

10th June 2020

BetMakers Technology Group

5-year US fixed odds deal a model for the future

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. The company has announced a five-year on course fixed odds deal with Monmouth Park racetrack in New Jersey in which BET will manage fixed odds terminals and kiosks on a year-round basis. The company estimates that, after an initial investment of A\$250,000, it will generate in excess of US\$1m in revenues a year from FY22 from the agreement to provide Managed Trading Services to Monmouth Park. In our view, the company is being conservative in its estimates given New Jersey's 2-year old sports betting fixed odds market generated US\$299m in revenue for operators in CY19 (source: legalsportsreport.com), with Monmouth Park generating almost US\$26m in revenue. As we highlighted in our recent update report, [Managed Trading Services delivering new revenue streams](#), we had not yet factored in US expansion of Managed Trading Services into our forecasts.

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 50% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

New Jersey on-course fixed odds deal a model for the US

BET's Managed Trading Services JV with the Waterhouse Group will deliver on-course fixed odds betting at Monmouth Park racetrack using fixed odds terminals and kiosks for cash betting. The agreement allows for BET to offer fixed odds services on both race days and non-race days at the racetrack's facilities which includes the William Hill sports betting bar. The deal allows BET to deliver fixed odds on horse races from across the US and internationally and, in our view, will become the model for BET's services across the US (as well as further proving the application of the MTS service offering internationally).

Base case valuation is \$246.1m

We use the DCF methodology (WACC 14.3%, terminal growth rate of 2.2%) to value BET, arriving at a base case valuation of \$246.1m or \$0.39/share, fully diluted for 60.47m in the money options and the Waterhouse performance rights. On the current share count, the base case valuation is \$0.52/share. We have identified upside cases (\$1.40 and \$2.73/share) based on increased performance and penetration.

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)	26.9	na	na
06/20e	9.2	0.5	(1.3)	(0.26)	22.8	nm	na
06/21e	29.5	7.0	2.4	0.69	7.1	29.7	62.9
06/22e	43.1	12.2	7.6	1.41	5.7	17.1	30.8

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)	\$0.435
Market Capitalisation	\$203.8M
Shares on issue	473.49M
In the money options on issue	60.47M
Net debt at 31 Mar 2020	\$1.7M
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 positive EBITDA
- 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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AFSL 456663

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- 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)

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