

15th July 2020

BetMakers Technology Group

Q4 cashflow positive, debt free and \$31.625m in cash

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 Q4 positive operating cashflow of \$5,000, on the back of \$2.4m in cash receipts, an increase of 33% in the previous corresponding quarter in FY19, and a debt free position, having repaid the remaining \$4m it owed in deferred acquisition payments for the DynamicOdds (DO) and Global Betting Services (GBS) businesses. At 30 June, BET had \$31.625m cash in hand. On a full year basis, BET delivered cash receipts of \$7.52m and a net operating cash loss of \$0.64m, bettering our forecasts for cash receipts of \$7.13m and an operating cash loss of \$2.3m.

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.

Q4 highlights

BetMakers has delivered better than expected Q4 FY20 cashflows, ending the year with a smaller operating cash loss than we had forecast (\$0.64m vs our forecast for an operating cash loss of \$2.3m for FY20). The company delivered an operating cash profit of \$5,000 in Q4. BET is also now debt free, having used \$4m of the proceeds of its June \$35m share placement (\$33.46m after costs) to repay the remaining \$4m it owed for GBS and DO. It ended June 30 with \$31.625m cash in hand. BET noted that the launch of Managed Trading Services in June had resulted in revenues in excess of the minimum \$100,000 needed to trigger the Class A performance rights issued to Waterhouse VC to vest. Our forecasts include the full conversion of these rights into shares. BET also noted that revenues across its operations in June exceeded \$1m, putting the company on an annualised revenue run rate of \$12m, as flagged by the company in June.

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 or \$0.39/share, fully diluted for 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 and faster 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)	27.8	na	na
06/20e	9.2	0.5	(1.3)	(0.24)	24.5	nm	na
06/21e	29.5	7.0	2.9	0.66	7.6	31.9	67.9
06/22e	43.1	12.2	8.1	1.28	6.1	18.4	35.3

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)	\$0.45
Market Capitalisation	\$229.1M
Shares on issue	568.1M
In the money options on issue	60.47M
Net cash at 30 June	\$31.625M
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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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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