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30 June 2023

The Manager, Listings
Australian Securities Exchange
ASX Market Announcements
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

PointsBet Holdings Limited – 2023 Extraordinary General Meeting (EGM)

In accordance with Listing Rule 3.13.3, please find attached the Chairman's EGM Address.

Yours faithfully,



Andrew Hensher
Group General Counsel and
Company Secretary

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Chairman's Address (Mr Brett Paton)

The proposal we are asking you to vote on today is a critical step.

It has followed a long process to determine the value of our US operations, test the market to determine qualified buyers and extensive, and, what we believe to be, successful negotiations to arrive at a transaction that allows a cash return to shareholders and an ongoing investment in a company with strong growth prospects.

Why are we selling our US business?

The short answer is that despite having some strategic success the costs of competing against the largest companies of their type in the world meant the business would not be cash flow positive in the near term. Continuing to operate the US business would require significant capital and further capital raises. This transaction addresses that uncertainty.

Let me give you some more context.

In May 2018 the US Supreme Court effectively gave individual states the authority to legalise and regulate sports betting. Our experience in Australia gave us the confidence to invest to enter the American market. A market that would grow by 800 per cent since we first entered.

In 2018 we began putting the building blocks in place.

We built an experienced team.

We formed the necessary partnerships with US operators and established state market access agreements and partnerships with US sporting leagues and Teams.

We accessed capital markets to fund a rapid expansion to gain an early mover advantage.

We set out to build a leading tech platform that would deliver a top tier product customised for the North American market. It would focus on live betting on US sports where 75 per cent of all turnover would occur and where no-one globally had previously focused.

This product led strategy was our right to win.

We were one of only nine companies to be granted a licence in the critical New York market. And we are now live in 15 North American jurisdictions.

We delivered this on our internal tech platform and showcased our leading product that has been independently ranked in the top three in the USA for the last two years.

I believe it's important for shareholders to understand how valuable our PointsBet technology has become. It has been one of the critical features of the interest in our company by numerous groups we have spoken to. While I will talk about it in more detail later, it bodes well for the value and the future of the Australian and Canadian businesses.

We knew that brand and database were our challenge. We did a significant marketing deal with NBC, one of the biggest sports media companies in the world that we believed would address that challenge. While NBC have some fantastic assets our brand was starting with no recognition and we couldn't make as much progress as we had hoped.

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Having said that, many of the largest established brands with substantial databases have also struggled. One has spent around US\$2.5 billion on their online aspirations after starting with a strong brand and database and have only achieved mid-single digit market share. Other big spending online operators have gained less traction. Many have closed.

We doubt anyone expected Fan Duel and Draft Kings to become effectively a sports betting duopoly. It points to the huge incumbency benefits these companies have in the US market.

However, we are one of the only international operators to have gained a worthwhile market share. There are over 60 online sports betting operators in the market. Only seven brands, including PointsBet have a market share of more than 1 per cent, with the remaining 53 companies competing for the rest.

In the US, PointsBet has generally flexed all of our competitive strengths as a challenger business. In particular, we have used our technology to deliver a leading sports betting product experience. But our ability to get to scale and operate at sustainable scale was challenged. We have been competing in a very high-cost operating market with the overlay of capital pressures to continue funding the business through to profitability.

At the same time, we recently, like other growth stocks faced the impacts of rising interest rates on attracting investment. As a result, investors have moved away from growth stocks which negatively impacted our valuation and our ability to potentially fund our organic development.

Given the market uncertainty and being acutely aware of our capital requirements to grow we have continually been exploring strategic options for PointsBet.

Once we decided to sell the US Business, we turned our attention to finding the right business partner. Fanatics identified in PointsBet many of the attributes needed to be successful in entering the online market. In turn Fanatics have a strong brand and an extensive sports customer base with a fanatical interest in sports.

On May 15 this year your directors announced PointsBet had entered into a binding agreement with Fanatics Betting and Gaming for the sale of our US Business for a headline cash consideration of US\$150 million.

From now on, to make things easier to follow, I will talk in US dollars which is the currency we used in the transaction.

On Friday, June 16, we received a non-binding, indicative offer from DraftKings for PointsBet's US business. The proposed \$195million cash offer was a 30 per cent premium to Fanatics proposal of \$150 million.

On Monday the 19th of June, PointsBet Directors advised the ASX that we had considered the DraftKings Proposal and acting in good faith, had determined that the Proposal could reasonably be expected to lead to a Superior Proposal and as a result we engaged.

We gave DraftKings a period of due diligence to firm up a superior proposal.

On Tuesday of this week, Fanatics increased their offer by 50% or \$75 million dollars to \$225 million. Draft Kings was unable to finalise a binding offer by 6pm on Tuesday June 27.

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The board unanimously supports the improved proposal for Fanatics which provides superior price plus certainty.

Let me summarise the details of the proposed sale of the US business and what it means for PointsBet shareholders.

- You are being asked to approve the sale of the US wagering businesses and iGaming operations to the US company Fanatics for a cash consideration of \$225million.
- We intend to distribute capital to shareholders of approximately Australian \$1.39 to \$1.44 per share.
- We expect to make the distribution to you over two tranches, with the first tranche of approximately A\$1.00 per share expected to be paid in mid-September 2023 following the first amount received from Fanatics. The second distribution will be made following final close.
- Should the vote be successful today, PointsBet's funding requirement for the US Business will be capped at approximately \$21mn from the conclusion of this meeting to final completion of the Proposed Transaction.
- And as a shareholder you will keep a shareholding in PointsBet's leading Australian Trading Business and growing Canadian Trading Business which remains listed on the ASX.
- The remaining company, PointsBet Holdings, post the completion of the sale of the US business, is currently expected to be at or around an EBITDA break even run rate. We expect the profitability of the Australian Business to significantly offset the expected near-term losses of the Canadian Business.
- Importantly, your company will continue to own the sports wagering and iGaming technology platform that is the backbone of both the Australian and North American businesses.
- In addition, PointsBet will retain a perpetual licence to use and further develop the Banach technology assets at no cost.
- The need for capital to fund the US business will stop.
- As you would expect, should the vote be successful, we will implement foreign exchange hedges given the Fanatics instalments will be received in USD.
- In considering all the options and the advice we have received; the Board unanimously recommends that Shareholders vote in favour of the Proposed Fanatics Transaction.
- Each Director has or will vote all shares held or controlled by them in favour of the Proposed Transaction.

Proposed Distribution

Let me talk about the proposed distribution in some extra detail.

The distribution is subject to a number of conditions as detailed in the Notice of Meeting. The Board estimates shareholders will receive approximately Australian \$1.39 to \$1.44 per share.

The final amount of the Proposed Distribution will be determined by the Board during the completions of the sale and will depend on the following factors:

- Finalisation of the proceeds received or paid by PointsBet following the purchase price adjustments.
- Finalisation of the amount of applicable taxes and transaction and restructure costs payable on the Proposed Transaction.
- Provision for future liabilities associated with the Proposed Transaction (if any).

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- Conversion of the net sale proceeds and corporate cash (as applicable) from US dollars to Australian dollars.
- The number of fully paid ordinary shares on issue at the record date of the Proposed Distribution.
The Proposed Distribution as described in the Notice of Meeting will require additional Shareholder approval. PointsBet will begin the necessary process to facilitate the proposed distribution in the coming months to meet the planned mid-September first distribution date.

The new PointsBet

If the proposed sale is approved, PointsBet Holdings will continue as an ASX listed company, owning the Australian and Canadian businesses.

Importantly we retain ownership of our proprietary sports wagering and iGaming platform that is currently used in both the Australian and North American markets.

We will be granted a perpetual, royalty-free licence to use and further develop the Banach technology assets- including the underlying source code driving OddsFactory.

This will give us options in the future to exploit PointsBet's proprietary sports wagering and iGaming platform in other regions outside of the US and in the US beginning 18 months after completion of the Proposed sale.

The new PointsBet will have a very experienced leadership team.

Scott Vanderwel has been CEO of our Canadian business since August 2021. Prior to joining PointsBet Scott oversaw corporate strategy, operational improvement, and digital operations for a \$32 billion communications and media company. Andrew Catterall has been Chief Executive of our Australian operations since July last year and has over 20 years' experience at senior levels of the sports and wagering industry. Andrew is here today so let me ask him to stand up.

Andrew.

Of course, both report to Sam Swanell, Managing Director and Group CEO. Sam as you know has been in our industry for 20 years.

We will continue with a great team of leading technologists, traders, and quants to service and grow the Australia and Canada businesses.

Over the coming months we will set out the roadmap for the new PointsBet.

After Fanatics integrate our US business, we will reorganise to remove the layers of overhead which were necessary to run a much larger company. We will simplify many of our core operations, workflows and resources and make Australia the centre of our global technology.

In both countries, the new PointsBet will grow market share. In Australia PointsBet has a strong well recognised brand. In Canada we are a challenger brand. Both have user-friendly leading technology and both will be well capitalised.

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In Canada, PointsBet is live in the sports wagering and iGaming market in Ontario. The Ontario market structure is attractive for sports and iGaming operators.

For instance, there are no partner revenue share agreements, unlike most US states, nominal license fees and an acceptable effective tax rate of 18 per cent of gross gaming revenue. The lower capital requirements and higher operating margins relative to most US states create strong prospects for attractive future economics.

Our technology is a real competitive advantage in both markets.

Following the sale of the US Business, PointsBet Holdings is currently expected to be at or around EBITDA breakeven, with the profitability of the Australian Business expected to significantly offset the expected near-term losses of the Canadian Business as the latter builds scale.

To summarise, the Board believes that the Proposed sale of the US business delivers the most attractive risk-adjusted value outcome for PointsBet Shareholders, compared to the risks and benefits of PointsBet pursuing other potential options including the status quo.

Approval today will facilitate a significant return of capital to PointsBet shareholders while retaining exposure to PointsBet's leading Australian Business, growing Canadian Business and world class technology assets.

Before we move to questions, let me say on behalf of your Board, that we understand your disappointment about the share price performance of our company.

As shareholders ourselves, both Sam and I understand the deep concern and frustration that this has caused you.

I would like to thank the team at Fanatics especially Michael Rubin and Matt King. I want to particularly recognise our PointsBet US staff who have worked tirelessly on shareholders behalf and have a strong future under Fanatics.

Finally, let me thank you for supporting PointsBet throughout this journey.