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PRESENTATION

Operator

Good afternoon. My name is Julianne and I will be your conference operator today. At this time I would like to welcome everyone to theScore's Q3 F2019 earnings conference call and webcast.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

James Bigg, Senior Manager of Communications, you may begin your conference.

James Bigg, Senior Manager, Communications

Thanks, Julianne. Hello and good afternoon. Many thanks for joining us on today's call and webcast for theScore's fiscal 2019 Q3 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'd 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 Q3 fiscal 2019, which was filed on SEDAR a few moments ago.

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

John Levy, Founder & Chief Executive Officer

Thanks, James, and good afternoon to everyone. Welcome to our Q3 presentation for 2019.

To say that Q3 has been a busy quarter for us here at theScore would be a huge understatement. In addition to standing up a stronger quarter with an 18% increase in our Q3 year-over-year revenue, a new Q3 record for average monthly user sessions, our social content reaching over 100 million users in Q3, and our esports audience growing to a record of 64 million video views during the quarter, it's been all hands on deck as we prepare ourselves for the launch of our mobile sports betting platform in New Jersey. And trust me; this has not been one easy task.

Over the last number of months, our entire team has been working at a serious pace to design, develop, test, and ready for licensing an app that lives up to the high standards of our core media app, theScore. With our partners at Bet.Works, our talented team has developed what we believe will be the best-in-class mobile Sportsbook designed for the North American market. We're truly excited to showcase to our millions of users what we've developed, initially with the upcoming launch in New Jersey and continuing across the US as regulation and licensing rolls out.

theScore Sportsbook, while operating as a separate app, is going to deliver a unique mobile sports betting experience that will be tightly integrated with our core media app. This will create a powerful media-plus sports

betting app ecosystem. For theScore users who like to engage in the occasional sports bet, only where it's legal and permitted of course, it will be the best of both worlds with great score content, instantaneous data, and wager in 24/7. And for those whose passion for sports don't include wagering or for those who are in jurisdictions where betting is not yet permitted, it's still theScore, the amazing sports app they've come to love.

No other media company is taking this approach and going all-in on sports betting. The popularity of theScore brand amongst our loyal, highly-engaged user base creates this incredible opportunity and we're excited about the prospect of launching sports betting to our users very soon. More on that shortly and now I'd like to turn things over to Benjie.

Benjie Levy, President & Chief Operating Officer

Thanks, John, and good afternoon, everyone.

As John noted, while the majority of our product development work has been focused on our sports betting platform, we have also continued to develop and improve our core sports media app. Specifically in Q3, we added coverage of two major summer events, the FIFA Women's World Cup and Copa America soccer tournament, as well as in-depth sports betting information for Major League Baseball, giving us a dedicated sports betting section across all of the major sports. In addition, our product development team has been working on the integration element that will facilitate the seamless movement for our users between our media and betting apps. These features will be a core differentiating element for our betting platform and are a key component of our integrated approach to sports betting.

On the content side, we have also been bolstering our sports betting offering. We've hired a new head of sports betting content and are growing our betting editorial team in order to enable us to deliver even more betting-focused content for our audience. We've also continued to build on the success of theScore X video series, launching a new piece of content on NBA star Austin Rivers. These pieces of content have continued to attract attention and further position us as a media outlet that top-level athletes trust to tell their stories.

Our social channels also enjoyed another strong quarter. In Q3 we reached approximately 100 million sports fans across Facebook, Instagram, and Twitter, representing year-over-year growth of 161%. Highlights included original on the ground activations around the NBA playoffs and finals with our coverage of the finals generating more than 23 million views on Instagram alone. Our growth and engagement on these channels is

also enabling new opportunities for our advertising partners including Honda, Disney, Subway, Werner Ladder and Warner Brothers in Canada and Bows(sp.) in the United States, who have all launched sponsored social campaigns with us.

We also drove continued audience growth in our esports business. Total video views in Q3 reached a new single quarter record of 64 million, which represents year-over-year growth of 188%. Total watch minutes on our YouTube channel were also up significantly, growing by 170% to 332 million minutes in Q3. On top of this, we're also growing our subscriber base, adding a further 125,000 subscribers on YouTube this past quarter with our channel now exceeding more than 820,000 fans.

The growth in our esports audience and subscribers is driven by the amazing content franchises that our esports team creates each day. During the quarter we launched a new series called "Don't @ Me" which provides a look at trending news and content across the world of esports and gaming and in the coming weeks and months we'll be debuting additional series to fuel the continued growth and expansion of our esports business.

I'll now take a closer look at our financials. Revenue for the quarter was \$8.5 million compared to \$7.2 million for the same period last year with growth primarily the result of strong performances from our direct sales groups in Canada and in the US. Expenses for the quarter were \$9.6 million compared to \$7.2 million in the prior year with the increase largely driven by expenditures related to the development of our US sports betting business. As a result, EBITDA loss for the quarter was \$1.1 million versus a loss of \$45,000 in the same period in the prior year. We finished the quarter with \$6.5 million of cash and a \$5 million revolving credit facility that remains undrawn.

John Levy, Founder & Chief Executive Officer

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

QUESTION AND ANSWER SESSION

Operator

If you would like to ask a question, please press star followed by the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Nikhil Thadani from Mackie. Your line is open.

Nikhil Thadani, Mackie Research

Thanks, guys. John, maybe if you could help us understand the strong top line performance in your May quarter, that would be tremendously helpful. And maybe how should we think about the top line going into the busy fall season?

John Levy, Founder & Chief Executive Officer

Okay. In terms of what we've managed to achieve, I think about 18% for Q3 year over year. Listen, as we've always said, it's kind of chunky in terms of how our sales come in, but it's really a credit to our sales guys. Basically, in the course of this particular year, a lot of the activity that they've been working on for a period of time just seemed to come in in Q3. So far, I can't tell you what Q4 is going to look like, but there is continued strength in terms of their ability. And this was also notwithstanding in light of some of the issues that we've talked about before which you've had out of the US side in our programmatic world where some of the numbers that were coming in from the US on the programmatic side were a little lighter than what we anticipated. I'm happy to say that some of the issues that related to that we've been working on and have cleared up. So, we're thinking that through the balance of the year and hopefully into next year we're going to be able to see continued growth on both the direct sales and in the programmatic side.

Nikhil Thadani, Mackie Research

Got it. And then as you sort of launch your sports betting product in New Jersey, which seems to be on track, how should we think about that being a sort of tailwind for the ad revenue side of the business, especially as you launch that product? Should we be thinking about revenue synergies from those two aspects?

John Levy, Founder & Chief Executive Officer

Well, I think predominantly what you should be thinking about with betting is the revenue we're going to generate from betting. That's going to be a huge upside for us and one of the reasons that we're so excited about it. I'm being a little facetious, because one of the things I think that this, and I can't really tell you what the specific brand is going to be with respect to the betting product, but you can rest assured it's going to have something to do with theScore.

So what I think is going to happen is, you know, we've always said that in the US we're one of the most, you know, the most-used least-known sports brand in the

mobile sports media business. And as we raise our profile by becoming really the only media company to take the bull by the horns and get involved in the sports betting, we think that's going to raise the profile of theScore in the US. What that's going to do, not only obviously for our betting business where we're going to use this enormous base that we have to tap into to be able to generate people who want to bet on the service, but it's also going to raise the brand and it's also going to enhance our user base.

And as we enhance our user base, two things are going to happen: One, which you referred to, I think is going to give us an ability to sell more advertising; and B, as our base grows, so will our user base in the betting world. So theScore, whatever it's called, because I can't say yet, is going to lead more Score media users. More Score media users are going to participate in theScore betting world. And I think what we're going to see is this, you know, the boats are floating higher in both cases.

Nikhil Thadani, Mackie Research

Got it. And then moving on to some of the sports betting theme or going a little bit deeper into that, are you able to provide any more colour as to sort of the time line of the launch? I know in the past you said in time for the NFL season, so it sounds like that's on track. And also, as you look at the competitive landscape, maybe help us understand sort of how you see theScore sitting in that landscape, especially given, I think Apple made some changes back in June that is a big advantage for you guys, right?

John Levy, Founder & Chief Executive Officer

Okay. I'll let Benjie speak to the situation in Apple, because actually that plays right into our strength and I'll let Benjie describe that. But in terms of the competitive landscape, the only thing I'll say is if you look in New Jersey to see who's commanding a higher percentage of the market, it's really FanDuel and DraftKings. And then I think Will Hill is in third and then all the other guys who you would think are there being the MGMs to Caesars, and the rest, are taking very small percentages.

I wouldn't trade our user base with any of the people who are involved in sports betting in the US and I think that's why we're so excited about entering the US market, first in New Jersey and then elsewhere as opportunities present themselves to us. So we're very excited about competing in that competitive landscape and, honestly, what I've said publicly before is, you know, not on day one, but over time, I don't think we're going to take a back seat to any of the other people who are offering the

service. And really that's on account of the fact that nobody else is really making the offer to their users the way we are in terms of an integrated approach in terms of the media company.

I'll now let Benjie talk to what's going on with the Apple situation.

Benjie Levy, President & Chief Operating Officer

Nick, I think you're probably talking about Apple's announcement about requiring any gambling apps to be native. Obviously, when we look out in the marketplace and we see most of the apps that are there currently are hybrid HTML5 apps. Our strength is building natively for iOS and Android and that's what we've done in the betting space. So I can't speak to what others are going to do and how they're going to respond, but it's something, you know, building this way kind of is perfectly natural for us and allows us to integrate with the media app the way we would want to and hope to to deliver an amazing product for our users.

Nikhil Thadani, Mackie Research

Got it. That's really helpful. And just one last one before I pass the line: As we get closer to this launch, how should we think about the cost base, and after launch as well, the trade-off, I guess, between product development and marketing for the sports betting product? Thanks, guys.

Benjie Levy, President & Chief Operating Officer

Listen, I think, obviously, when we launch, the product is not done. The product is just going to be starting. So there's going to be continued product development across both the betting app and the media app. And from a marketing perspective, I think, you know, obviously our core channel is our media app and the integrated approach that we're going to be taking. That said, just like we do from a media perspective, where there's opportunity for us to be smart and strategic, both from a brand perspective and from a direct user acquisition perspective, we'll look to flex our muscle a little bit there too.

Operator

Your next question comes from Rob Goff from Echelon. Your line is open.

Rob Goff, Echelon Wealth Partners

Sure. Thank you very much for taking my question. Could you talk to the potential variability in gaining those approvals that would allow you to launch ahead of the NFL season? Should there be an element of caution there on our parts?

Benjie Levy, President & Chief Operating Officer

Listen, I think, you know, we've commented before that we're currently going through the regulatory approval process and the technical review process that the division of gaming in New Jersey requires all licensees to submit to. At this point I would just point back to John's comment at the outset where he said we're on track and I think that holds.

Rob Goff, Echelon Wealth Partners

Okay. And is there any takeaway that you have with respect to the strength of both DraftKings and FanDuel? I think that they were at like 44% and 38% in New Jersey market as of January.

Benjie Levy, President & Chief Operating Officer

Yeah, listen, I think our takeaway is that clearly people with a digital first approach and mentality are doing well in the market. They have come to market with a base of users. We're coming to the market with the base of users. We, as John said, I don't think should take a backseat to anybody in terms of the quality and engagement of our user base. Our users are coming to us 100, 120 times a month. They're highly engaged in sports and we know over half of our user base are sports betters. I wouldn't forecast what market share we think we'll achieve in the market but we don't think we need to take a backseat to anybody.

Rob Goff, Echelon Wealth Partners

Cool. And if I may, it would be remiss if I didn't ask about the progress on the esports and the viewership and the monetization thereof.

Benjie Levy, President & Chief Operating Officer

I think we are thrilled with how esports is progressing. I think from a subscriber's perspective, from a viewership perspective, from a watch minute perspective, we're

seeing substantial growth year on year. And, as we mentioned in the previous quarter, we've now hired a dedicated head of sales for esports in New York. He's starting to get traction with advertisers. This is an area where we see continued growth and upside. We launched this new franchise "Don't @ Me" in the quarter. It's had great initial traction. We're ramping up our esports content team, going to be launching more franchises as we head into the fall. We're the second biggest esports channel on YouTube and we're pretty pleased with what we've been able to achieve in only 18 months.

Rob Goff, Echelon Wealth Partners

Okay. Thank you again.

Operator

As a reminder, if you would like to ask a question, please press star followed by the number one on your telephone keypad. Your next question comes from David McFadgen from Cormark Securities. Your line is open.

David McFadgen, Cormark Securities

Hi, guys. Three questions. First of all, what are the total obstacles that you have to overcome to launch the sports betting product, regulatory and otherwise? Secondly, assuming New Jersey goes well, are there other markets that you're looking at that you think would be attractive as a number two market? And then third, when you look at the core business, obviously the revenue was pretty strong in the quarter. Was that primarily a result of your direct sales or whether there's also an uplift on the programmatic side?

Benjie Levy, President & Chief Operating Officer

Okay. Thanks, David. I'll address those kind of in course. I think, you know, we don't really see any obstacles between here and launch. We're going through the regulatory licensing process and the technical review process, having a very good interaction with the regulator and that process is moving ahead. Look, always something could pop up that's unexpected, that's unforeseen, but as we sit today we're confident that everything is on track.

Assuming that New Jersey goes well, I think, you know, we're not necessarily waiting to see how New Jersey goes, as we've talked about. We don't view this as a

single-state opportunity. This is not a kind of test and wait and see and see how things go. We're committed to the sports betting business.

We're very active in evaluating access opportunities in other states. Obviously, (inaudible). We will do well in states that adopts a regulatory posture that's favourable to mobile versus states where they may be more tethered to land-based in the near term, but we're taking a long view here and we're looking at opportunities across the board. We're excited about the prospect of what may even happen in Ontario where Premier Ford announced, as part of the budget in the spring, that they'll be looking to license and regulate online gaming, including casino and sports in the province, and were actively engaged in helping to shape that discussion as well from a policy perspective and looking forward to the federal government doing the right thing and eliminating the ban on single-event sports wagering that that exists here and, you know, to the extent that opportunity materializes, that's something we'd be very excited to pursue as well.

From a core business perspective, this quarter was particularly strong from a direct sales perspective in both Canada and in the US and we see continued momentum in that regard. And from a programmatic perspective, as we continue to look towards next year we're making investments in ad tech and one of the biggest things we've been looking at what tools can we use to continue to help drive that business. And we're making investments in that and between now and the end of the year we'll be rolling out some new elements of our ad stack to help continue to drive, ah, to fill rates and increased CPM. So we're bullish on our programmatic stack going forward too.

David McFadgen, Cormark Securities

Okay. When do you guys think you'd be in a position to actually announce the official launch of your sports betting product?

John Levy, Founder & Chief Executive Officer

When we're ready.

Benjie Levy, President & Chief Operating Officer

Look, I think, you know, we're in the thick of it now in terms of our approval processes and we sit here today on July 24th and we all know when the NFL regular season starts and you can cross off, you can start X-ing off the days on your calendar between now and then and we're

hopeful that we'll be in a position to do that on time and on track.

John Levy, Founder & Chief Executive Officer

David, anything could come up, but we're telling you openly and honestly that we're very optimistic about our ability to do this. And nobody wants it to happen more than us and we're feeling quite good about the prospect of it happening.

David McFadgen, Cormark Securities

Okay. All right. Sounds good.

John Levy, Founder & Chief Executive Officer

Okay.

Operator

We have no further questions. I'll turn the call back over to the presenters for closing remarks.

James Bigg, Senior Manager, Communications

Thanks, everyone, for joining us on our Q3 fiscal 2019 results today. We look forward to presenting to you again when we deliver our Q4 and year-end results in mid-October.

Operator

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