

To our Shareholders, clients and staff,

A Mispriced Gamble

“You’re looking for a mispriced gamble. That’s what investing is. And you have to know enough to know whether the gamble is mispriced. That’s value investing.”

— Charlie Munger

It’s been 3 years since “BetTube” was “Anthony and an idea” and our first adopter investors decided to put their money in the long-term vision of creating a betting platform different from the industry. The value that was attached to the first-round cap raise, which I call “Anthony and an idea” was \$0.10 a share for the “A” Class Shares.

In last year’s Shareholder Letter, I made it clear that if our long-term approach to the growth of shareholder value is not one that you share, you have an open market for you to trade out of your investment.

For those who are considering trading out (and for those who are not sure), this letter is meant to give you some information that should assist you with your assessment as to whether the company is sticking to its long-term plan to increase shareholder value.

As Charlie says, in investing, “you’re looking for a mispriced gamble”. In this letter, I will be striving to give you sufficient information, that when read in tandem with our Annual Accounts, will give you the form guide to determine whether our company is a mispriced gamble.

FY2023 Form Guide

BetTube continued with the ethos of “client focus” and that focus helped us make substantial progress in FY2023:

- Turnover grew from \$282m in 2022 to \$308m in 2023 – a 9% increase.
- Sports turnover grew from \$68m in 2022 to \$86m in 2023 – a 26% increase.
- Racing turnover grew from \$213.4m in 2022 to \$221.6m in 2023 – a 3% increase.
- Gross Margin (before rewards) grew from \$29.7m in 2022 to \$32.8m in 2023 – a 10.4% increase.
- Gross Margin (after rewards) grew from \$22.5m in 2022 to \$23.4m in 2023 – a 4.2% increase.
- Rewards grew from 2.58% of turnover in 2022 to 3.0% of turnover in 2023 – an increase of 19%
- Bet count grew from 3.5m in 2022 to 4.1m in 2023 – a 20% increase.
- Bet count in Racing grew from 3.1 in 2022 to 3.6m in 2023 – a 17% increase.
- Bet Count in Sports grew from 389k in 2022 to 557k in 2023 – a 43% increase.
- Average Saturday Bet count grew from 15,128 in 2022 to 17,177 in 2023 – a 13.6% increase.
- Average bet fell from \$81 in 2022 to \$74 in 2023 – a 9% decrease.

- Daily Average Actives grew from 719 in 2022 to 918 in 2023 – a 28% increase.
- Average daily markets grew from 23.8k in 2022 to 33k in 2023 – a 38% increase.
- Average daily Client-requested markets grew from 3.9 in 2022 to 24.8 in 2023 – a 535% increase.

The results require some context. We won't labour on all the points and will rely on the reader, as a diligent investor, to be aware of industry conditions. Therefore, we will limit the context to only two points:

1. FY2023 was a year not impacted by lockdown and government cash injections resulting from COVID19.
2. Betr entered the market in Spring 2022, and this caused a sharp escalation of marketing by Betr and existing operators to protect market share.

Both factors had an overall dampening effect on the industry in FY2023 as voiced by our competitors.

So given the statistics, what strategy did we adopt to achieve these increases in client activity?

The Bet Right Promise

In last year's Shareholder Letter, I stated that "BetTube will continue unwaveringly to focus relentlessly on our Clients". This strategy has been codified into the Bet Right Promise.

Over the last 12 months, in speaking with clients directly, we crystallised the Bet Right Promise:

"Bet Right is a low-cost operator focused on expenses so we can give the best possible prices with the best service and best platform. We do all our own development and own everything you see. We must be focused on cost efficiencies to maintain the best possible pricing, service, and platform."

Now this statement is usually made to clients requesting a review of their rewards and it's equally applicable to setting out our plan. We believe that if we uphold this promise and continue to maintain client focus, it will reap long-term benefits for our clients and therefore our shareholders.

So how did we do on delivering the Bet Right promise?

How We Price Now

It is a common misconception that the role of a bookmaker is to win a client's money. Thankfully for us, that misconception is held by most, if not all our competitors.

At BetTube, we don't think like that.

At the heart of traditional bookmaking is a service to provide access to a market and give clients the best possible price based on their individual risk appetites. For that service, the bookmaker charges a commission or margin. The margin or commission is included in every bet struck, whether that bet is a winning bet or a losing bet. As turnover builds and more bets are struck, the ability to recover the bookmaker's margin closer to the theoretical margin is enhanced.

Bet Right sets its margin lower than the Big 3 (Sportsbet, Ladbrokes and TAB) to give our clients an overall price advantage.

We believe that that by keeping our costs low and focusing on cost efficiencies, we can effectively charge a lower margin than the Big 3 and in turn acquire long-term client loyalty.

And it is our technology, processes and people that allow us to charge a lower margin while still providing a comparable and sometimes superior platform to competitors, even when up against the Big 3.

Sportsbet, Ladbrokes and TAB, the Big 3 – we have set out to measure ourselves against the Big 3 because they are the market leaders as they hold the vast majority of all fixed bets struck in Australia and therefore are the best to compare against for price.

Racing is 71% of Bet Right's action. Our goal is to provide extreme value to our clients in the form of competitive pricing. As part of extensive product development, which will culminate in the deployment of an innovative service we monitor and compare the prices Bet Right offers on winners to those of the Big 3.

For FY 2023, we compared the fixed prices Bet Right clients accepted on their winners across all Australian Thoroughbred, Greyhound, and Harness races with the prices they would have received had they placed their bets with the Big 3 at that moment in time.

Here's what the data shows based on 286,367 bets placed on winners by Bet Right clients during FY2023:

- Bet Right was outright best price 33.4% of the time, followed by TAB at 12.6% of the time, then Sportsbet at 9.0% of the time and finally Ladbrokes at 3.9% of the time.
- On being equal best on price, that is two or more being at the same best price, Bet Right was equal best 32.5% of the time, followed by Sportsbet at 25.8%, TAB at 25.0% and Ladbrokes at 23.6%.
- And finally, being below best price, ie not betting the best price, Bet Right was below best 34.1% of the time, compared with Ladbrokes at 72.5%, Sportsbet at 65.2% and TAB at 62.4%.
- Bet Right clients enjoyed equal or best price for 65.9% of the time. TAB was next at 37.6% of the time for equal or best.

In addition, on racing, Bet Right is one of the market leaders in Australian thoroughbred totalizator derivative products with RD+ on all Australian thoroughbred racing and Best Tote Exotics on all Sydney and Melbourne metropolitan meetings.

For major sports, ie NBA, NFL, NRL and AFL, Bet Right is an industry leader by offering 1.93 Lines a minimum of one hour from commencement of events, and offers tighter spreads on all head-to-head and derived markets. This strategy drove a massive increase in sports turnover, up 26.9% with an increase in sports margin from 6.3% to 7.37%.

Bet Right also launched "Price Watch", an innovative price service for both racing and sports. The concept of "Price Watch" is simple. Bet Right watches the prices bet by the bigger operators for a particular popular event or runner and we do our best to ensure Bet Right clients receive at least the best of these operators at the time our clients place their bets.

This focus on giving our clients the best possible price impacts on margin. It is a clear benefit to the client.

While others in the industry focus on extracting value from those who bet with them, we will do the opposite and strive to give our clients an "extreme value proposition" in betting.

We have developed a long-term strategy centred around ensuring that the Bet Right's margin is between 12.0% and 13.5%. In FY2022 our margin before rewards was 10.37% and it was 10.64% in FY2023. As client activity increases, the margin will increase as the proportion of smaller betting clients increases, the

average bet falls, and client base is more balanced. The scalability of our platform will reap long-term benefits to both clients and shareholders.

How We Spend Now

Loss after income tax benefit/(expense) for FY2023 was \$5.86m. The cash flow statement in the accounts provides a picture of the cash position with the company's cash reducing by \$1.9m during the period.

Our cost base increased \$5.2m from FY2022 to FY2023 with 70% of the increase attributed to Employee related expenses.

FY2023 was a building year focused on client facing interfaces with massive improvements and development on the infrastructure as foreshadowed. In the current year, all development has been expensed in line with accounting standards and the directors consider that this gives shareholders a clearer understanding of the accounts. It is important to note that expensing all research and development in this manner does not have a negative impact on our ability to leverage R&D incentives, which were obtained in FY2023 and will again be sought in FY2024.

Employee related costs (including contractors) costs increased by \$3.764m from the previous year, an increase of 59%. Our headcount increased 30% during the financial year. In addition to the increase in headcount which attributed to the additional cost, there were commercial pressures on us to increase salaries to retain and reward the highly talented workforce in line with market forces.

To build things you need people. To build great things you need great people. Thankfully BetTube has great people.

The increases in employee related costs were required for the expansion and improvement of our infrastructure (see below). We remain committed to providing staff with share-based incentives which impact on the P&L, but do not have a negative cash flow impact (over \$1m).

We are comfortable with the current staffing levels and anticipate only moderate increases in headcount and overall staff costs in the FY2024 year.

Platform costs (including data feeds and licensing fees) were \$3.7m (an increase of \$1.3m). Data feeds comprise several price data feeds and related services. As the company expands the overall market offering, the cost for the additional content also increases, but nonetheless at the same time impacting positively to client experience. For instance, popular same game multis (SGM) pricing algorithms are provided by third party services and fees are payable based on margin. During the year we extended our coverage of SGM and compete on a level playing field with the Big 3 on this popular product. Some stability will be achieved in the long term, however, to a large extent, since many of the data feed charges will remain largely a marginal cost although they will rise with associated revenue and as we scale.

Advertising expenses decreased to \$491k in FY2023 (decrease of 6%). Notwithstanding a decrease in marketing, every client metric rose. We served more clients, struck more bets, increased turnover and derived more margin.

Non-cash items also impacted on the expenses. Our investments suffered an impairment of \$437,000. Fair value accounting requires listed entity investments to be valued at market value at year end. These

investments are gambles (as Charlie says) and our view of the long-term value of these investments have not changed.

How We Reward Now

Rewarding clients was a particular focus in FY2023 to counter increased marketing and inducements offered by the industry. There is a tight path to tread with rewards as they are not exempt from taxes. We must balance the demands of clients regarding rewards with BetTube's culture of cost efficiencies and the Bet Right's Promise.

Bet Right provides leadership on price and therefore we do not offer excessive rewards. Bet Right is engaged in an education process to show clients that better prices give clients a greater return in cash and therefore they are better off with better prices.

In my view, operators who have the "best" bonuses have three things in common:

- Poor pricing.
- Patchy to poor service.
- Generic platforms with little to no innovation.

Quite simply, if a client is getting the so-called best bonuses, they are in fact paying for them.

That's not to mean that Bet Right doesn't offer rewards. Rewards increased from 2.6% of turnover in FY2022 to 3.0% of turnover in the FY2023. That's a figure we are comfortable with given all the circumstances including Betr entering the market and no imposed lock downs.

Bet Right has made significant advances with our innovative "LOOT" Reward program which provides rewards personalised to individual client's betting behaviours. Using machine learning, we have been able to automate the LOOT process freeing up resources to focus on other activities. Unlike industry standard Deposit Matches and published bet returns which demand clients "do something" before they receive a benefit, LOOT simply turns up based on their individual actual activity.

LOOT is fully personalised, unique to the industry and offers differentiation.

Bet Right also introduced "Right Club", designed as a consistent reward for clients who like to bet into Group One Australian Thoroughbred Races. Right Club, when grouped with LOOT, Bet Right's innovative Mystery Boosts, Greyhound Power Ups and our various Second Life Rewards on sport, means that even with our aggressive pricing strategy, Bet Right can offer an alternative attractive rewards package to our competitors' offerings.

How We Innovate Now

As with pricing, all innovation is focused on making the client experience better and giving our clients better products, services and convenience. Here are some of the highlights.

Bet Right was an early adopter of the New Payments Platform (NPP), providing our clients with instant bank transfers and withdrawals to their Client Betting Accounts, without the use of a credit or debit card. This meant Clients would no longer have to rely on credit card payments (and the fees associated with that) for instant payments to their betting accounts. In the first year, we rolled-out instant payments for

withdrawal requests made prior to 4:00 pm AEST 7 days a week. Bet Right then sought feedback from clients to ascertain a second FAST withdrawal time of 10:00 am AEST. This is an industry leading position.

We have already spoken about RD+ and best tote exotics as additional racing pricing products. In addition, we introduced new thoroughbred multiples in the form of early Quaddies and Trebles. Greyhound and harness racing also received increases in product depth with doubles and trebles to bring our product more in line with TAB.

There was substantial work undertaken in expansion of market content, and our Market Making and Platform Development teams worked both closely and tirelessly to bring a market coverage that can be compared with the Big 3. The expansion of same game multis (SGM) across a variety of sports, the creation of derived markets on tennis, racing and football codes all drives client engagement.

There was a major innovation with the in-house creation of search capability within the Apps and on the web. This was a particularly challenging task. Market leaders have struggled with effective search capability within industry-specific content and yet the BetTube team was able to create functionality that was efficient and at the same time beneficial for our clients. All in house.

The major focus since Bet Right launched in 2021 was the in-house development of Bet Right 2.0 client interfaces.

If you are reading this letter and have not visited www.betrigh.com.au on a mobile or desktop, stop reading and do it now. Then go to www.sportsbet.com.au, the clear market leader, and feel the difference.

Bet Right 2.0 has been designed and engineered in such a way to allow full personalisation of the client experience. We have taken the best elements of entertainment industry leaders such as Spotify, Netflix and Apple, to design an interface that sheds the wireframes that the Big 3 (and the rest of the industry) have been tied to for the last 15-20 years.

Using a purpose built content management system ("CMS"), BetTube can quickly adapt to changes in client-base behaviour and interests through a dynamic and easily changeable interface. This uses a library of reusable components that are formulated to build the ultimate experience for the client. The layout of those components in the CMS can be easily adjusted to change the flow and experience, providing immediate benefits to clients without requiring app store approvals and releases.

BetTube's work on personalisation will allow a client's individual preferences to control their own betting experience. The objective is to provide the experience that the client wants, not what the bookmaker wants to provide them. Based upon the behaviour observed, that experience will be immediately adjusted to the benefit of clients.

The release of Bet Right 2.0 had the following impact:

- a) up to 15% increase in monthly users (on web);
- b) direct feedback received of new clients joining due to web design;
- c) 1-Click Bet functionality;
- d) web price animation;
- e) new racing features - speed maps & market movers;
- f) enhanced bet placement automation - automation of bet decisions; and
- g) personalised notifications to clients in real time.

The work undertaken to launch Bet Right 2.0 was a preface to the development of new native apps which have now been deployed.

As previously announced, we have used a new codebase called “Flutter” to write both the iOS and the Android native Apps. This means that amendments code management is far more effective.

This was a major infrastructure build that involved every member of the BetTube team, with everyone, at every stage focused on the needs of the client.

The bulk of the development of the native Apps was undertaken in FY2023 with both our iOS and Android native Apps now available in the respective Apps store and again, I invite you download and feel the technology.

If you build it, they will come.

How We Grow Now

Those investors who are familiar with the industry will be aware of the increases in advertising and marketing that the industry experienced in FY2023. You only had to watch TV, use the internet to see it. Our competitors seemed hell-bent on increasing advertising spend, re-hashing the same brand stories, the same offers, the same platforms. Betr, with a generic platform, decided to spend perhaps over 100 million in marketing dollars and at the same time, deliver expensive promotions, in a bid to gain market share, only to incur penalties and fines along the way for their behaviour and what has been described as the biggest payout in Australian wagering.

We took the opportunity to do the opposite.

Bet Right cut its already modest marketing spend and focused its attention on price, product, platform and service. We maintained our client-focused obsession.

Bet Right wasn't seen, but we were talked about.

This strategy resulted in increased client activity compared to the previous year and went against industry trends.

As announced during the year, Bet Right entered into its first PaaS arrangement with Daily Mail. The arrangement required significant investment in our digital marketing and tracking capabilities. We have built processes to work with Daily Mail to provide relevant information for articles and integrate our content. With the release of the new Apps and the pending release of a new racing pricing product, together with enhanced marketing capabilities, we look forward to fully utilising our relationship with Daily Mail in FY2024.

Bet Right has also set up a “word of mouth” client referral and acquisition network that leverages businesses that have personal relationships with their customers to refer Bet Right if they have an interest in betting. The network provides small businesses with an additional pillar of revenue. There has been substantial work building out this infrastructure during FY2023 and benefits will be seen in FY2024.

During the year, Bet Right entered into a fixed price contract with News Corp to advertise dedicated racing properties. Despite this additional commitment, Bet Right reduced its advertising and marketing spend to

\$491,000. Using the industry standard Cost Per Acquisition formula, Bet Right's CPA for FY2023 was \$33.00.

How We Comply Now

BetStop commenced on 21 August 2023 and Bet Right was ready. It was a significant project that caused disruption to our planned development schedule but was one that is important to the industry.

If anyone would like a detailed explanation on how BetStop works, feel free to contact me.

The company has observed that BetStop has impacted the industry in a positive way. It has provided a clear method for those in harm to be able to exclude themselves from all Australian online betting operators. We have seen an impact on bet count and client activity, but we see BetStop as another opportunity since increased compliance makes it more difficult for existing operators and very difficult for new entrants. Regulation/compliance is one of our strong points and we constantly look for ways to use our technology and data capabilities to ease any administrative strain that compliance imposes and provide us with a comparative advantage.

Goals For 2024

As we look ahead, we see the possibility of a contracting economy. We anticipate that there will be attrition in the industry as smaller operations fail to meet price, service and products demands of the betting public bereft of COVID incentives and feeling the pinch of rising costs and interest rates.

BetTube has distinct significant advantages. We own all our code and infrastructure. We have product differentiation. We have cost advantages as we have built out a scalable infrastructure and now have sufficient staff to maintain a client base of more than 10 times the current size.

Our plan for FY2024 may not surprise you.

Our retail brand will extend its position as a price leader, and we will focus our efforts on informing clients of the Big 3 of the importance of price and providing a viable alternative to their platforms.

We will be enhancing the client experience with new products and begin to test the capabilities of infrastructure as we expand into personalisation of the betting experience.

There will be concerted efforts to focus on back-office infrastructure to enhance back-office functionality as we begin to execute on our franchise strategy and other business-to-business (B2B) opportunities both in Australia and overseas.

BetTube will expand its back-end capabilities to include machine learning to create automated market making and risk management processes to create more efficient sport pricing, markets, and enhanced risk management.

Our Market Making, Data, Product and Platform Development teams will continue to create more derived markets in major sports expanding our product range.

Our Client Advocacy team will continue to offer 24/7 REAL PERSON (NO BOTS) support to our growing client base.

We keep the Bet Right Promise.

Charlie's Mispriced Gamble

BetTube has made some great advances in FY2023. 20% increase in bet count, 28% increase in daily active clients, PaaS with Daily Mail, release of Bet Right 2.0 and culminating in the release of our new native Apps.

We made substantial investments to achieve these milestones and the results of those investments is clearly seen in the public facing infrastructure that allows our services to be accessed.

There still is a great deal to learn and a mountain of work to do. We know there will be challenges and hurdles and that we have excellent operators to compete against, namely the Big 3. We know that there is continuing need for investment to grasp the opportunities we have. With all this we will be vigilant, but at the same time optimistic that the talented pool of staff we have gathered will meet those challenges.

As you look back at where BetTube was in 2020, no licence, no technology, no business, no employees, no clients, no revenue and it was "Anthony and an idea" to where we are now at the end of FY2023, as Charlie says "You're looking for a mispriced gamble. That's what investing is. And you have to know enough to know whether the gamble is mispriced. That's value investing".

So, is BetTube a "mispriced gamble"? That's up to you determine and as BetTube is publicly traded, you can act on your determination.

You would have seen the announcement on 6 September 2023 regarding the On-Market Share Buy-back Program (see the Announcement [here](#)). This Program was considered as the Directors believe that the company's stock is undervalued and accordingly, we have taken steps to provide the company with the opportunity to buy back stock.

As Warren Buffett says, "If you do it at the right price, there's nothing better than buying in your own business."

The On-Market Share Buy-back Program provides the company with the opportunity to act when the price is the right price.

Lastly, we thank all our clients, our shareholders and our talented staff who have helped grow what was "Anthony with an idea" in 2020 into the business we have today. Without all of you, our company, our business and our culture would not exist.

How we bet now.



Anthony Waller

BetTube Corporation Ltd