

# BetMakers Technology Group Ltd

Quarterly commentary

## Record Q4 cash receipts, up 71% on previous quarter

**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 is rapidly on a path to become a key player in the US horseracing industry which is poised to introduce fixed odds wagering. BET reported Q4 FY21 cash receipts of \$8.9m, up 71% on Q3 and 272% on the previous corresponding quarter, with just two weeks inclusion of the Sportech digital and tote assets. The company generated \$0.65m positive operating cashflow in the quarter and finished with net cash of \$120.6m. Cash receipts for FY21 were \$21.97m, well ahead of our forecasts for \$17.4m and the company ended the year operating cash break even. We are focused on BET's international expansion opportunities including its exclusive 10-year fixed odds wagering deal in New Jersey and expansive footprint in the US pari-mutuel market. These underpin our \$2.29/share base case valuation.**

### 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. 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 delivers 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, which has been one of the leading states in the introduction of fixed odds sports-betting.

### Sprint to the end of FY21

BetMakers has reported better than forecast Q4 cash receipts of \$8.911m and, as a consequence, positive operating cashflow of \$0.65m for the quarter. Cash receipts were more than twice our expectations, up 71% on Q3 FY21 and 272% ahead of Q4 FY20. The result was driven by a significant increase in activity in the Australian market and the inclusion of approximately two weeks of cashflows from the Sportech racing, tote and digital business. The company ended the quarter and year with \$120.6m cash.

### Base case DCF valuation is \$2.29/share (\$1.96b unchanged)

Our base case DCF valuation is \$2.29/share, after adjusting for one-third of the Waterhouse performance rights and another 9m options conversion to shares. Fully diluted for all options and performance rights on issue, the valuation is \$1.94/share. Our forecasts capture estimates for the broader US fixed odds wagering opportunity and assumes that BET maintains the ~25% share of market currently commanded by the Sportech tote business except in NJ where it holds exclusivity for the next 10 years. We see key catalysts as the imminent formal signing of the NJ Fixed Odds bill and demonstrated expansion in both the US and international wagering markets.

#### 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)	57.5
06/20a	9.2	0.8	(2.1)	(0.33)	54.9
06/21e	19.8	(4.2)	(5.5)	(0.53)	34.6
06/22e	94.0	15.4	9.0	1.06	7.9

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

Software & services

28<sup>th</sup> July 2021

#### Share details

ASX Code	BET
Share price (26 July)	\$0.92
Market Capitalisation	\$775M
Shares on issue	856.4M
In the money options	47.5M
Performance rights inc Waterhouse Group/Matt Tripp	107.05M
Net cash 30 June 2021	\$120.6M

#### 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

#### Board of Directors

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

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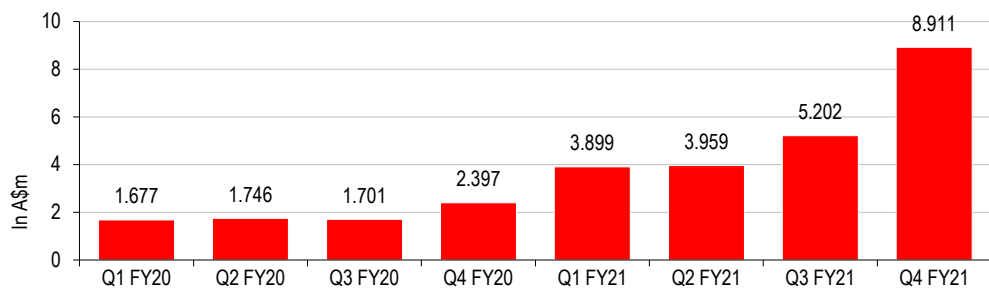
\*Analysts hold shares

## Quarterly result analysis

BET reported its best ever cash receipts and operating cashflow for Q4 FY21. Cash receipts were 71% ahead of Q3 FY21 and 272% above pcp and double our forecast for the quarter. Operating cashflow for the quarter was \$0.65m, bringing the company to cashflow break-even at the end of the financial year.

The result was driven by a significant increase in activity in the Australian market, with some of that activity derived from revenue generated by the partnership with the Waterhouse Group which we discuss below. Also included in the result was about two weeks' trading from the Sportech racing, tote and digital assets, with BET completing the acquisition on 18 June.

### Exhibit 1: Quarterly cash receipts Q1 FY20 - Q4 FY21



Source: Company reports

## Waterhouse options conversion following revenue generation

The quarterly result received a boost from Australian market activity, including revenue generated from the partnership with the Waterhouse Group. The company announced on 16 July that from 22 May 2020 to 30 June 2021, it had generated \$6.22m under the conditional commercial agreements with the Waterhouse Group. BET has provided data and technology for two significant wagering products – the tomwaterhouse.com betting application and MTS Global (Managed Trading Services). As a consequence, and having exceeded the minimum revenue threshold, the Waterhouse Group elected to exercise 34.6m of its 94.7m options, paying \$6.22m at an exercise price of \$0.18. Waterhouse Group holds 60.2m options with an expiry of 16 July 2023.

## Base Case DCF valuation is \$2.29/share (\$1.96b)

We believe the discounted cashflow methodology is the most appropriate method to value BET, given the relatively early stage of the company's life. We arrive at a base case valuation of \$2.29/share after taking into account the additional shares issued to the Waterhouse Group and the 9m options converted on July 27. On a fully diluted basis, for all options and performance rights (ie 1,011m), the valuation is \$1.94/share.

### Exhibit 2: Base Case DCF valuation

	Parameters
Discount rate (WACC)	11.4%
Terminal Growth Rate	2.2%
Beta	1.4
Present value of free cashflows (\$m)	512
Terminal value (\$m)	1,332
Plus Net Cash at 30 June and Options conversion on 27 July	(121)
Equity value (\$m)	1,965
Shares on issue (m)	856
<b>Equity value per share</b>	<b>\$2.29</b>

Source: RaaS estimates

**Exhibit 6: Financial Summary**

BetMakers Technology Group Ltd (BET)						Share price (27 July 2021)						A\$	0.94				
Profit and Loss (A\$m)						Interim (A\$m)						H119A	H219A	H120F	H220A	H121F	H221F
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Revenue	3.0	3.8	4.3	4.9	7.6	12.2					
Sales revenue	12.7	6.2	8.6	19.8	94.0	Gross profit	1.6	3.0	3.6	3.1	4.0	7.4					
Total Revenue	17.8	6.8	9.2	19.8	94.0	EBITDA	(1.9)	(0.1)	0.3	0.3	(1.7)	(2.6)					
Gross Profit	1.6	3.9	6.3	11.4	68.9	EBIT	(2.1)	(1.7)	(0.4)	(0.8)	(2.8)	(3.7)					
EBITDA	0.5	(2.1)	0.8	(4.2)	15.4	NPAT (normalised)	(1.5)	(1.4)	(0.6)	(0.9)	(1.4)	(2.1)					
Depn	(0.2)	(0.2)	(0.3)	(0.2)	(0.9)	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)	(2.1)					
EBIT	0.2	(3.9)	(1.3)	(8.5)	10.5	EPS (normalised)	(0.9)	(0.4)	(0.1)	(0.3)	(0.8)	(0.3)					
Interest	0.0	(0.0)	(0.5)	0.6	2.3	EPS (reported)	(0.9)	(0.4)	(0.1)	(0.3)	(0.8)	(0.3)					
Tax	(0.5)	1.0	0.3	2.4	(3.9)	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)	1.3					
NPAT pre significant items	(0.3)	(2.9)	(1.5)	(5.5)	9.0	Free Cash flow	(2.8)	(0.3)	(0.3)	(0.4)	(1.4)	(0.5)					
Significant items	(5.7)	(0.7)	(0.6)	0.0	0.0	<b>Divisions</b>						H119A	H219A	H120F	H220A	H121F	H221F
NPAT (reported)	(6.0)	(3.6)	(2.1)	(5.5)	9.0	Wholesale Wagering	2.6	3.1	3.2	3.2	5.8	10.3					
<b>Cash flow (A\$m)</b>						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	(4.2)	15.4	Total Revenue	3.0	3.8	4.0	4.9	7.6	12.2					
Interest	0.1	(0.0)	(0.4)	(0.0)	2.3	COGS	1.4	0.8	0.4	1.8	3.6	4.8					
Tax	0.0	(0.1)	(0.0)	(0.1)	(3.9)	Gross Profit	1.6	3.0	3.6	3.1	4.0	7.4					
Working capital changes	(12.0)	(0.9)	(1.0)	4.3	(18.2)	Employment costs	1.8	1.6	2.0	2.1	3.3	6.4					
Operating cash flow	(11.4)	(3.1)	(0.5)	(0.0)	(4.3)	Selling General & Admin Costs	1.6	1.6	1.3	0.6	1.3	2.0					
Mtce capex	0.0	(0.0)	(0.2)	(1.9)	(1.2)	Other Opex	0.1	(0.0)	0.0	0.0	1.1	1.6					
Free cash flow	(11.4)	(3.1)	(0.7)	(1.9)	(5.6)	Total Operating Costs	3.5	3.1	3.3	2.8	5.7	9.9					
Growth capex	(0.1)	0.0	(0.0)	(0.7)	(5.0)	EBITDA	(1.9)	(0.1)	0.3	0.3	(1.7)	(2.6)					
Acquisitions/Disposals	0.3	(5.8)	0.0	(52.0)	0.0	<b>Margins, Leverage, Returns</b>						FY18A	FY19A	FY20A	FY21F	FY22F	
Other	(0.2)	(0.9)	0.0	6.6	0.0	EBITDA	n/a	(30.5%)	9.1%	(21.4%)	16.4%						
Cash flow pre financing	(11.3)	(9.8)	(0.7)	(48.1)	(10.6)	EBIT	n/a	(56.9%)	(14.3%)	(42.9%)	11.2%						
Equity	10.1	9.1	37.8	142.8	6.8	NPAT pre significant items	n/a	(42.7%)	(16.5%)	(27.6%)	9.6%						
Debt	0.0	(0.3)	0.0	0.0	2.0	Net Debt (Cash)	1.5	(3.5)	31.3	120.2	121.1						
Dividends paid	0.0	0.0	(0.2)	(1.3)	0.0	Net debt/EBITDA (x)	(x)	2.692	n/a	37.543	n/a	7.866					
Net cash flow for year	(1.3)	(1.0)	36.9	93.4	(1.8)	ND/ND+Equity (%)	(%)	n/a	15.6%	(107.4%)	(154.0%)	(130.7%)					
<b>Balance sheet (A\$m)</b>						EBIT interest cover (x)	(x)	(0.2)	n/a	n/a	n/a	0.2					
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROA	n/a	(16.7%)	(2.8%)	(6.1%)	4.8%						
Cash	1.5	0.5	31.6	120.6	123.5	ROE	n/a	(22.6%)	(5.4%)	(4.2%)	4.4%						
Accounts receivable	5.4	1.2	2.0	1.2	5.7	ROIC	1.1%	(49.2%)	(3.0%)	(4.4%)	4.6%						
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)	0.07	0.01	0.08	0.21	0.22						
Other current assets	0.1	0.1	0.1	11.3	11.3	Working capital	2.6	0.1	0.7	(4.3)	4.2						
Total current assets	7.0	1.8	33.7	133.1	140.5	WC/Sales (%)	14.8%	1.3%	7.8%	(21.8%)	4.4%						
PPE	0.3	0.2	0.2	30.8	31.1	Revenue growth	n/a	(61.6%)	34.4%	116.1%	374.7%						
Intangibles inc Goodwill	2.0	14.5	14.5	14.5	14.5	EBIT growth pa	n/a	n/a	n/a	n/a	(223.8%)						
Investments	0.0	0.0	0.0	0.0	0.0	<b>Pricing</b>						FY18A	FY19A	FY20A	FY21F	FY22F	
Deferred tax asset	5.4	6.5	7.3	10.4	10.4	No of shares (y/e)	(m)	162	413	568	856	917					
Other assets	1.3	7.7	6.9	25.1	30.9	Weighted Av Dil Shares	(m)	162	232	457	690	856					
Total non current assets	9.0	28.8	28.9	80.7	86.8	EPS Reported	cps	(3.68)	(1.55)	(0.47)	(1.06)	1.05					
Total Assets	15.9	30.6	62.6	213.8	227.3	EPS Normalised/Diluted	cps	(0.19)	(1.26)	(0.33)	(0.53)	1.05					
Accounts payable	2.8	1.2	1.3	5.5	1.6	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	n/a	-297%					
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	n/a					
Other current liabilities	0.3	6.2	0.4	2.6	2.6	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%					
Total current liabilities	3.1	7.4	1.7	8.1	4.1	Dividend imputation	30	30	30	30	30	30					
Long term debt	0.0	4.0	0.4	0.4	2.4	PE (x)	-	-	-	-	-	89.3					
Other non current liabs	0.1	0.1	0.2	7.1	7.1	PE market	18.8	18.8	18.8	18.8	18.8	18.8					
Total long term liabilities	0.1	4.1	0.5	7.5	9.5	Premium/(discount)	nm	nm	nm	nm	nm	375.3%					
Total Liabilities	3.2	11.4	2.2	15.6	13.6	EV/EBITDA	nm	nm	nm	nm	nm	48.1					
Net Assets	12.7	19.2	60.4	198.3	213.7	FCF/Share	cps	(7.0)	(0.7)	(0.1)	0.2	(0.3)					
Share capital	32.5	42.4	84.9	227.1	233.5	Price/FCF share	nm	nm	nm	nm	nm	nm					
Accumulated profits/losses	(21.2)	(24.0)	(26.1)	(32.7)	(23.7)	Free Cash flow Yield	nm	nm	nm	nm	nm	nm					
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	198.3	213.7												

Source: RaaS Advisory



# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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