

21 May 2021

BetMakers Technology Group

NJ legislature passes Fixed Odds Wagering bill

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 full floor of the New Jersey General Assembly has unanimously passed Bill A4909 which authorises fixed odds wagering on horse races through fixed odds wagering systems. This is a significant milestone for BET in achieving approval to proceed with its 10-year agreement with Darby Development LLC and the NJ Thoroughbred Horsemen Association to distribute and managed Fixed Odds horse racing in New Jersey. The next step in the legislative process is for the identical Bill S3090, which was passed unanimously in the Senate Budget and Appropriations Committee in NJ on 9 November 2020 to be voted on by the full floor of the Senate. If approved in the Senate, the Bill will go to the Governor of New Jersey for approval to become law. This then sets the scene for other US states to adopt similar legislation.

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.

Unanimously passed by the New Jersey General Assembly

On May 20, the New Jersey General Assembly unanimously (75-0) voted in favour of the Fixed Odds Bill (A4909) which authorises fixed odds wagering on horse races through fixed odds wagering systems. This follows bi-partisan support for and a unanimous vote on Tuesday by the Assembly Tourism, Gaming and the Arts Committee and the Assembly Appropriations Committee for the Bill. An identical Bill S3090 was passed by the Senate Budget and Appropriations Committee in New Jersey in November 2020 and is now set to be voted on by the full floor of the Senate. If approved in the Senate, the Bill will go to the Governor of New Jersey approval to become law. This legislation is one of the regulatory approvals needed by BET to proceed with its 10-year agreement to distribute and managed Fixed Odds horse racing in New Jersey and is a significant milestone towards attaining approval to proceed.

Forecasts under review

Our current forecasts only contemplate revenues derived from fixed odds wagering in New Jersey. Given that New Jersey is close to finalising this legislation, we are of the view that other US states will use it as a blueprint for similar legislation, opening up the opportunity for BET and other players in the US market to deliver fixed odds wagering.

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

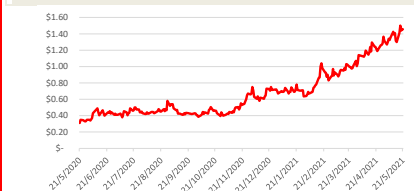
Year end	Revenue	EBITDA rep	NPAT rep.	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)	PER(x)
06/19a	6.8	(2.1)	(3.6)	(1.26)	88.4	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	86.5	nm	na
06/21e	23.6	(0.6)	(2.9)	(0.16)	46.1	nm	nm
06/22e	82.0	10.0	4.5	0.56	15.0	nm	nm

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

Share details

ASX Code	BET
Share Price (intraday)	\$1.45
Market Capitalisation	\$1,177M
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
- 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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AFSL 456663

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

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