

31 October 2023

BetMakers completes restructure of US operations; extends contracts with key partners

Q1 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 30 September 2023 (Q1 FY24), along with the Company’s Appendix 4C cash flow report. All amounts disclosed herein are unaudited and are denoted in AUD unless otherwise stated.

Q1 FY24 highlights:

- **Completed restructure of US Operations; upgraded hardware monitoring technology throughout the Americas to new proprietary ‘OneWatch’ software**
 - current global headcount of 430 full-time employees as at 1 October 2023, below the projected target of 440¹
- **Extended contracts with key partners, including PENN Entertainment, Pointsbet, Dabble and William/888**
- **Signed embedded race book agreement for TonyBet's global sportsbook offering**
- **Solid revenue growth of 9.3% on prior comparative period (“pcp”), up to \$26.1 million, driven by customer growth**
- **Underlying EBITDA loss of \$767k, substantially improved on the \$6.5 million loss in Q1 FY23; reflects improved revenue and reduced operating costs**
- **Net operating cash outflow of \$7.6 million, reflecting a number of one-off and annual costs**
 - Cash receipts of \$24.5 million, up 3% on pcp, impacted by ~\$1.5 million delay in customer recoveries; this is expected to be resolved in Q2 FY24
 - Q2 FY24 operating expenses expected to be reduced by over \$3.0 million
- **Closing cash balance of \$36.2 million; unrestricted cash balance of \$22.5 million**

Commenting on the quarter, Executive Chair Matt Davey, said, “The quarter marked one of further progress for the Company as it continued to focus on reducing and normalising the cost base and simplifying the operating model. The restructure of the US operations is now complete, which provides a strong footing to build further scale in the US in a profitable way.

“We were able to extend contracts with key partners, which helps underpin our revenue for the remainder of FY24 and beyond, and importantly, shows that our technology is delivering value to our customers. We also upgraded our hardware monitoring technology and signed an embedded race book agreement with TonyBet, further strengthening our technology capabilities.

“Whilst we were very pleased with the operational progress, we were also pleased to see solid revenue growth in the quarter driven by new customers and our new technology. There is still significant room for improvement with our

¹ Refer to ASX Announcement release on 31 May 2022

cash performance, but we expect to see some of this improvement come through in the second quarter of FY24 with significantly reduced outflows and a continued focus on costs. We remain confident in our ability to reduce our annualised cost base through FY24 to move the business to cashflow breakeven.”

OPERATIONAL UPDATE

Extended contracts with key partners

BetMakers Global Tote division signed an extension with PENN Entertainment. Within our Global Betting Services division, key wagering partners in Australia and the UK, including Pointsbet, Dabble and 888, extended and upgraded their partnerships with BetMakers’ market leading pricing software and data delivery services.

Restructure of US Operations completed

BetMakers is pleased to announce that its Global Tote restructure is now complete, with current global headcount of 430 full-time employees as at 1 October 2023, below the projected target of 440². Approximately \$0.4 million in additional costs were incurred during the quarter in relation to the process. The Company now has a much simpler and more aligned business focus, that will drive scale through its technology.

Further technology and service enhancements

The Company remains focused on its NextGen platform that will underpin how it services its digital customers globally into the future. Refinement and customisation continues on this platform which will be a transformational year for BetMakers digital customers in the US, Australia, Asia and Ireland.

The platform recently passed a successful load test of 10,000 bets taken per minute while also successfully processing and resulting over 200,000 bets in production over a three minute period.

In the US, BetMakers implemented its proprietary ‘OneWatch’ monitoring software. The Company is very pleased with the early results and the feedback received from key customers.

Other updates

Caesars embedded tote solution for point-of-sale wagering in Nevada is entering final stages of testing and both parties are pushing for go-live before the end of this calendar year.

The new national tote system for Norway with Norsk Rikstoto is on schedule to go live during Q1 of CY24. This is a material contract for the Global Tote division over a 10-year agreement.³

International fixed-odds progress continues with new pricing agreements signed in the African market, a slated go-live of Caymanas Park digital solution expected before year-end, and discussions were progressed within the USA around further opening up the fixed odds wagering opportunity with content holders and operators.

² Refer to ASX Announcement release on 31 May 2022

³ Refer to ASX Announcement release on 23 May 2022

FINANCIAL UPDATE

Profit & loss

Solid revenue growth was achieved in Q1 FY24, up 9.3% to \$26.1 million, driven by new customer growth. Costs continue to come down as part of the cost reduction program, with an underlying EBITDA loss for Q1 FY24 of \$767k, a substantial improvement on the \$6.5 million loss in Q1 FY23. As previously flagged, investment in product development (primarily staff costs) is now being capitalised, which represented approximately \$2.0 million in Q1 FY24.

Cash flow

Q1 FY24 cash receipts were \$24.5 million, up 3.1% on pcp. Cash receipts were impacted by a delay in customer recoveries of around \$1.5 million, which is expected to be resolved in Q2 FY24.

Net operating cash outflows for Q1 FY24 was \$7.6 million, reflecting a number of one-off and annual costs. It also includes approximately \$1.0 million in payments to PENN National Gaming for international content rights, which will be ongoing in nature (see Company announcement 30 June 2022 "BET signs deal with Penn National Gaming"). It is expected that operating cash outflows will be reduced by more than \$3 million in Q2 FY24.

Total cash on hand reduced by \$4.7 million to \$36.2 million as at 30 September 2023. The 30 September 2023 unrestricted cash was \$22.5 million, and as previously disclosed to the market, management are working towards maintaining an unrestricted cash balance of at least \$20.0 million.

The Company paid Directors \$177,000 for services during Q1 FY24. This included 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 Q1 FY24, and reconciles this back to the operating cash flow:

AUD'000 (unaudited)	Q1 FY24	Q1 FY23	\$	%
Revenue	26,087	23,878	2,209	9.3%
COGS	(9,915)	(8,332)	(1,583)	19.0%
Gross Profit	16,172	15,546	626	4.0%
Staff Costs	(12,116)	(16,257)	4,141	25.5%
Other Operating Expenses	(4,823)	(5,796)	973	16.8%
Adjusted EBITDA	(767)	(6,508)	5,740	88.2%
<i>Reconciliation to net operating cash flow:</i>				
Capitalised staff costs	(1,958)	-		
Timing variance in discretionary staff payments	(681)	(916)		
New Jersey annual minimum guarantee	(3,000)	-		
Debtor shortfall	(1,500)	-		
Other	259	1,507		
	(7,647)	(5,917)		

Notes:

- Discretionary staff payments relate to FY23 performance linked payments made to non-executive staff during the quarter. The total payment was approximately \$0.5 million.
- New Jersey annual minimum guarantee payment of \$3.0 million is in relation to the 2022-23 racing season minimum guarantee (see Company announcement 24 January 2022, "BetMakers extends NJ exclusive agreement to 15 year term").

OUTLOOK

Commenting on the outlook, CEO Jake Henson, said, "The team has done a great job in simplifying our operating model and sharpening our focus over the past six months. With our suite of market-leading technology for the racing and wagering industries, the Company is focused on growing our reach as a B2B operator on a scalable cost-base.

"There will be a continued focus on reducing and normalising the cost base, and we expect to achieve stronger underlying cash receipts in Q2 due to, among others, the commencement of a new racing season and the onboarding of new clients. We expect further commercial launches in coming months will keep our top-line growing while we are continuing to strive for reaching positive underlying EBITDA and operational cash flows."

The Appendix 4C for the quarter ending 30 September 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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About BetMakers

BetMakers Technology Group (ASX:BET) is a leading provider of advanced technology and service solutions that empower racing and betting industry stakeholders to evolve and grow the sport of racing.

Our solutions help monetise racing at every stage of the life cycle, with technologies and services delivered to bookmakers, pari-mutuel wagering operators, racing bodies, and racing authorities across the world's major racing and betting markets.

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")

30 September 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	24,503	24,503
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,465)	(12,465)
(c) advertising and marketing	(248)	(248)
(d) leased assets	(762)	(762)
(e) staff costs	(14,521)	(14,521)
(f) administration and corporate costs	(3,983)	(3,983)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(173)	(173)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(7,647)	(7,647)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
<p>1.1 Impacted by a delay in debtor recovery of approximately \$1.5 million</p> <p>1.2 (b) includes a ~\$3.0 million payment to Monmouth Park in relation to the 2022-23 racing season minimum guarantee (see Company announcement 24 January 2022, "BetMakers extends NJ exclusive agreement to 15 year term"), and ~\$1.0 million in payments to PENN National Gaming for the international content rights (see Company announcement 30 June 2022 "BET signs deal with Penn National Gaming").</p> <p>1.2 (c) primarily relates to costs incurred in relation to promoting fixed odds wagering in New Jersey.</p> <p>1.2 (e) includes ~\$1.0 million in payments related to strategic restructuring costs incurred, and discretionary performance payments in relation to FY23.</p>		
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(275)	(275)
(c) property, plant and equipment	(750)	(750)
(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)	3,495	3,495
2.6 Net cash from / (used in) investing activities	2,470	2,470

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
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2.1 (b) Relates to the final payment towards the purchase of Form Cruncher – please see ASX announcement dated 23 June 2021 “BetMakers acquires Form Cruncher and Swopstakes”.

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 30 September 2023 was \$13.7m.

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	-	-
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	41,041	41,041
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,647)	(7,647)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,470	2,470
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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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
4.5	Effect of movement in exchange rates on cash held	382	382
4.6	Cash and cash equivalents at end of period	36,246	36,246

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	36,246	41,041
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)	36,246	41,041

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**

177

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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 Q1 FY24. This includes payments to Matt Davey for employment services in his role as President and Executive Chairman.

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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)	(7,647)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	36,246
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	36,246
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.7

8.1 The quarterly cash used in operating activities contains a number of significant items which aren't expected to be ongoing in nature. These items are outlined above and within the accompanying Quarterly Activities Report.

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: 31 October 2023.....

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.