

15th October 2019

BetMakers Technology Group

Q1 EBITDA \$500k+, OCF near break-even

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company's technology and systems are used by every racing authority in Australia and most of the major online bookmakers. BetMakers is not a gaming company, it is a technology company that is facilitating commercial opportunities for racing authorities, rights holders, and corporate bookmakers while providing an improved racing experience for punters. The company has reported unaudited revenues and EBITDA for Q1 FY20 of \$2m+ and \$500,000+ respectively. Cash receipts for the quarter were \$1.677m and operating cashflow was near break-even at negative \$17,000. The company affirmed its FY20 guidance for \$10m in revenue and EBITDA in the range of \$3.4m-\$3.7m. Our forecast is for EBITDA of \$3.5m (\$1m for H1 FY20 and \$2.5m for H2 FY20, implying an annualised run rate of \$5m) remains unchanged. Cash at the end of Q1 was \$0.406m, down from \$0.453m at Q4FY19 and following net cash outflow of \$47,000 for the quarter.

Business model

BetMakers operates a SaaS style model for its Racing Data and Informatics platforms: Global Betting Services and DynamicOdds. Racing bodies and bookmakers pay a monthly recurring fee for access to the platforms with contract periods usually of 3 years' duration. We estimate that 80% of FY19's \$6.2m in revenue was generated under the SaaS model. BetMakers also generates revenue from the content distribution deals it has in place with international racing authorities such as US Greyhounds and US Racing and UK Greyhounds which are more aligned to share of turnover. Over time we expect the SaaS revenue share to average 75% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

Q1 takeaways

BET reported Q1 FY20 revenues of \$2m+, commenting that the majority of this revenue was via fixed fee recurring payments. We are forecasting that almost 80% of FY20 revenues will be derived from fixed fee (SaaS) recurring revenues. The company's annualised recurring revenue is now \$8m and management is confident that it will achieve its \$10m revenue guidance for FY20. The company also reaffirmed it was on track to deliver FY20 EBITDA in the range of \$3.4-\$3.7m. Q1FY20 EBITDA (unaudited) was \$500,000+. Our forecast for FY20 EBITDA is \$3.5m on revenue of \$11.9m which includes revenues from the Global Tote (as highlighted in our recent initiation, [Embedded in the DNA of Racing](#)).

Base case valuation is \$101.8m

We use the discounted cashflow methodology (WACC 14.0%, terminal growth rate of 2.2%) to value BetMakers, arriving at a base case valuation of \$101.8m or \$0.21/share, fully diluted for in the money options. In our view, continued demonstrated success with its strategy and delivery of FY20 guidance should support BET's share price performance.

Historical earnings and RaaS Advisory estimates (in A\$m)

| Year end | Revenue | EBITDA rep | NPAT rep. | EPS* (c) | EV/Sales (x) | EV/EBITDA (x) | PER(x) |
|----------|---------|------------|-----------|----------|--------------|---------------|--------|
| 06/19a | 6.8 | (2.1) | (3.6) | (1.26) | 9.92 | na | na |
| 06/20e | 11.9 | 3.5 | 0.6 | 0.14 | 5.59 | 18.91 | 112.9 |
| 06/21e | 18.4 | 7.3 | 2.2 | 0.91 | 3.36 | 8.47 | 17.1 |
| 06/22e | 24.2 | 10.5 | 6.4 | 1.55 | 2.27 | 5.89 | 10.0 |

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e * EPS normalised for one-time items

Share details

| | |
|-------------------------------|---------|
| ASX Code | BET |
| Share Price (intraday) | \$0.155 |
| Market Capitalisation | \$64.1M |
| Shares on issue | 413.5M |
| In the money options on issue | 60.47M |
| Net debt at 30 June 2019 | \$3.5M |
| Free float | -90% |

Share price performance (12-months)



Upside Case

- Embedded in the racing clubs' integrity systems
- Strong relationships with corporate bookmakers in both Australia and UK
- Opportunity to leverage relationships to develop its Global Racing Network and potentially the Global Tote

Downside Case

- Dependent on volumes, clipping a very small portion of the wager
- Sensitive to regulation
- Potential backlash from incumbent totalisers

Catalysts

- Confirmation that FY20 guidance of \$10m net revenue and EBITDA of \$3.4-\$3.7m has been achieved
- Continued evidence that the Global Tote and GRN are being adopted by corporate bookmakers/racing

Company contact

Todd Buckingham (CEO/MD) +61 400 464 064
todd@thebetmakers.com.au

RaaS Advisory contact

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*Analyst's superannuation fund holds shares

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) on behalf of BetMakers Technology Group. RaaS is paid for the research it produces by way of a monthly retainer. The authors of this report may own shares in this company and if so, this will be clearly displayed on the front page of this report. RaaS's analysts adhere to a strict trading policy. This disclaimer and disclosure should be read in conjunction with RaaS Advisory's Financial Services Guide on the previous two pages or at www.raasgroup.com. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; neither RaaS Advisory nor BetMakers Technology Group can guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2019 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.