

# THE NEXT WITH XST CAPITAL

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## DIGITAL GAMING INDUSTRY: CEO INTERVIEW SERIES

### Volume 4: We talk to WAGERWIRE WagerWire CEO Zach Doctor

**Zach, we have gotten to know each other for the last couple of years; for those that don't know much about WagerWire give us the 30,000 foot overview of what you do and how the company sits in the sports betting and gaming media ecosystems? Can you give us some color on your various revenue streams and how you monetize?**

Thanks Joel for having me on the series, and congrats on the rapid success with XST Capital.

Broadly, WagerWire delivers technology and media solutions to the gaming industry. Our secondary market technology unlocks the ability for players to Buy and Sell active sports bets as the games unfold, creating new ways to speculate, capture profit and reduce losses. Bets no longer simply just win or lose, they are Up or Down and players have agency over their action throughout the game and season. With a B2B2C approach, we partner and directly integrate with licensed sportsbook operators to power trading in their own apps and in the WagerWire app.

*Bets no longer simply just win or lose, they are Up or Down and players have agency over their action throughout the game and season.*

Wire Media leverages the activity on the marketplace to drive a powerful flywheel of organic consumer awareness. The ability to sell your action not only unlocks the real-time value for the owner, but transforms every bet into a story in progress. We've had interesting bets for sale reach 10's of millions of impressions on social media and the stories picked up by major outlets ESPN, NY Post, USA Today, Bleacher Report, etc.

Our revenue model is based on three main pillars: transaction fees on trades, affiliate services, and monetizing our media network. In addition to sports betting, we have also expanded into other types of real-money gaming including DFS/pickem, contests, sweepstakes, and horse racing.

**Can you tell us about your background of entrepreneurship as you've been involved in several startups even dating back to a pretty young age. Talk to us about how the WagerWire team came together and how you are building an omni-channel business with a very lean group?**

That's right I've been lucky (or crazy) enough to play the founder role multiple times. When I was just 12 years old growing up in Silicon Valley, I co-founded an e-commerce company with my older brother selling high end bicycle products initially on eBay. We grew the business into a family of websites led by flagship brand [www.biketiresdirect.com](http://www.biketiresdirect.com) and scaled to 8 figures of annual revenue. We still own the business in our family to this day.

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Since then I've always had the itch to build something again. But still, if you had asked me if I'd ever be running a sports betting company, I would have taken the Under. Some ideas just have a way of hitting you in the face and make you drop everything. That's exactly what happened the night my close friend from our UCLA days, Travis Geiger, came home late from work. A Thursday Night Football game was on and my Packers bet was looking good so he asked if he could buy into it so we could ride it together. That was the lightbulb moment. We were stunned that no one was trading bets at scale, so we teamed up with another UCLA brother and data genius, Guy Dotan, and we set out to build it ourselves.

Building with a very lean team is just the ordinary course of business these days. It trains us to be hyper focused and efficient. And we've been able to punch above our weight class with viral marketing stories and an incredibly talented in-house tech team with expertise in the gaming industry.

**While WagerWire isn't an exchange betting platform like Sporttrade (The Next with XST Capital - Volume 1 with Alex Kane) your core product is a betting marketplace for gamblers to buy/sell/shop for bets vs. the standard cash out features available on most OSB's often at unfavorable terms for the player. How are you convincing OSB's and DFS+ platforms to let you address this market rather than keeping it in-house?**

*Markets ALWAYS trend towards liquidity and efficiency, and it's best to get out ahead of forces like this and create a competitive advantage against slower moving operators.*

Fundamentally it starts with the economic inevitability of our business model. Markets ALWAYS trend towards liquidity and efficiency, and it's best to get out ahead of forces like this and create a competitive advantage against slower moving operators. Bettors want more than just a low-value Cash Out offer for their entire bet, but rather a liquid market to sell all or part of their action at the maximum value. Customers are waking up and starting to get frustrated with their sportsbooks - imagine a world where you could only sell your car back to the dealer you bought it from, and only if they feel like making an offer - this is reality for sports betting right now.

While this might seem on its surface to be competitive to operators that enjoy the high margins on Cash Out, the most forward-looking are already starting to adopt this approach to give customers a better experience. By unlocking secondary market activity, and the social engagement that happens on top of this marketplace, WagerWire is an engine for leveraging an operator's audience into the most active, engaged and passionate customer base in the industry. The result is a differentiated, social, and sticky experience that meaningfully increases betting activity, improves LTVs, and lowers CAC for our partners.

**I'm sure the investors that have supported you to date through the seed stages having raised a little over \$4m to date have asked; but what is the long-term exit strategy for you? Do you think traditional marketplace platforms like EBAY, StubHub, Priceline or even Robinhood are going to enter the gaming space or do you see gaming sector strategics as the likely buyer?**

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I'm not really one to focus overly much on exit strategies at this stage. There's still plenty of execution ahead of us. Our mindset is going for world domination and our lead investor Roger Ehrenberg (IA Ventures; Eberg Capital; Co-Owner Miami Marlins) certainly shares that mindset. We're honored to have Roger's support - he truly has the Midas touch, investing the first check into 5 recent IPOs and 3 deca-unicorns (The Trade Desk, DataDog, & TransferWise).

That being said, M&A is certainly an opportunity that could present itself, and we see our world of potential buyers as much broader than just the gaming operators. There's actually some downsides to selling to an operator in the industry - it ends up capping your potential as you only get to serve the one player base. We want to be Switzerland and play nice with everybody. Looking beyond operators, we see interesting alignment with other marketplace businesses you mention, gaming tech platforms, integrated data providers, financial exchanges, market makers, and even media or affiliate businesses looking for product-driven solutions.

**Tell us more about your media division and how that not only supports the marketplace business but ultimately generates its own revenue stream, community, and expands the brand? Can you share some metrics on your audience, user base, and scale of community? Are you trying to compete with some of the bet tracking and tools platforms like Pikkit, Outlier, and Oddsjam to some degree or is there a symbiotic relationship with these peers?**

For us, media was always going to be a big part of what we do because of the nature of marketplaces. We knew we needed to build a community even before we had a product so that we could have a liquid betting market day one. Content was our strategy for how to solve what Andrew Chen of a16z calls 'The Cold Start Problem' of sparking initial network effects for marketplace businesses. What began as a hot start initiative has quickly become one of our biggest zones of opportunity and evolved into a full blown new-age media division we call the Wire Media Group. Wire Media flips the old network model on its head, achieving the same output as traditional media companies at a tiny fraction of the cost.

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We broadcast high quality daily content on our pages, curated from our partner network which we call a "content collective". Our partners grant us free access to use their shows in exchange for our suite of A.I. powered post-production and engagement solutions. We then maximize reach by analyzing the codebase behind social algorithms, and cross-pollinate our partners' audiences. Best of all this content technology infrastructure is infinitely scalable, and we're even able to license it as a service to creators.

We've grown our network's audience to nearly 3 million followers on social media, with a 50M+ reach year-to-date, and partner affiliate conversions up 435% since January. All of this has strengthened our brand while positioning us as an even more attractive partner for major operators, aligning our growth with long-term strategic success.

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As for the other betting startups you mention, we definitely don't see them as competitors and actually already have a partnership with Oddsjam. Our app has a bet tracking portfolio feature, but just as part of the greater functionality to manage and trade your positions. Actually, these companies present a really interesting symbiotic relationship - our marketplace can be embedded into any 3rd party app just the same as we would embed into a partner sportsbook. A nice Win-Win scenario to expose bet trading to more audiences, and share in the revenues.

**You have some high profile partnerships with Betr and Fanduel in place; can you tell us more about how these deals work and your rough economics? How have these relationships been rolling out and what can we expect to see as the NFL season gets rolling in earnest? What does the pipeline look like to expand across our potential partners within traditional season long fantasy, DFS+ and now sweepstakes which seems to be really taking off?**

Our partnerships can take many shapes and sizes but always center around technology and/or media solutions. With Betr, our partnership includes both. We will be powering trading functionality for Betr Picks and Betr sportsbook, and collaborating with Betr Media to produce, distribute, and amplify viral original content.

With Fanduel, Caesars, MGM, BetRivers, PrizePicks, and more, we currently operate as affiliate partners driving traffic and engagement for their player bases. This is one way in which we start to deliver value to the major operators and build relationships so we are in the right place at the right time to plug in the marketplace.

We are extremely excited for this fall for our first full NFL season with trading live on multiple partner's sites (RealTime Sports, STN Play, etc) as well as in the WagerWire app. Plus, you'll see more exciting partnership announcements over the coming months.

**From a competitive standpoint, you aren't the only betting marketplace out there and there are some other groups like PropSwap, BetSwap and others that have been trying various approaches to succeed. Tell our readers how you are different from the competition and perhaps why you think your model is best positioned to succeed?**

*We're building an ecosystem, not a feature. We want to own this type of betting. When you sell your bet, you're putting it on the Wire™.*

That's right, there's a couple others in the space. But we don't spend energy worrying about them. WagerWire is a different animal - we're not just a white-label widget, and we don't broker paper tickets through the mail. We're the only betting marketplace that has this combination of cutting edge in-house technology supercharged with media, content, education, and community. We invite the players into the arena and elevate them. Bettors selling with us have made national headlines and reached betting celebrity status.

To put it plainly, we're building an ecosystem, not a feature. We want to own this type of betting. When you sell your bet, you're *putting it on the Wire™*.

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**I find it interesting that you are both trying to develop a B-C brand and also trying to be a B-B company by developing direct relationships with the books; both of which have their own unique challenges and opportunities. Tell us a little about how you are developing the B-C brand with fairly limited resources, what is the secret to success there?**

Our B2B2C distribution model is truly what sets us apart in the industry. It's an innovative approach to a complex problem that has a big reward for cracking it. We are not just a marketplace, we're a solution to an immature industry.

We arrived at this model with support and advice of our many shared stakeholders from Simplebet and Betr including Joey Levy (305 Ventures), his co-founder Scott Marshall, Roger Ehrenberg, famed 'Big Short' investor Danny Moses, GoodPaper Ventures, former Dep. Director of the NJ DGE George Rover, & more. Big congrats to all of them for Simplebet's recent sale!

Pure B2B is likely a straighter path to distribution because it follows a more traditional structure, but you run into challenges later as you lose control of the product experience, your upside opportunity is capped, and you eventually get squeezed on both sides from vendors raising prices and operators cutting margins. On the other hand, pure B2C is expensive and extremely competitive. It feels like you need to raise \$50M+ just to see if it works (and the graveyard of attempts is starting to get crowded).

*B2B2C is the best of both worlds. Distribution through our partners means we don't need to fight for customer acquisition. We have never paid a dime on performance marketing, and have built a thriving brand and community.*

B2B2C is the best of both worlds. Distribution through our partners means we don't need to fight for customer acquisition. We have never paid a dime on performance marketing, and have built a thriving brand and community. This unlocks a significantly larger TAM, and our consumer awareness and loyalty creates a more defensible moat. Plus, we have a much lighter cost structure than a sportsbook as we are classified as a vendor/supplier and only require lower levels of state licensing.

**As a follow up, from a B-B perspective many of the CEO's I speak with talk about integration roadmaps and how difficult it can be to convince operators to devote the engineering resources to support third-parties; how easy is it to work with WagerWire and if you were to sign a few more deals near-term how quickly can you go live?**

It's an unfortunate reality of this industry, especially in the US market. Most operators move slowly and roadmaps are tight. So we invested in making our technology as plug-and-play as possible, and we obsess over ease of integration. Our last partner got live in less than a month with only 1 of their engineers on the project.



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Even as the industry moves slowly, we keep pushing forward with the resolve of the economic inevitability of this concept and the strong results with our initial partners. We are seeing 5-10% of our partner's total volume being traded on the market, which exceeded our initial targets. We have private data on cashout usage from a Tier 1 sportsbook showing 6.5% of betting volume gets cashed out, so we are really encouraged that our baseline is already there and the upside is significantly higher.

Our numbers will get big fast as we continue to win larger and larger partners and demonstrate to the market that this is the next evolution of the gaming industry, tipping over the dominos as operators chase for product parity.

**I know you and the WagerWire team are full throttle; but tell us a little more about what you like to do in your downtime when you aren't fully engage in the business? Switching gears to football, who's your favorite NFL team and if you were buying anything on the WagerWire marketplace today what's the most attractive "value" bet available presently that you would be putting your money on?**

Man, I almost forget what it's like to have downtime! And we're just now heading into the busy football season. But luckily I genuinely enjoy what I do. I'm a big sports fan and grew up in the SF Bay Area rooting for the 49ers, Warriors, and Giants. Favorite sports are football and basketball but I appreciate pretty much any competitive action. As far as real life goes, I just got married last summer and we love to travel, explore great restaurants in LA, and take our labradoodle Lena to the beach.

Regarding bets this season, I should publicly note that I will be refraining from any betting as the great state of CA has not approved it yet... but if I was to pick something with strong potential for a WagerWire moment later this season, I'd sprinkle on some futures-parlays with different combinations of MLB AL/NL winners and NCAA & NFL. Anyone for \$100 to win \$322k on Orioles/Braves to meet in the World Series, Lions SuperBowl, and Ohio St. National Title? Don't mind if I do!

Thanks for having me and looking forward to big things ahead for both WagerWire and XST.



### Zach Doctor - Biography

*Zach Doctor is the Cofounder & CEO of Wire Industries and its flagship brand WagerWire. The Company's mission is to bring a more efficient, open, and entertaining market to real money gaming of all types, unlocking value for the entire ecosystem. Zach founded his first company before his bar mitzvah, selling bicycle tires on eBay with his brother as his business partner. That business grew to become a family of e-commerce websites led by BikeTiresDirect.com. After graduating from UCLA with a bachelor's degree in business economics, he cut his teeth financing M&A deals at PNC Bank where he reached Vice President at just age 26, before leaving to found WagerWire.*

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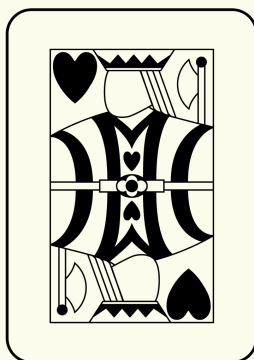
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