

14th April 2020

BetMakers Technology Group

William Hill extends and upgrades contract for 2 years

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. 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. Global wagering operator William Hill Group (LSE:WMH) has extended and upgraded its commercial agreement with BET until the end of 2022. The original 2 year+ deal struck in 2018 saw BET's Global Betting Services provide a global racing solution for William Hill across its retail, online and B2B customers throughout the UK and US. The new agreement sees BET continue to provide its existing wagering technology services as well as expanded racing content. With racing currently one of the few sports available to punters, we see this as acknowledgement of BET's strategic importance to William Hill's global racing offering.

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 60% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

William Hill extends and upgrades contract

The deal sees William Hill Global extend and upgrade the commercial agreement struck in November 2018. BET will continue to deliver its existing wagering services including Pricing and Trading solutions until December 31, 2022, receiving incremental increases in its monthly fees over the expanded term. BET also now has the right to match or better the rate charged by any third party supplying local or international racing content globally to William Hill. This is a significant endorsement of BET's Global Racing Network which we have highlighted in our original initiation [Embedded in the DNA of Racing](#), and in our recent upgrade report [Racing still on, upgrading for advance into US fixed odds](#). Our forecasts (which are RaaS's not the company's) have captured expansion of the Global Racing Network in the US using conservative modelling, in our view.

Base case valuation is \$160m or \$0.30/share

We use the discounted cashflow methodology (WACC 15.0%, terminal growth rate of 2.2%) to value BetMakers, arriving at a base case valuation of \$160m or \$0.30/share, fully diluted for 60.47m in the money options. In our view, continued demonstrated success with its strategy and delivery of FY20 revenue guidance should underpin 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)	12.65	na	na
06/20e	9.9	0.5	(1.6)	(0.32)	9.85	nm	na
06/21e	20.7	6.8	1.6	0.61	4.52	13.85	32.6
06/22e	31.3	13.6	8.5	1.59	2.73	6.91	12.6

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)	\$0.20
Market Capitalisation	\$94.7M
Shares on issue	473.49M
In the money options on issue	60.47M
Net debt at 31 Dec 2019	\$1.3M
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

- Delivery of FY20 guidance for \$10m net revenue
- Continued evidence that the Global Tote and GRN are being adopted by corporate bookmakers/racing bodies

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FINANCIAL SERVICES GUIDE

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of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

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

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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.

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