

# BetMakers Technology Group Ltd

FY21 Results Analysis

## This is just the beginning

BetMakers Technology Group (ASX:BET) is a B2B software services business providing racing, wagering and integrity data, software and hardware products to bookmakers, racing authorities and rights holders globally. 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 transforming US horseracing industry, which is poised to introduce fixed odds wagering, initially in New Jersey where BET has a 10-year exclusive licence with New Jersey Thoroughbred Horsemen Association and Darby Development LLC, to deliver and manage fixed odds thoroughbred horse racing. BET reported FY21 revenues of \$19.46m, an increase of 126.7% on the previous corresponding period and largely in line with our expectations and a better than forecast underlying EBITDA loss of \$2.9m, compared with our forecast for a loss of \$4.2m. BET noted it in the course of FY21, it had invested in additional resources and infrastructure ahead of the curve to support its international expansion. More than \$2.4m was invested in its US operations in FY21. We are focused on BET's international expansion opportunities including wagering deal in New Jersey and expansive footprint in the US pari-mutuel market. These underpin our \$2.31/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.

### Annualised revenue run rate for FY22 already ahead of \$70m

BetMakers has announced that based on its July revenues, the annualised revenue run rate is in excess of \$70m a year and this is yet to include any revenues from US Fixed Odds wagering. Our forecast is for \$94m for FY22 and includes the start of fixed odds wagering in New Jersey from Q2 FY22. In our view, our forecasts for FY22 could prove conservative.

### Base case DCF valuation is \$2.31/share (\$1.98b)

Our base case DCF valuation is \$2.31/share after rolling the model to the new financial year. Fully diluted for all options and performance rights on issue, the valuation is \$2.05/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 commencement of fixed odds wagering in New Jersey once the rules are defined by the relevant government agency 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)
06/20a	9.2	0.8	(2.1)	(0.33)	72.3
06/21a	19.5	(2.9)	(17.5)	(0.33)	47.6
06/22e	94.0	15.8	8.9	1.04	10.7
06/23e	113.7	23.3	14.8	1.62	8.7

Source: RaaS Advisory Estimates for FY22e and FY23e, Company Data for historical earnings

## Software & services

31<sup>st</sup> August 2021

### Share details

ASX Code	BET
Share price (30 Aug)	\$1.22
Market Capitalisation	\$1,036M
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

- Fixed Odds wagering commences in NJ
- 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

### Company contact

Anthony Pullin (CFO) +61 476 167 127  
anthony.pullin@thebetmakers.com

### RaaS Advisory contacts

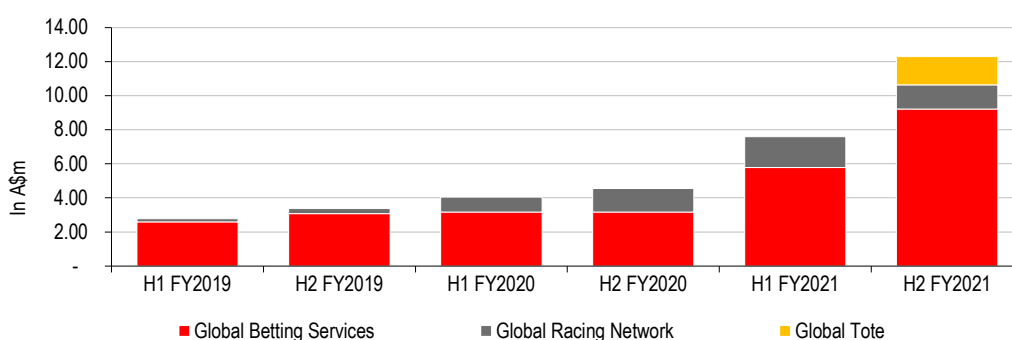
Finola Burke\* +61 414 354 712  
finola.burke@raasgroup.com  
Jennifer Owen\* +61 409 746 286  
enquiries@owengamingresearch.com

\*Analysts hold shares

## FY21 results analysis

BET reported FY21 revenues of \$19.5m, up 127% on FY20, and including just \$2m from the Sportech Racing and Digital assets which were acquired on 17 June. The result was driven by the expansion of platform and managed trading services clients, which resulted in Global Betting Services posting a 130% uplift in year on year revenues to \$14.6m, and an acceleration of half on half growth in H2 FY21 (191%). The Global Racing Network, which provides a one-stop shop of racing data, content and integrity solutions for regulators, racing bodies and rights holders, increased revenues 44% to \$3.2m in FY21. Importantly, it generated \$6.7m in revenue for rights holders from the 300k+ races covered through the course of the year. Sportech's global tote assets contributed \$1.7m in revenue in H2 FY21 in the first 14 days post acquisition.

**Exhibit 1: Revenue breakdown by half year**



Source: Company reports

BetMakers' operating performance was ahead of our estimates for FY21, with the underlying EBITDA loss of \$2.88m lower than our forecast for a \$4.23m loss. It is worth noting that the company has been investing ahead of the curve to support its international expansion, with more than \$2.4m invested in its US operations during FY21. This growth capital is expected to be recouped in FY22 and beyond as the company cements its position as a significant player in the US horse wagering market.

**Exhibit 2: FY21 versus FY20 and RaaS forecast**

Year ending June 30	FY20	FY21	% chg	RaaS forecast
Revenue	8.58	19.46	126.7%	19.81
Gross Profit	6.33	10.20	61.1%	11.37
EBITDA underlying	0.83	(2.88)	(445.9%)	(4.23)
NPAT underlying	(1.51)	(2.20)	45.0%	(5.46)

Source: Company data, RaaS estimates

## FY22 update and earnings forecasts

BET noted that its July annualised revenue run rate was in excess of \$70m, putting it well on track to meet our expectations for \$94m in revenues in FY22. BET has yet to generate any revenue from Fixed Odds wagering being introduced into New Jersey, and our forecasts include estimates from Q2 FY22. These forecasts could well prove to be too conservative, however, given we recently upgraded our forecasts ([BetMakers Technology Group RaaS Update 22 June 2021](#)) to include the US fixed odds opportunity, we will give it time to develop before revisiting our estimates. Our adjustments to our BET forecasts following the FY21 result are at the margin, as the following exhibit demonstrates.

**Exhibit 3: Earnings adjustments to FY22, FY23 and FY24**

	FY22 old	FY22 new	FY23 old	FY23 new	FY24 old	FY24 new
Revenue	94.0	94.0	113.7	113.7	154.3	154.3
Gross Profit	68.9	68.9	83.9	83.9	108.5	108.5
EBITDA	15.4	15.8	22.8	23.3	42.4	43.0
NPAT	9.0	8.9	14.7	14.8	28.9	29.3

Source: RaaS estimates

**Base Case DCF valuation is \$2.31/share (\$1.98b)**

We have rolled our financial model for the new year and this has resulted in our base case valuation increasing slightly to \$2.31/share (previously \$2.29/share). On a fully diluted basis, for all options and performance rights (ie 1,011m), the valuation is \$2.05/share.

**Exhibit 4: Base Case DCF valuation**

	Parameters
Discount rate (WACC)	11.4%
Terminal Growth Rate	2.2%
Beta	1.4
Present value of free cashflows (\$m)	511
Terminal value (\$m)	1,346
Plus Net Cash at 30 June and Options conversion on 27 July	(121)
Equity value (\$m)	1,979
Shares on issue (m)	856
<b>Equity value per share</b>	<b>\$2.31</b>

Source: RaaS estimates

# Exhibit 5: Financial Summary

BetMakers Technology Group Ltd (BET)						Share price (30 August 2021)						A\$	1.22
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Revenue	H120F	H220A	H121A	H221A	H122F	H222F	
Sales revenue	8.6	19.5	94.0	113.7	154.3	Gross profit	4.3	4.9	7.6	12.3	45.4	48.6	
Total Revenue	9.2	19.5	94.0	113.7	154.3	EBITDA	3.6	3.1	4.0	6.6	33.0	35.9	
Gross Profit	6.3	10.2	68.9	83.9	108.5	EBIT	0.3	0.3	(1.7)	(0.8)	8.2	7.6	
EBITDA	0.8	(2.9)	15.8	23.3	43.0	NPAT (normalised)	(0.4)	(0.8)	(2.8)	(1.9)	5.7	4.9	
Depn	(0.3)	(0.5)	(0.3)	(0.4)	(0.4)	Minorities	(0.6)	(0.9)	(1.4)	(0.9)	4.8	4.1	
Amort	(1.9)	(2.2)	(4.9)	(3.9)	(3.2)	NPAT (reported)	0.0	0.0	0.0	0.0	0.0	0.0	
EBIT	(1.3)	(5.6)	10.6	19.0	39.4	EPS (normalised)	(0.6)	(1.5)	(4.4)	(0.9)	4.8	4.1	
Interest	(0.5)	(0.1)	2.1	2.2	2.4	EPS (reported)	(0.1)	(0.3)	(0.8)	(0.1)	0.6	0.5	
Tax	0.3	3.5	(3.8)	(6.4)	(12.6)	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	(0.2)	(0.3)	(1.3)	(0.7)	(11.4)	8.0	
NPAT pre significant items	(1.5)	(2.2)	8.9	14.8	29.3	Free Cash flow	(0.3)	(0.4)	(1.4)	(2.6)	(12.0)	7.3	
Significant items	(0.6)	(15.3)	0.0	0.0	0.0	Divisions							
NPAT (reported)	(2.1)	(17.5)	8.9	14.8	29.3	Wholesale Wagering	H120F	H220A	H121A	H221A	H122F	H222F	
Cash flow (A\$m)						Content & Integrity	3.2	3.2	5.8	10.9	37.9	40.5	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Other income	0.9	1.4	1.8	1.4	7.6	8.1	
EBITDA	0.8	(2.9)	15.8	23.3	43.0	Total Revenue	0.0	0.3	0.0	0.0	0.0	0.0	
Interest	(0.4)	(0.0)	2.1	2.2	2.4	COGS	4.0	4.9	7.6	12.3	45.4	48.6	
Tax	(0.0)	(0.1)	(3.8)	(6.4)	(12.6)	Gross Profit	0.4	1.8	3.6	5.7	12.4	12.7	
Working capital changes	(1.0)	1.0	(17.5)	(12.5)	(17.6)	Employment costs	3.6	3.1	4.0	6.6	33.0	35.9	
Operating cash flow	(0.5)	(2.0)	(3.4)	6.6	15.3	Selling General & Admin Costs	2.0	2.1	3.3	5.8	20.0	21.6	
Mtce capex	(0.2)	(1.9)	(1.3)	(1.1)	(0.9)	Other Opex	1.3	0.6	1.3	2.4	3.3	4.6	
Free cash flow	(0.7)	(4.0)	(4.7)	5.6	14.4	Total Operating Costs	0.0	0.0	1.1	(0.8)	1.5	2.1	
Growth capex	(0.0)	(0.7)	(7.5)	(7.5)	(3.8)	EBITDA	3.3	2.8	5.7	7.4	24.8	28.3	
Acquisitions/Disposals	0.0	(44.1)	0.0	0.0	0.0		0.3	0.3	(1.7)	(0.8)	8.2	7.6	
Other	0.0	0.0	0.0	0.0	0.0								
Cash flow pre financing	(0.7)	(48.8)	(12.2)	(1.9)	10.7								
Equity	37.8	142.8	0.5	10.8	0.0	Margins, Leverage, Returns							
Debt	0.0	0.0	0.0	0.0	0.0	EBITDA		FY20A	FY21A	FY22F	FY23F	FY24F	
Dividends paid	(0.2)	(0.5)	0.0	0.0	0.0	EBIT		9.1%	(14.8%)	16.8%	20.5%	27.9%	
Net cash flow for year	36.9	93.6	(11.7)	8.9	10.7	NPAT pre significant items		(14.3%)	(28.7%)	11.3%	16.7%	25.5%	
Balance sheet (A\$m)						Net Debt (Cash)		(16.5%)	(11.3%)	9.4%	13.0%	19.0%	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Net debt/EBITDA (x)		31.3	118.5	114.3	130.7	145.1	
Cash	31.6	120.6	116.4	132.8	147.2	Net debt/EBITDA (x)	(x)						
Accounts receivable	2.0	9.0	10.3	12.5	16.9	ND/ND+Equity (%)	(%)						
Inventory	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)						
Other current assets	0.1	5.0	5.0	5.0	5.0	ROA							
Total current assets	33.7	134.6	131.7	150.2	169.1	ROE							
PPE	0.2	11.4	12.4	13.1	13.6	ROIC							
Intangibles inc Goodwill	14.5	44.3	44.3	44.3	44.3	NTA (per share)							
Investments	0.0	0.0	0.0	0.0	0.0	Working capital							
Deferred tax asset	7.3	12.3	12.3	12.3	12.3	WC/Sales (%)							
Other assets	6.9	27.7	32.5	40.7	53.6	Revenue growth							
Total non current assets	28.9	95.7	101.5	110.3	123.7	EBIT growth pa							
Total Assets	62.6	230.3	233.2	260.6	292.8	Pricing							
Accounts payable	1.3	17.6	11.1	12.8	15.7	No of shares (y/e)		FY20A	FY21A	FY22F	FY23F	FY24F	
Short term debt	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares							
Tax payable	0.0	0.1	0.1	0.1	0.1	EPS Reported	(m)						
Other current liabilities	0.4	4.4	4.4	4.4	4.4	EPS Normalised/Diluted	(m)						
Total current liabilities	1.7	22.1	15.6	17.3	20.3	EPS growth (norm/dil)							
Long term debt	0.4	2.1	2.1	2.1	2.1	DPS							
Other non current liabs	0.2	10.7	10.7	10.7	10.7	DPS Growth							
Total long term liabilities	0.5	12.8	12.8	12.8	12.8	Dividend yield							
Total Liabilities	2.2	34.9	28.4	30.1	33.1	Dividend imputation							
Net Assets	60.4	195.4	204.8	230.5	259.8	PE (x)							
Share capital	84.9	226.0	226.5	237.4	237.4	PE market							
Accumulated profits/losses	(26.1)	(43.5)	(34.6)	(19.8)	9.5	Premium/(discount)							
Reserves	1.6	12.9	12.9	12.9	12.9	EV/EBITDA							
Minorities	0.0	0.0	0.0	0.0	0.0	FCF/Share							
Total Shareholder funds	60.4	195.4	204.8	230.5	259.8	Price/FCF share							
						Free Cash flow Yield							

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**

### 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. Owen Gaming Research has been contracted by RaaS to assist in the preparation of this 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.