

18<sup>th</sup> December 2020

## BetMakers Technology Group

### Sportech acquisition path cleared

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. Earlier this month, the company announced it was acquiring the Tote and Digital assets from UK-listed wagering platform Sportech Plc (LON:SPO) subject to shareholder approval. Sportech subsequently received an unsolicited and conditional offer from Standard General to acquire the whole company. This offer has now lapsed, leaving the way clear for the transaction to proceed. Sportech shareholders are scheduled to vote on the transaction on December 24. We have already incorporated assumptions for the Sportech assets which deliver ~30% of the US pari-mutuel wagering handle and complement BET's plans to develop a fixed odds wagering business in the US. This has taken our base case valuation to \$1.00/share, fully diluted.

### 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. Of its \$9.2m in revenue in FY20, 67% 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 ~45-50% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

### Sportech's suitor disappears, shareholder vote due 24 December

Sportech Plc announced to the market (London Stock Exchange) on Thursday that it had terminated talks with its unsolicited suitor Standard General and further reiterated its recommendation that Sportech shareholders vote in favour of the resolution to approve the disposal of the Tote and Digital Business to BetMakers at the 24 December general meeting. The transaction, in our view, is transformational for BET and will be funded by way of a recently completed, fully underwritten \$50m share placement at \$0.60/share and a share purchase plan (SPP) to raise up to \$10m. The transaction, done on an implied EV/revenue multiple of 1.2x and EV/EBITDA multiple of 8.1x, will accelerate BetMaker's international growth plans.

### Base case valuation is \$1.00/share fully diluted

Our DCF valuation is \$1.00/share fully diluted for all in the money options, and incorporates assumptions for the Sportech assets. On the post-transaction share count, our base case DCF valuation is \$1.17/share. We have incorporated little in our forecasts for potential synergies or growth uplift derived from potential upsell opportunities. We see potential upside from our current forecasts for BET's role in the development of the fledgling US fixed odds wagering market.

### 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)	39.6	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	36.6	nm	na
06/21e	35.3	3.8	(2.8)	0.03	12.0	nm	nm
06/22e	86.7	18.5	8.9	1.23	5.6	23.0	52.6

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

### Share details

ASX Code	BET
Share Price (17 Dec)	\$0.645
Market Capitalisation	\$451.7M
Shares on issue	700.25M
In the money options on issue	27.8M
Waterhouse Group options on conversion	94.7M
Net cash at 30 Sept	\$32.8M
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

- Sportech acquisition completes
- Fixed odds horse wagering bill becomes enacted

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## FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26<sup>th</sup> November 2018

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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](http://www.afca.org.au); Email: [info@afca.org.au](mailto: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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