR iRacing, Belarusian Ice Hockey, and various global Soccer, Basketball, Tennis and Table Tennis competitions. Table Tennis proved most popular, with over 100 events daily being able to be bet on pre-match and in-play and as a result, Table Tennis represented the highest handle per sport in April and May. A number of Central American Soccer competitions were also approved and saw strong activity.

⁹ The AUD:USD foreign exchange rate used for the figures in the table was the average rate for the specified period

As a result of this continued client engagement, despite the impacts of COVID, PointsBet is well placed to execute on the re-start of the major sporting leagues across the US.

PointsBet achieved 8.7% market share in New Jersey for online handle during the quarter¹⁰.

PointsBet is now operational in New Jersey, Iowa and Indiana. As noted earlier this month, PointsBet has now also received a permit authorising retail and digital operations in Illinois. Subject to the Company's partner, Hawthorne Race Course, receiving its Master Sports Wagering License, PointsBet plans to launch retail and online betting in Illinois by the end of August.

Launches in Colorado and Michigan will follow Illinois. Michigan will see the launch of PointsBet's iGaming product, the development of which is progressing well and on schedule.

PointsBet announced on 3 July 2020 a partnership with the Detroit Tigers Major League Baseball (MLB) team, being the first sports betting partnership for a professional sports team within Michigan and also the first for any MLB franchise.

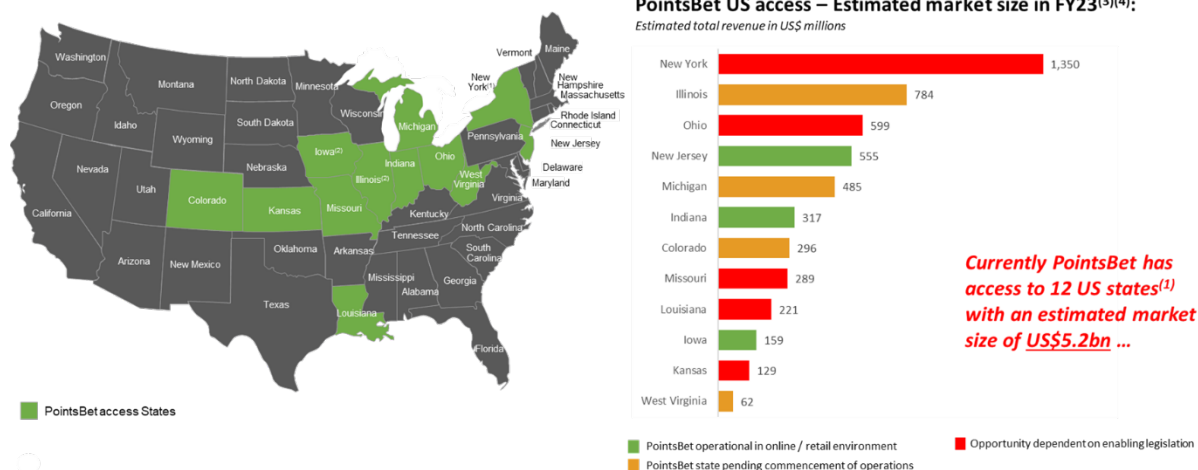
Sponsorship agreements serve to drive brand awareness in the jurisdictions in which we have market access, and also demonstrates continued confidence in our business and brand by major sporting organisations in the United States.

Example of PointsBet branding at Comerica Park



¹⁰ Based on total New Jersey online sports betting handle for the quarter, as reported by the New Jersey Division of Gaming Enforcement ("NJDE")

PointsBet's US Access Map



Notes: (1) Subject to enabling legislation and licensure; (2) Requires in person registration for the first 18 months; (3) Eilers & Krejci Gaming Report, Legal Sports Betting: Defining The U.S. Opportunity (April 2019); (4) Market size estimate assumes land-based and online play are authorised – of these twelve states, online access has been legalised in New Jersey, Illinois, Michigan, Indiana, Colorado, Iowa and West Virginia.

CORPORATE & FINANCIAL UPDATE

Cashflow

As at 30 June 2020, PointsBet had \$135.4 million of corporate cash, the majority of which is held in USD. The Company has no borrowings.

Receipts from customers for the quarter totalled \$33.4 million, bringing the full year total to \$82 million.

Net cash received from operating activities in the quarter ending 30 June 2020 was \$3.1 million. Excluding movement in player cash accounts, net cash received from operating activities was \$1.2 million.

This represents the first positive quarterly net operating cash flow for the Company. This resulted primarily from:

- US marketing spend being reduced significantly from pre-COVID expectations in the June quarter;
- the strong performance of the Australian Trading business; and
- the timing of operating expense payments.

In Q1 FY2021, as major US sports return, PointsBet will resume its targeted US marketing strategy, and as a result, the Company expects to return to negative quarterly net operating cash flows in the coming quarters.

Operating net cash outflows were driven by cost of sales (\$11.2 million), non-capitalised staff costs (\$6.7 million), marketing costs (\$9.3 million) and administration and corporate costs (\$5.4 million).

Net cash used in investing activities in the quarter ending 30 June 2020 was \$3.9 million. This predominately related to market access payments and capitalisation of staff costs.

It should be noted that, as disclosed in the Appendix 4C, the Company's cash and cash equivalents at the end of the quarter were negatively impacted by AUD:USD foreign exchange movements by \$11.7 million, as the Company held the majority of its corporate cash balance in USD.

Estimated cash available for future operating activities

The Company remains well funded to achieve its strategic objectives and planned activities.

FORWARD-LOOKING STATEMENTS

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of PointsBet. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

FOR FURTHER INFORMATION

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ABOUT POINTSBET

PointsBet is a corporate bookmaker with operations in Australia and the United States. PointsBet has developed a scalable cloud-based wagering platform through which it offers its clients innovative sports and racing wagering products. PointsBet's product offering includes Fixed Odds Sports, Fixed Odds Racing, and PointsBetting. PointsBet aims to provide more markets on the major sports than any other bookmaker.

APPENDIX – Q4 FY20 US STATE RESULTS

PointsBet United States - State Q4 FY20 Performance (A\$m) ¹¹						
Key metrics	New Jersey	Iowa	Indiana*	Total US	Q4 FY19	Increase on PCP
Turnover	42.9	0.8	2.9	46.5	53.4	(12.9%)
Gross win	1.5	0.0	0.1	1.6	1.3	29.4%
Gross win margin	3.6%	3.9%	3.1%	3.5%	2.4%	+1.2pp
Net win	1.1	0.0	0.0	1.2	(0.2)	n.m.
Net win margin	2.6%	3.2%	1.5%	2.5%	(0.3%)	+2.8pp

* Whilst we launched our sportsbook in Indiana on 6 March 2020, NBA was suspended on 12 March 2020, and as a result, post launch execution plans were put on hold with marketing intentionally reduced.

¹¹ The AUD:USD foreign exchange rate used for the figures in the table was the average rate for the specified period

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PointsBet Holdings Limited

ABN		Quarter ended ("current quarter")	
68 621 179 351		30 June 2020	
Consolidated statement of cash flows		Current quarter \$A'000 (30 June 2020)	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	33,420	81,950
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs (Cost of Sales) ¹	(11,162)	(33,131)
	(c) advertising and marketing	(9,285)	(34,645)
	(d) leased assets	(71)	(217)
	(e) staff costs	(6,735)	(29,374)
	(f) administration and corporate costs ²	(5,352)	(16,170)
1.3	Dividends received (see note 3)		
1.4	Interest received	523	1,479
1.5	Interest and other costs of finance paid ³	(134)	(479)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	Net increase/(decrease) in Player Cash Accounts ⁴	1,897	244
1.9	Net cash from / (used in) operating activities	3,102	(30,343)

1. Previously included in item 1.2(f) administration and corporate cost in Q1 FY2020 and Q2 FY2020 Appendix 4C cash flow reports and represents Cost of Sales.
2. Includes GST paid to the ATO, including GST collected and paid on Receipts from Customers.
3. Represents interest costs on lease liability upon adoption of AASB 16 "Leases" accounting standard from 1 July 2019. This was adjusted out of 1.2(f) administration and corporate costs into item 1.5 Interest and other costs of finance paid, and in item 3.9 Principal repayment of Lease Liability in the Q3 FY2020 and subsequent Appendix 4C cash flow reports.
4. Represents Net Movement in Player Cash Accounts.

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(429)	(1,238)
	(d) investments	-	-
	(e) intellectual property ⁵	(1,851)	(6,010)
	(f) other non-current assets	(127)	(1,149)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	US Business Development (Market Access and Retail Sportsbook fitout costs)	(1,532)	(12,995)
2.6	Net cash from / (used in) investing activities	(3,939)	(21,392)

⁵ Includes Capitalised Development Costs

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	122,066
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	245
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(3,591)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Principal repayment of Lease Liability ⁶	190	(468)
3.10	Net cash from / (used in) financing activities	190	118,251

^{6.} Impact of rent abatement adjusted in 30 June (Q4 FY2020) Quarter Cashflow.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	156,673	75,886
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,102	(30,343)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,939)	(21,392)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	190	118,251
4.5	Effect of movement in exchange rates on cash held	(11,686)	1,936
4.6	Cash and cash equivalents at end of period	144,339⁷	144,339⁸

^{7/8.} Cash and cash equivalents at the end of the quarter includes Player Cash Accounts of 8,965,326.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	66,271	57,982
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) USD Term Deposits (various tenors less than 3 months)	78,068	98,690
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	144,339	156,673

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	274
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Salaries and Wages (inclusive of Superannuation and applicable taxes withheld) of Executive Directors and Non-Executive Directors Fees.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	50	18
7.3 Other (please specify)	-	-
7.4 Total financing facilities	50	-

7.5 **Unused financing facilities available at quarter end** 32

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Unsecured Commonwealth Bank Corporate Credit Card Facility. Interest rate:17.57%

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	3,102
8.2 Cash and cash equivalents at quarter end (Item 4.6)	144,339 ⁹
8.3 Unused finance facilities available at quarter end (Item 7.5)	32
8.4 Total available funding (Item 8.2 + Item 8.3)	144,371
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A as Net Cash Flow in item 8.1 is positive

⁹. Cash and cash equivalents at the end of the quarter includes Player Cash Accounts of **8,965,326**. Excluding the Player Cash Accounts the balance is **\$A135,405,684**. The estimated quarters of funding available excluding the Player Cash Accounts is **N/A as the Net Cash Flow in item 8.1 is positive**.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

28 July 2020

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.