

# POINTS BET

PointsBet Holdings Limited  
ABN 68 621 179 351

## APPENDIX 4D HALF-YEAR ENDED 31 DECEMBER 2019

**REPORTING PERIOD: FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 (“2020 INTERIM”)**

**PREVIOUS PERIOD: FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (“2019 INTERIM”)**

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

The Group has adopted Accounting Standard AASB 16 Leases for the half year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

### RESULTS IN ACCORDANCE WITH AUSTRALIAN ACCOUNTING STANDARDS

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$		% MOVEMENT
Revenue from ordinary activities	27,391,548	12,060,380	up	127%
Net loss attributable to members	(32,252,881)	(10,308,495)	up	213%

	NORMALISED RESULT <sup>1</sup>		STATUTORY RESULT	
	\$	% MOVEMENT	\$	% MOVEMENT
Revenue from ordinary activities	27,391,548	127%	27,391,548	127%
(Loss) before interest, tax, depreciation, amortisation and FX	(28,351,784)	329%	(29,288,429)	241%
Net loss attributable to members	(29,349,194)	303%	(32,252,881)	213%

1. Normalised results have been adjusted to exclude the impact of significant non-recurring items and adjustments. The Group believes that the normalised results are the best measure of viewing the performance of the business. Normalised results are a non-IFRS measure. See *Review of Operations* section for details.

### DIVIDENDS PAID AND PROPOSED

	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY AT 30% OF TAX
<b>Ordinary Shares</b>		
2020 Interim (2019 Interim: NIL)	NIL	NIL
2019 Final (2018: NIL)	NIL	NIL

### DIVIDEND REINVESTMENT PLAN

There was no dividend reinvestment plan in operation during the financial year.

# APPENDIX 4D

## HALF-YEAR ENDED 31 DECEMBER 2019

### CONTINUED

#### NET TANGIBLE ASSETS PER SHARE

	31 DECEMBER 2019	31 DECEMBER 2018
Net tangible assets per share (\$)	0.89	(0.34)
Weighted average number of ordinary shares	124,538,737	48,705,411
Basic and diluted (loss) per share (cents)	(25.9)	(21.2)

Options have been excluded from the above calculations in the current and previous year as their inclusion will be anti-dilutive.

On 16 May 2019, the company undertook a capital reconstruction by which each Share was split into 125.758 Shares. This resulted in the issued capital of the company increasing from 576,502 to 72,500,000 Shares. The 31 December 2018 comparatives have been presented on a post share split basis.

Control Gained or Lost Over Entities in the Year – Not Applicable

Details of Associates and Joint Venture Entities – Not Applicable

#### COMMENTARY ON THE RESULTS FOR THE HALF YEAR

Refer to the commentary on the results for the half-year contained in the *Review of Operations*.

The Consolidated Statement of Profit or Loss and Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, and Consolidated Statement of Changes in Equity are included within the Interim Report.

#### ATTACHMENTS

The Interim Report for PointsBet Holdings Limited for the half-year ended 31 December 2019 has been attached.

#### ABOUT POINTSBET

PointsBet is a corporate bookmaker with operations in Australia and the United States. PointsBet has developed a scalable cloud-based wagering Platform through which it offers its Clients innovative sports and racing wagering products. PointsBet's product offering includes Fixed Odds Sports, Fixed Odds Racing and PointsBetting. PointsBet aims to provide more markets on the major sports than any other bookmaker.

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**POINTS**BET

PointsBet Holdings Limited  
ABN 68 621 179 351



**INTERIM  
REPORT**

**FOR THE HALF-YEAR  
31 DECEMBER 2019**

# **POINTSBET**

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# REVIEW OF OPERATIONS

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

## GROUP PERFORMANCE

### EARNINGS SUMMARY FOR THE 6 MONTHS ENDING 31 DECEMBER 2019 (REPORTING PERIOD)

The information presented in this Review of Operations has not been reviewed in accordance with the Australian Auditing Standards. All figures are in Australian dollars unless otherwise stated.

Any discrepancies between totals and sums of components in tables and figures contained in this Report are due to rounding. Tables and figures contained in this Report have not been amended by the Company to correct immaterial summation differences that may arise from this rounding convention.

The key performance indicators for the Reporting Period and prior period are set out below:

#### NORMALISED RESULTS<sup>1</sup>

	H1 FY2020 \$000	H1 FY2019 \$000	VARIANCE VS 2019 %
<b>Normalised Results</b>			
Turnover	533,088	209,645	154%
Revenue	27,392	12,060	127%
EBITDA Loss	(28,352)	(6,610)	329%
Loss for the year	(29,349)	(7,278)	303%
Basic and Diluted Loss per Share (cents)	(23.6)	(14.9)	–
<b>Reported Results</b>			
Revenue	27,392	12,060	127%
EBITDA Loss	(29,288)	(8,592)	241%
Loss for the year	(32,253)	(10,309)	213%
Basic and Diluted Loss per Share (cents)	(25.9)	(21.2)	–

#### SIGNIFICANT ITEMS & ADJUSTMENTS

	NOTE	H1 FY2020 \$000	VARIANCE VS H1 FY2019 \$000
<b>Significant Items &amp; Adjustments</b>			
IPO Transaction Costs	1	–	180
Interest on Convertible Notes	2	–	1,071
Fair Value Adjustment of Convertible Notes on Conversion	3	–	719
US Set up Costs	4	–	808
Share based payments (non-cash) – employee share option plan	5	1,422	252
Impact of AASB 16 Leases	6	283	–
Unrealised FX (gains)/losses	7	1,199	–
<b>Total Significant Items &amp; Adjustments</b>		<b>2,904</b>	<b>3,031</b>

1. Normalised results and operating cash flow are statutory profit (before and after tax) and operating cash flow, excluding the impact of certain significant items and adjustments. Significant items and adjustments are items which are either individually or in aggregate, material to PointsBet and are either outside the ordinary course of business or part of the ordinary activities of the business but unusual due to their size and nature as detailed under the heading 'Significant Items & Adjustments'.

- IPO Transaction Costs** – The Group’s normalised results include an adjustment related to the IPO Transaction Costs incurred by the Group in connection with its IPO capital raise completed on 12 June 2019. Costs incurred primarily represent Legal Fees, Investigative Accountant Costs, Audit and Taxation related costs, Roadshow costs and Employment benefits costs that have not been capitalised in Share Capital.
- Interest on Convertible Notes** – The Group’s normalised results include an adjustment related to notional interest calculated on the Convertible Notes from date of issue to the date of conversion.
- Fair Value Adjustment of Convertible Notes on Conversion** – The Group’s normalised results include an adjustment related to the fair value on Convertible Notes issued on 06 Aug 2018 and 31 October 2018 that were converted to ordinary share capital on 08 March 2019 post completion of a qualifying funding round.
- US Set Up Costs** – The Group’s normalised results include an adjustment for US Set Up Costs for setting up the US business. Costs incurred primarily represent relocation costs of key management personnel transferred from the Australian business, hiring costs of key US management team members, legal fees, travel and accommodation, and one-off project manager and consultant costs.
- Share based payments** – Employee Share Option Plan – The Group’s normalised results include an adjustment for fair value on employee share option plan issuances to key management staff.
- Impact of AASB 16** – The Group’s normalised results include an adjustment for the impact of change in accounting standards upon adoption of AASB 16 Leases
- Unrealised FX (gains)/losses** – The Group’s normalised results include an adjustment for unrealised FX (gains)/losses on USD exposures that have yet to be realised.

## KEY PERFORMANCE INDICATORS

PointsBet reported strong growth across the following key metrics:

### POINTS BET GROUP – PCP PERFORMANCE (A\$M)

KEY METRICS	H1 FY2020	H1 FY2019 (PCP)	% INCREASE
Turnover <sup>2</sup>	533.1	209.7	+154%
Gross Win <sup>3</sup>	47.3	21.8	+117%
Net Win <sup>4</sup>	29.8	13.3	+124%
Active Clients <sup>5</sup>	102,155	45,863	+123%
Registered Clients <sup>6</sup>	185,138	63,029	+194%

## HIGHLIGHTS

Key highlights are set out below:

### STRONG PERFORMANCE METRICS

- PointsBet Group had 185,138 Registered Clients as at 31 December 2019 (up from 63,029 as at 31 December 2018).
- PointsBet Group recorded a 123% increase in Active Clients at 31 December 2019 to 102,155 up from 45,863 at 31 December 2018.
- PointsBet Group Net Win of \$29.8 million in the Reporting Period, represents a 124% growth on the 6 months to 31 December 2018 (PCP).
- PointsBet Australia recorded a 105% increase in Net Win on the PCP and increased Net Win Margin to 7.8%, up from 6.3% in the PCP.
- New Jersey recorded digital Turnover of \$179 million for the Reporting Period, with Q2 FY2020 growth of 54% over Q1 FY2020. Importantly, New Jersey recorded a Net Win of \$2.4 million for the Reporting Period compared to a Net Win loss of \$0.7 million for the 6 months to 30 June 2019.

2. Turnover is the dollar amount wagered by clients before any winnings are paid out or losses incurred.
3. Gross Win is the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding the cost of pricing promotions.
4. Net Win is the dollar amount received from clients who placed losing bets less the dollar amount paid to clients who placed winning bets, less client promotional costs (the costs incurred to acquire and retain clients through bonus bets, money back offers, early payouts and enhanced pricing initiatives).
5. Active Clients are clients that have placed a bet in the 12 months preceding the relevant half end date.
6. Registered Clients is a client who has opened an account with PointsBet.

# REVIEW OF OPERATIONS CONTINUED

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

## US MARKET ACCESS

- Entered into a 20 year partnership with Penn National Gaming securing digital market access in the US States of Ohio, Indiana, Missouri, Louisiana and West Virginia (subject to enabling legislation and licensure).
- Entered into a long term partnership with Lac Vieux Desert Public Enterprise and Finance Commission (“LVD”), an arm of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, to provide online and mobile sports wagering and gaming (casino) in the State of Michigan.
- Entered into an exclusive ‘first skin’ agreement with Kansas Crossing Casino, L.C. to provide retail and digital sports wagering in the State of Kansas, contingent upon the passing of enabling legislation as well as obtaining the necessary regulatory licenses.

## DIGITAL OPERATIONS

- Launched digital operations in Iowa, accepting first digital wagers on 20 November 2019, representing the Company’s second digital market to commence operations.
- PointsBet Group accepted more than 7.1 million bets for the 6 months to 31 December 2019 (compared to 3.7 million bets for the 6 months to 31 December 2018)
- On Melbourne Cup Day 2019, PointsBet successfully processed more than 180,000 bets, up from approximately 145,000 in 2018, with over 900 bets-per-minute at its peak, a further demonstration of the Company’s technological capabilities.
- PointsBet took 67% more individual bets on the NFL Super Bowl (February 2020) in New Jersey and Iowa than on the AFL Grand Final (September 2019) in Australia, highlighting the potential size of the US market and our US client’s interest in the key US sports.

## RETAIL OPERATIONS

- Launched retail operations at the Catfish Bend Casino in Burlington, Iowa in August 2019.

## PRODUCT AND TECHNOLOGY

- Continued investment in market-leading talent, with full time equivalent (FTE) headcount of 81 in the US and 111 in Australia as at 31 December 2019.
- Improved platform stability during all key events.
- Launch of upgraded US website and mobile app in January 2020, with improved functionality and significantly improved speed of use.

## BRAND AND MARKETING

- Investment in building the PointsBet brand and free to play database outside of New Jersey.
- Continued innovative product and brand differentiation, including PointsBetting™, Karma Kommittee™, #FadeRovell and other market leading initiatives.
- Entered a partnership with NBA, representing the Company’s first agreement with a North American sports league, with the Company integrating the first-ever Win Probability Metric across key NBA platforms, including on NBA.com and NBA social media channels.
- Entered a multi-year agreement with Channel 7 to exclusively provide Victorian thoroughbred odds integration segments across Channel 7’s Australian national racing broadcast channels.

## CORPORATE HIGHLIGHTS

- In November 2019 successfully completed an oversubscribed \$122.1 million equity raising to support US market access and continued growth, with a retail participation rate of 99.7%.
- Announced new US head office in Denver, Colorado to attract and retain key talent.
- Appointed Becky Harris, the first ever Chairwoman of the Nevada Gaming Control Board and a former Nevada State Senator, to the Board as a Non-Executive Director.



## PERFORMANCE SUMMARY

### GROUP PROFIT AND LOSS

IN A\$ MILLIONS	STATUTORY	
	H1 FY2020	H1 FY2019
Net revenue	27.4	12.1
Cost of sales	(15.1)	(5.2)
<b>Gross profit</b>	<b>12.3</b>	<b>6.9</b>
Marketing expenses	(20.6)	(7.6)
Employee benefits expense	(15.4)	(5.3)
Information technology costs	(2.5)	(0.5)
Other expenses	(4.2)	(1.1)
<b>Total Operating Expenses</b>	<b>(41.7)</b>	<b>(14.6)</b>
Loss from operations	(30.5)	(7.6)
Depreciation and amortisation expense	(2.3)	(0.7)
Net Finance Costs	0.5	(1.8)
<b>Loss before income tax</b>	<b>(32.3)</b>	<b>(10.3)</b>

In the Reporting Period, the Group recorded a Net Revenue<sup>7</sup> increase of 127% to \$27.4 million compared to the PCP. This was driven by significant Net Revenue growth in the Australian business and a positive Net Revenue contribution by the US business.

The Australian business recorded a Net Revenue increase of 105% to \$24.8 million compared to the PCP as the business continued to increase its client base, focused on client retention and rolled out innovative product and technology enhancements.

It is pleasing to report that during the Reporting Period the US business recorded its first positive half of Net Revenue of \$2.6 million as the New Jersey business moves from launch phase into execution phase and the Company went live in Iowa in both its retail and digital operations.

Gross Profit margins for the Australian business have remained consistent on a PCP basis, which is encouraging given the broader introduction of Point of Consumption Tax in January 2019. As our US business grows and New Jersey moves from launch phase into execution phase, we would expect the New Jersey Gross Profit margins to improve as the business reduces promotions as a percentage of Gross Win and grows its Net Win in absolute terms.

It should be noted our High Staking Clients reduced the Group's Net Win by \$2.1 million, contributing to a lower Gross Profit Margin for the US Business in the Reporting Period.

During the Reporting Period, Group expenses were primarily driven by marketing, employee benefits and information technology costs.

- **Marketing** – expenses have increased in-line with the Group's investment in building the PointsBet brand, particularly in New Jersey. Global costs include advertising and digital campaigns with brand ambassadors Allen Iverson and Brett Finch, in the US, strategic media placement have been very effective, and in Australia, broadcast partnerships with Channel 7 and Channel 9 continue to deliver increased brand recognition.
- **Employee Benefits** – expenses have increased as the Group continues to build a world class team across all areas of the business. Headcount as at 31 December 2019 had grown 76% since 31 December 2018, with 192 total employees split between Australia 111 and US 81.
- **Technology** – investment in our scalable cloud-based technology platform has driven increased information technology costs for the Reporting Period versus the PCP.

7. Net Revenue is measured at the fair value of the consideration received or receivable from Clients less GST, free bets, promotions, bonuses and other fair value adjustments.

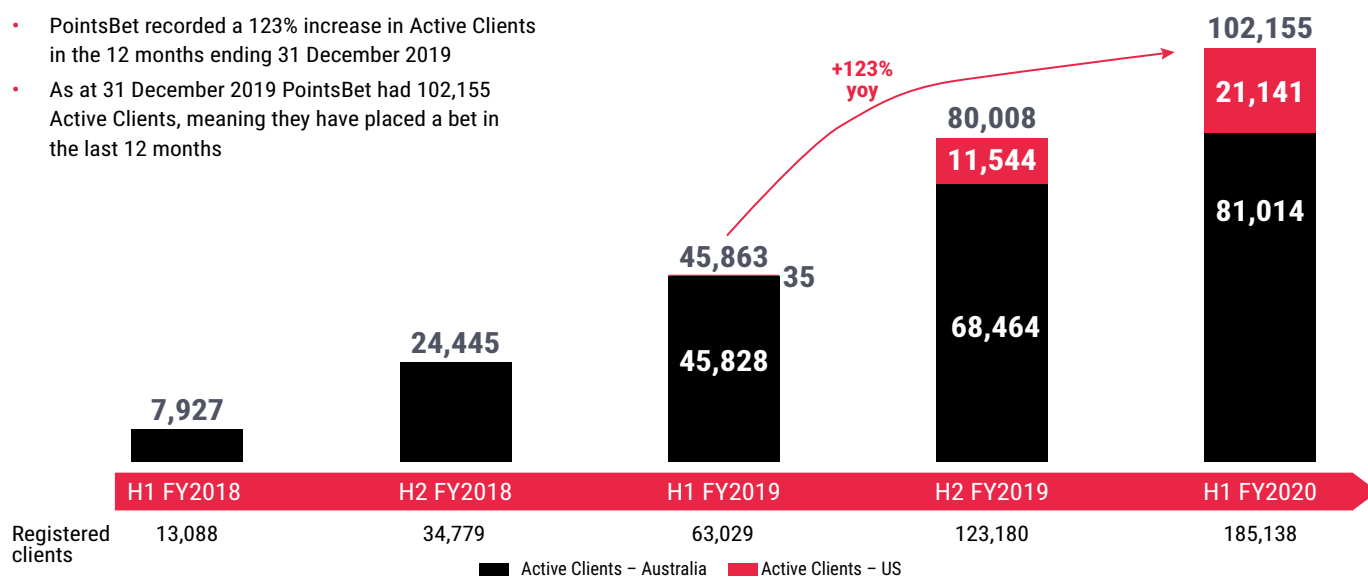
# REVIEW OF OPERATIONS CONTINUED

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

As we execute our global strategy, we are investing to structure the business for future growth and profitability. The investment in this strategy during the Reporting Period resulted in a statutory earnings before interest, taxation, depreciation and amortisation (EBITDA) loss of \$32.3 million for the Reporting Period.

## REGISTERED CLIENTS AND ACTIVE CLIENTS

- PointsBet recorded a 123% increase in Active Clients in the 12 months ending 31 December 2019
- As at 31 December 2019 PointsBet had 102,155 Active Clients, meaning they have placed a bet in the last 12 months



## REGIONAL OPERATIONS

### AUSTRALIA

#### POINTSBET AUSTRALIA – PCP PERFORMANCE (A\$M)

KEY METRICS	H1 FY2020	H1 FY2019	INCREASE
Turnover	349.2	209.6	+67%
Gross Win	38.1	21.8	+75%
Gross Win Margin	10.9%	10.4%	+0.5 BP
Net Win	27.2	13.3	+105%
Net Win Margin	7.8%	6.3%	+1.5 BP

PointsBet's Australian business recorded strong half year performance demonstrating its capability to disrupt and grow market share in a highly competitive environment. Over the Reporting Period, Net Win for the Australian business increased to \$27.2 million from \$13.3 million in the PCP as the business continued to increase its client base, focused on client retention and rolled out innovative product and technology enhancements. In addition, the depth and breadth of our market offering combined with improved trading risk functions resulted in an enhanced client experience.

During Q2 FY2020, this improvement together with a favorable run of results for the industry, enabled the Company to achieve an improved Gross Win Margin as well as reducing gratuities as a percentage of Gross Win. It is particularly pleasing that despite this reduction in gratuities, the Australian business saw continued growth in Turnover and Active Clients over Q2 FY2020.

PointsBet aims to provide more markets on NBA, NFL, MLB, NHL and AFL than any other corporate bookmaker and our Australian clients have been drawn to our international market offerings where the Company currently pays less product fees and taxes.



The Company's marketing strategy continues to maintain a focus on excellence in achieving a return on investment on the Company's marketing spend via an integrated multi-channel effort and in-depth analysis of category target audience.

Utilising PointsBet's global brand ambassador NBA All Star Allen Iverson together with our NRL ambassador Brett Finch, the Company launched a new global television and digital campaign, leading to strong performance across client acquisition and retention. In addition, broadcast partnerships with Channel 7 (AFL) and Channel 9 (NRL), and strategic media placements within programming across multiple sporting codes provided additional brand recognition.

Off the back of this success, in February 2020 PointsBet negotiated a multi-year agreement with Channel 7 to exclusively provide Victorian thoroughbred odds integration segments across Channel 7's national racing broadcast channels, again demonstrating the Company's ability to move quickly in assessing and executing strategic marketing deals.

The Company continues to utilise leading technology to deliver marketing campaigns across paid search, social media (paid and organic), programmatic content and media networks including YouTube™, Google™ Display Network and affiliate partners. The Company anticipates additional product releases over the forthcoming 12 months will greatly assist with client acquisition, re-activation and retention in Australia.

The Australian trading business continues to benefit from the Company's investment in its platform, product and client experience, and this investment is reflected in the trading results.

The Australian trading business segment recorded an EBITDA loss of \$3.4 million during the Reporting Period compared to an EBITDA loss of \$2.3 million in the PCP. The Reporting Period represented an important acquisition period for the Company (including the Spring Racing Carnival and NRL/AFL Finals), and as a result, the Company applied a greater percentage of its annual marketing budget to H1 FY2020.



# REVIEW OF OPERATIONS CONTINUED

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

## UNITED STATES

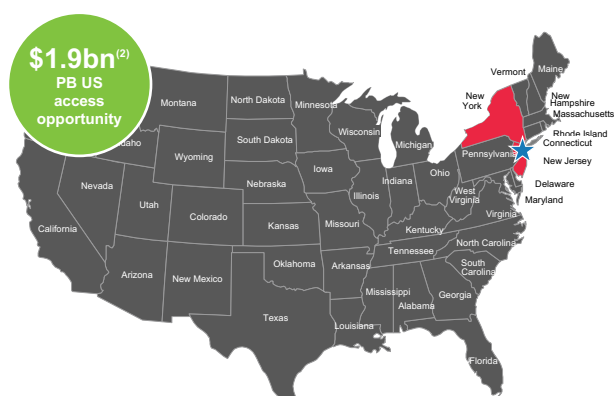
PointsBet is well-positioned to take advantage of the growing opportunity in the United States as numerous States legalise and launch sports betting and online casino, with strong leadership, experienced management and a scalable cloud-based technology platform initially developed in the sophisticated and competitive Australian wagering market. During the period, this has been bolstered by key appointments, including:

- Becky Harris, the first ever Chairwoman of the Nevada Gaming Control Board and former Nevada State Senator, as a Non-Executive Director;
- Manjit Gombra Singh as President, Product and Technology, formerly Chief Technology Officer and EVP of leading global gaming technologies provider Aristocrat Leisure Limited with a track record in delivering leading product and technology strategy for mobile, social and traditional casino gaming products; and
- Eric Foote, formerly CBS Sports Digital VP, as US Chief Commercial Officer, recognising the importance of PointsBet's media strategy within the growing US market.

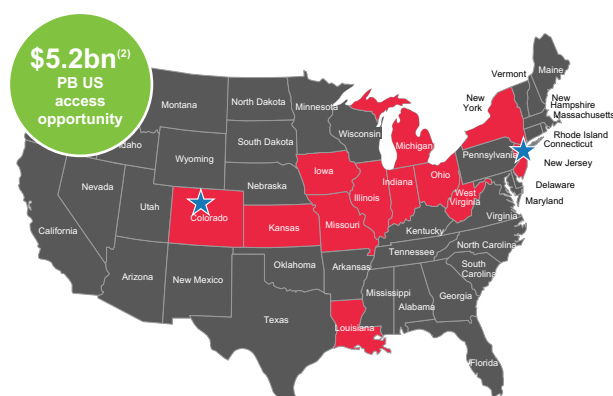
## MARKET ACCESS

As shown in the graphic below, it has been a transformational 12 months for the Company.

PointsBet US access<sup>(1)</sup> as at 31 January 2019



PointsBet US access<sup>(1)</sup> as at 31 January 2020



■ PointsBet's US State Access    ★ PointsBet's US Offices

Notes: (1) Subject to enabling legislation and licensure; (2) Eilers & Krejcik Gaming Report, Legal Sports Betting: Defining The U.S. Opportunity (April 2019)

In August 2019, PointsBet and Penn National Gaming entered into a partnership which secured digital market access, subject, where relevant, to the passing of enabling legislation and licensure, to Ohio, Indiana, Missouri, Louisiana and West Virginia.

PointsBet then further expanded its US footprint announcing a partnership with Lac Vieux Desert Public Enterprise and Finance Commission ("LVD"), an arm of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, to provide online and mobile sports wagering and gaming (casino) in Michigan. This represents the Company's first tribal market access deal and further demonstrates continued confidence in PointsBet's brand and product offerings.

Following the announcement of the Kansas Crossing agreement providing long term market access in Kansas, PointsBet now has access to 12 US States, subject to (where relevant) the passing of enabling legislation and licensure.

PointsBet can also provide iGaming (casino) products through its market access partners, Penn National Gaming, Double Eagle Casino and LVD in States where iGaming is permitted by legislation (currently, West Virginia and Michigan). PointsBet has commenced the project for inhouse development of a proprietary and licenced technology and product suite to support its iGaming operations.

## SUCCESSFUL LAUNCH OF RETAIL OPERATIONS



PointsBet commenced retail operations at Catfish Bend Casino in Iowa on 20 August 2019. This was the Company's first retail operation which is expected to deliver higher operating margins over time due to lower promotional costs and a more recreational client demographic compared to digital-only markets. This experience will be invaluable as PointsBet rolls-out additional retail operations in US States, including Illinois and Colorado. Retail sportsbooks are an important mechanism in securing clients, especially where in-person operations are introduced by State Governments, as is the case in Iowa and Illinois.

## BRAND AND PRODUCT

PointsBet has been investing in building the brand and free to play database outside New Jersey. Not only does this mean that PointsBet will enter new States with existing brand recognition, but it also assists in PointsBet's market access strategy as we expand across the United States.

PointsBet continues to have success with product differentiation in the US market, including the innovative PointsBetting™ product, key marketing initiatives such as the Karma Komitee™ and Bad Beat Index, and competitive game day guarantee and headline pricing offerings. In addition, PointsBet is one of only a few operators to offer a Spanish language website, with 13.4% of the American population speaking Spanish (15.9% in New Jersey and 13.7% in Illinois being native Spanish speakers).

PointsBet has also announced a multiyear partnership with the NBA, making PointsBet an 'Authorised Sports Betting Operator' of the NBA, representing PointsBet's first partnership with a professional sports league in the US. As part of the partnership, PointsBet will integrate the first-ever Win Probability Metric across key NBA platforms, including on NBA.com and NBA social media channels. Powered by PointsBet, the Win Probability Metric will provide fans with real-time insight toward projected outcomes utilizing the same analytics and statistics that fuel PointsBet's sportsbooks. Additionally, PointsBet will have access to official NBA betting data and league trademarks across PointsBet's digital betting platforms.

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# REVIEW OF OPERATIONS CONTINUED

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

## US PERFORMANCE SUMMARY

### POINTSBET UNITED STATES – H1 FY2020 KPIS (A\$M)\*

KEY METRICS	NEW JERSEY			IOWA			US TOTAL
	DIGITAL	HIGH STAKING CLIENTS	TOTAL	RETAIL	DIGITAL	TOTAL	
Turnover	154.6	24.8	179.4	3.5	0.9	4.4	183.9
Gross Win	10.8	(1.8)	9.0	0.2	(0.0)	0.2	9.2
Gross Win Margin	7.0%	(7.2%)	5.0%	5.6%	(0.4%)	4.4%	5.0%
Net Win	4.5	(2.1)	2.4	0.2	(0.0)	0.2	2.6
Net Win Margin	2.9%	(8.4%)	1.3%	5.6%	(2.1%)	4.1%	1.4%

\* There is no PCP for US Operations which commenced brand launch January 2019.

The US sports betting opportunity continues to build momentum with the New Jersey digital market recording US\$2.2 billion wagered on sports in H2 FY2020.

In the US, PointsBet achieved a Gross Win Margin of 5% and Net Win Margin of 1.4% in H1 FY2020 off the back of \$183.9 million of Turnover. This was PointsBet's first full half of trading in the US since brand launch in late January 2019.

The Company is entering into an important period of execution as we roll out operations across our expanding US footprint. We are currently operational in New Jersey and Iowa and expect to launch digital in Indiana by the end of Q3 FY2020.

Subject to approval of regulations by the Illinois Gaming Board, PointsBet expects to launch both retail and digital operations in Illinois, as well as digital operations in Colorado and Michigan by the of the Q2 FY2021, pending the passing of relevant State regulations.

### NEW JERSEY

PointsBet's New Jersey Digital H1 FY2020 Turnover was \$154.6 million. Importantly, Q2 FY2020 Turnover was \$99.6 million representing an increase of 80.9% on Q1 FY2020 as the NFL and NBA seasons progressed during this period.

During H1 FY2020 New Jersey Digital Gross Win Margin achieved was 7.0%, Net Win Margin was 2.9% which reflects an important acquisition and retention period for the Company resulting in higher targeted promotional spend. It should also be noted that Gross Win Margin was lower in Q2 FY2020 verses Q1 FY2020 (to 6.4% from 8.0%) reflecting a movement towards more sustainable long-term yields.

During the Reporting Period, the Company identified US clients who are able to consistently wager larger amounts of money (**High Staking Clients**). High Staking Clients recorded Net Win Margin for the reporting period of negative 8.4%. Importantly, Q2 FY2020 recorded an outstanding Net Win Margin of 16.2%, however the Company expects this to normalise lower in the medium-to-long term.

New Jersey Digital recorded a Net Win of \$4.5 million in the Reporting Period, while High Staking Clients recorded a New Win loss of \$2.1 million, resulting in New Jersey recording an overall Net Win of \$2.4 million.

### IOWA

Iowa Retail recorded its first full quarter of operations in Q2 FY2020 after launching on 20 August 2019. During the Reporting Period, Iowa Retail recorded a Net Win of \$0.2 million, however Iowa Retail Net Win Margin was lower than expected reflecting a run of favourable results for clients. This is magnified as a result of the low absolute value of Net Win. Net Win Margin is expected to stabilise as retail Turnover grows and results normalise.

During the Reporting Period, the Company also launched Digital operations in Iowa, accepting the first digital wagers on 20 November 2019. This represents the Company's second digital market to commence operations. While it is early days for the Iowa Digital business, the Company is pleased with the progress made under the in-person registration operating environment. Client acquisition efforts are focused on local marketing and cross promotion given the current requirement for in person sign up. The learnings from Iowa marketing will be leveraged in other States which also require in person sign up, such as Illinois.

## TECHNOLOGY AND CORPORATE

PointsBet's Platform is specifically designed to be scalable and fast, utilizing cloud-based platforms, specifically Microsoft Azure, that allow for PointsBet's systems and features to be developed in a timely and cost-efficient manner compared to more traditional infrastructure and hosted solutions.

The Technology segment derives its revenue from licensing fees charged to the Australian Trading and the group's subsidiaries in the United States. Please note this revenue is eliminated in the Company's consolidated results.

The EBITDA loss for the Technology segment for the half year ended 31 December 2019 was \$(2.1 million).

Corporate administrative costs (Board, Finance, Legal, Human Resources, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM (Chief Operating Decision Maker) for making operating and resource allocation decisions. The EBITDA loss for the Corporate Segment for the half year ended 31 December 2019 was \$(1.7 million).

## GROUP BALANCE SHEET

IN A\$ MILLIONS	STATUTORY AS AT 31 DECEMBER 2019	STATUTORY AS AT 30 JUNE 2019
Cash and cash equivalents	157.5	75.9
Intangible assets	49.9	14.8
Right-of-use assets	9.6	–
Other assets	6.8	3.9
<b>Total assets</b>	<b>223.8</b>	<b>94.5</b>
Lease liabilities	9.7	–
Other liabilities	29.1	20.0
<b>Total liabilities</b>	<b>38.8</b>	<b>20.0</b>
<b>Net assets</b>	<b>185.0</b>	<b>74.5</b>
<b>Total equity</b>	<b>185.0</b>	<b>74.5</b>

Cash and cash equivalents includes client cash of \$9.6 million (30 June 2019: \$8.8 million)

At 31 December 2019 the Group had Net Assets of \$185 million, representing a 148% increase on the PCP of \$74.5 million. Drivers of the Net Assets increase include the Company's investment in US State market access as well as the successful completion of the Company's November 2019 capital raising.

- **Intangible Assets** – investment in market access through our agreements with our market access partners, resulted in a \$33.4 million increase in intangible assets being the non-cash capitalisation of shares and options issued to Penn National Gaming as well as payments to other market access partners over the Reporting Period, and \$3.0 million of software development costs relating to the Company's Platform development were also capitalised during the Reporting Period.
- **Capital Raising** – in November 2019, the Group raised \$122.1 million through a capital markets transaction, comprising an institutional placement of \$60 million and a 1 for 6 accelerated pro rata renounceable entitlement offer with retail entitlements trading to raise \$62.1 million.
- **Accounting Standard** – PointsBet adopted new accounting standard AASB 16 Leases effective from 1 July 2019. As a consequence of this, PointsBet recorded a right-of-use asset and a corresponding lease liabilities as at 31 December 2019 in relation to operating lease commitments.

# REVIEW OF OPERATIONS CONTINUED

FOR THE HALF-YEAR ENDING 31 DECEMBER 2019

## GROUP STATEMENT OF CASH FLOWS

IN A\$ MILLIONS	STATUTORY	
	H1 FY2020	H1 FY2019
Receipts from customers (inclusive of GST)	29.8	13.0
Payments to suppliers and employees (inclusive of GST)	(53.9)	(19.5)
Net interest	0.3	–
Net increase/(decrease) in client cash	0.8	(0.2)
<b>Net cash outflow from operating activities</b>	<b>(23.0)</b>	<b>(6.7)</b>
<b>Net cash outflow from investing activities</b>	<b>(12.6)</b>	<b>(11.7)</b>
<b>Net cash outflow from financing activities</b>	<b>118.3</b>	<b>24.5</b>
<b>Net cash flows</b>	<b>82.7</b>	<b>6.0</b>

At 31 December 2019 the group had a cash balance of \$157.5 million, including \$9.6 million of client cash.

- Net operating outflows were \$23.0 million in-line with our investment in marketing, staff and technology.
- Net investing outflows were \$12.6 million in-line with our investment in license and market access.
- Net financing inflows were \$118.3 million in-line with capital raising.

## CONCLUSION

As we have previously referenced, the PointsBet Australian business, while a robust and growing business in its own right, is a clear blueprint of the model which will be rolled out in the US. As such, we are very pleased that at the conclusion of our second calendar year of operations with the PointsBetting™, Fixed Odds Racing and Fixed Odds Sport product suite (the latter launching in March 2018), we have achieved year on year growth in all key metrics including Active Clients, Turnover and, importantly, Net Win.

The Company is acutely aware that the legalisation of the US sports betting market is only going to happen once and thus is focused on having the best team, technology and product to capitalise on opportunities as they arise.

A strong start in New Jersey, our shop front to the broader US markets, has highlighted the Company's technology, marketing and risk management capabilities and, as a result, also delivered increased brand awareness in the US and additional market access opportunities.

This has all been achieved whilst operating in the New Jersey market which has over 18 competitors. As we move into new US States, our operational learnings from the competitive New Jersey market and the continually improving technology stack, will provide greater efficiencies and effectiveness when launching in additional US States.

The Company is pleased with its market access achievements to date and continues to assess future opportunities which will complement the Group's existing operations and market access partners. The Company has appropriately planned for the requirements and demands presented by the US sports wagering opportunity and has been building the global capabilities of the team in preparation for the next phase of the US strategy.



# DIRECTORS' REPORT

31 DECEMBER 2019

Your directors present their report on the group consisting of PointsBet Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

## DIRECTORS

The following persons were directors of PointsBet Holdings Limited during the whole of the half-year and up to the date of this report:

SJ Swanell PD McCluskey BWF Paton AP Symons NJ Fahey BK Harris (appointed 11 November 2019)

## PRINCIPAL ACTIVITIES

During the period the principal continuing activities of the group consisted of the development of a spreadbetting and fixed odds online trading platform and providing online bookmaking services for sports and racing.

## REVIEW OF OPERATIONS

The loss from ordinary activities after income tax amounted to \$32,252,881 (31 December 2018: \$10,308,495 loss).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 August 2019, PointsBet USA Inc. ("PointsBet"), a wholly owned subsidiary of PointsBet Holdings Limited ("the group"), entered into an agreement with Penn National Gaming Inc. (NASDAQ: PENN) ("PNG") for digital and gaming services in the United States.

Under the Online Services Framework Agreement, PNG granted PointsBet the right to develop, own, market and operate under the authority of the PNG's operating licenses, PointsBet branded online sportsbook and gaming operations in Ohio, Indiana, Missouri, West Virginia and Louisiana subject to enabling legislation (as relevant) and licensure in each of those States.

In consideration of the market access granted under the Agreement, the group entered into a subscription agreement with PNG, under which Penn Interactive Ventures, LLC, a wholly owned subsidiary of PNG, was issued 6,127,451 new fully paid ordinary shares in the company (equivalent to a 5.28% stake) on 1 August 2019.

The company also issued PNG 10,372,549 options exercisable at \$4.61 per option on or before 12 September 2021.

In November 2019, the group raised \$122.1 million through an underwritten capital raise comprising an institutional placement to raise \$60 million and a 1 for 6 accelerated pro rata renounceable entitlement offer with retail entitlements trading to raise \$62.1 million.

There have been no other significant changes in the state of affairs of the group during the period.

## EVENTS SINCE THE END OF THE FINANCIAL PERIOD

On 6 January 2020, PointsBet Michigan LLC, a wholly owned subsidiary of the group, entered into an exclusive agreement with Lac Vieux Desert Public Enterprise and Finance Commission an arm and instrumentality of an organised under the laws of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, a sovereign federally recognised Indian tribe to provide online and mobile sports wagering and gaming (casino) in the State of Michigan, contingent upon obtaining necessary regulatory licenses.

On 31 January 2020, PointsBet Kansas LLC, a wholly owned subsidiary of the group entered into an exclusive 'primary skin' agreement with Kansas Crossing Casino, L.C, to provide retail and online sports wagering in the State of Kansas, contingent upon obtaining the necessary regulatory licenses.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future periods.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

This report is made in accordance with a resolution of directors.



BWF Paton  
Chairman

Cremorne  
26 February 2020

# AUDITOR'S INDEPENDENCE DECLARATION



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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PointsBet Holdings Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to be "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to be "BY Chan".

**B Y CHAN**  
Partner

Dated: 26 February 2020  
Melbourne, Victoria

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.  
RSM Australia Partners ABN 36 965 185 036



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<b>Revenue from continuing operations</b>			
Revenue	4	27,391,548	12,060,380
Cost of sales		(15,114,062)	(5,168,127)
<b>Gross profit</b>		<b>12,277,486</b>	<b>6,892,253</b>
Other (expense)/income	5(a)	(1,080,451)	368,427
<b>Expenses</b>			
Marketing expenses		(20,649,610)	(7,644,105)
Occupancy expenses		(609,099)	(225,925)
Administration expenses		(1,209,017)	(639,566)
Other expenses		(339,457)	(178,455)
Loss on derivative liability		–	(718,827)
Consulting expenses		(383,016)	(235,128)
Information technology costs		(2,499,781)	(513,085)
Employee benefits expenses	6	(15,371,384)	(5,337,981)
Travel and accommodation expenses		(623,042)	(359,290)
Depreciation and amortisation	6	(2,250,817)	(667,291)
<b>Total expenses</b>		<b>(43,935,223)</b>	<b>(16,519,653)</b>
Finance income	5(b)	675,730	21,786
Finance expenses	5(b)	(190,423)	(1,071,308)
<b>Finance income/(expenses) – net</b>		<b>485,307</b>	<b>(1,049,522)</b>
<b>Loss before income tax</b>		<b>(32,252,881)</b>	<b>(10,308,495)</b>
Income tax expense		–	–
<b>Loss for the period</b>		<b>(32,252,881)</b>	<b>(10,308,495)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	21(c)	244,740	334,858
<b>Total comprehensive loss for the period</b>		<b>(32,008,141)</b>	<b>(9,973,637)</b>
Loss is attributable to:			
Owners of PointsBet Holdings Limited		(32,252,881)	(10,308,495)
Total comprehensive loss for the period is attributable to:			
Owners of PointsBet Holdings Limited		(32,008,141)	(9,973,637)
		CENTS	CENTS
Basic and diluted (loss) per share	25	(25.9)	(21.2)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 \$	30 JUNE 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	157,518,417	75,885,880
Trade and other receivables	8	265,594	495,360
Other current assets	9	2,013,493	767,241
<b>Total current assets</b>		<b>159,797,504</b>	<b>77,148,481</b>
<b>Non-current assets</b>			
Financial assets at amortised cost	10	213,004	213,004
Plant and equipment	11	2,872,886	1,836,065
Intangible assets	13	49,884,369	14,783,989
Other non-current assets	14	1,462,201	559,354
Right-of-use assets	12	9,594,137	–
<b>Total non-current assets</b>		<b>64,026,597</b>	<b>17,392,412</b>
<b>Total assets</b>		<b>223,824,101</b>	<b>94,540,893</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	14,121,192	9,623,355
Employee benefit obligations	16	799,718	622,134
Provisions	17	92,912	247,283
Other financial liabilities	18	1,559,829	861,963
Other current liabilities	19	8,617,058	8,591,300
Lease liabilities	12	1,606,179	–
<b>Total current liabilities</b>		<b>26,796,888</b>	<b>19,946,035</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	20	3,864,108	–
Employee benefit obligations	16	102,879	88,137
Lease liabilities	12	8,060,196	–
<b>Total non-current liabilities</b>		<b>12,027,183</b>	<b>88,137</b>
<b>Total liabilities</b>		<b>38,824,071</b>	<b>20,034,172</b>
<b>Net assets</b>		<b>185,000,030</b>	<b>74,506,721</b>
<b>EQUITY</b>			
Share capital	21(a)	261,670,480	124,641,045
Other reserves	21(c)	7,601,686	1,884,931
Accumulated (losses)	21(d)	(84,272,136)	(52,019,255)
<b>Total equity</b>		<b>185,000,030</b>	<b>74,506,721</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

ATTRIBUTABLE TO OWNERS OF POINTSBET HOLDINGS LIMITED					
	NOTES	SHARE CAPITAL \$	OTHER RESERVES \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
<b>Balance at 1 July 2018</b>		14,329,174	198,408	(10,134,105)	4,393,477
Loss for the period		–	–	(10,308,495)	(10,308,495)
Other comprehensive income		–	334,858	–	334,858
<b>Total comprehensive income/(loss) for the half-year</b>		–	<b>334,858</b>	<b>(10,308,495)</b>	<b>(9,973,637)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Exercise of options	21(b)	1,411,360	–	–	1,411,360
Share options issue		–	252,368	–	252,368
		1,411,360	252,368	–	1,663,728
<b>Balance at 31 December 2018</b>		<b>15,740,534</b>	<b>785,634</b>	<b>(20,442,600)</b>	<b>(3,916,432)</b>
<b>Balance at 30 June 2019</b>		124,641,045	1,884,931	(52,019,255)	74,506,721
Loss for the period		–	–	(32,252,881)	(32,252,881)
Other comprehensive income		–	244,740	–	244,740
<b>Total comprehensive income/(loss) for the half-year</b>		–	<b>244,740</b>	<b>(32,252,881)</b>	<b>(32,008,141)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Exercise of options	21(b), (c)	356,201	(149,947)	–	206,254
Capital raising	21(b)	122,065,640	–	–	122,065,640
Issued capital	21(b)	18,198,529	–	–	18,198,529
Share options issue	21(c)	–	5,621,962	–	5,621,962
Less: Share issue costs	21(b)	(3,590,935)	–	–	(3,590,935)
		137,029,435	5,472,015	–	142,501,450
<b>Balance at 31 December 2019</b>		<b>261,670,480</b>	<b>7,601,686</b>	<b>(84,272,136)</b>	<b>185,000,030</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTES	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		29,827,142	12,967,196
Payments to suppliers and employees (inclusive of GST)		(53,938,471)	(19,442,355)
		(24,111,329)	(6,475,159)
Interest received		499,518	21,786
Interest paid		(190,423)	–
Net increase/(decrease) in player cash accounts		841,899	(215,347)
<b>Net cash outflow from operating activities</b>		<b>(22,960,335)</b>	<b>(6,668,720)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(1,475,698)	(328,230)
Payments for intangible assets – capitalised software development		(2,853,075)	(3,235,707)
Payments for intangible assets – licenses and market access		(7,353,653)	(8,183,871)
Payment of software		(82,431)	–
Rental bond		(875,214)	–
<b>Net cash outflow from investing activities</b>		<b>(12,640,071)</b>	<b>(11,747,808)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	21	118,474,748	1,403,186
Proceeds from borrowings		–	23,106,052
Option exercises		206,253	–
Repayment of leases		(387,253)	–
<b>Net cash inflow from financing activities</b>		<b>118,293,748</b>	<b>24,509,238</b>
<b>Net increase in cash and cash equivalents</b>		<b>82,693,342</b>	<b>6,092,710</b>
Cash and cash equivalents at the beginning of the financial period		75,885,880	7,540,201
Effects of exchange rate changes on cash and cash equivalents		(1,060,805)	334,857
<b>Cash and cash equivalents at end of the period</b>		<b>157,518,417</b>	<b>13,967,768</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

## **CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed consolidated interim report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by PointsBet Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 *Leases*.

#### • AASB 16 LEASES

The group had to change its accounting policies as a result of adopting AASB 16 *Leases*. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note below.

### (A) ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16

The group has adopted AASB 16 *Leases* from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	30 JUNE 2019 \$
Operating lease commitments disclosed as at 30 June 2019 (AASB 117)	3,153,676
Adjustment for non-allowable expenses	(272,745)
Adjustment for extension clauses	1,411,753
Operating lease commitments discount based on weighted average incremental borrowing rate of 6.2% (AASB 16)	(197,192)
<b>Right-of-use assets (AASB 16)</b>	<b>4,095,492</b>
Lease liabilities (AASB 16)	(4,095,492)
Additional accumulated losses as at 1 July 2019	-



### 3. SEGMENT AND REVENUE INFORMATION

#### (A) DESCRIPTION OF SEGMENTS

The group has determined that its operating segments are its reportable segments. The group's reportable segments are as follows:

- Australian Trading;
- Technology; and
- United States.

This is based on the internal management reports that are reviewed by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Australian Trading revenue includes revenue from sports and racing betting services provided to Australian customers. The group reports the gains and losses on all betting positions as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments net of GST.

The Technology segment derives its revenue from licensing fees charged to the Australian Trading and the group's subsidiaries in the United States.

The United States segment derives revenue from sports betting services to United States customers.

Corporate administrative costs (Board, Finance, Legal, Internal Audit, Human Resources, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. Hence, these are shown in the reconciliation of reportable segments to group totals.

#### (B) SEGMENT RESULTS

31 DECEMBER 2019	AUSTRALIAN TRADING \$	TECHNOLOGY \$	USA \$	TOTAL \$
Sales to external customers	24,755,318	–	2,636,230	27,391,548
Intersegment sales	–	2,462,101	428,804	2,890,905
Elimination of intersegment sales	–	(2,462,101)	(428,804)	(2,890,905)
<b>Revenue from external customers</b>	<b>24,755,318</b>	<b>–</b>	<b>2,636,230</b>	<b>27,391,548</b>

31 DECEMBER 2018	AUSTRALIAN TRADING \$	TECHNOLOGY \$	USA \$	TOTAL \$
Sales to external customers	12,084,493	–	(24,113)	12,060,380
Intersegment sales	–	384,186	–	384,186
Elimination of intersegment sales	–	(384,186)	–	(384,186)
<b>Revenue from external customers</b>	<b>12,084,493</b>	<b>–</b>	<b>(24,113)</b>	<b>12,060,380</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 3. SEGMENT AND REVENUE INFORMATION CONTINUED

### (C) EBITDA

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Australian Trading	(3,400,394)	(2,265,684)
USA	(22,136,376)	(1,306,459)
Technology	(2,065,477)	(3,522,832)
Corporate	(1,686,182)	(1,496,707)
<b>Total EBITDA</b>	<b>(29,288,429)</b>	<b>(8,591,682)</b>

EBITDA reconciles to operating loss before income tax as follows:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<b>Total EBITDA</b>	<b>(29,288,429)</b>	<b>(8,591,682)</b>
Finance costs	(190,423)	(1,071,308)
Interest revenue	675,730	21,786
Depreciation and amortisation	(2,250,817)	(667,291)
Net foreign exchange (losses)	(1,198,942)	–
<b>Loss before income tax from continuing operations</b>	<b>(32,252,881)</b>	<b>(10,308,495)</b>

### INTERSEGMENT TRANSACTIONS

Transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### ACCOUNTING POLICY FOR OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to the operating segments and assessing their performance.

### MAJOR CUSTOMERS

There are no major customers that represented more than 10% of the segment revenue.

**(D) SEGMENT ASSETS**

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Australian Trading	8,415,664	8,898,037
USA	64,462,993	26,379,441
Technology	11,077,415	8,098,375
Corporate	261,187,161	120,988,312
<b>Total segment assets</b>	<b>345,143,233</b>	<b>164,364,165</b>
Intersegment eliminations	(121,319,132)	(69,823,272)
<b>Total assets as per the consolidated statement of financial position</b>	<b>223,824,101</b>	<b>94,540,893</b>

**(E) SEGMENT LIABILITIES**

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Australian Trading	(27,337,881)	(24,067,753)
USA	(23,944,981)	(5,768,914)
Technology	(17,058,971)	(11,253,444)
Corporate	(402,344)	(740,958)
<b>Total segment liabilities</b>	<b>(68,744,177)</b>	<b>(41,831,069)</b>
Intersegment eliminations	29,920,106	21,796,897
<b>Total liabilities as per the consolidated statement of financial position</b>	<b>(38,824,071)</b>	<b>(20,034,172)</b>

**INTERSEGMENT RECEIVABLES, PAYABLES AND LOANS**

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

**4. REVENUE**

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Revenue received from customers	43,835,020	19,565,597
Less client promotion expenses	(16,443,472)	(7,505,217)
<b>Total revenue from continuing operations</b>	<b>27,391,548</b>	<b>12,060,380</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 5. OTHER INCOME AND EXPENSE ITEMS

### (A) OTHER GAINS/(LOSSES)

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Net foreign exchange (losses)	(1,198,942)	–
Research and development income	118,491	368,427
	(1,080,451)	368,427

### (B) FINANCE INCOME AND EXPENSES

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<i>Finance income</i>		
Interest received	675,730	21,786
<b>Finance income</b>	<b>675,730</b>	<b>21,786</b>
<i>Finance costs</i>		
Interest expense on convertible notes	–	(1,071,308)
Interest expense leases	(190,423)	–
<b>Finance expenses</b>	<b>(190,423)</b>	<b>(1,071,308)</b>
<b>Net finance income/(expenses)</b>	<b>485,307</b>	<b>(1,049,522)</b>

## 6. EXPENSES

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Depreciation	1,016,552	95,025
Amortisation	1,234,265	572,266
Total depreciation and amortisation expenses	2,250,817	667,291
<i>Employee benefits expenses</i>		
Salaries	11,293,313	3,890,105
Superannuation	612,028	235,103
Fringe benefits tax	25,596	1,302
Payroll tax	706,567	302,596
Share option expense	1,422,117	252,369
Other employee expenses	1,311,763	656,506
Total employee benefits expenses	15,371,384	5,337,981

## 7. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Cash at bank and in hand	43,320,104	38,626,177
Player cash accounts	9,625,001	8,783,102
Term deposits	104,573,312	28,476,601
	157,518,417	75,885,880

## 8. TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2019			30 JUNE 2019		
	CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Trade receivables	–	–	–	153,802	–	153,802
Loss allowance	–	–	–	(99,366)	–	(99,366)
	–	–	–	54,436	–	54,436
Other receivables	265,594	–	265,594	440,924	–	440,924
	265,594	–	265,594	495,360	–	495,360

### (A) CLASSIFICATION AS TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### (B) OTHER RECEIVABLES

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three periods from the end of the reporting period.

### (C) FAIR VALUE OF TRADE AND OTHER RECEIVABLES

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 9. OTHER CURRENT ASSETS

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Prepayments	2,013,493	767,241

## 10. FINANCIAL ASSETS AT AMORTISED COST

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Term deposits	213,004	213,004

## 11. PLANT AND EQUIPMENT

	OFFICE EQUIPMENT \$	COMPUTER EQUIPMENT \$	LEASEHOLD IMPROVEMENTS \$	ASSETS UNDER CONSTRUCTION \$	TOTAL \$
<b>At 30 June 2019</b>					
Cost	77,875	907,353	973,270	356,481	2,314,979
Accumulated depreciation	(14,717)	(402,905)	(61,292)	–	(478,914)
Net book amount	63,158	504,448	911,978	356,481	1,836,065
<b>Half-year ended 31 December 2019</b>					
Opening net book amount	63,158	504,448	911,978	356,481	1,836,065
Additions	30,416	142,250	117,840	1,167,577	1,458,083
Transfers	–	–	1,491,406	(1,491,406)	–
Depreciation charge	(14,205)	(167,899)	(239,158)	–	(421,262)
Closing net book amount	79,369	478,799	2,282,066	32,652	2,872,886
<b>At 31 December 2019</b>					
Cost	108,291	1,049,603	2,582,516	32,652	3,773,062
Accumulated depreciation	(28,922)	(570,804)	(300,450)	–	(900,176)
Net book amount	79,369	478,799	2,282,066	32,652	2,872,886

## 12. LEASES

The right-of-use assets for property leases were measured on a modified retrospective basis where the right-of-use assets for property leases are measured at the amount equal of the lease liabilities.

### (A) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The recognised right-of-use assets relate to the following types of assets:

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
<b>Right-of-use assets</b>		
Property	9,594,137	–
<b>Lease liabilities</b>		
Current	1,606,179	–
Non-current	8,060,196	–
	9,666,375	–

Additions to the right-of-use assets during the half-year were \$10,171,813.

The group leases buildings for its offices under agreements of between one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases computer equipment under agreements of between one to three years.

### (B) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<b>Depreciation charge of right-of-use assets</b>		
Property	(577,676)	–
Interest expense (included in finance cost)	(190,423)	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 13. INTANGIBLE ASSETS

	LICENCES AND MARKET ACCESS \$	SOFTWARE \$	BETTING PLATFORM DEVELOPMENT \$	TOTAL \$
<b>At 30 June 2019</b>				
Cost	8,555,540	125,228	7,918,691	16,599,459
Accumulated amortisation	(676,547)	(2,502)	(1,136,421)	(1,815,470)
Net book amount	7,878,993	122,726	6,782,270	14,783,989
<b>Half-year ended 31 December 2019</b>				
Opening net book amount	7,878,993	122,726	6,782,270	14,783,989
Additions	33,359,877	–	2,980,506	36,340,383
Amortisation charge	(365,243)	(6,286)	(868,474)	(1,240,003)
Closing net book amount	40,873,627	116,440	8,894,302	49,884,369
<b>At 31 December 2019</b>				
Cost	41,915,417	125,228	10,899,197	52,939,842
Accumulated amortisation	(1,041,790)	(8,788)	(2,004,895)	(3,055,473)
Net book amount	40,873,627	116,440	8,894,302	49,884,369

## 14. OTHER NON-CURRENT ASSETS

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Rental bond	1,462,201	559,354

## 15. TRADE AND OTHER PAYABLES

	31 DECEMBER 2019			30 JUNE 2019		
	CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Trade payables	3,469,110	–	3,469,110	4,858,109	–	4,858,109
Accrued expenses	9,989,243	–	9,989,243	4,340,768	–	4,340,768
Other payables	662,840	–	662,840	424,478	–	424,478
	14,121,192	–	14,121,192	9,623,355	–	9,623,355



## 16. EMPLOYEE BENEFIT OBLIGATIONS

	31 DECEMBER 2019			30 JUNE 2019		
	CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Leave obligations	799,718	102,879	902,597	622,134	88,137	710,271

### (A) NON-CURRENT LIABILITIES – EMPLOYEE BENEFIT OBLIGATIONS

#### (1) LEAVE OBLIGATIONS

The leave obligations cover the group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$799,718 (30 June 2019: \$622,134) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

## 17. PROVISIONS

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Provision for chargebacks	92,912	77,371
Provision for lease incentive	–	169,912
	92,912	247,283

## 18. OTHER FINANCIAL LIABILITIES

	31 DECEMBER 2019			30 JUNE 2019		
	CURRENT \$	NON-CURRENT \$	TOTAL \$	CURRENT \$	NON-CURRENT \$	TOTAL \$
Pending bets – at fair value	1,559,829	–	1,559,829	861,963	–	861,963

## 19. OTHER CURRENT LIABILITIES

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Deferred income	551,824	670,161
Player cash accounts	8,065,234	7,921,139
	8,617,058	8,591,300

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 20. OTHER NON-CURRENT LIABILITIES

	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Make good provision	299,285	–
Licences and market access liability	3,564,823	–
	3,864,108	–

## 21. EQUITY

### (A) ORDINARY SHARES

	31 DECEMBER 2019 SHARES	30 JUNE 2019 SHARES	31 DECEMBER 2019 \$	30 JUNE 2019 \$
Ordinary shares				
Fully paid	152,500,755	110,000,000	261,670,480	124,641,045

### (B) MOVEMENTS IN ORDINARY SHARES:

DETAILS	DATE	SHARE PRICE \$	NUMBER OF SHARES	TOTAL \$
Opening balance 1 July 2018			383,784	14,329,174
Exercise of options	31/10/2018	134.06	10,528	1,411,360
Conversion of convertible notes to equity	8/03/2019	178.30	134,409	26,974,876
Capital raising	8/03/2019	222.87	46,641	10,395,136
Exercise of options	30/04/2019	31.45	1,140	35,847
Balance Pre-Share Split			576,502	53,146,393
Shares on issue on 16 May 2019 upon Share Split	16/05/2019		72,500,000	53,146,393
IPO Capital raising	5/06/2019	2.00	37,500,000	75,000,000
Less: Share issue costs			–	(3,505,348)
Balance 30 June 2019			110,000,000	124,641,045
Exercise of options	1/07/2019	0.73	81,994	97,385
Exercise of options	30/09/2019	0.52	153,174	129,854
Exercise of options	6/11/2019	0.87	75,957	128,962
Issued capital – Penn transaction	1/08/2019	2.97	6,127,451	18,198,529
Capital raising	28/10/2019	3.60	16,666,667	60,000,001
Capital raising	28/11/2019	3.20	19,395,512	62,065,638
Less: Share issue costs			–	(3,590,934)
Balance 31 December 2019			152,500,755	261,670,480

**(C) OTHER RESERVES**

The following table shows a breakdown of the consolidated statement of financial position line item 'other reserves' and the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below the table.

	SHARE-BASED PAYMENTS \$	FOREIGN CURRENCY TRANSLATION \$	TOTAL OTHER RESERVES \$
At 1 July 2018	198,408	–	198,408
Other currency translation differences	–	137,554	137,554
Transactions with owners in their capacity as owners			
Share-based payment expenses	1,548,969	–	1,548,969
<b>At 30 June 2019</b>	<b>1,747,377</b>	<b>137,554</b>	<b>1,884,931</b>
Other currency translation differences	–	244,740	244,740
Transactions with owners in their capacity as owners			
Share-based payment – Penn transaction	4,199,845	–	4,199,845
Share-based payment expenses – ESOP	1,422,117		1,422,117
Option exercises	(149,947)	–	(149,947)
<b>At 31 December 2019</b>	<b>7,219,392</b>	<b>382,294</b>	<b>7,601,686</b>

**(I) NATURE AND PURPOSE OF RESERVES****Share-based payments**

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of options issued to Penn but not exercised.

**Foreign currency translation**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**(D) ACCUMULATED LOSSES**

Movements in accumulated losses were as follows:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Balance 1 July	(52,019,255)	(10,134,105)
Net loss for the period	(32,252,881)	(10,308,495)
Closing balance	(84,272,136)	(20,442,600)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2019

## 22. RELATED PARTY TRANSACTIONS

### (A) TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
<i>Sales and purchases of goods and services</i>		
Payment for services from directors' related entity	200,115	111,976

### (B) TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions and at market rates.

## 23. INTERESTS IN OTHER ENTITIES

### (A) MATERIAL SUBSIDIARIES

NAME OF ENTITY	PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD BY THE GROUP		PRINCIPAL ACTIVITIES
		31 DECEMBER 2019 %	31 DECEMBER 2018 %	
PointsBet Australia Pty Ltd	Australia	100	100	Online sports betting
PointsBet Pty Ltd	Australia	100	100	Software development
PointsBet USA Holding Inc	USA	100	100	Holding company
PB Services Inc	USA	100	100	Holding company
USA Bet LLC	USA	100	100	Marketing services
PB Tech & Advisory LLC	USA	100	100	Gaming support services
PointsBet USA Inc	USA	100	100	Holding company
PointsBet New York LLC	USA	100	100	Dormant entity
PointsBet New Jersey LLC	USA	100	100	Online sports betting
PointsBet Colorado LLC	USA	100	–	Online and retail sports betting
PointsBet Illinois LLC	USA	100	–	Online and retail sports betting
PointsBet Iowa LLC	USA	100	–	Online and retail sports betting
PointsBet Michigan LLC	USA	100	–	Online sports betting
PointsBet Michigan Retail LLC	USA	100	–	Retail sports betting
PointsBet West Virginia LLC	USA	100	–	Online sports betting
PointsBet Indiana LLC	USA	100	–	Online sports betting

## 24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 January 2020, PointsBet Michigan LLC, a wholly owned subsidiary of PointsBet Holdings Limited, entered into an exclusive agreement with Lac Vieux Desert Public Enterprise and Finance Commission an arm and instrumentality of an organized under the laws of the Lac Vieux Desert Band of Lake Superior Chippewa Indians, a sovereign federally recognized Indian tribe to provide online and mobile sports wagering and gaming (casino) in the State of Michigan, contingent upon obtaining necessary regulatory licenses.

On 31 January 2020, PointsBet Kansas LLC, a wholly owned subsidiary of the group entered into an exclusive 'primary skin' agreement with Kansas Crossing Casino, L.C, to provide retail and online sports wagering in the State of Kansas, contingent upon obtaining the necessary regulatory licenses.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial periods.

## 25. LOSS PER SHARE

### (A) WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	31 DECEMBER 2019	31 DECEMBER 2018
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	124,583,737	48,705,411
Options on issue	21,355,026	30,273,428
Total weighted average number of ordinary shares	145,938,763	78,978,839

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Loss for the period	(32,252,881)	(10,308,495)

	31 DECEMBER 2019	31 DECEMBER 2018
Basic loss per share (cents)	(25.9)	(21.2)
Diluted loss per share (cents)	(25.9)	(21.2)

## 26. SHARE-BASED PAYMENTS

### (A) EMPLOYEE OPTION PLAN

Employee Share Option Plan (ESOP) – The terms of the ESOP was disclosed in the Prospectus dated 16 May 2019. The ESOP is designed to provide options over ordinary shares in PointsBet Holdings Limited for senior managers and key management personnel to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

# DIRECTORS' REPORT CONTINUED

## 26. SHARE-BASED PAYMENTS CONTINUED

Set out below are summaries of options granted under the plan:

	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE EXERCISE PRICE PER SHARE OPTION	NUMBER OF OPTIONS
As at 1 July 2019	0.85	0.94	9,883,150
Granted during the year	0.39	2.91	1,410,452
Exercised during the year	(0.02)	0.63	(311,125)
As at 31 December 2019	1.22	1.22	10,982,477
Vested and exercisable at 31 December 2019		0.82	1,687,806

### SHARE OPTIONS

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	31 DECEMBER 2019	GRANTED	EXERCISED	30 JUNE 2019
20 Feb 17	20 Feb 20	0.11*	103,124	–	(120,728)	223,852
27 Feb 17	27 Feb 20	0.11*	–	–	–	–
16 Mar 17	16 Mar 20	0.11*	221,335	–	–	221,335
5 Jul 17	5 Jul 20	0.37*	48,794	–	–	48,794
7 Aug 17	7 Aug 20	0.37*	29,428	–	(19,618)	49,046
28 Sep 17	28 Sep 20	0.75*	112,554	–	–	112,554
2 Oct 17	2 Oct 20	0.75*	13,959	–	(28,170)	42,129
1 Nov 17	1 Nov 20	0.75*	348,980	–	(22,636)	371,616
15 Jan 18	15 Jan 21	0.75*	28,170	–	–	28,170
19 Feb 18	19 Feb 21	0.75*	28,170	–	–	28,170
1 May 18	1 May 21	0.75*	45,147	–	–	45,147
16 May 18	16 May 21	0.75*	5,660	–	(39,362)	45,022
29 May 18	29 May 21	0.92*	23,517	–	–	23,517
18 Jun 18	18 Jun 21	0.92*	140,597	–	(14,085)	154,682
30 Jun 18	30 Jun 21	0.92*	411,607	–	(33,703)	445,310
6 Aug 18	6 Aug 21	0.92*	122,111	–	(32,823)	154,934
17 Sep 18	17 Sep 21	0.92*	4,653	–	–	4,653
30 Jan 19	30 Jan 23	1.47*	2,326,532	–	–	2,326,532
30 Jan 19	30 Jan 24	1.47*	2,208,445	–	–	2,208,445
30 Jan 19	30 Jan 25	1.47*	2,192,723	–	–	2,192,723
28 Jun 19	30 Jan 24	2.31*	588,706	–	–	588,706
28 Jun 19	30 Jan 25	2.31*	567,813	–	–	567,813
29 Aug 19	30 Jan 23	2.91*	312,500	312,500	–	–
29 Aug 19	31 Mar 23	2.91*	288,250	288,250	–	–
29 Aug 19	30 Jan 24	2.91*	423,125	423,125	–	–
29 Aug 19	30 Jan 25	2.91*	386,577	386,577	–	–
			10,982,477	1,410,452	(311,125)	9,883,150

Weighted average remaining contractual life of options outstanding at end of period

3.64 years

4.00 years

**(I) FAIR VALUE OF OPTIONS GRANTED**

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
29 Aug 19	30 Jan 23	3.05	2.91*	50.00%	–%	0.70%	1.1088
29 Aug 19	31 Mar 23	3.05	2.91*	50.00%	–%	0.70%	1.1335
29 Aug 19	30 Jan 24	3.05	2.91*	50.00%	–%	0.70%	1.2495
29 Aug 19	30 Jan 25	3.05	2.91*	50.00%	–%	0.72%	1.3724

**(B) PENN TRANSACTION**

On 1 August 2019, PointsBet USA Inc. (“PointsBet”), a wholly owned subsidiary of PointsBet Holdings Limited (“the group”), entered into an agreement with Penn National Gaming Inc. (NASDAQ: PENN) (“PNG”) for digital and gaming services in the United States.

Under the Online Services Framework Agreement, PNG granted PointsBet the right to develop, own market and operate under the authority of the PNG’s operating licenses, PointsBet branded online sportsbook and gaming operations in Ohio, Indiana, Missouri, West Virginia and Louisiana subject to enabling legislation (as relevant) and licensure in each of those States.

In consideration of the market access granted under the Agreement, the group entered into a subscription agreement with PNG, under which Penn Interactive Ventures, LLC, a wholly owned subsidiary of PNG, was issued 6,127,451 new fully paid ordinary shares in the company (equivalent to a 5.28% stake) on 1 August 2019.

The company also issued PNG 10,372,549 options exercisable at \$4.61\* per option on or before 12 September 2021.

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
1 Aug 19	12 Sep 21	2.95	4.61*	50.00%	–%	1.00%	0.4049

\* Exercise price under Note 26(a) and 26(b) have been adjusted following the completion of the accelerated pro-rata renounceable entitlement offer completed in the period.

**(C) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Options issued under employee option plan	1,422,117	252,369

**(D) OTHER SHARE-BASED PAYMENT TRANSACTIONS**

Total value of shares issued in consideration for marketing related services were as follows:

	31 DECEMBER 2019 \$	31 DECEMBER 2018 \$
Shares issued in consideration for marketing related services	–	854,844

# ***DIRECTORS' DECLARATION***

In the directors' opinion:

- (a) the financial statements and notes set out on pages 15 to 35 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the PointsBet Holdings Limited will be able to pay its debts as and when they become due and payable.



**BWF Paton**  
*Chairman*

Cremorne  
26 February 2020



# INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF POINTSBET HOLDINGS LIMITED



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## INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of PointsBet Holdings Limited

We have reviewed the accompanying half-year financial report of PointsBet Holdings Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PointsBet Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of PointsBet Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.  
RSM Australia Partners ABN 36 965 185 036



# ***INDEPENDENT AUDITOR'S REVIEW REPORT***

**TO THE MEMBERS OF POINTSBET HOLDINGS LIMITED**



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PointsBet Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

A handwritten signature in blue ink, appearing to be 'RSM'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to be 'BY Chan'.

**B Y CHAN**  
Partner

Dated: 26 February 2020  
Melbourne, Victoria

# CORPORATE DIRECTORY

## DIRECTORS

BWF Paton

*Non-Executive Chairman*

SJ Swanell

*Chief Executive Officer and Managing Director*

PD McCluskey

*Non-Executive Director*

AP Symons

*Non-Executive Director*

BK Harris

*Non-Executive Director*

NJ Fahey

*Chief Commercial Officer and Executive Director*

## COMPANY SECRETARY

AJ Hensher

## GLOBAL HEADQUARTERS

### POINTS BET HOLDINGS LIMITED

Level 2

165 Cremorne Street

Cremorne Victoria 3121

Australia

## UNITED STATES HEADQUARTERS

Suite 550

1331, 17th Street

Denver, Colorado, 80202

United States of America

## UNITED STATES

Suite 1710, 185 Hudson Street,

Jersey City, New Jersey, 07311

United States of America

## INVESTOR CONTACTS

### SHARE REGISTRY

#### Computershare Investor Services Pty Limited

452 Johnston Street

Abbotsford Victoria 3067

Australia

Telephone: 1300 555 159 (Australia)

and +61 3 9415 4062 (Overseas)

Website: [www-au.computershare.com/investor](http://www-au.computershare.com/investor)

## AUDITOR

### RSM AUSTRALIA

Level 21

55 Collins Street

Melbourne Victoria 3000

## LAWYERS

### CLARENDON LAWYERS

Level 29

55 Collins Street

Melbourne Victoria 3000

## AUSTRALIA STOCK EXCHANGE LISTING

PointsBet Holdings Limited Ordinary shares are listed on the Australian Securities Exchange

CODE: PBH

## INTERNET SITE

<https://investors.pointsbet.com.au/>

## INVESTOR EMAIL ADDRESS

Investors may send email queries to: [investors@pointsbet.com](mailto:investors@pointsbet.com)

