

BetMakers Technology Group Ltd

FY22 Results Analysis

FY22 maiden EBITDA profit, strong outlook for FY23

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. The company is rapidly on a path to become a key player in the transforming US horse racing industry, which is in the process of introducing fixed-odds wagering, initially in New Jersey where BET has a 15-year exclusive licence with New Jersey Thoroughbred Horsemen Association and Darby Development LLC to deliver and manage fixed-odds thoroughbred horse racing wagering. BET has reported FY22 revenues of \$91.68m, in-line with our forecasts and up 371% on the previous corresponding period, gross profit of \$66.3m, a more than five-fold increase on FY21, and its maiden full-year positive normalised EBITDA of \$2.2m, ahead of our forecast for an EBITDA loss of \$0.85m and a \$5.1m turnaround on FY21. Moving into FY23, BET is launching the NTD platform, on-boarding an additional nine contracted platform operators, finalising the rollout of its BetLine terminal hardware and technology in the US, and developing the Global Racing Network both within the US through the rollout of fixed odds in New Jersey and internationally through the delivery of 12,000 races from its US partners. Our base-case valuation is now \$2.28/share after rolling our model to the new financial year. On a fully-diluted basis, the valuation is \$1.99/share.

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 225 racing partners, 60+ online wagering operators 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.

Operating result better than forecast

BET delivered its maiden full-year operating (EBITDA) profit (adjusted for one-time and non-cash items) of \$2.2m, a \$5.1m turnaround on FY21 and ahead of our forecast for a loss of \$0.85m. Adjusted NPAT was a loss of \$1.0m, which was an improvement on the \$2.2m loss reported a year ago. Revenues of \$91.68m were previously reported at the fourth quarter and were up 371% on the previous year. The result reflects both the benefit of the Sportech acquisition and the company's execution of its stated ambition to expand its technology platform globally. We have maintained our forecasts for FY23 and FY24 and note that while the company has given no guidance, it has stated it is broadly comfortable with consensus estimates for the year ahead. Note that FY24 includes \$20.2m in revenues from NJ fixed-odds wagering and \$21m in revenues from the NTD consortium.

Base-case DCF valuation is \$2.28/share (up from \$2.11/share)

We have rolled our model to the new financial year and, as a consequence, our base-case DCF valuation is now \$2.28/share (previously \$2.11/share) on the current share count and \$1.99/share fully diluted for all in-the-money options and performance rights on issue. Our forecasts capture estimates for the broader US fixed-odds wagering opportunity, the NTD wagering opportunity, and assumptions for growth for the Global Racing Network division which will service the Penn National Gaming deal and other data and vision opportunities. We see key catalysts as evidence of take up of fixed-odds wagering in New Jersey and other US jurisdictions, the rollout of the NTD wagering platform in Australia and New Zealand, and growth in GRN revenues from Penn National Gaming and other ventures.

Earnings history and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenues	EBITDA adj.*	NPAT adj.*	EPS adj.* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	91.7	2.2	(1.0)	(0.11)	3.0	n.m	n.m
06/23f	124.6	15.9	4.5	0.50	2.2	17.5	80.8
06/24f	174.7	41.3	23.8	2.24	1.5	6.2	17.9
06/25f	219.9	63.1	39.2	4.27	1.0	3.4	9.4

Source: RaaS estimates for FY23f, FY24f and FY25f; Company data for historical earnings; *Adjusted for non-cash and one-time items

Software & Services

29th August 2022

Share Details

ASX code	BET
Share price (26-August)	\$0.39
Market capitalisation	\$352.8M
Shares on issue	904.5M
In-the-money options	14.3M
Performance rights including Waterhouse Group/Matt Tripp	119.1M
Net cash 30-Jun-2022	\$87.6M

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
- Rollout of NTD platform in Australia and NZ

Board of Directors

Nicholas Chan	Non-Executive Chairman
Simon Dulhunty	Non-Executive Director
Anna Massion	Non-Executive Director
Rebekah Giles	Non-Executive Director
Todd Buckingham	Managing Director/CEO

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*Analyst holds shares

FY22 Results Highlights

BET reported FY22 revenues of \$91.7m, an increase of 371% on the pc, and in-line with our estimates for the year. Gross profit margin was 72%, an increase of 2000 basis points on the pc, and in-line with our estimates. In response to questions post the results, the company has highlighted that it believes a gross profit margin in the mid-70% is sustainable for the business. This is in-line with our long-term estimates. BET reported its maiden full-year EBITDA profit of \$2.2m, a \$5.1m turnaround on FY21 and ahead of our estimates for a loss of \$0.85m for the full year. H2 FY22 EBITDA (excluding non-cash and one-time items) was a better-than-expected negative \$0.1m due to lower-than-forecast operating costs in the half. Non-cash and one-off items included share-based payment expenses of \$71.0m for the year, with \$53.0m of these related to performance rights to Matt Tripp (\$40.7m) and Waterhouse VC (\$12.46m), with no further expense now expected in future periods. Another \$9.1m related to performance rights to CEO Todd Buckingham, who was granted 25m performance rights at an EGM in April 2021, and \$8.75m to employee options and performance rights. The company also expensed \$15.6m relating to the execution of the NTD consortium which will not be repeated in the current financial year. The company ended FY22 with \$87.6m cash in hand.

Exhibit 1: FY22 P&L snapshot versus FY21 and RaaS forecast (in A\$m unless otherwise stated)

	FY21	FY22	% chg	RaaS forecast
Revenues	19.46	91.68	371.2	91.60
Gross profit	10.20	66.30	549.7	67.06
EBITDA (adjusted)	(2.88)	2.20	(176.2)	(0.85)
NPAT (adjusted)	(2.20)	(0.97)	(55.8)	(8.30)

Source: Company data, RaaS estimates

Divisionally, the company's two largest revenue sources, Global Betting Services and the Global Tote, grew revenues year on year and half on half.

Global Betting Services, which incorporates the Managed Trading Services platform (a SaaS platform which outsources risk and provides a trading solution to bookmakers) and other bookmaker-focused, racing products such as Price Manager, outperformed our revenue forecast delivering revenues of \$40.6m in FY22, up 179% from \$14.6m in FY21. H2 revenues grew 157% to \$22.6m and increased 26% on H1. Importantly, this is underlying, not acquired, growth within the business. The NTD wagering platform will sit within this division.

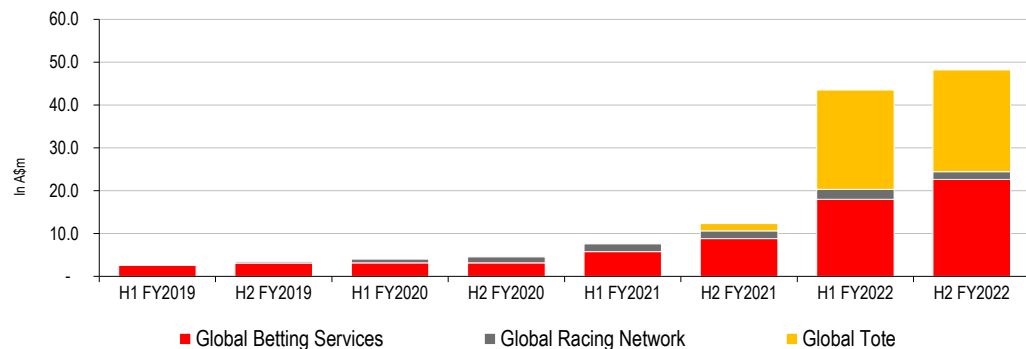
The **Global Tote**, which predominantly incorporates the pari-mutuel business and digital assets acquired from Sportech, reported revenues of \$46.9m in FY22, substantially more than the \$1.7m reported in FY21. This is the division which will encompass revenues from BET's contract with Caesars Entertainment to provide pari-mutuel solutions on its retail sportsbooks, the 10-year Monmouth Park exclusive pari-mutuel and tote services deal, and the expansion of BET's tote technology into Norway and other jurisdictions.

The **Global Racing Network** generated revenues of \$4.1m in FY22, up from \$3.2m in FY21, with second-half revenues of 1.8m, in-line with a year ago. This division is responsible for the 15-year exclusive arrangement with Monmouth Park and the New Jersey Thoroughbred Horsemen Association, the Penn National Gaming racing content deal for delivery of its content outside the US and Canada, and BET's other racing content arrangements. We anticipate this division will grow significantly in the next 12 months as fixed-odds wagering is rolled out in New Jersey and US racing content is introduced into BET's international network.

Exhibit 2 below highlights the historical performance of the three divisions by half year and Exhibit 3 sets out our forecasts for each division by half year out to FY25.

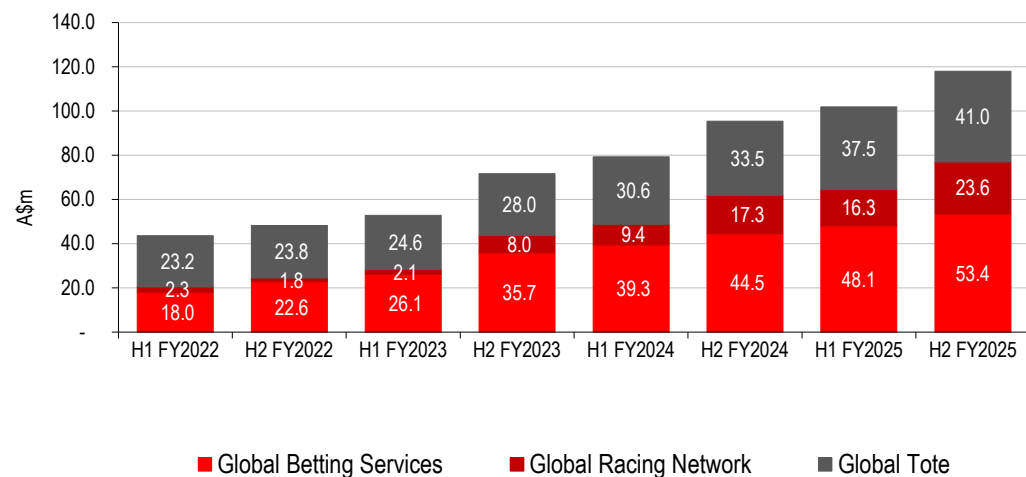
We have incorporated the FY22 results into our forecasts but have made no changes to our forecasts as the result largely met our expectations.

Exhibit 2: Revenues by division and by half year



Source: Company reports

Exhibit 3: Forecasted revenues by half year and by source



Source: RaaS estimates

Base-Case DCF Valuation Is \$2.28/Share (Up From \$2.11/Share)

We have rolled our model to the new financial year and this has resulted in an uplift to our base-case valuation to \$2.28/share (previously \$2.11/share). On a fully diluted basis, for all options and performance rights (ie 1,035m), the valuation is \$1.99/share. Our terminal value is \$1.58 in our \$2.28/share valuation.

Exhibit 4: Base-case DCF valuation		Parameters
Discount rate (WACC)		11.6%
Terminal Growth Rate		2.2%
Present value of free cashflows (\$m)		614
Terminal value (\$m)		1,365
Plus net cash at 30-Jun (\$m)		(86)
Equity value (\$m)		2,066
Shares on issue (m)		905
Equity value per share		\$2.28
Source: RaaS estimates		

Exhibit 5: Financial Summary

BetMakers Technology Group Ltd (BET)						Share price (26 August 2022)						A\$		0.39
Profit and Loss (A\$m)						Interim (A\$m)		H122A	H222A	H123F	H223F	H224F	H224F	
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Revenue		43.5	48.2	52.9	71.7	79.3	95.4	
Sales revenue	19.5	91.7	124.6	174.7	219.9	Gross profit		32.0	34.3	42.4	55.5	60.8	69.6	
Total Revenue	19.5	91.7	124.6	174.7	219.9	EBITDA		2.3	(0.1)	2.3	13.5	17.2	24.1	
Gross Profit	10.2	66.3	97.9	130.4	159.5	EBIT		(3.8)	(3.7)	(2.2)	9.1	13.7	20.7	
EBITDA	(2.9)	2.2	15.9	41.3	63.1	NPAT (normalised)		(2.6)	1.6	(1.7)	6.2	9.4	14.3	
Depn	(0.5)	(3.4)	(3.8)	(3.4)	(3.4)	Minorities		0.0	0.0	0.0	0.0	0.0	0.0	
Amort	(2.2)	(6.3)	(5.1)	(3.5)	(3.1)	NPAT (reported)		(27.8)	(61.4)	(1.7)	6.2	9.4	14.3	
EBIT	(5.6)	(7.5)	7.0	34.4	56.6	EPS (normalised)		(0.3)	0.2	(0.2)	0.7	1.0	1.6	
Interest	(0.1)	(0.5)	(0.5)	(0.5)	(0.5)	EPS (reported)		(3.3)	(6.9)	(0.2)	0.7	1.0	1.6	
Tax	3.5	7.1	(1.9)	(10.2)	(16.8)	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		0.0	0.0	0.0	0.0	0.0	0.0	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow		1.8	(20.1)	4.2	9.2	11.4	16.8	
NPAT pre significant items	(2.2)	(1.0)	4.5	23.8	39.2	Free Cash flow		(8.5)	(25.3)	1.2	6.2	9.9	15.3	
Significant items	(15.3)	(88.3)	0.0	0.0	0.0	Divisions		H122A	H222A	H123F	H223F	H224F	H224F	
NPAT (reported)	(17.5)	(89.2)	4.5	23.8	39.2	Global Betting Services		18.0	22.6	26.1	35.7	39.3	44.5	
Cash flow (A\$m)						Global Racing Network		2.3	1.8	2.1	8.0	9.4	17.3	
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Global Tote		23.2	23.8	24.6	28.0	30.6	33.5	
EBITDA	(2.9)	2.2	15.9	41.3	63.1	Totatl Revenue		43.5	48.2	52.9	71.7	79.3	95.4	
Interest	(0.0)	(0.5)	(0.5)	(0.5)	(0.5)	COGS		11.5	13.9	10.5	16.2	18.5	25.8	
Tax	(0.1)	(0.1)	(2.7)	(10.2)	(16.8)	Gross Profit		32.0	34.3	42.4	55.5	60.8	69.6	
Working capital changes	1.0	(19.8)	0.7	(2.5)	(2.1)	Employment costs		21.3	25.5	29.3	31.0	32.5	34.0	
Operating cash flow	(2.0)	(18.2)	13.4	28.1	43.7	Selling General & Admin Costs		8.1	8.9	10.3	10.5	10.7	10.9	
Mtce capex	(1.9)	(15.6)	(6.0)	(3.0)	(3.0)	Other Opex		0.4	(0.0)	0.5	0.5	0.5	0.5	
Free cash flow	(4.0)	(33.8)	7.4	25.1	40.7	Total Operating Costs		29.7	34.4	40.0	41.9	43.7	45.4	
Growth capex	(0.7)	(0.6)	(1.0)	(1.0)	(1.0)	EBITDA		2.3	(0.1)	2.3	13.5	17.2	24.1	
Acquisitions/Disposals	(44.1)	(6.0)	0.0	0.0	0.0	EBITDA margin (%)		5.3	n.m	4.4	18.9	21.7	25.3	
Other	0.0	(0.6)	0.0	0.0	0.0									
Cash flow pre financing	(48.8)	(41.0)	6.4	24.1	39.7									
Equity	142.8	8.8	0.0	0.0	0.0	Margins, Leverage, Returns		FY21A	FY22A	FY23F	FY24F	FY25F		
Debt	0.0	0.0	0.0	0.2	0.4	EBITDA		(14.8%)	2.4%	12.8%	23.6%	28.7%		
Dividends paid	(0.5)	(0.9)	0.0	0.0	0.0	EBIT		(28.7%)	(8.2%)	5.6%	19.7%	25.7%		
Net cash flow for year	93.6	(33.1)	6.4	24.3	40.1	NPAT pre significant items		(11.3%)	(1.1%)	3.7%	13.6%	17.8%		
Balance sheet (A\$m)						Net Debt (Cash)		118.5	82.9	89.3	113.5	153.2		
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Net debt/EBITDA (x)	(x)	n/a	37.7	5.6	2.7	2.4		
Cash	120.6	87.5	94.0	118.3	158.4	ND/ND+Equity (%)	(%)	(154.0%)	(78.0%)	(85.5%)	(109.0%)	(147.8%)		
Accounts receivable	9.0	15.4	15.5	21.7	27.4	EBIT interest cover (x)	(x)	n/a	n/a	0.1	0.0	0.0		
Inventory	0.0	0.0	0.0	0.0	0.0	ROA		(3.8%)	(3.3%)	3.1%	14.2%	20.4%		
Other current assets	5.0	6.1	6.1	6.1	6.1	ROE		(13.7%)	(46.4%)	2.4%	11.6%	16.5%		
Total current assets	134.6	109.1	115.6	146.1	191.9	ROIC		(2.8%)	(4.2%)	3.7%	15.5%	20.1%		
PPE	11.4	24.8	28.0	28.6	29.2	NTA (per share)		0.19	0.18	0.18	0.20	0.25		
Intangibles inc Goodwill	44.3	30.5	30.5	30.5	30.5	Working capital		(8.5)	(0.3)	(0.9)	1.6	3.7		
Investments	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(43.8%)	(0.3%)	(0.7%)	0.9%	1.7%		
Deferred tax asset	12.3	18.5	19.2	19.2	19.2	Revenue growth		126.7%	371.2%	35.9%	40.2%	25.9%		
Other assets	27.7	40.1	35.0	31.5	28.4	EBIT growth pa	n/a	n/a	(193.0%)		394.2%	64.3%		
Total non current assets	95.7	114.0	112.7	109.9	107.3	Pricing		FY21A	FY22A	FY23F	FY24F	FY25F		
Total Assets	230.3	223.1	228.3	256.0	299.2	No of shares (y/e)	(m)	813	904	919	919	919		
Accounts payable	17.6	15.7	16.4	20.1	23.7	Weighted Av Dil Shares	(m)	675	874	919	919	919		
Short term debt	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(2.59)	(10.21)	0.50	2.24	4.27		
Tax payable	0.1	0.3	0.3	0.3	0.3	EPS Normalised/Diluted	cps	(0.33)	(0.11)	0.50	2.24	4.27		
Other current liabilities	4.4	5.2	5.2	5.2	5.2	EPS growth (norm/dil)		n/a	n/a	-545%	352%	91%		
Total current liabilities	22.1	21.3	22.0	25.7	29.2	DPS	cps	-	-	-	-	-		
Long term debt	2.1	4.6	4.6	4.8	5.2	DPS Growth		n/a	n/a	n/a	n/a	n/a		
Other non current liabs	10.7	7.9	7.9	7.9	7.9	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Total long term liabilities	12.8	12.5	12.5	12.7	13.1	Dividend imputation		0	0	0	0	0		
Total Liabilities	34.9	33.8	34.5	38.4	42.3	PE (x)		-	-	78.8	17.4	9.1		
Net Assets	195.4	189.3	193.8	217.6	256.8	PE market		15.0	15.0	15.0	15.0	15.0		
Share capital	226.0	252.5	252.5	252.5	252.5	Premium/(discount)		nm	nm	425.0%	16.1%	(39.1%)		
Accumulated profits/losses	(43.5)	(132.7)	(128.2)	(104.4)	(65.2)	EV/EBITDA		nm	122.8	16.9	5.9	3.3		
Reserves	12.9	69.5	69.5	69.5	69.5	FCF/Share	cps	(0.0)	(0.3)	2.1	3.4	5.1		
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		nm	(1.3)	0.2	0.1	0.1		
Total Shareholder funds	195.4	189.3	193.8	217.6	256.8	Free Cash flow Yield		nm	(0.7)	5.4	8.7	13.0		

Source: RaaS estimates



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: 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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 - Securities
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