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DIGITAL GAMBLING: CEO INTERVIEW SERIES

Volume 2: We talk to KUTT CEO Sim Harmon



Sim, we have been talking to each other for the last couple of years and KUTT has gone from concept to implementation, which is impressive without raising a lot of capital. Tell us a bit about your background and the genesis of the business? Very simplistically, what is the model for you to generate revenue currently and how might this continue to evolve?

American Gaming Association estimates that 2023 revenue exceeded \$110B...we believe the social betting market could be multiples of that long-term.*

My friends and I bet each other on anything; the genesis of this idea was us sitting at the lunch table in high school betting on who would score more points that night: Kobe or LeBron. When PASPA was repealed, the lightbulb went off that this could be a viable business.

In a nutshell, KUTT is a peer-to-peer betting app that allows friends and strangers to bet directly against each other on the outcome of sports, politics, pop culture, and other events. We also have a ton of social features that give it the feel of a social network - hence why we call ourselves a "social betting platform" rather than simply a peer-to-peer operator.

At a high level, our model is simple - we facilitate betting between two known counterparties and take a small fee for doing so. I would note that the American Gaming Association estimates that 2023 revenue exceeded \$110B* and we believe the social betting market could be multiples of that long-term.

There are several early players in the social betting space including yourselves, can you explain what social betting is and how you are differentiating versus the competition?

Social betting is person-to-person betting on anything with a verifiable outcome, with an added social component; unlike peer-to-peer exchanges, our users know who they are betting against and we have many other features that give our platform the feel of a social network (chats, fan groups, leaderboards, user profiles, etc.). Since we offer betting on anything with a verifiable outcome, we consider ourselves to be much more than a sports betting platform.

While this isn't a novel idea, we've pioneered this space and have marketed ourselves as a "social betting" platform as far back as 2018, before we even launched; we now see a lot of "competitors" using the "social" term in their marketing. KUTT is truly a community-focused betting platform, and our goal is to bring people with shared interests together, whether that be via wagering against each other, interacting in group chats on KUTT, or meetups in real life. One of the biggest issues with the traditional sportsbook experience is that it's very transactional - not to mention expensive - and we think social betting gives players a more interactive and fun experience with better pricing.

*American Gaming Association - CY 2023 Commerical Gaming Revenue Tracker

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KUTT has been building some strong momentum in 2024 as you crossed the 10k user mark. Walk us through the product and user experience that peer to peer players can expect when they sign up for your product. As a follow on to that, with lean funding, how are you attracting and retaining players and what have been the most fruitful channels?

The user experience will feel very similar to other apps that our users probably use or have used in the past; the biggest difference is that a wager isn't "live" until a counterparty accepts the terms. All of our contests are fully customizable - this means that a user can choose their own terms and payouts, and can wager on sports or non-sports. Our goal has always been to create an intuitive experience with a simplified interface; now, that doesn't mean it's perfect, but we designed this based on years of personal experience and feedback from other bettors.

There might be a slight learning curve for some people who are used to traditional books (especially among the older generation), but most people get the hang of it after their first or second wager. Our users love our social features - chatting with the person they're betting against or trying to climb up the leaderboard - as well as the personalization across the platform. We actively work to build community and get people with similar interests (whether that be sports, politics, pop culture, or finance) interacting on the platform. The KUTT experience gets better with more users; unlike traditional books, we benefit from network effects and our users are truly incentivized to sign up their friends.

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We finally put some meaningful marketing dollars to work earlier this year after our first institutional investment round and have spent the last couple of months focused on structural/scalability improvements in order to properly support the growth we saw from our advertising efforts. Our best marketing comes from our users, but we've also had a fruitful experience leveraging existing betting-focused communities - for example, we've partnered with ESPN LA and FoxSports Philly to promote our platform to their followers/listeners. Local radio talent can directly bet against and chat with their listeners, which brings a new dynamic to that relationship. It's so cool when you can literally bet against a guy you've been listening to on the radio for years.

We've also been able to create/host personalized events for our partners, which they can then bet on. As an example, we put up odds on a pickleball tournament for the ESPN LA crew and allowed the participants to bet on several tournament props. These fun and custom events turn non-traditional bettors into new bettors who want to have a bit more fun with their participation in an event. Similar to the DFS+ business, the college ecosystem has also been quite fruitful for us. I can't tell you how many fraternities who now use KUTT to place and track bets among themselves instead of other alternatives.

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As most founders in the digital gaming sector know, I love to kick the tires and give the product a whirl. When I started using KUTT, you and I synced up to talk some trash as we went head-to-head on some bets and I enjoyed the social features that were at my disposal against players I didn't know. Tell us some more about what you are seeing from the social experience and how that helps drive the business?

We've found that retention is higher on our platform because of the social features. People tend to bet more when it's against friends or other people rather than a traditional book. Our social features increase the connection between both the user and the platform, as well as the user and other users. While many of our users know each other outside of the platform, we are also seeing tons of new connections form between two people who didn't previously know each other. Users will start a conversation with a person who accepted their bet and this will blossom into a friendship. Everyone has a user profile, so you always know who you're competing against on every wager. You can chat with every single person on the platform, and we have a robust "Groups" function that acts like a message board/public forum for people to chat with each other. Through our onboarding questionnaire and some backend intelligence, we match users with shared interests to deepen community connections. What we're seeing here is what we've seen from members of the "online gaming" community for years - online friendships that turn into real-life friendships.

You commissioned a survey of 1,000 US bettors that yielded some interesting results, including highlighting that 83% of bettors are interested in social platforms where they can wager amongst friends while also showing that the demand to invest in non-sports markets like politics or entertainment outcomes (exceeding 80%). How can KUTT best take advantage of this opportunity particularly as there are other platforms in the betting space that have raised considerably more?

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This is a question we ask ourselves a lot and one we consistently get from investors. It's hard to stand out in a crowded space, especially one in which the bigger players seem to have a strong gravitational pull of capital and receive consistent media exposure. There's a definite disconnect between bettors (the users of all these betting platforms) and the investment community, which is less familiar with our niche versus the large publicly traded OSB's. To start with, let's address the survey results: 83% of respondents to our "Betting Survey" said that they want what we're building...that's

compelling in our view. The fact that so many bettors want an app where they can bet against their friends on both sports and non-sports markets shows that players are demanding innovation. There's a gap in this market we're looking to fill, and we'd encourage investors to give this space, and KUTT specifically, a closer look.

At the end of the day, we have to create a differentiated platform, with features you don't see elsewhere, that is also customer-friendly. We need to own our niche, and we are actively working to do just that.

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What I find very interesting about KUTT is that you straddle a few different ecosystems. There are parallels to what you are offering, with some similarities to peer-to-peer players (ex: Lucra), staking platforms (ex: 1v1ME), exchange platforms (ex: Sporttrade), and other marketplaces (ex: WagerWire). How do you personally compare KUTT to these peers and where do you differentiate?

Naturally, people compare us to other sports betting platforms, but we do not consider ourselves a sports betting platform; hence why we're so adamant about calling ourselves "The Social Betting Platform." We truly believe we sit in our own vertical and what we're building is so much bigger than sports. I like to tell people that I consider Venmo to be our most "apples-to-apples" competitor. We're basically a peer-to-peer payments platform for bettors, with a social twist. I have great respect for others in the space, and personally love what some of the other operators are building. As a bettor myself, how could you not love the innovation? Still, we are trying to carve out our own niche here - one that combines P2P payments, betting and prediction markets, and social networks. We are the only P2P platform in the US to offer real money betting on both sports and non-sports markets *and* include social features as a core component of our platform.

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Since we met I've been impressed by your willingness to be a trailblazer in a new category not dissimilar to some of the folks that have driven considerable growth in DFS+ and sweepstakes, which are now considered mainstream. How are you refining the business to adapt with an ever-evolving regulatory landscape and ensuring compliance? What are some of the key issues and challenges you have faced while growing the company?

We take the regulatory dynamic seriously. It goes without saying that over-regulation can stymie innovation in the space, and will allow the large incumbents to engage in regulatory capture. Too many people in the betting space are still weirdly complacent with the status quo, but we're seeing a growing, and more vocal, group of people who are embracing new ideas and models in this space. I can tell you from personal experience that we receive much more positive feedback now than when we first launched KUTT. Those in the DFS+ and sweepstakes vertical will probably say the same thing.

In this space, the pace of change is gradual, then sudden. Once the genie is out of the bottle, it's hard to put it back. You saw this with DFS+, which was frowned upon until it wasn't. If you rewind the clock about a decade, even DraftKings and FanDuel were once considered "illegal"; look at them now as well-respected and publicly-traded multi-billion-dollar companies. From the beginning, we have worked to create an innovative product that also fits squarely within the ever-changing legal and regulatory framework that exists in the US right now.

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The bottom line is that we take compliance, legality, and regulatory issues very seriously at KUTT. We have all the bells and whistles that the mainstream operators have, including geolocation services, identity verification, KYC/AML, etc. We have several advisors with over 100+ years of combined industry experience and have spoken to hundreds of lawyers, regulators, operators, and others in the space over the last couple of years. We have taken their cumulative feedback to create a product that is both innovative and satisfies the regulatory requirements needed in this space.

I think there is a common misconception that the sports wagering market is game-set-match with the dominance of DraftKings and FanDuel at least in the OSB market, what do you ultimately see as the opportunity for KUTT particularly as its growing in the peer-to-peer category and how do you challenge this overall notion?

I'm glad you asked. You have to look downstream at different business models within the betting space - this is where the innovation lies and gives some insight into the future of consumer behavior. The new and non-traditional platforms (i.e. the "non-house" model businesses) are being embraced by the consumer, and industry investors are taking note. Just as the current betting space looks very different than the 2018/2019 era, the future betting space will look quite different from how it does now. My belief (and our stakeholders' belief) is that social and P2P betting is where the industry will head.

We face several challenges, but education and credibility are the biggest. Doing interviews like this helps us with both. We appreciate guys like you who give us the platform and opportunity to educate the masses about new and innovative models in the space.

Sim, this has been a fun and lively discussion as I expected it would be. Thanks again for being a part of our CEO Interview Series.

Thank you so much for having me, Joel, and for allowing me to tell the world about KUTT!



Sim Harmon - Biography

Sim Harmon is the founder of KUTT, a social betting app that allows friends and strangers to wager directly against each other on sports, politics, and pop culture events. He graduated from Wofford College ("the Harvard of South Carolina" - Sim) in 2013 with a degree in Finance, and then spent four years at UBS Private Wealth Management in Atlanta, followed by five years in business development at a fintech startup in New York City. When he is not focused on building the betting app of the future, Sim enjoys competitive games of any sort, going down Wikipedia rabbit holes, supporting his South Carolina Gamecocks, and traveling.

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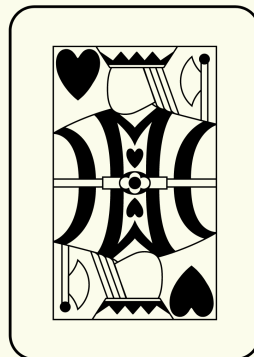
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