

27 June 2022

BetMakers Technology Group Ltd

Buyback to underpin share price

BetMakers Technology Group Ltd (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company has announced a 10% share buyback scheme commencing 12 July 2022 for 12 months which will be funded from existing cash reserves, which at 31 March were \$107.8m. The buyback will be conducted within the 10/12 limit which permits the company to buy back up to 10% of the smallest number of shares on issue over the past 12 months. There were 812m shares at June 30, 2021. At the current share price (\$0.365/share), the buyback will cost the company up to \$29.6m if fully deployed. We believe it will also help underpin BET's shares which have been heavily shorted since 10 February. The short position at 20 June was 113.5m or 12.5% of the stock, making it the third most-shortest stock on the ASX. The company noted in its release that it has signed and announced deals that it believes will give it strong organic growth in FY23 with the expectation that this will continue. We are forecasting 41% revenue growth in FY23 over our forecast for \$91.3m revenue in FY22 and for the company to turn NPAT positive in that year. At the current share price, our FY23 forecasts imply EV/Sales of 2.4x, EV/EBITDA of 6.7x and PER of 21.3x. This compares with the 12-month forward mean of the All Tech Index of 2.7x EV/Sales and 17.5x EV/EBITDA. Our base-case DCF valuation for BET is \$2.00/share, with \$0.70/share incorporated for the US fixed-odds wagering opportunity.

Business model

BetMakers provides racing, wagering and integrity data, software and hardware products to bookmakers, racing authorities and rights holders globally. These include the supply of an international tote and other betting product engines, and services for bet types, including fixed odds, that monetise horse racing for stakeholders. BetMakers operates in more than 30 countries globally with greater than 200 customers and processes over \$15 billion of wagering turnover annually. This, combined with BET's 15-year exclusive deal to operate fixed-odds horse wagering in New Jersey, positions the company to be a significant player in the transforming US wagering market.

A smart use of cash reserves in the near term

With \$107.8m in net cash on the balance sheet at the end of March, and in the absence of an imminent corporate transaction, we are of the view that the announced share buyback is a smart use of cash reserves in the near term. A buyback also signals the board's confidence in the company's current share value, which has declined 69% in the past 12 months despite increasing evidence of BET's strong growth in operating revenues, cash receipts and operating profits. The buyback will also potentially offset recent short-selling in the stock.

Base-case valuation is \$2.00/share

Our base-case DCF valuation is \$2.00/share on the current share count and \$1.75/share fully diluted for all in-the-money options and performance rights on issue. Our valuation incorporates a 3.5% risk-free-rate to reflect rising Treasury bond rates. We see evidence of the progress of fixed-odds wagering in New Jersey as a key catalyst, along with progression of its Heads of Agreement with Caesars Retail Sportsbooks to be the exclusive provider of pari-mutuel racing services at bricks-and-mortar locations in Nevada, and the rollout of the NTD platform in Australia and New Zealand, which are not yet in our forecasts.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	9.7	nm	nm
06/22f	91.8	6.0	(28.7)	(0.40)	2.4	31.2	nm
06/23f	130.1	30.9	15.5	1.68	1.6	6.7	21.3
06/24f	163.9	57.7	35.7	3.42	1.0	2.9	10.5

Source: Company data; RaaS Advisory estimates for FY22f, FY23f and FY24f; *EPS normalised for one-time items

Share Details

ASX code	BET
Share price (25 Jun)	\$0.365
Market capitalisation	\$329.7M
Shares on issue	903.46M
In-the-money options on issue	14.3M
Performance rights on conversion	119.1M
Net cash 31-Mar	\$107.8M
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, Global Tote 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 and international wagering markets
- Evidence of take-up of fixed-odds wagering in NJ

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

Effective Date: 6th May 2021

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

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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