

23 December 2021

BetMakers Technology Group

Partnering with Caesars for pari-mutuel racing solutions

BetMakers Technology Group Ltd (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. BET has announced it has signed a binding Heads of Agreement (HoA) to become the exclusive provider of pari-mutuel racing services for Caesars Entertainment Inc's (NASDAQ:CZR) bricks-and-mortar retail sportsbook locations in Nevada. Caesars is the largest casino-entertainment company in the US and earlier in 2021, completed the acquisition of bookmaker William Hill. Under the agreement, the parties have stated their desire for BetMakers to become Caesars' racing partner in the Americas. The initial agreement will allow the parties to commence the integration of BetMakers' software while the long-form agreements are negotiated over the next 60 days. Under the long-form agreements, BetMakers will provide its pari-mutuel tote services and software services to Caesars' locations for a minimum five-year term commencing by at the latest 31 July 2022, with an auto-renew option for two consecutive years. Caesars will pay BetMakers an initial upfront integration fee, ongoing minimum monthly fees and a percentage of wagering turnover from the services. Nevada's wagering turnover from 2017 to 2019, pre-COVID, averaged US\$250m, according to Nevada Gaming Commission statistics. Caesars reports it holds 17% of handle in the US, so using this as a proxy for Nevada, we estimate that BET could see at least from US\$0.4m to US\$0.8m (A\$0.55m to A\$1.1m) in additional revenue just from 1-2% of Caesars' Nevada pari-mutuel handle. However, more significantly, the deal positions BET to look after racing across all Caesars' North, Central and South American properties.

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 three years' duration. BetMakers also generates revenue from the content distribution deals it has in place with international racing authorities such as US Greyhounds, US Racing and UK Greyhounds, which are more aligned to share of turnover. The acquisition of Sportech's racing, tote and digital assets established 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, positions the company to be a significant player in the transforming US wagering market.

Opportunity to extend beyond Nevada and into fixed odds

The HoA with Caesars initially only relates to pari-mutuel handle and effectively sees the integration at Caesars' locations of BetMakers' middleware with the current exclusive pari-mutuel pool operator in Nevada, Las Vegas Dissemination Company. Based on BET's other tote deals, we estimate it will deliver from 1-2% of Caesars' wagering handle from FY23. In our view, the deal presents an opportunity for BET to deliver its pari-mutuel widget and software solutions to Caesars' locations across the Americas and, as fixed-odds wagering is introduced in Nevada and other states, additionally provide these services to Caesars and its subsidiary William Hill.

Base-case valuation is \$2.35/share

Our forecasts include estimates for the rollout of fixed-odds wagering in the US, commencing with New Jersey, which we see having a two-year head-start. 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. The Caesars' deal is not included in our forecasts. Our DCF-derived valuation of \$2.35/share (\$2.01b) incorporates a WACC of 11.4%.

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

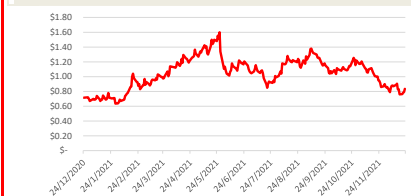
Year end	Revenue	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	30.5
06/22e	94.4	8.8	5.4	0.62	7.0
06/23e	115.0	22.6	14.8	1.62	5.6
06/24e	156.8	45.8	31.1	2.84	4.0

Source: Company data, RaaS Advisory estimates for FY22e, FY23e, and FY24e * EPS normalised for one-time items

Share Details

ASX code	BET
Share price (intraday)	\$0.845
Market capitalisation	\$724.7M
Shares on issue	857.6M
In-the-money options on issue	46.3M
Performance rights on conversion	107.5M
Net cash 30-Sept	\$108.8M
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
- 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

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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