

6 August 2021

## BetMakers Technology Group

### It's Official! New Jersey greenlights fixed odds wagering

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 that the New Jersey Governor has signed the Bill to "authorise fixed odds wagering on horse races" making it the first US state to do so. BetMakers holds an exclusive 10-year Fixed Odds agreement on thoroughbred horse racing in New Jersey. The agreement with the New Jersey Thoroughbred Horsemen Association and Darby Development LLC, operator of the Monmouth Park racetrack, will see BetMakers deliver and manage Fixed Odds thoroughbred horse racing into New Jersey. As the only US state currently offering Fixed Odds, we expect New Jersey to benefit from additional wagering inflows, particularly from punters who have become accustomed to Fixed Odds Sports Betting and who are comfortable with digital platforms. Fixed Odds Sports Betting has generated US\$62.75b in handle from June 2018,, when it was first introduced, to July 31 with New Jersey, the first state to introduce, attracting US\$16.7b, or 27%, outstripping every state including Nevada. In our recently published report, [Eyeing the prize in the US wagering market](#), we upgraded our forecasts for BET on our estimates that the total US horse racing market could grow to US\$86b within 10 years of the introduction of fixed odds, with fixed odds comprising 75% of total wagering. Our estimates, extrapolated to BET's US business, resulted in our base case valuation lifting to \$2.0b or \$2.29/share.

### 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 recent acquisition of Sportech's racing, tote and digital assets establish BET as a pari-mutuel operator across 100 US racetracks, casinos and other venues in 36 states. This combined with BET's 10-year exclusive deal to operate fixed odds horse wagering in New Jersey position the company to be a significant player in the transforming US wagering market.

### New Jersey trailblazes again on Fixed Odds

With the signing of the Fixed Odds Wagering Bill by the New Jersey Governor, the state is now open for business on Fixed Odds on horse racing. This means that any wagering operator in New Jersey who wants to bet Fixed Odds on horse racing must have an agreement through BetMakers, and this will ensure that returns from Fixed Odds Wagering flows through to the racing industry. Wagering operators outside NJ, domestically and internationally, will also be able to strike similar agreements.

### Base case valuation is \$2.29/share

Our forecasts have incorporated estimates for the rollout of fixed odds wagering in the US, commencing with New Jersey, which we estimate will have a two-year headstart. We assume BET maintains the ~25% share of market currently commanded by the Sportech tote business, except in NJ where its 10 year exclusivity should see it benefit from Fixed Odds Wagering turnover. Our DCF derived valuation of \$2.29/share incorporates a WACC of 11.4% (beta 1.4, terminal growth rate 2.2%).

### Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	Revenue	EBITDA rep	NPAT rep.	EPS* (c)	EV/Sales (x)
06/19a	6.8	(2.1)	(3.6)	(1.26)	63.6
06/20a	9.2	0.8	(2.1)	(0.33)	61.1
06/21e	19.8	(4.2)	(5.5)	(0.53)	38.9
06/22e	94.0	15.4	9.0	1.05	8.8

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

### Share details

ASX Code	BET
Share Price (5 August)	\$1.04
Market Capitalisation	\$890.7M
Shares on issue	856.4M
In the money options on issue	47.5M
Performance rights on conversion	107.5M
Net cash 30 June	\$120.6M
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

- Demonstrated expansion in both US & international wagering markets
- Strategic partnership with Matt Tripp delivers significant growth opportunities

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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: 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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