PointsBet Holdings Limited
Extraordinary General Meeting - 29 August 2023
Chairman's Address

Resolution 1: Return of Capital

On 30 June 2023 Shareholders approved the sale of the Company's US Business to Fanatics Betting and Gaming, a subsidiary of Fanatics Holdings, Inc. for headline cash consideration to US$225 million.

Completion of the transaction is intended to take place over a multi-stage completion process with the first stage being referred to as the Initial Completion and the second stage being referred to as the Subsequent Completion. Completion of the Transaction is subject to certain regulatory approvals and other customary conditions.

US$175 million is to be received at the Initial Completion and US$50 million is to be received at the Subsequent Completion.

Following the sale of the US Business, the funding requirements of the Company's remaining assets will be fundamentally different to the status quo.

Accordingly, PointsBet intends to distribute to shareholders the net sale proceeds (after applicable taxes and transaction costs) together with the majority of the Company's corporate cash reserves that will be surplus to the needs of the remaining business.

This distribution is intended to be in the form of two Capital Return tranches:

- The first Capital Return is expected to be approximately A$315 million (which equates to approximately A$1 per Share) and is intended to be implemented soon after the Initial Completion, anticipated to be in mid-September; and
- The second Capital Return is expected to be between A$125 million and A$143 million (which equates to between A$0.39 and A$0.44 per Share) and is intended to be implemented soon after the Subsequent Completion, anticipated to be around March 2024.

Approval of Resolution 1 will establish the approval framework required to give effect to the Capital Returns without the need to approach Shareholders for approval on each occasion.

Resolution 2: Approval of Benefits to Specific Employees

Resolution 2 seeks approval pursuant to Section 200C of the Corporations Act for KMPs to receive a benefit, in the in the form of early vesting of performance share rights on a pro-rata basis, as a result of the sale of the US Business.

In accordance with the Key Employee Equity Plan Rues, the Board has determined that unvested performance share rights held by members of the Group Leadership Team (including the named Executives for which approval is being sought), will vest on a pro-rata basis, calculated as time served between the commencement of the performance period (being 1 August 2022) and the expected completion of the Proposed Transaction (being 31 March 2024).

In making this determination, the Board took into consideration various factors and alternatives.

Firstly, the US Business is the Company's main undertaking, and as such, the performance conditions attached to the PSRs are intrinsically linked to the US operations. Similar to the treatment typically applied in a Change of Control scenario, the sale of the US Business has taken away the Executives' ability to achieve the performance criteria over the full term of the performance period.

The strategy to shift focus away from expansion and growth towards maximising the amount of capital to be returned to Shareholders following the sale of the US Business was a deliberate course of action and in the best interests of Shareholders, and the Board was pleased that over 99% of votes cast at the June EGM were in favour of the sale.

The second factor considered was how critical it was that the sale of the US Business successfully completes, as failure would have significant implications for the Company. Completion is estimated at this stage to occur in March 2024, with the Company contractually responsible for ongoing operation of the US Business until this date.

It is imperative that the remaining PointsBet business (post-sale of the US Business) is set up for success. The successful separation of the US Business and, in particular the technology platform, will ensure that both Fanatics and the Company can fully exploit the technology assets into the future.

Board discretion with regards to the treatment of unvested PSRs, in particular the fact they do not vest until second completion of the sale, is a vital retention and motivation tool for all staff (in particular the Executives) to ensure a successful separation of the two businesses over a long transition period to March 2024. Pro-rata vesting (for time served to second close) rather than full vesting was also deemed appropriate in this regard.

It is also important to note that members of the Group Leadership Team are located in various jurisdictions, and in seeking to ensure equal and fair treatment for all Executives, the Board had to take into account the local tax, securities law and market practices in each jurisdiction. The timing and structure of the capital returns (and the implications on the value of the PSRs under underlying shares) also formed part of the Board's considerations.

For example, early vesting and application of a holding lock was not considered practical given the withholding tax obligations upon vesting in certain jurisdictions and the requirement to immediately sell to cover vested equity to comply with these obligations.

Ultimately, the Board believes that the pro-rata vesting at second close (calculated as time served to second close) strikes an appropriate balance to motivate and retain key Executives to ensure successful completion of the sale of the US Business and to establish the framework for a successful and well managed business moving forward.