



29 October 2021

## **Quarterly Activities Report for the quarter ended 30 September 2021**

### **Highlights**

- **SportsHero successfully develops a world first artificial intelligence live esports predictor**
- **Esports presentation deck lodged with ASX on 15 October 2021 and Asian based institutional video teleconference roadshow to commence on 1 November 2021**
- **SportsHero's fully localised Indonesian app 'OlahBola' has generated over 5.9 million new unique users and is on target to reach 10 million users within the next 12 months**
- **Ellevote football talent scouting to be fully integrated with OlahBola, with a planned November 2021 launch**

### **SportsHero's strategy**

SportsHero's strategy is to build a large and engaged user base of active sports fans utilising our unique and proprietary technologies, our official associations with governing bodies and partnerships with technology innovators and prominent market participants. We will then monetise these strategic assets with recurring revenue generated from multiple sources.

Having developed a white label digital solution, SportsHero is now able to offer its digital solutions across multiple sports to sporting groups and other partners globally.

### **Esports Predictor**

On 9 September 2021, SportsHero announced that it was launching its state-of-the-art artificial intelligence esports Predictor to service new markets and the rapidly expanding esports gaming markets.

The Predictor utilises the latest advancements in deep learning technology to predict the outcomes of esports competitions prior to the match, as well as live during the competition.

### *Revenue Opportunities*

The Predictor is expected to generate new revenue opportunities, including licensing revenue, subscription revenue, exclusive streaming revenue and royalties, affiliate gaming revenue with potential customers that operate gaming communities and betting companies, esports and sporting news websites and esports tournament organisers.

### *The Algorithm*

To increase the accuracy of the Predictor, the prediction algorithm was built on one of the largest datasets available for 'League of Legends', which was compiled, developed and is fully owned by SportsHero. The dataset autonomously analyses new matches and the data generated from those matches in order to optimise the underlying algorithm and its accuracy. Expressed another way, the deep learning/machine learning Predictor will autonomously become more and more precise as more data is added to its ecosystem, delivering for SportsHero a unique esports value proposition that can be replicated across multiple sports and jurisdictions.

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# SportsHero

In addition to providing the algorithm, the development team also built a functioning website that packages the Predictor, the underlying players and teams library as well as an integrated live betting odds feed.

## *Performance Testing*

Since the final stress tested version of the Predictor was complete on 13 August 2021, additional performance testing was undertaken. In total 189 matches were predicted and the Predictor correctly predicted the head-to-head outcome of 125 of those matches.

The total win percentage of 66.14% represents an extremely impressive result.

Analysis of the head-to-head results and the prevailing betting odds suggests that betting companies have mispriced their odds when compared to the underlying data and percentage win rate that the Predictor's algorithm suggests. In that regard, the performance testing achieved the following:

- the average winning odds (for a \$1.00 outlay) for the matches the Predictor won was \$1.78; and
- the highest predicted head-to-head winning odds (for a \$1.00 outlay) achieved was \$3.75.

## *Australian Launch*

Having developed a deep learning esports Predictor and secured access to live data from esports tournaments, the Company is now looking to launch in Australia market first esports prediction competitions.

These social online competitions will include free esports "Beat the Predictor" competitions, whereby users can compete against the Predictor and other users to climb the SportsHero leader board ladder and win money can't buy prizes, such as sporting memorabilia and merchandise from tournament organisers and esports companies.

For a monthly fee, users will be able to expand their user experience by subscribing to the Company's live Predictor and securing monthly access to the Predictor's esports match predictions.

## *Asian video teleconference roadshow*

SportsHero advises that on 1 November 2021 it will embark on a video teleconference investor roadshow focused on Asian based institutional investors.

SportsHero believes it is an opportune time to be engaging with Chinese investors, in particular given SportsHero's developing esports platform is expected to benefit from the 3 hours per week time restriction that was imposed by the Chinese government (on 1 September 2021) on gaming for under 18s.

SportsHero considers that this gaming restriction has presented a huge opportunity to capture a significant Chinese demographic that is already heavily engaged in the sector.

As articulated in the presentation deck, China is the largest esports market in the world, with over 400 million fans and viewers and the Chinese market is expected to exceed RMB 165 billion (about AU\$34 billion) in size in 2021, achieving a compound annual growth rate of over 15% in recent years.

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## **OlahBola**

On 7 July 2020, SportsHero successfully launched in Indonesia its first locally branded and fully localised football app 'OlahBola'. Despite the fact that no football has been played in Indonesia since the start of COVID-19, OlahBola has generated in excess of 5.9 million new unique users.

The Indonesian version of SportsHero's platform is dedicated to international football and caters to the millions of fanatical Indonesian football fans who follow and support international football leagues, such as the English Premier League and Spain's La Liga. The OlahBola app provides dynamic video content from these football leagues, providing a platform for advertisers and, in turn, revenue opportunities for the Company.

Recent partnership deals will enhance SportsHero's OlahBola web app by delivering new and engaging content, products and services. Partnerships are one of the key drivers that generate user growth.

## **Ellevote Football partnership**

On 22 February 2021, SportsHero secured an exclusive 3 year partnership for the Indonesian launch of a world leading football talent scouting platform, Ellevote Football.

Ellevote Football will be marketed to OlahBola's growing user base and is expected to generate recurring subscription revenue and new brand partners and advertisers who are targeting the younger Indonesian demographic.

Parents of aspiring young footballers can subscribe to the Ellevote Football platform to showcase their child's talent directly to the scouts engaged by professional football clubs worldwide.

In accordance with a binding terms sheet, SportsHero will have exclusive access to Ellevote Football's technology and intellectual property for use in the Indonesian market.

SportsHero is incorporating Ellevote Football's functionality into its rapidly growing OlahBola app, with a planned launch date in November 2021. Once pricing is finalised, a recurring subscription revenue product for parents of talented young junior footballers will be launched to provide those players and their parents with access to Ellevote Football's exclusive scouting and football development programmes. Additionally, the new Ellevote Football offer is expected to appeal to new brand partners and advertisers targeting this younger Indonesian demographic.

Ellevote Football and SportsHero will share equally all subscription revenue, advertising and sponsorship revenue generated from the 3 year partnership. The parties have further agreed to include an option to extend the partnership for a further 3 year term.

## **COVID-19**

As a consequence of the COVID-19 pandemic, nationwide curfews were imposed in Indonesia which are significantly impacting internal demand and economic activity. In addition, all Indonesian football competitions have been suspended since 17 March 2020.

The ongoing suspension of football in Indonesia is significantly impacting on the Company's ability to generate revenues from its Kita Garuda platform. In addition, the implementation of curfews, lockdowns and restrictions are significantly impacting both the Indonesian economy and the Company's ability to routinely conduct its Indonesian business activities.

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## **Sports Bookmaker License**

Following the inability of the joint venture company (Pay-to-Play Australia Pty Ltd) to secure a Sports Bookmaker Licence, on 23 August 2021 the joint venture parties agreed to terminate the Pay-to-Play Australia Pty Ltd joint venture.

## **Cash and expenditure (A\$'000)**

Net cash used in operating activities for Q1 FY21/22 totaled \$336k, which included the following:

- OlahBola operating & development costs, staff costs and promotion & marketing \$85.5k
- OlahBola content and software services \$12k
- Esports predictor consultancy fees \$20k
- Ellevate promotion & marketing, staff costs and development costs \$30k
- Esports promotion & marketing and staff costs \$36.5k
- corporate costs, staff costs, administration, professional and legal expenses \$122k
- corporate promotion & marketing \$30k
- PSSI \$- (due to the cancellation of all Indonesian football as a result of COVID-19)

Cash at bank as at 30 September 2021 totaled \$1.49m.

During Q1 FY21/22 a total of \$81k was paid to related parties of the Company as follows:

- \$45k for the provision of full-time services by a director
- \$18.75k for director fees paid to non-executive directors
- \$15.75k for the provision of services by a non-executive director
- \$1.5k to a non-executive director for office rent

## **Authorised for release by the Board**

**John Dougall**

**Chairman**

**Telephone: +61 419 401 830**

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## Appendix 4C

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

**Name of entity**

SportsHero Limited

**ABN**

98 123 423 987

**Quarter ended ("current quarter")**

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13	13
1.2 Payments for		
(a) research and development	(20)	(20)
(b) product manufacturing and operating costs	(24)	(24)
(c) advertising and marketing	(27)	(27)
(d) leased assets	-	-
(e) staff costs	(135)	(135)
(f) administration and corporate costs	(145)	(145)
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	9	9
1.8 Other (provide details if material)	(7)	(7)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(336)</b>	<b>(336)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>1,832</b>	<b>1,832</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(336)	(336)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(5)	(5)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,491</b>	<b>1,491</b>

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	1,491	1,832
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,491</b>	<b>1,832</b>

**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**

81

-

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

**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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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)

(336)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

1,491

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

1,491

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

4.4

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?

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?

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



## 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.

29 October 2021

Date: .....

the Board of SportsHero Limited

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.