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James Bigg
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CONFERENCE CALL PARTICIPANTS

Nicola McFadden
Mackie Research Capital

PRESENTATION

Operator

Welcome to theScore's Q1 F2019 earnings conference call and webcast. On our call today will be the company's Chairman and CEO, John Levy, and President and COO, Benjie Levy.

Following the presentation, there will be an opportunity to ask questions. If you would like to ask questions, please press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key.

For opening remarks, I'll now turn things over to James Bigg, theScore's Senior Manager of Communications.

James Bigg, Senior Manager, Communications

Hello and good afternoon. Many thanks for joining us on today's call and webcast for theScore's fiscal 2019 Q1 results. Presenting today will be theScore Founder and Chief Executive Officer, John Levy, and President and Chief Operating Officer, Benjie Levy.

At this time we would like to caution our listeners that this presentation contains forward-looking statements. There are risks that actual results could differ materially from what is discussed and that certain material factors or assumptions are applied in making these forward-looking statements.

Any forward-looking statements contained in this presentation represent the views of management and are presented for the purpose of assisting theScore

shareholders and analysts in understanding theScore's financial position, objectives, and priorities and anticipated financial performance. Forward-looking statements may not be appropriate for other purposes.

Additional information on items of note, theScore's reported results and factors and assumptions related to forward-looking information are all available in our Annual Information Form and our MD&A for Q1 fiscal 2019, which was filed on SEDAR a few moments ago.

Our CEO, John Levy, will now begin the presentation.

John Levy, Chairman & Chief Executive Officer

Thanks, James, and good afternoon to everyone and thanks to everyone for joining us today for a look ahead to a hugely exciting 2019 as we prepare for the launch of theScore's mobile and online sportsbook the United States as well as to recap of what proved to be a record-breaking quarter for theScore.

Okay, getting right at it, revenue for Q1 was up 13% to \$9.5 million versus \$8.4 million the previous year. This was a new quarterly record for the company and was supported by a record quarter of our Canadian direct sales team and a strong performance by our US programmatic business. This led to another record for our company, this time for quarterly EBITDA, which was \$1 million for Q1 of 2019 versus EBITDA of \$500,000 last year. Engagement on our flagship app also continued to grow, hitting a new record for user sessions in Q1 of 469 million, which was growth of 6% year over year. This means that users hit our app an average of 111 times a month each with average monthly active users of theScore app reaching 4.2 million for the quarter.

As touched upon earlier, we made history last month when we announced our plans to become the first sports media company in North America to launch a mobile sportsbook in the United States. Sports betting has long been a part of our company's DNA and how we deliver content from being the first TV channel to serve live odds through our onscreen ticker to delivering the deep well of sports betting content to millions of fans on our market-leading app. We've never ignored the fact that lots of people enjoy betting on sports; in fact, we have embraced it. And it's an approach which put us in a real position of strength when PASPA was repealed by the US Supreme Court in May of last year.

We have always thought that sports betting was not just an isolated transaction but that it was part of a fan's overall experience in how they consume sports. Most traditional sportsbooks chase engaging content as a means of acquiring and retaining users. Well, we already

have content and the engaged audience. Providing the ability to actually bet on games was a natural phase for us, was the next natural phase for us, allowing us to deliver a truly holistic mobile sports offering.

Sports betting is a core focus this fiscal year and a huge opportunity for theScore. We are uniquely positioned as a media company to succeed within this space. We have an extremely powerful user base and an app audience that spans every single US state and indexes very highly with the sports betting market. This is a huge advantage, as is with the rapid growth of mobile and in-game sports wagering, which aligns perfectly within the product expertise that has made theScore one of the most popular sports apps in North America.

To secure market access for sports betting in New Jersey, we executed agreement with Darby Development, the operator of Monmouth Park Racetrack. Dennis Drazin, the CEO and Chairman of Darby, is a highly-experienced gaming operator and played an integral role in campaigning for the repeal of PASPA and is a great land-base partner for us.

To support our entry, we also partnered with a highly experienced team behind the igaming and sportsbook technology provider, Bet.Works. Their proprietary and cutting edge sports betting technology will power theScore's online and mobile sports betting platforms. Product development work is already underway and we're excited to be working with their team.

Subject to receiving all the required approvals and licenses, we plan to roll out our sports betting platform in New Jersey in mid-2019. We believe this will be a unique sports betting offering and one that aligns with the kind of best-in-class experience we already deliver to millions of fans globally. We can't wait to show you what we're building and, if you haven't already, I'd urge you to visit theScore.bet where you can sign up to receive updates on our product launch.

Securing market access for New Jersey is just the beginning for us. We don't see this opportunity as being limited to a single state and as legalized sports betting continues to rollout on a state-by-state basis we will explore other opportunities that make the most strategic sense for us.

So, 2019 is off to a strong start and we're very excited for what the rest of the year has in store. I will now turn things over to Benjie to run through some of our key product initiatives over the past quarter, which have also seen us further reinforce our sports betting content and data offering. Benjie?

Benjie Levy, President & Chief Operating Officer

Thanks, John, and good afternoon, everyone.

As we work towards our New Jersey announcement, many of our product development initiatives this past quarter have also been strongly connected to our sports betting strategy. We have a strong community of users on our mobile app and in Q1 we introduced a number of exclusive new features designed to better engage sports fans around the teams they love to follow.

In October we launched our public chat feature across all matchup pages for team-based sports, allowing fans to interact with each other. Since launch, more than 2.2 million have engaged with the feature. A quick glance at any of our public chat pages will show a high percentage of sports betting related conversations, reaffirming that fans love to use theScore for data and content to guide their betting decision. Our chat experience was further expanded last month with the introduction of Follow Together, a new private messaging feature that allows users to create groups of friends or likeminded fans and follow the live action together in one place. Product development work in Q2 includes further improvements to our community features, including article commenting and betting pools.

We have always catered to a sports betting audience through our in-game data and content and during Q1 we took this to another level, creating standalone betting information tabs across all NFL matchup pages as well as betting-focused alerts. Everything from odds to line movements, win probability, and key injuries can be found in this section. We plan to expand this feature across other key leagues over the course of the year. We've also added exclusive new betting news and NFL fantasy news sections in our league menu, allowing fans to subscribe to and receive alerts for this content for the first time.

This was another great quarter for esports growth. Video view numbers continued to trend upwards, reaching more than 40 million for the quarter, growth of 123%. Our YouTube channel is now comfortably a leader in esports video content, approaching 600,000 subscribers and beating other high-profile esports-focused channels for views with watch minutes now approaching 300 million for the quarter, growth of 865 to 67% year over year. We're also now receiving industry recognition. In November, we won Best Category Specific YouTube Channel at the Cynopsis Model D Awards in New York City, beating a number of primetime finalists, including The Ellen Show. We continue to be excited about our growth here and are now actively pursuing monetization opportunities. These efforts will be led by a new VP of

Sales based in New York and dedicated exclusively to esports.

We also saw continued growth across our social channels this past quarter, achieving an average monthly reach of 67 million sports fans, including a new single month record of 77 million sports fans reached in November. theScore continues to outperform our larger competitors in terms of audience engagement, which is a testament to the original content being created and shared by our social team. This continues to provide us with powerful brand reach and a reputation as one of the leaders in social sports content.

I'll now take a closer look at our financials. As John noted earlier, Q1 was a record quarter for us, both from a revenue and an EBITDA perspective. Q1 fiscal 2019 revenue grew to \$9.5 million versus \$8.4 million in the prior year on the strength of a great Canadian direct sales performance and strong US programmatic revenue. Expenses in the quarter were \$8.5 million versus \$7.8 million in the prior year with growth largely driven by increased expenditures related to our US sports betting business development activities. As noted previously, EBITDA was \$1 million versus EBITDA of \$0.5 million in the previous period.

From a balance sheet perspective, we finished the quarter with \$11.7 million of cash, up from \$6.3 million at the end of Q4. The increase in cash was driven by the \$8.5 million private placement which we completed in November to support our sports betting business development activities and for working capital purposes. In addition, in December we entered into a \$5 million revolving credit facility with a Canadian bank to further strengthen our working capital position. The credit facility availability is based on a percentage of our receivables. The facility is payable on demand and is currently undrawn.

I'll turn things back over to James.

James Bigg, Senior Manager, Communications

That concludes the formal part of our presentation. Operator, we'll now take any questions.

QUESTION AND ANSWER SESSION

Operator

Certainly. As a reminder, if you would like to ask a question, please press star one on your telephone keypad. The first question comes from the line of Nicola

McFadden of Mackie Research Capital. Please go ahead, your line is open.

Nicola McFadden, your line is open.

Nicola McFadden, Mackie Research Capital

Hi. Sorry, I had myself on mute there. Thanks very much for the phone call today. I had a few questions to ask. I'm from Mackie Research. So firstly, theScore is very well positioned to take advantage of this rapidly evolving sports betting industry. Can you provide an update on what your sportsbook strategy looks like for New Jersey?

Benjie Levy, President & Chief Operating Officer

Yeah, we'd be happy to. As we noted in our release announcing our planned sportsbook launch in December, the reason we're so excited by our sports betting strategy is because it's a natural extension of what we do and our users do on a day-to-day basis around sports. So, to bring the sports betting transaction closer to where the engagement is already happening for us is a natural next step. So, as we look forward to a launch of our sports betting platform in mid-2019, one of the key areas of focus for us is going to be how do we tightly couple the sports betting experience and the core media app experience that our fans have come to love and enjoy and think that something that is going to highly differentiate our offering from that of our competitors in the sportsbook space in the US.

Nicola McFadden, Mackie Research Capital

Okay. Thank you. And then I was also wondering if you can expand on your strategy surrounding the monetization of esports?

Benjie Levy, President & Chief Operating Officer

Absolutely. So, one of the key pieces for us in esports over the past year and a half or two years since we really expanded our investment in the creation of our video content franchises was to really prove out and achieve critical mass in the marketplace. And the results that our esports team has achieved on YouTube really is quite phenomenal. And it got to the point where over the past number of months we began to kind of field inbound calls around looking to sponsor some of our esports content and it's got to the point where it made sense for us to bring on a dedicated head of sales for esports and to really look to provide integrated sponsorship

opportunities and also start to think about what branded content opportunities might start to exist for us and our partners in the US. And so we recently on-boarded our new head of esports sales early or late in 2018 and are just getting him ramped up and ready to go.

Nicola McFadden, Mackie Research Capital

So would your new credit facility that you got in December, would that have any—do you have any plans to use that as funding for that strategy?

Benjie Levy, President & Chief Operating Officer

Not specifically, no.

Nicola McFadden, Mackie Research Capital

Do you currently have any plans for that funding or is it open-ended at this point?

Benjie Levy, President & Chief Operating Officer

It's open-ended. It's just a facility that we put in place to assist with working capital, you know, if and as needed.

Nicola McFadden, Mackie Research Capital

Okay. My last question is about the growth of your audience, which is fantastic. Do you see that growing more, your audience engagement, in the future or do you think it will taper off? And then what does that imply for your business?

Benjie Levy, President & Chief Operating Officer

One of the key drivers for that is, really, it's building on the content strategy that we put in place about three years ago where we take a lot of the great content that we produce in-house, you know, it started with our editorial content with our editorial teams producing 300 to 400 pieces of written content every day. That gets pushed out, selected pieces, to our social channels. And over the course of the last number of years the written editorial has evolved into podcasts and video content that we're now producing.

And what we've been able to do is, through being relatively nimble in terms of how we produce some of this content, you know, sending two- or three-man teams to

events like NBA All-Star, we're getting amazing content that's outperforming some of our broader competitors, whether it's ESPN or Bleacher, in terms of how they engage and interact with content on our social channels. So it's not just about the overall reach of our audience, it's about how that audience engages with our content. And we're very happy with both the headline number and the engagement number. And so that's an area we are going to continue to invest in and grow. And that has a number of different impacts. That has a brand impact for us as we grow our business and ultimately, like what we saw with esports, we anticipate that over time that will turn into a monetization opportunity in its own right.

John Levy, Chairman & Chief Executive Officer

It's John speaking. The only thing I'd add in terms of next year and the year after and, you know, as we get involved with sports wagering and as the first sports media company to do that, I think that's obviously going to be a big differentiator for us as well. So, what's really interesting is not only do we see sports betting as an amazing opportunity for us to utilize this engaged user base that we have throughout North America, but obviously only in the States where it's licensed and regulated and where we get deals, but as we start to show success in that and as we start to present this unique offering as one of the only media companies in North America doing that, I think that that also is going to get our brand further out. It's going to get us further engagement, more users for theScore, which in turn, in the states where it's legal, gets us more bettors, which in turn gets us more users. So, what's also very exciting about our move into sports betting is the sort of symbiotic relationship between growth in our core business and growth in our unique way in terms of being the first sports brand in the betting world. So we're quite excited about that as an independent opportunity but also as something that's going to drive tremendous growth for our brand and for our app.

Nicola McFadden, Mackie Research Capital

Great. Great. Thank you so much for your time.

Operator

Again, if you would like to ask a question, please press star one on your telephone keypad.

We have no more audio questions at this time.

James Bigg, Senior Manager, Communications

Okay. Thank you, operator. Thanks, everyone, for joining us for our Q1 2019 results. We look forward to presenting to you again when we deliver our Q2 results in mid-April.

Operator

This concludes today's conference call. You may now disconnect.
