

PointsBet Appendix 4C and Quarterly Activities Report

Melbourne, Australia, 31 January 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 31 December 2019 (“Q2 FY2020”) (unaudited and in Australian dollars unless otherwise stated).

In conjunction with the release of the Appendix 4C, PointsBet is providing an overview on its trading and operating performance for Q2 FY2020. 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

- PointsBet reported strong growth across the following key metrics:

PointsBet Group – PCP performance (A\$m)			
Key metrics	Q2 FY2020	Q2 FY2019	% increase
Turnover ¹	297.3	110.6	+ 169%
Gross Win ²	28.9	12.3	+ 134%
Net Win ³	18.0	8.3	+ 117%
Active Clients ⁴	102,155	45,863	+ 123%
Registered Clients ⁵	185,138	63,029	+ 194%

- Strong Active Client growth achieved during the quarter leading to 117% PCP Net Win growth across the Group.
- Nominated Becky Harris to the Board as a Non-Executive Director. Mrs Harris was the first ever Chairwoman of the Nevada Gaming Control Board and a former Nevada State Senator.
- In November successfully completed a \$122.1 million equity raising to support US market access and continued growth, with a retail participation rate of 99.7%.
- Announced in January 2020 a partnership with Lac Vieux Desert Public Enterprise and Finance Commission (“LVD”), an arm and instrumentality of and organised under the laws of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, to provide online and mobile sports wagering and gaming (casino) in the State of Michigan.
- Announced before market open today, PointsBet has entered into an exclusive ‘first skin’ agreement with Kansas Crossing Casino, L.C. to provide retail and online sports wagering in the State of Kansas, contingent upon the passing of enabling legislation as well as obtaining the necessary regulatory licenses.

¹ Turnover is the dollar amount wagered by clients before any winnings are paid out or losses incurred

² Gross Win is the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding the cost of pricing promotions

³ 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)

⁴ Active Clients are clients that have placed a bet in the 12 months preceding the relevant quarter end date

⁵ Registered Clients is a client who has opened an account with PointsBet

- On Melbourne Cup Day 2019, PointsBet successfully processed more than 180,000 bets, up from approximately 145,000 in 2018, over 900 bets-per-minute at its peak, a further demonstration of the Company's technological capabilities.
- Launched Digital operations in Iowa, accepting first online wagers on 20 November 2019. This represents the Company's second online market to commence operations.

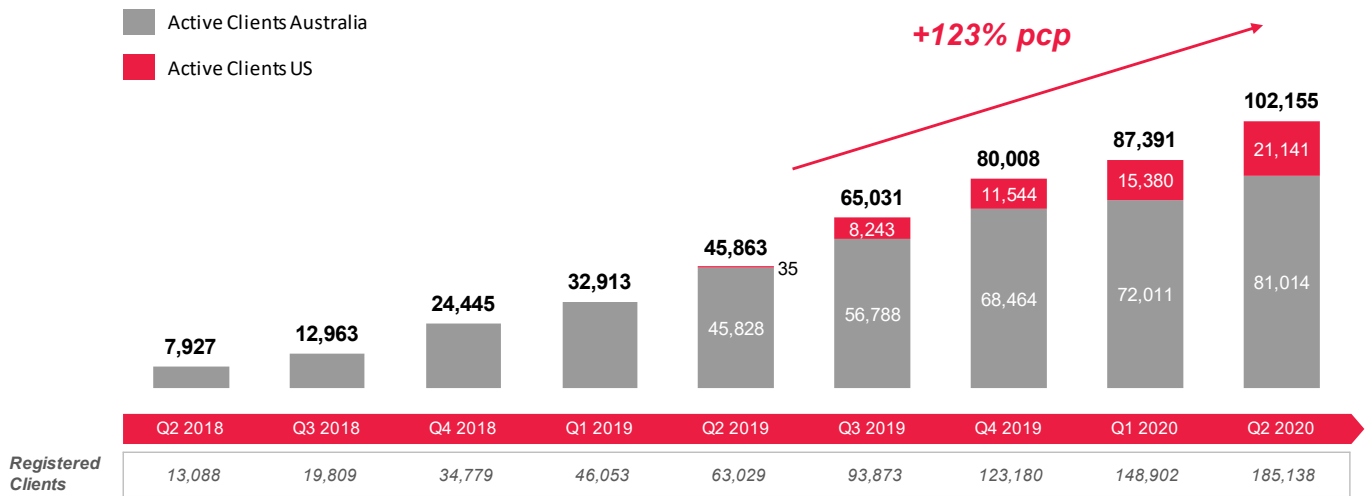
GROUP CLIENT GROWTH

PointsBet has continued to achieve strong client growth both in Australia and the US. The US business benefited from the opportunity to operate in a December quarter for the first time, with the NFL (September to February) and NBA (October to June) seasons both live. The Australian business continued to grow its market share with an outstanding quarterly performance.

The Company recorded a 123% increase in Active Clients for the 12 months to 31 December 2019 to 102,155 up from 45,863 for the PCP.

PointsBet has continued to invest in brand positioning and awareness in the US as more States legalise online wagering and PointsBet accesses additional US States. The vast majority of the US Active Clients are registered in New Jersey.

Registered Clients and Active Clients



POINTSBET AUSTRALIA

PointsBet Australia – PCP performance (A\$m)			
Key metrics	Q2 FY2020	Q2 FY2019	Increase
Turnover	184.8	110.5	+ 67%
Gross Win	20.7	12.3	+ 68%
Gross Win Margin	11.2%	11.1%	+ 0.1 pp
Net Win	14.6	8.3	+ 76%
Net Win Margin	7.9%	7.5%	+ 0.4pp

PointsBet's Australian business recorded another strong quarterly performance demonstrating its capability to disrupt and grow market share in a highly competitive environment. PointsBet Australia recorded a 76% increase in Net Win on the PCP and increased Net Win Margin to 7.9% in Q2 FY2020, up from 7.5% in Q2 FY2019. PointsBet's scalable cloud-based technology platform processed over 180,000 bets on Melbourne Cup Day, over 900 bets-per-minute at its peak, a further demonstration of the Company's technological capabilities.

PointsBet Australia continues to benefit from the Company's investment in its platform, product and client experience, and this investment is reflected in the trading results. Over the period, this improvement together with a favourable run of results for the industry, enabled the Company to achieve an improved Gross Win Margin as well as reducing gratuities as a percentage of Gross Win from 33% in the PCP to 29%. It is particularly pleasing that despite this reduction in gratuities, the Australian business saw continued growth in turnover and Gross Win percentages over the period.

POINTSBET US

PointsBet United States – Quarterly KPIs (A\$m)							
Key metrics	New Jersey			Iowa			US Total
	Digital	High Staking Clients	Total	Retail	Digital	Total	
Turnover	99.6	9.2	108.8	2.8	0.9	3.7	112.5
Gross Win	6.4	1.6	8.0	0.1	(0.0)	0.1	8.1
Gross Win Margin	6.4%	17.5%	7.4%	3.6%	(0.4%)	2.6%	7.2%
Net Win	1.8	1.5	3.3	0.1	(0.0)	0.1	3.4
Net Win Margin	1.8%	16.2%	3.0%	3.6%	(2.1%)	2.2%	3.0%

PointsBet achieved a Net Win Margin in the US of 3.0% in Q2 FY2020, this was PointsBet's first positive margin quarter for the US business since launch. Whilst the High Staking Clients segment recorded an outstanding quarter, recording a Net Win Margin of 16.2%, the Company expects this to normalise lower in the medium-to-long term.

Total New Jersey sports betting handle, as reported by the New Jersey Department of Gaming Enforcement (“NJDGE”), achieved three successive all-time high months to November 2019 with strong momentum continuing into December 2019. Using the NJDGE calculation methodology for handle, PointsBet’s turnover market share for online in New Jersey was 5.9%, down from 6.7% in the previous quarter impacted by lower High Staking Clients turnover.

New Jersey Digital Q2 FY2020 Turnover of \$99.6 million represented an increase of 80.9% on Q1 FY2020 as the NFL and NBA seasons progressed. While Gross Win Margin achieved was 6.4%, Net Win Margin was 1.8% which reflects an important acquisition and retention period for the Company resulting in higher targeted promotional spend. It should also be noted that Gross Win Margin was lower in Q2 FY2020 (to 6.4% from 8.0% in Q1 FY2020) reflecting a movement towards more sustainable long-term yields.

Iowa Retail recorded its first full quarter of operations in Q1 FY2020 after launching on 20 August 2019. Iowa Retail Net Win Margin was lower than expected reflecting a run of favourable results for clients. This is magnified as a result of the low absolute value of Net Win. Net Win Margin is expected to stabilise as retail Turnover grows and results normalise.

During the quarter, the Company launched Digital operations in Iowa, accepting the first online wagers on 20 November 2019. This represents the Company’s second online market to commence operations. While it is early days for the Iowa Digital business, the Company is pleased with the progress made. Client acquisition efforts are focused on local marketing and cross promotion given the current requirement for in person sign up. The disciplined and focused approach to marketing and promotions will be leveraged in other States which also require in person sign up.

PointsBet is well-positioned to take advantage of the growing opportunity in the wider US as other States go “live”, with strong leadership and experienced management. This has been bolstered by the nomination of Becky Harris, the first ever Chairwoman of the Nevada Gaming Control Board and former Nevada State Senator, to the Board as a Non-Executive Director. Furthermore, PointsBet recognises the importance of its media strategy within the growing US market, and to strengthen this position appointed Eric Foote, former CBS Sports Digital VP, to the position of US Chief Commercial Officer.

PointsBet has been investing in building the brand and free to play database outside of New Jersey. Not only does this mean that PointsBet is going into new States with existing brand recognition but it also assists in PointsBet’s market access strategy as we expand across the United States.

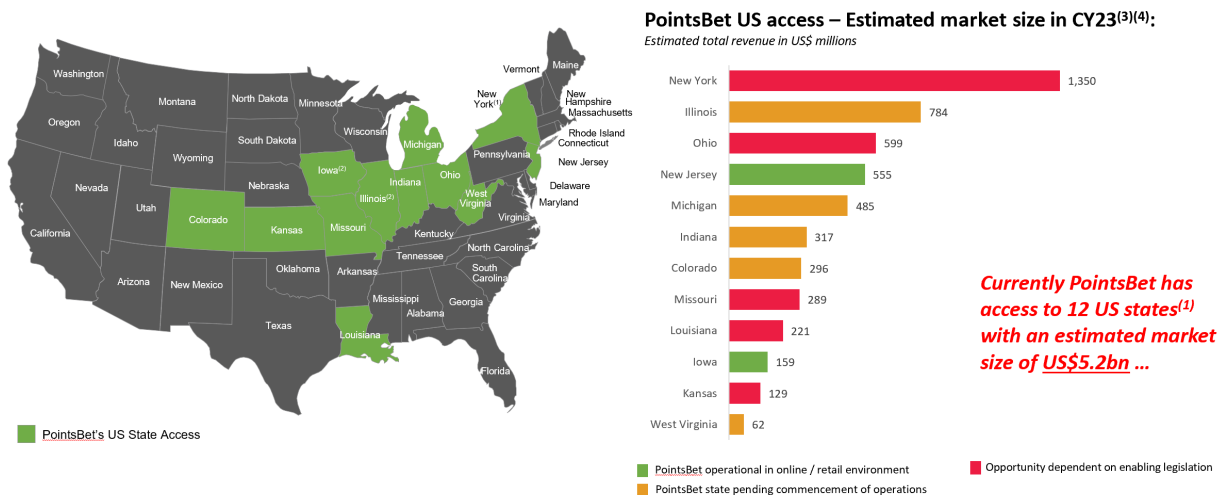
In January 2020, PointsBet further expanded its US footprint announcing a partnership with Lac Vieux Desert Public Enterprise and Finance Commission (“LVD”), an arm and instrumentality of and organised under the laws of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, to provide online and mobile sports wagering and gaming (casino) in Michigan. PointsBet is also in exclusive negotiations to operate LVD’s retail operations in the State. This represents the Company’s first tribal market access deal and further demonstrates continued confidence in PointsBet’s brand and product offerings.

Following the announcements of the LVD and Kansas Crossing market access agreements PointsBet now has access to 12 States, subject to (where relevant) the passing of enabling legislation and licensure. In addition, PointsBet’s can provide gaming (casino) products through its market access partners, Penn National Gaming, Double Eagle Casino and LVD and potential future market access opportunities.

The Company is entering into an important period of execution as we roll out operations across our expanding US footprint. We are currently operational in New Jersey and Iowa and expect to launch online in Indiana by the end of Q3 FY2020.

Subject to approval of regulations by the Illinois Gaming Board, PointsBet expects to launch both retail and online operations in Illinois by the end of Q1 FY2021, with Colorado and Michigan to follow pending the relevant State regulations.

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 & Krejcik 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

Net cash used in operating activities in the quarter ending 31 December 2019 was \$14.3 million as PointsBet continued disciplined and focused marketing and promotional initiatives aimed at attracting and retaining clients in Australia and the US and hired staff to execute the Company’s US strategy. The cash outflows for the period were \$0.7 million below the previous Appendix 4C estimate of \$34.5 million. The reduction was driven by lower cash outflows on advertising and marketing during the period of \$10.4 million (verses the estimate of \$12.5 million), primarily driven by the timing of marketing payments. This was offset by higher corporate and administration cash outflows of \$13.5 million (verses the estimate of \$12.5 million) driven by increased cost of sales as a result of stronger than expected Australian trading results.

A summary of the material cash inflows and outflows is summarised below.

Cash inflows:

- Customer receipts of \$18.0 million

Cash outflows:

- Advertising and marketing of \$10.4 million
- Staff costs of \$7.5 million
- Net movement in player cash accounts of \$1.0 million
- Technology R&D of \$1.4 million
- Administration and corporate costs of \$13.5 million, which includes Cost of Sales

Estimated cash outflows for Q3 FY2020

In Q3 FY 2020, we expect cash outflows relating to obligations under our market access agreements and a portion of the Illinois retail sportsbook fit out cost to total \$7.5 million. We also expect Denver office fit-out costs to be \$1.2 million.

We will continue to grow our staff and build and develop our capabilities in our Denver, Colorado USA headquarters, with our staff and research and development costs expected to be \$9.3 million and \$2.5 million respectively for the quarter.

In the US, our Q3 FY2020 marketing efforts will see the introduction of an Indiana marketing campaign as we prepare to launch operations in that State. In Australia however, given we are moving from a peak acquisition season with a heavy focus on the Spring Racing Carnival into a period of traditionally lower seasonal marketing spend, we expect Australian marketing investment to decrease quarter on quarter. This is reflective of our continuous disciplined approach to spending.

We expect our administration and corporate costs for Q3 FY2020 to be \$12.4 million.

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.

-ENDS-

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 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PointsBet Holdings Limited

ABN	Quarter ended ("current quarter")	
68 621 179 351	31 December 19	
Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,983	29,827
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(10,418)	(18,328)
(d) leased assets	(56)	(87)
(e) staff costs	(7,478)	(14,224)
(f) administration and corporate costs ^{2,3}	(13,496)	(21,355)
1.3 Dividends received (see note 3)		
1.4 Interest received	221	500
1.5 Interest and other costs of finance paid ²	(126) ²	(190) ²
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 ¹	(952)	897
1.9 Net cash from / (used in) operating activities	(14,322)	(22,960)

1. Represents Net Movement in Player Cash Accounts.

2. Represents Interest Costs on lease liability upon adoption of AASB 16 "Leases" accounting standard from 1 July 2019. This has been 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.

3. Administration and corporate costs includes Cost of Sales

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(81)	(339)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property ⁴	(1,445)	(2,853)
	(e) other non-current assets	(958)	(958)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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)	-	(8,490)
2.6	Net cash from / (used in) investing activities	(2,484)	(12,640)

⁴ Includes Capitalised Development Costs

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	122,066	122,066
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	65	206
3.4	Transaction costs related to issues of shares, convertible notes or options	(3,591)	(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 ²	(190)	(387)
3.10	Net cash from / (used in) financing activities	118,350	118,294

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	57,577	75,886
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,322)	(22,960)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,484)	(12,640)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	118,350	118,294
4.5	Effect of movement in exchange rates on cash held	(1,603)	(1,062)
4.6	Cash and cash equivalents at end of quarter	157,518⁵	157,518⁶

5/6. Cash and cash equivalents at the end of the quarter includes Player Cash Accounts of 9,680,462.

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	52,945	26,772
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) USD Term Deposits (various tenors less than 3 months)	104,573	30,805
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	157,518	57,577

6. Payments to directors of the entity and their associates

**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

348

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

99

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Payments made to Clarendon Lawyers Pty Ltd, the company's legal advisor. Director Tony Symons is Managing Director and majority owner of Clarendon Lawyers Pty Ltd.

8. Financing facilities available

Add notes as necessary for an understanding of the position

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

8.1 Loan facilities

-

-

8.2 Credit standby arrangements

50

6

8.3 Other (please specify)

-

-

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

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development ⁷	(2,486)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(6,448)
9.4 Leased assets	(60)
9.5 Staff costs	(9,301)
9.6 Administration and corporate costs	(12,402)
9.7 Other (provide details if material)	
Market access & Retail Sports Book Fitout	(7,502)
USA Head Office Fitout	(1,247)
9.8 Total estimated cash outflows	(39,446)

⁷ Represents Capitalised Development Costs and Software License Fees.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

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



31 January 2020

Sign here:
(~~Director~~/Company secretary)

Date:

Andrew Hensher

Print name:

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose

additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly 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 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.