

4 November 2021

BetMakers Technology Group

And they're off!

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. BET has announced that New Jersey has now set the regulatory framework for fixed-odds betting on horse racing. This removes the final regulatory hurdle for fixed-odds horse wagering to commence in NJ. BetMakers holds an exclusive 10-year fixed-odds agreement with the New Jersey Thoroughbred Horsemen Association and Darby Development LLC, operator of the Monmouth Park racetrack. This agreement will see BetMakers deliver and manage fixed-odds thoroughbred horse racing into New Jersey. The company expects to commence offering fixed odds at Monmouth Park racetrack before the end of this calendar year and then online in CY22. As the first US state to offer fixed odds, we expect NJ to benefit from additional wagering inflows, particularly from punters who have become accustomed to fixed-odds sports betting and who are comfortable with digital platforms. Fixed-odds sports betting has generated US\$73.45b in handle from June 2018, when it was first introduced, to 1st November, with New Jersey, the first state to introduce, attracting US\$19.0b, or 26% of the total, outstripping every state including Nevada. In our June 2021 report, [Eyeing the prize in the US wagering market](#), we upgraded our forecasts for BET on our estimates that the total US horse racing market could grow to US\$86b within 10 years of the introduction of fixed odds, with fixed odds comprising 75% of total wagering.

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 three years' duration. BetMakers also generates revenue from the content distribution deals it has in place with international racing authorities such as US Greyhounds, US Racing and UK Greyhounds, which are more aligned to share of turnover. The acquisition of Sportech's racing, tote and digital assets establish BET as a pari-mutuel operator across 100 US racetracks, casinos and other venues in 36 states. This combined with BET's 10-year exclusive deal to operate fixed-odds horse wagering in New Jersey, position the company to be a significant player in the transforming US wagering market.

Regulations now in place to allow fixed-odds horse wagering in NJ

New Jersey's Office of Attorney General has announced the regulatory framework around which fixed-odds wagering will be allowed to operate within that state. The regulations also encompass how wagering operators and racetracks outside the state can offer fixed-odds wagering in New Jersey. These rules were the final regulatory hurdle for the commencement of fixed-odds wagering in NJ. BET expects to facilitate fixed-odds betting on track at Monmouth Park before the end of this calendar year and to online wagering service operators in CY22.

Base case valuation is \$2.35/share

Our forecasts include estimates for the rollout of fixed-odds wagering in the US, commencing with New Jersey, which we anticipate will have a two-year head-start. We assume BET maintains the ~25% share of market currently commanded by the Sportech tote business, except in NJ where its 10-year exclusivity should see it benefit from fixed-odds wagering turnover. Our DCF-derived valuation of \$2.35/share (\$2.01b) incorporates a WACC of 11.4% (beta 1.4, terminal growth rate 2.2%).

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

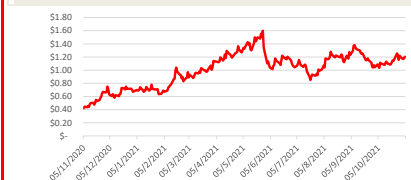
Year end	Revenue	EBITDA rep	NPAT rep.	EPS* (c)	EV/Sales (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	48.1
06/22e	94.4	8.8	5.4	0.62	10.8
06/23e	115.0	22.6	14.8	1.62	8.8
06/24e	156.8	45.8	31.1	2.84	6.4

Source: Company data, RaaS Advisory estimates for FY22e, FY23e, and FY24e * EPS normalised for one-time items

Share Details

ASX code	BET
Share price (intraday)	\$1.205
Market capitalisation	\$1,033.4M
Shares on issue	857.6M
In-the-money options on issue	46.3M
Performance rights on conversion	107.5M
Net cash 30 Sept	\$108.8M
Free float	~67%

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, Global Tote 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

- Demonstrated expansion in both US and international
- Strategic partnership with Matt Tripp delivers significant growth opportunities

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

Effective Date: 6th May 2021

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

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