

29th December 2020

BetMakers Technology Group

Sportech shareholders approve tote/digital assets sale

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. 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. Shareholders voted overwhelmingly in favour of the transaction at a meeting on December 24. BetMakers is now due to pay the initial, non-refundable payment of £6.2m of the total £30.9m acquisition cost. We have already incorporated assumptions for the Sportech assets which include the delivery of ~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. 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.

Overwhelming majority vote

Sportech Plc announced to the market (London Stock Exchange) on Thursday December 24 that 99.81% of the votes cast at its general meeting were in favour of the sale of its Tote and Digital assets to BetMakers. In total, 60.18% of total votes on issue were registered to vote. BetMakers noted in an announcement today that it would now make the initial non-refundable payment of £6.2m. The outstanding conditions on the purchase relate to the satisfaction of certain customary conditions that only BetMakers can waive (at its discretion), including transfer of licences. The acquisition 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, is transformative, in our view, accelerating BetMakers' international growth plans and positioning it to play a pivotal role in the development of the US wagering industry.

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 but excluding in the money options, 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 also 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)	43.9	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	40.9	nm	na
06/21e	35.3	3.8	(2.8)	0.03	13.4	nm	nm
06/22e	86.7	18.5	8.9	1.23	6.3	25.6	58.3

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)	\$0.715
Market Capitalisation	\$500.7M
Shares on issue ([post raise and SPP])	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

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of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

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

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