

16th June 2020

BetMakers Technology Group

Base case valuation increases to \$281.1m post raise

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 it has secured firm commitments from institutions and sophisticated investors for a \$35m placement at \$0.37/share, which represented an 8.6% discount to the previous close. The company's largest shareholder Tekkorp Capital was a cornerstone investor in the placement. BET plans to use to proceeds to accelerate both organic and inorganic growth opportunities including its expansion into the US. The placement comes on the heels of the recently 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. We have incorporated the placement in our forecasts and it has lifted our base case valuation to \$281.1m (previously \$246.1m) or \$0.39/share (unchanged) on a fully diluted basis. On the current share count, the base case valuation is \$0.49/share.

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 horse, harness and greyhound racing authorities 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.

Share placement positions BET for US expansion

BET will utilise the proceeds of the \$35m share placement to accelerate its growth plans for the US market including distribution of Fixed Odds race betting in the US and the expansion of its Managed Trading Services business internationally. We have highlighted the earnings upside we see from these opportunities in our recent report, [Managed Trading Services delivering new revenue streams](#). BET also reconfirmed its guidance for FY20 positive EBITDA and approximately \$9m in revenue. The company is expecting to exit the financial year with an annual revenue run rate of about \$12m.

Base case valuation is \$281.1m

We use the DCF methodology (WACC 14.3%, terminal growth rate of 2.2%) to value BET, arriving at a base case valuation of \$281.1m (previously \$246.1m) or \$0.39/share (unchanged), fully diluted for the placement that completes on June 22, 60.47m in the money options and the Waterhouse performance rights. Excluding the options, the base case valuation is \$0.49/share. We have identified upside cases (\$1.26 and \$2.41/share) based on higher penetration of the Australian/UK/US racing wagering markets.

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)	26.6	na	na
06/20e	9.2	0.5	(1.3)	(0.24)	23.3	nm	na
06/21e	29.5	7.0	2.9	0.66	7.2	30.3	64.9
06/22e	43.1	12.2	8.1	1.28	5.8	17.4	33.7

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)	\$0.43
Market Capitalisation	\$244.3M
Shares on issue post placement	568.1M
In the money options on issue	60.47M
Net cash post placement	~\$33M
Free float	~90%

Share price performance (12-months)



Upside Case

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

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 GRN and US rollout is being adopted by corporate bookmakers/racing bodies

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

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

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