

30 January 2024

BetMakers signs new customers and continues to renew current contracts with key partners

Q2 FY24 QUARTERLY ACTIVITIES REPORT

BetMakers Technology Group Ltd (ASX:BET) (“BetMakers” or the “Company”) is pleased to provide this activity report for the quarter ended 31 December 2023 (Q2 FY24), along with the Company’s Appendix 4C cash flow report.

Q2 FY24 highlights:

- **Signed and renewed contracts with key partners, including:**
 - The Meadowlands in New Jersey (renewal);
 - ZeTurf in the Netherlands (renewal);
 - William Hill UK and Pointsbet AU (renewal);
 - Signed Selangor Turf Club in Malaysia (new customer, now live); and
 - Argentina Jockey Club (expanded agreement)
- **OneWatch terminal monitoring system was launched, a field operations tool to enable monitoring of terminals and assist in enhancing the Global Tote operations from a lower cost base**
- **Solid revenue¹ growth of 10% on pcp, up to \$25.1 million, driven by new customer growth**
- **Cash receipts of \$26.5 million, largely in line with pcp, and up 8% on Q1 FY24**
 - Net operating cash outflow \$2.6 million, substantially improved on pcp (outflow of \$5.9 million) and Q1 FY24 (outflow of \$7.6 million), reflecting improved sales and reduced operating expenses
- **Underlying EBITDA¹ loss of \$1.2 million, substantially improved on the \$9.1 million loss in Q2 FY23; moving the company closer to profitability**
- **Closing cash balance of \$36.5 million; unrestricted cash balance of \$18.1 million was below the target of \$20 million due to approx. \$2.0 million shortfall in receipts primarily from two customers**

Commenting on the quarter, Executive Chair Matt Davey, said, “We are continuing to execute on our strategy of growing the top line, lowering our operating expenses, and moving towards profitability, as evidenced by this quarter’s results.

“I am pleased to say that we again signed new customer agreements, and extended contracts with key partners, which is expected to aid BetMakers’ growth going forward. In addition, the Company has continued to drive down the cost base with a key focus on the significant cost items of staff and core infrastructure costs. The streamlining of our business means we have simplified our operating model to two key segments, being ‘Global Betting Services’ and ‘Global Tote’, which provides a much more effective and efficient way for us to manage and report on the business.

¹ Unaudited

“Whilst cash receipts are up on prior year, this quarter was materially impacted by a shortfall in receipts primarily from two customers. The shortfall amounted to approx. \$2 million and resulted in BetMakers’ unrestricted cash balance to be reported as \$18.1 million, which was below our stated minimum target level of \$20 million. We are in discussions with both customers to resolve the outstanding amounts.

“We remain incredibly excited about the future, and realising many of the benefits from our restructure program that has already been initiated. We expect to see continued improvement come through in the third quarter through reduced outflows and a continued focus on costs. I am happy management has achieved the operating efficiencies we were looking for and will now turn my attention to growth opportunities both organic and external. To be clear, as we look towards future growth opportunities, management will maintain our current momentum and continue to optimise our cost base through FY24.”

OPERATIONAL UPDATE

Renewed and signed contracts with key partners

BetMakers’ Global Tote division signed new contracts with Selangor Turf Club, and upgraded Argentina Jockey Club, to provide both with SaaS quantum solutions. The new contract with Selangor Turf Club will be the first BetLine deployment in Asia, and opens up a new and lucrative market for BetMakers.

BetMakers also renewed key contracts with The Meadowlands in New Jersey and ZeTurf in the Netherlands.

BetMakers’ digital division signed contract renewals with key wagering operators William Hill UK and Pointsbet Australia, for the provision of Price Manager services.

Simplifying the operating model

In the US, BetMakers launched its proprietary ‘OneWatch’ monitoring software, which is a field operations tool to enable remote monitoring of terminals and assist in running the US tote operations from a lower cost base. The Company is very pleased with the early results and the feedback received from key customers.

New systems such as OneWatch have been instrumental in allowing the Company to simplify its operating model and reduce its headcount. As at 31 December 2023, the Company had approximately 412 employees, a 30% reduction from the peak of 568 employees at December 2022, and incurred approximately \$0.30 million in restructuring related cost during the quarter.

Other updates

In the quarter, Non-Executive Director Nicholas Chan resigned as a director of the Company. BetMakers is grateful for Nick’s leadership and guidance during his time at BetMakers. At this stage there is no intention to replace Nick’s position on the board.

FINANCIAL UPDATE

Profit & loss¹

Solid revenue growth was achieved in Q2 FY24, up 10.0% on pcp to \$25.1 million, driven by continued customer growth. Costs are down as part of the cost reduction program, with an underlying EBITDA loss for Q2 FY24 of \$1.2 million, a substantial improvement on the \$9.1 million loss in Q2 FY23. As previously flagged, investment in the NexGen Platform development is now being capitalised, which represented approximately \$1.5 million in staff cost in Q2 FY24.

BetMakers continues to focus on reducing the cost base and is targeting a 10% operating cost base reduction in H2 FY24 compared to H1 FY24.

Cash flow

Q2 FY24 cash receipts were \$26.5 million, largely in line with pcp's \$26.9 million. As previously mentioned, cash receipts were impacted by a shortfall in expected receipts from two customers of around \$2.0 million, which remains in discussion.

Net operating cash outflows for Q2 FY24 was \$2.6 million, which was substantially improved on pcp (outflow of \$5.9 million) and Q1 FY24 (outflow of \$7.6 million), reflecting improved sales and reduced operating expenses.

The quarter also included approximately \$0.3 million in payments related to strategic restructuring and leave costs incurred, and approximately \$0.45 million in relation to prior period employment taxes. These items are captured within Staff Costs.

Advertising and marketing costs were \$0.2 million for the quarter, driven by industry events and NJ horse racing promotional activity. Advertising and marketing related expenditure is expected to decrease in Q3 FY24 compared to Q2 FY24.

Total cash on hand was \$36.5 million as of 31 December 2023, with unrestricted cash at \$18.1 million. As previously disclosed to the market, management was targeting an unrestricted cash balance of at least \$20 million. This negative variance is largely driven by the shortfall of receipts primarily from two customers during H1 FY24.

The Company paid Directors \$160,000 for services during Q2 FY24. This total includes 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 Q2 FY24, and reconciles this back to the operating cash flow:

AUD'000 (unaudited)	Q2 FY24	Q2 FY23	\$	%
Revenue	25,144	22,867	2,277	10.0%
COGS	(9,093)	(7,773)	(1,320)	17.0%
Gross Profit	16,051 63.8%	15,093 66.0%	958	6.3%
Staff Costs	(12,281)	(17,351)	5,069	29.2%
Other Operating Expenses	(4,976)	(6,881)	1,905	27.7%
Adjusted EBITDA ¹	(1,206)	(9,138)	7,931	86.8%
<i>Reconciliation to net operating cash flow:</i>				
Capitalised staff costs	(1,509)	-		
Timing variance in discretionary staff payments	-	789		
New Jersey annual minimum guarantee	576	-		
Debtor shortfall	(2,000)	-		
Other balance sheet movements	1,562	2,431		
Net Cash Used in operating activities	(2,577)	(5,917)		

¹: Excludes Share based payments expense and doubtful debts expense/provisions

OUTLOOK

Commenting on the outlook, Chief Executive Officer Jake Henson, said, “BetMakers has continued to simplify its operating model and sharpen its focus moving forward. The business is now defined across two operating segments being Global Betting Services and Global Tote, and the Company has worked hard to streamline the operations to support these two pillars. With a much simpler and aligned business focus we expect to continue to unlock operational savings and enable scalability through technology.

“Renewed contracts with key partners continue to support our growth, whilst new customer onboarding is advancing strongly into the second half of FY24. Bringing these new opportunities to market remains a key operational focus in H2 FY24.

“Whilst we have made significant progress over the last 12 months, we’re conscious that the job is not finished. We remain very focused on achieving positive underlying EBITDA and operational cash flows, to provide a sustainable foundation for future growth.”

The Appendix 4C for the quarter ending 31 December 2023 is attached to this announcement.

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

For further information please contact:

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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")

31 December 2023

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	26,502	51,005
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,633)	(22,098)
(c) advertising and marketing	(236)	(484)
(d) leased assets	(598)	(1,360)
(e) staff costs	(15,044)	(29,565)
(f) administration and corporate costs	(3,394)	(7,377)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(174)	(347)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,577)	(10,224)

1.1 Impacted by two customers not making any payments during the quarter. Shortfall of approximately \$2.0 million.

1.2 (c) primarily relates to costs incurred in relation to promoting fixed odds wagering in New Jersey and industry events.

1.2 (e) includes ~\$0.30 million in payments related to strategic restructuring and leave costs incurred, and ~\$0.45 million in relation to prior period employment taxes.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	(275)
	(c) property, plant and equipment	(372)	(1,122)
	(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)	4,481	7,976
2.6	Net cash from / (used in) investing activities	4,109	6,579

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 initial 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 31 December 2023 was \$18.3m.

3.	Cash flows from financing activities		
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	-	-

Appendix 4C

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
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		
4.1	Cash and cash equivalents at beginning of period	36,246	41,041
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,577)	(10,224)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4,109	6,579
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(1,292)	(910)
4.6	Cash and cash equivalents at end of period	36,486	36,486

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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	36,486	36,246
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)	36,486	36,246

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**

160

-

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 Q2 FY24. 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.

- 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) | (2,577) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 36,486 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 36,486 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 14.2 |

- 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.

Date: 30 January 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.