

28 May 2021

## BetMakers Technology Group

### A transformational David and Goliath deal

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company has announced it has submitted an indicative proposal to acquire Tabcorp's (ASX:TAH) wagering and media business for \$4b, including \$1b cash, to be funded through debt financing, and \$3.0b in BetMakers shares, which equates to approximately 1.79b shares. The share consideration has been priced at a 15% premium to the 10-day volume weighted average price (VWAP) to 26 May (~\$1.46). The deal would give TAH around 65% of the combined BET/TAH wagering and media business. BET has proposed that share consideration be distributed in specie to Tabcorp shareholders on a pro rata basis. The combined entity would be moderately geared at less than 2.5x net debt/EBITDA on a pro forma basis. Tabcorp noted it has received the unsolicited, non-binding and indicative proposal and that the board has not yet formed a view on its merits. It will be assessed in the context of TAH's previously announced strategic review which is evaluating all structural and ownership options, including the potential sale or demerger of its Wagering and Media businesses, to maximise the value of TAH's businesses for the benefit of shareholders.

#### 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.

#### Transformational transaction if it proceeds

BET's indicative proposal is a potentially transformational deal for both companies if it proceeds. The transaction is conditional on the completion of due diligence, and likely approvals from the ASX, racing industries, BetMakers and potentially Tabcorp shareholders. The \$4b indicative proposal implies a transaction multiple of 10.8x the wagering and media division's FY20 EBITDA (\$371m). If it proceeds, we see the addition of TAH's wagering and media division adding weight to BET's competitive standing in its US wagering operations. Tabcorp has long been criticised for not more aggressively pursuing opportunities in the US market. This transaction potentially will unlock those opportunities for TAH shareholders.

#### Forecasts under review

As flagged in our flash comment of May 21, our BET forecasts are under review, giving due consideration to the US fixed odds wagering industry. Our current forecasts only contemplate revenues derived from fixed odds wagering in New Jersey which is close to finalising its legislation. The Tabcorp wagering and media acquisition, should it proceed, will also be transformational for our forecasts. In FY20, the wagering and media business reported revenues of \$2.1b and EBITDA of \$371m.

#### 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)	82.4	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	80.3	nm	na
06/21e	23.6	(0.6)	(2.9)	(0.16)	42.7	nm	nm
06/22e	82.0	10.0	4.5	0.56	13.9	nm	nm

Source: Company data, RaaS Advisory Estimates for FY21e, and FY22e \* EPS normalised for one-time items

#### Share details

ASX Code	BET
Share Price (intraday)	\$1.35
Market Capitalisation	\$1,097M
Shares on issue	812.3M
In the money options on issue	60.6M
Performance rights on conversion	186.7M
Net cash 31 March	\$125M
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 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

- NJ Fixed Odds horse wagering bill becomes enacted
- TAH accepts BET's indicative proposal and transaction proceeds

#### Company contact

Anthony Pullin (CFO) +61 476 167 127

anthony.pullin@thebetmakers.com

#### RaaS Advisory contact

Finola Burke\* +61 414 354 712  
finola.burke@raasgroup.com

Jennifer Owen\* +61 409 786 286  
enquiries@owengamingresearch.com

\*Analyst holds shares

## 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

### About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

### Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

### Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

### How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

### Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

### Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

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

### Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

#### DISCLAIMERS and DISCLOSURES

This report has been commissioned by BetMakers Technology Group Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.