

4th October 2019

BetMakers Technology Group

GVC Holdings picks BET for global racing partner

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. GVC Holdings Plc (LSE: GVC), has signed an agreement with BET to form a global racing partnership and roll out BetMakers' proprietary technology and wagering products across Australia and in international markets. The deal both deepens BetMakers' existing relationships with GVC-owned brands Ladbrokes and Neds and extends BET's products into new brands and markets. Our current forecasts encompass development of the Global Racing Network and expansion both in Australia and internationally with corporate bookmakers.

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 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 75% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

GVC Holdings deal

The deal sees BET extend its Fixed Odds and Price Manager system services to cover all GVC's Australian brands – Ladbrokes, Neds, Betstar and bookmaker.com.au. The brands will also integrate BET's live streaming racing channel on their digital platforms. In the UK, BET will immediately integrate its global racing technology products, starting with a custom-built trading platform for GVC's UK brands Ladbrokes and Coral, with the first product to be live during Q4 CY19. We believe we have captured this growth near term in our forecasts (highlighted in our recent initiation, [Embedded in the DNA of Racing](#)), but will watch this space for longer-term benefits including the validation we see this delivering to BET's business strategy.

Base case valuation is \$101.8m

We use the discounted cashflow methodology (WACC 14.0%, terminal growth rate of 2.2%) to value BetMakers, arriving at a base case valuation of \$101.8m or \$0.21/share, fully diluted for in the money options, which on the current intraday price, now includes 60.47m options (prev. 56.5m). In our view, continued demonstrated success with the strategy and delivery of FY20 guidance should underpin BET's share price performance.

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)	10.8	na	na
06/20e	11.9	3.5	0.6	0.14	6.1	20.7	123.8
06/21e	18.4	7.3	2.2	0.91	3.7	9.3	18.7
06/22e	24.2	10.5	6.4	1.55	2.5	6.5	10.9

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)	\$0.15
Market Capitalisation	\$62.2M
Shares on issue	413.5M
In the money options on issue	60.47M
Net debt at 30 June 2019	\$3.5M
Free float	~90%

Share price performance (12-months)



Upside Case

- Embedded in the racing clubs' integrity systems
- Strong relationships with corporate bookmakers in both Australia and UK
- Opportunity to leverage relationships to develop its Global Racing Network and potentially the Global Tote

Downside Case

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

Catalysts

- Confirmation that FY20 guidance of \$10m net revenue and EBITDA of \$3.4-\$3.7m has been achieved
- Continued evidence that the Global Tote and GRN are being adopted by corporate bookmakers/racing

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FINANCIAL SERVICES GUIDE

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of

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ABN 92 168 734 530

AFSL 456663

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