

24 October 2024

Transformation strategy underway, cost-out continues

Q1 FY25 QUARTERLY ACTIVITIES REPORT

BetMakers Technology Group Ltd (**ASX:BET**) (**BetMakers** or the **Company**) provides this activity report for the quarter ended 30 September 2024 (**Q1 FY25**), along with the Company's Appendix 4C cash flow report. All amounts disclosed herein are unaudited and are denoted in AUD unless otherwise stated.

Q1 FY25 highlights:

- **Next Gen platform successfully deployed, migration ongoing**
 - The Next Gen platform is now live and has been successfully deployed with both existing and new Australian platform customers. The migration of the existing customer base onto the new platform continues and is expected to be completed before the end of the calendar year.
 - The new platform technology is expected to deliver an enhanced experience for the end user and lower BetMakers' cloud and infrastructure costs that are incurred to deliver our white label Australian platform product.
- **Operational efficiency remains a focus, cost out continues**
 - BetMakers remains committed to delivering a more efficient business and operating model. As a result, staff costs were down from \$12.5 million to \$11.7 million (a reduction of 6.4%) compared with the previous quarter (**QoQ**), driven by the ongoing reduction in headcount. Overheads for the quarter were also lower by \$0.8 million QoQ (17.9%).
 - The adjusted EBITDA loss for the quarter of \$1.2 million was a material improvement QoQ (\$3.2 million loss in Q4 FY24).
- **Bet 365 - live in Colorado and with New Jersey to follow**
 - Bet365 is now live with fixed odds horse racing in Colorado and BetMakers is working closely with Bet365 to finalise the deployment in New Jersey.
 - Bet365 is the first major operator to enter the New Jersey fixed odds horse racing market¹, and as such the board and management of BetMakers expect these contracts to be material to the strategic progress of the Company and are anticipated to assist with discussions with other operators about entering into similar arrangements.

¹ See announcement dated 3 June 2024.



- **The transformation strategy is underway**
 - BetMakers is actively pursuing a transformation strategy, including initiatives designed to improve gross margin, reduce costs and accelerate growth.
 - Management is incentivised to deliver financial outcomes aligned to the transformation. Further detail on the Company's Long Term Incentive Program is provided below and in the investor presentation lodged with ASX on the same date as this announcement.
 - The operational focus is on working towards achieving positive operating cash-flow during FY25.
- **Signed or renewed contracts with various customers, including:**
 - A new contract with two racetracks in Chile for a Quantum™ Tote SaaS solution, BetLine terminals, and a new ADW digital platform.
 - A contract renewal with Parx Racing in Pennsylvania, US for tote services and for an ADW digital platform upgrade.
 - A new agreement with Sportngtech to integrate BetMakers' Embedded Racebook into the Sportngtech platform to deliver both fixed odds and tote betting on racing to their operator partners in Latin America.
 - A renewal of the racing data and content distribution contract with SIS for fixed odds betting customers in Australia and New Zealand.
 - A new contract with Malta Race Track Limited for an upgrade to a Quantum™ Tote SaaS solution that has now been installed and deployed to production.
- **Closing cash balance as at 30 September of \$21.2 million; of which \$9.7 million is unrestricted.**

Executive Chair of BetMakers, Matt Davey, said, *"BetMakers today unveiled its transformation strategy which is described in our investor presentation. The strategy is designed to get the business into a positive cash flow position, drive profitable operations, and in the long term, transform the business into a 'Rule of 40' Company².*

Alongside this transformation strategy, the Board has issued new LTIP equity performance hurdles designed to incentivise management to execute on the strategy and deliver value for shareholders.

These are bold targets, but ones that we feel are achievable given BetMakers' leading technology, the operational leverage in the business, and the substantial growth opportunities that are likely to be available to the Company through increased market penetration and international expansion.

We are pleased with the progress made in Q1 FY25, and look forward to delivering on our strategy.

We continue to monitor our cash balance and are working hard to ensure that it is sufficient to support the Company through to break-even."

² The 'Rule of 40' is a principle that states that a technology company's combined growth rate and EBITDA margins should exceed 40%. A reference to the long term is three to five years.



QUARTERLY FINANCIAL UPDATE

Cash flow

Cash receipts of \$23.2 million, were down 9.6% QoQ. The lower cash receipts QoQ was partially related to differences in the amounts received by BetMakers from betr during Q1 FY25. As previously disclosed, the exit of the betr contract is now complete, with the balance due to the seasonal impact of the global racing calendar.

Product and operating costs of \$11.9 million were up 21.9% compared with Q4 FY24 due to the payment of \$3.0 million minimum guarantee to Darby Development LLC and the New Jersey Horsemen in relation to US fixed odds, made in July 2024. Adjusting for this payment, product and operating costs were down 8.9%, reflecting efficiencies derived in Global Tote. Any reduction in cloud costs associated with the deployment of the Next Gen platform are yet to be realised.

Q1 FY25 delivered a net operating cash outflow of \$4.2 million, however, this included the \$3.0 million payment in relation to US fixed odds.

Total cash on hand was \$21.2 million as of 30 September 2024, of which \$9.7 million is unrestricted.

The Company paid Directors \$139,000 for services during Q1 FY25. This included payment to the President/Executive Chairman for employment services.



Reconciliation of Profit & Loss to Operating Cash Flows

The below table shows the underlying Profit & Loss performance for Q1 FY25, and the reconciliation to the operating cash flow:

AUD'000	P&L	P&L	Variance	
	Q4 FY24	Q1 FY25	\$	%
Revenue	21,503	21,327	(176)	-0.8%
Other income	983	-	(983)	n/a
COGS	(10,085)	(8,996)	1,089	10.8%
GP	12,401	12,332	(70)	-0.6%
	57.7%	57.8%		
Staff Costs	(12,502)	(11,707)	795	6.4%
Capitalised Staff Costs	1,457	1,849	392	-26.9%
Overheads	(4,523)	(3,714)	809	17.9%
Adjusted EBITDA ¹	(3,167)	(1,241)	1,926	60.8%
Reconciliation to net operating cash flow:				
Capitalised staff costs	(1,457)	(1,849)		
Monmouth Park MG	1,701	(2,131)		
Annual vendor payments	511	214		
Employee related costs	565	524		
Debt Recovery	352	1,155		
Other	1,008	(865)		
Net Cash from operating activities	(487)	(4,193)		

¹ : Excludes provision for doubtful debts, and share based payments expense

Revenue of \$21.3 million for Q1FY25 was 0.8% down QoQ (excluding the “other income” derived by the Company in Q4 FY24). The lower revenue compared with the previous quarter was primarily due to the seasonal impact of the global racing calendar on GBS content partnerships and Global Tote revenues.

COGS were down 10.8% QoQ, primarily reflecting reductions in cloud costs and efficiencies in the Global Tote division.

Staff costs were down from \$12.5 million to \$11.7 million QoQ (a reduction of 6.4%) driven by a material reduction in headcount. Further reductions are anticipated during FY25, with the benefits expected to be realised in 2H FY25. The additional capitalised staff costs result from the additional staff time spent on the deployment of Next Gen.

As a result of the reduction in costs, the adjusted EBITDA loss for Q1 FY25 of \$1.2 million was a material improvement QoQ (\$3.2 million loss in Q4 FY24).



Commenting on Q1 FY25, Chief Executive Officer, Jake Henson said, “We are really pleased with the progress that we are making in optimising our operating model. Costs continue to come down, and we continue to work towards our goal of achieving positive operating cash-flow in FY25.

We had a productive period in signing or renewing contracts with customers, and we were delighted to have successfully deployed our Next Gen platform, which we expect to deliver an enhanced customer experience, lower BetMakers’ cloud costs and provide a strong foundation for new market growth.

With a clear transformation strategy in front of us, and many of the building blocks already in place, we look forward with confidence in delivering for our shareholders.”

BETMAKERS TRANSFORMATION STRATEGY - MANAGEMENT INCENTIVES

BetMakers has today issued a total of 57,000,000 Performance Rights (**Management Incentives**) under the terms of its Long Term Incentive Plan (**LTIP**). The Company notes that 15,042,500 Performance Rights have been cancelled with respect to the period to 30 June 2024 as the conditions of those Performance Rights were not satisfied. Accordingly, the net change resulting from the issuance and cancellation is an additional 41,957,500 securities.

The Management Incentives form part of BetMakers transformation strategy and are designed by the Board to incentivise management to deliver long term value for shareholders.

The vesting criteria for the performance rights are outlined in the table below:

Performance Criteria	# Performance Rights	Last date for satisfaction of Performance Criteria
Tranche 1: Achieving either: 1) at least \$2m operating cash-flow ³ as well an EBITDA ⁴ annual run rate ⁵ of at least \$6m for any six-month period during FY25; or	11,400,000	30 September 2025

³ Operating cash-flow refers to the aggregate operating cash-flow over the six months ending 30 June 2025 as described in the Appendix 4Cs to be lodged in relation to the quarters ending 31 March 2025 and 30 June 2025.

⁴ A reference to EBITDA in this announcement calculates EBITDA as statutory earnings before interest, taxes, depreciation and amortisation as adjusted for any share-based payments, impairments or one-off expenses consistent with the presentation of ‘Adjusted EBITDA’ in the Company’s relevant audited financial statements.

⁵ EBITDA run-rate refers to the annualised result of the relevant period. For a six-month period this would be calculated by multiplying the relevant period by 2. For a 3-month period it would be calculated by multiplying the relevant period by 4.



2) a VWAP ⁶ of \$0.25 over any 20 consecutive trading days ending on or before 30 June 2025.		
Tranche 2: Achieving either: 1) at least a \$20m of EBITDA annual run-rate for any six-month period (6 Month Period) ending on or prior to 31 December 2026, and EBITDA for the 12 month period ending on the last day of the 6 Month Period must also be at least \$15m; or 2) a VWAP of \$0.33 over any 40 consecutive trading days ending on or prior to 31 December 2026.	28,500,000	28 February 2027
Tranche 3: Achieving either: 1) a \$30m EBITDA annual run rate for any 3-month period (3 Month Period) ending on or prior to 30 June 2027, and EBITDA for the 12 month period ending on the last day of the 3 Month Period must also be at least \$15m; or 2) a VWAP of \$0.40 over any 40 consecutive trading days ending on or prior to 30 June 2027.	17,100,000	30 September 2027

In the event that, during the period up to 30 June 2027, the Company issues additional shares (other than as result of the exercise of any Performance Rights) or cancels any shares, or the Board decides to undertake an acquisition that requires equity financing but the acquired business does not make a positive contribution to EBITDA, or the Board decides to divest an asset that contributes positively to EBITDA, the Board may (but is not obliged to) adjust any EBITDA target to take into account the impact of the transaction.

The Company has lodged an Appendix 3G with respect to the issuance of the Management Incentives.

The Board of BetMakers has authorised the release of this announcement to ASX.

For further information please contact:

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 Investor Relations
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 + 61 417 311 335

⁶ VWAP refers to volume weighted average price of the Company's shares as traded on the ASX.



Disclaimer

The material contained in this document is of general information about the activities of BetMakers as at the date of this update. All monetary figures quoted within this document are in Australian dollars (\$AUD) unless otherwise specified and are provided on an unaudited basis.

This announcement contains “forward-looking statements.” These can be identified by words such as “may”, “should”, “anticipate”, “believe”, “intend”, “estimate”, and “expect”. Statements which are not based on historic or current facts may be forward-looking statements. Forward-looking statements are based on:

- assumptions regarding the Company’s financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and*
- current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.*

Actual results, performance or achievements of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company’s financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.



Appendix 4C

Quarterly cash flow report for entities

subject to Listing Rule 4.7B

Name of entity

BetMakers Technology Group Limited

ABN

21 164 521 395

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	23,179	23,179
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(11,887)	(11,887)
	(c) advertising and marketing	(227)	(227)
	(d) leased assets	(652)	(652)
	(e) staff costs	(11,983)	(11,983)
	(f) administration and corporate costs	(2,623)	(2,623)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-



1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(4,193)	(4,193)

1.1 Includes recovery of \$1.6 million from Betr during the quarter.

1.2 (b) Includes \$3.0 million (in relation to the minimum guarantee to Darby Development and the New Jersey horsemen in relation to US Fixed Odds made in July 2024.

1.2 (e) includes ~\$0.2 million in payments related to restructuring, leave costs incurred.

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(724)	(724)
	(d) investments	-	-
	(e) intellectual property / content rights	-	-
	(f) other non-current assets	-	-
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)	(2,733)	(2,733)
2.6	Net cash from / (used in) investing activities	(3,457)	(3,457)

2.1 (c) Predominantly relates to funds paid in relation to the development and construction of the new BetLine betting terminals and other on-track and in-venue hardware (for use in the US).

2.5 Predominantly relates to the movement in customer funds held customer funds on deposit in relation to Global Tote Hub and ADW operations. The restricted cash balance at 30 September 2024 was \$11.5 million.

Cash flows from financing activities			
3.			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

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4.	Net increase / (decrease) in cash and cash equivalents for the period		
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4.1	Cash and cash equivalents at beginning of period		
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,193)	(4,193)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,457)	(3,457)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(482)	(482)
4.6	Cash and cash equivalents at end of period	21,205	21,205

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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	21,205	21,205
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,205	21,205

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

Current quarter \$A'000
139
-

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 Relates to amounts paid to directors for services during Q1 FY25. This includes payments to Matt Davey for employment services in his role as President and Executive Chairman.

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	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

-

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,193)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	21,205
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	21,205
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.0

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

- 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.

Date: 24 October 2024.....

Authorised by: The Board.....
(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.