

BetMakers Technology Group Ltd

Quarterly result

Q3 cash receipts up 206% on pcp, focus is on FY22

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company's technology and systems are used by every racing authority in Australia and most of the major online bookmakers. 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 reported cash receipts of \$5.2m, up 31% on Q2 FY21 and 206% on Q3 FY20 and operating cash outflow of \$0.4m with cost containment a key feature. Last month BET had noted that it was on track to deliver \$5m in revenue in Q3. The company ended Q3 with \$125.7m cash having received shareholder approval for and completed a \$50m institutional placement, a \$25m strategic investment from Tripp Investments, a company controlled by wagering industry leader Matthew Tripp, and a \$10m share purchase plan. BET noted that Sportech acquisition is progressing with completion expected in Q4 FY21 and that the New Jersey legislation to allow fixed odds horse wagering is expected to progress to public hearings before the Senate State Government, Wagering, Tourism & Historic Preservation Committee in Q4 FY21. We have made minor adjustments to our FY21 forecasts to reflect Sportech becoming part of the group in the final month of the year. Our base case DCF valuation is \$1.18/share, but we note that our forecasts do not reflect the US fixed odds opportunity beyond NJ.

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. The acquisition of Sportech will deliver additional SaaS-style revenues from its tote technology as well as a share of turnover from its tote operations. It will also establish BET as a pari-mutuel operator across 100 US racetracks, casinos and other venues in 36 states ahead of the opportunities to develop a fixed odds wagering business initially in New Jersey.

Cash receipts point to core business exceeding ARR of \$15.2m

BET has reported cash receipts of \$5.2m for Q3, bringing total cash receipts year to date to \$13.06m. This puts the company on track for its core business to exceed the \$15.2m annual recurring revenue (ARR), reported at H1 FY21. Cash burn for Q3 was \$0.4m and this includes absorbing around \$1.0m across the quarter to develop its US strategy across content, advisors and operations as well as the cost of progressing the acquisition of Sportech's tote assets and digital technology which is expected to complete in Q4. We have adjusted our forecasts to reflect a later than previously forecast completion of the Sportech assets, having now only included this for one month rather than the final quarter.

Base case DCF valuation of \$1.18/share reflecting cash at Q3

Our base case DCF valuation of \$1.18/share (previously \$1.16/share) with the change reflecting the higher cash at March 31. Our valuation incorporates the Sportech acquisition and the rollout of a fixed odds business in New Jersey but not the broader fixed odds opportunity that may present across the US.

Earnings History and RaaS' Estimates

Year end	Revenue(A\$m)	EBITDA(A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/19a	6.8	(2.1)	(3.6)	(1.26)	76.9
06/20a	9.2	0.8	(2.1)	(0.33)	74.7
06/21e	23.6	(0.6)	(2.9)	(0.17)	37.5
06/22e	83.1	9.9	4.4	0.57	12.1

Source: RaaS Advisory Estimates for FY21e and FY22e, Company Data for historical earnings

Software & services

27th April 2021

Share details

ASX Code	BET
Share price (27 Apr)	\$1.26
Market Capitalisation	\$974.6M
Shares on issue	773.5M
In the money options	60.6M
Waterhouse Group options conversion	94.7M
Net cash 31 Mar 2021	\$125.7M

Share performance (12 months)



Upside Case

- Embedded in racing clubs' integrity systems
- Strong relationships with corporate bookmakers in Australia, UK and US
- Opportunity to deliver its Managed Trading Services and GRN on a global scale

Downside Case

- Dependent on volumes, clipping a very small portion of the wager
- Sensitive to regulation
- Potential backlash from incumbent totalisers

Catalysts

- Attorney-General signs Bill for NJ fixed odds
- Demonstrated expansion in US wagering market
- Deal delivery by investor/advisor Matthew Tripp

Board of Directors

Nicholas Chan	Non-Executive Chairman
Simon Dulhunty	Non-Executive Director
Matt Davey	Non-Executive Director
Todd Buckingham	Managing Director

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*The analyst hold shares

Exhibit 1: Financial Summary

BetMakers Technology Group Ltd (BET)						Share price (27 April 2021)							A\$	1.26				
Profit and Loss (A\$m)						Interim (A\$m)							H119A	H219A	H120F	H220A	H121F	H221F
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Revenue												
Sales revenue	12.7	6.2	8.6	23.6	83.1	Gross profit	1.6	3.0	3.6	3.1	4.0	4.0	7.6	16.0				
Total Revenue	17.8	6.8	9.2	23.6	83.1	EBITDA	(1.9)	(0.1)	0.3	0.3	(1.7)	1.1						
Gross Profit	1.6	3.9	6.3	15.0	64.4	EBIT	(2.1)	(1.7)	(0.4)	(0.8)	(2.8)	(0.0)						
EBITDA	0.5	(2.1)	0.8	(0.6)	9.9	NPAT (normalised)	(1.5)	(1.4)	(0.6)	(0.9)	(1.4)	0.4						
Depn	(0.2)	(0.2)	(0.3)	(0.2)	(1.2)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0						
Amort	(0.2)	(1.6)	(1.9)	(2.0)	(4.0)	NPAT (reported)	(1.8)	(1.8)	(0.6)	(1.5)	(4.4)	0.4						
EBIT	0.2	(3.9)	(1.3)	(4.9)	4.7	EPS (normalised)	(0.9)	(0.4)	(0.1)	(0.3)	(0.8)	0.1						
Interest	0.0	(0.0)	(0.5)	0.6	1.6	EPS (reported)	(0.9)	(0.4)	(0.1)	(0.3)	(0.8)	0.1						
Tax	(0.5)	1.0	0.3	1.3	(1.9)	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0						
Minorities	0.0	0.0	0.0	0.0	0.0	Imputation	30.0	30.0	30.0	30.0	30.0	30.0						
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(2.8)	(0.3)	(0.2)	(0.3)	(1.3)	(3.2)						
NPAT pre significant items	(0.3)	(2.9)	(1.5)	(2.9)	4.4	Free Cash flow	(2.8)	(0.3)	(0.3)	(0.4)	(1.4)	(3.5)						
Significant items	(5.7)	(0.7)	(0.6)	0.0	0.0	Divisions							H119A	H219A	H120F	H220A	H121F	H221F
NPAT (reported)	(6.0)	(3.6)	(2.1)	(2.9)	4.4	Wholesale Wagering	2.6	3.1	3.2	3.2	5.8	14.1						
Cash flow (A\$m)						Content & Integrity	0.2	0.3	0.9	1.4	1.8	1.9						
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Other income	0.3	0.4	0.0	0.3	0.0	0.0						
EBITDA	0.5	(2.1)	0.8	(0.6)	9.9	Total Revenue	3.0	3.8	4.0	4.9	7.6	16.0						
Interest	0.1	(0.0)	(0.4)	0.6	1.6	COGS	1.4	0.8	0.4	1.8	3.6	5.0						
Tax	0.0	(0.1)	(0.0)	(0.2)	(1.9)	Gross Profit	1.6	3.0	3.6	3.1	4.0	11.0						
Working capital changes	(12.0)	(0.9)	(1.0)	(4.4)	(11.7)	Employment costs	1.8	1.6	2.0	2.1	3.3	6.4						
Operating cash flow	(11.4)	(3.1)	(0.5)	(4.5)	(2.1)	Selling General & Admin Costs	1.6	1.6	1.3	0.6	1.3	2.0						
Mtce capex	0.0	(0.0)	(0.2)	(0.4)	(1.3)	Other Opex	0.1	(0.0)	0.0	0.0	1.1	1.6						
Free cash flow	(11.4)	(3.1)	(0.7)	(4.9)	(3.4)	Total Operating Costs	3.5	3.1	3.3	2.8	5.7	9.9						
Growth capex	(0.1)	0.0	(0.0)	(2.5)	(5.0)	EBITDA	(1.9)	(0.1)	0.3	0.3	(1.7)	1.1						
Acquisitions/Disposals	0.3	(5.8)	0.0	(67.2)	0.0	Margins, Leverage, Returns							FY18A	FY19A	FY20A	FY21F	FY22F	
Other	(0.2)	(0.9)	0.0	0.0	0.0	EBITDA		n/a	(30.5%)	9.1%	(2.6%)	11.9%						
Cash flow pre financing	(11.3)	(9.8)	(0.7)	(74.6)	(8.4)	EBIT		n/a	(56.9%)	(14.3%)	(20.6%)	5.7%						
Equity	10.1	9.1	37.8	132.4	0.7	NPAT pre significant items		n/a	(42.7%)	(16.5%)	(12.4%)	5.3%						
Debt	0.0	(0.3)	0.0	1.0	2.0	Net Debt (Cash)		1.5	(3.5)	31.3	89.3	86.6						
Dividends paid	0.0	0.0	(0.2)	(0.1)	0.0	Net debt/EBITDA (x)	(x)	2.692	n/a	37.543	n/a	8.780						
Net cash flow for year	(1.3)	(1.0)	36.9	58.6	(5.7)	ND/ND+Equity (%)	(%)	n/a	15.6%	(107.4%)	(88.3%)	(79.5%)						
Balance sheet (A\$m)						EBIT interest cover (x)	(x)	(0.2)	n/a	n/a	n/a	0.3						
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROA		n/a	(16.7%)	(2.8%)	(3.8%)	2.4%						
Cash	1.5	0.5	31.6	90.7	90.0	ROE			(22.6%)	(5.4%)	(2.3%)	2.3%						
Accounts receivable	5.4	1.2	2.0	1.4	5.1	ROIC		1.1%	(49.2%)	(3.0%)	(2.8%)	2.6%						
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)		0.07	0.01	0.08	0.23	0.21						
Other current assets	0.1	0.1	0.1	11.3	11.3	Working capital		2.6	0.1	0.7	0.9	3.9						
Total current assets	7.0	1.8	33.7	103.4	106.4	WC/Sales (%)		14.8%	1.3%	7.8%	3.8%	4.7%						
PPE	0.3	0.2	0.2	39.9	40.0	Revenue growth		n/a	(61.6%)	34.4%	157.6%	252.1%						
Intangibles inc Goodwill	2.0	14.5	14.5	14.5	14.5	EBIT growth pa		n/a	n/a	n/a	n/a	(196.7%)						
Investments	0.0	0.0	0.0	0.0	0.0	Pricing							FY18A	FY19A	FY20A	FY21F	FY22F	
Deferred tax asset	5.4	6.5	7.3	9.5	9.5	No of shares (y/e)	(m)	162	413	568	773	868						
Other assets	1.3	7.7	6.9	25.9	30.6	Weighted Av Dil Shares	(m)	162	232	457	690	773						
Total non current assets	9.0	28.8	28.9	89.7	94.5	EPS Reported	cps	(3.68)	(1.55)	(0.47)	(0.69)	0.57						
Total Assets	15.9	30.6	62.6	193.1	200.8	EPS Normalised/Diluted	cps	(0.19)	(1.26)	(0.33)	(0.17)	0.57						
Accounts payable	2.8	1.2	1.3	0.5	1.2	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	-445%						
Short term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-						
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a						
Other current liabilities	0.3	6.2	0.4	0.6	0.6	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%						
Total current liabilities	3.1	7.4	1.7	1.1	1.7	Dividend imputation		30	30	30	30	30						
Long term debt	0.0	4.0	0.4	1.4	3.4	PE (x)		-	-	-	-	219.9						
Other non current liabs	0.1	0.1	0.2	0.2	0.2	PE market		18.2	18.2	18.2	18.2	18.2						
Total long term liabilities	0.1	4.1	0.5	1.6	3.6	Premium/(discount)			(100.0%)	(100.0%)	(100.0%)	1108.2%						
Total Liabilities	3.2	11.4	2.2	2.7	5.3	EV/EBITDA			375.2	(252.0)	822.3	(1,453.5)	102.2					
Net Assets	12.7	19.2	60.4	190.4	195.5	FCF/Share	cps	(7.0)	(0.7)	(0.1)	(0.5)	(0.1)						
Share capital	32.5	42.4	84.9	216.7	217.4	Price/FCF share		(17.9)	(170.4)	(2,248.8)	(235.5)	(1,362.4)						
Accumulated profits/losses	(21.2)	(24.0)	(26.1)	(30.1)	(25.7)	Free Cash flow Yield		(5.6%)	(0.6%)	(0.0%)	(0.4%)	(0.1%)						
Reserves	1.4	0.7	1.6	3.8	3.8													
Minorities	0.0	0.0	0.0	0.0	0.0													
Total Shareholder funds	12.7	19.2	60.4	190.4	195.5													

Source: RaaS Advisory



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

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

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 - Securities
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 - Securities

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