

BetMakers Technology Group Ltd

Q3 FY22 Results Analysis

On track to meet our FY22 forecasts

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 poised to introduce 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. With the New Jersey launch imminent, BET reported Q3 FY22 cash receipts of \$21.6m, up more than three-fold on the cash receipts reported in Q3 FY21 but down 12% on the cash receipts reported in Q2 FY22, reflecting a seasonally quiet quarter for wagering. The company reported an operating cash loss of \$2.89m, the result of increased product manufacturing costs and admin and corporate costs. BET ended the quarter with \$107.8m in net cash, down \$3.1m on Q2 FY22. The quarter included \$2.5m in additional payments not related to the quarter, third party costs relating to the new NTD platform, US fixed odds, audit fees and on-off legal fees and a global staff short-term incentive payment. The company also continued to invest in the Bet Line betting terminals and other on-track hardware for use in the US which we expect to see recouped in additional revenues in coming quarters. We have maintained our forecasts and valuation which stands at \$2.28/share. We expect all eyes to be on the launch of fixed odds wagering in New Jersey, slated for May 7 although subject to some final regulatory ticks and continue to see this as the main game-changer for BET in terms of both revenues and market position.

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.

Tracking to meet our FY22 cashflow and revenue forecasts

Based on the cash receipts delivered year to date, BetMakers is tracking to an annualised revenue run rate of ~\$90m, up from the ~\$70m the company noted in July, 2021. Our revenue forecast for FY22 is \$93.5m and incorporates just \$0.7m in net revenues for NJ fixed-odds wagering in Q4 FY22. We have yet to incorporate revenue forecasts from the NTD platform venture, but note that it is likely that some of the set up revenues will be captured in Q4 FY22. As we highlighted in our report of [22 April 2022](#), we see this venture as earnings and valuation accretive but view the NJ opportunity as the main prize.

Base-case DCF valuation is \$2.28/share (\$2.06b)

Our base-case DCF valuation is \$2.28/share on the current share count and \$2.01/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 and assume that BET maintains the ~25% share of market currently commanded by the Sportech tote business except in NJ where it holds exclusivity for the next 15 years. We see key catalysts as the commencement of fixed-odds wagering in New Jersey from May 7, 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 we have yet to incorporate in our forecasts.

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

Year end	Revenue	EBITDA	NPAT	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
6/21a	19.5	(2.9)	(17.5)	(0.33)	19.7	nm
06/22e	93.5	5.8	(28.8)	-0.42	4.6	65.8
06/23e	125.6	24.8	11.2	1.22	3.3	16.9
06/24e	163.7	50.9	30.9	2.85	2.4	7.6

Source: RaaS estimates for FY22e, FY23e and FY24e; Company data for historical earnings

Software & Services

4th May 2022

Share Details

ASX code	BET
Share price (3-May)	\$0.545
Market capitalisation	\$492.4M
Shares on issue	903.5M
In-the-money options	14.3M
Performance rights including Waterhouse Group/Matt Tripp	119.1M
Net cash 31-Mar-2022	\$107.8M

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
- Demonstrated expansion in US wagering market

Board of Directors

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

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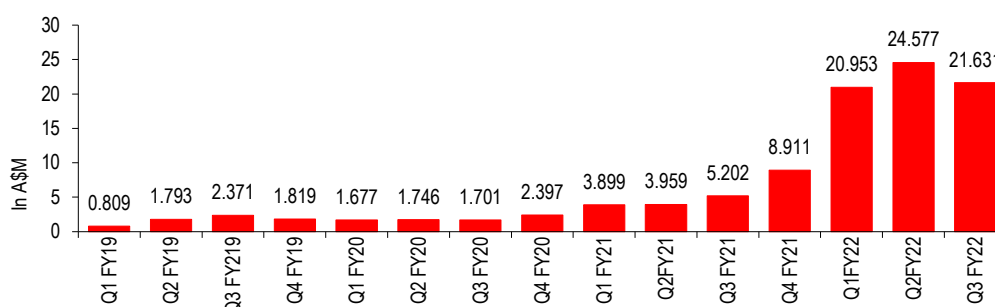
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*Analyst holds shares

Q3 FY22 Results Analysis

BET reported Q2 FY22 cash receipts of \$21.6m, a three-fold increase on the cash receipts reported in the previous corresponding period but down 12% on Q2 FY22, a seasonally stronger quarter. The operating cash loss of \$2.89m included \$2.5m in expenditure relating to Cloud and software services not directly related to the quarter (\$0.88m), third party costs associated with the NTD new platform, establishment of US fixed odds, audit fees and isolated-project legal fees (\$0.84m) and \$0.8m in a global staff short term incentives payment. Excluding these items, the operating cash outflow for the quarter was \$0.36m.

Exhibit 1: Cash receipts breakdown by quarter



Source: Company reports

The company ended Q3 FY22 with \$107.8m cash in hand, a \$3.1m decrease on the previous quarter.

Exhibit 2: Q3 FY22 versus Q3 FY21 and Q2 FY22 (in A\$m unless otherwise stated)

	Q3 FY21	Q2FY22	Q3 FY22	% chg
Cash receipts	5.20	24.58	21.63	315.8
Product manufacturing and operating costs	(2.00)	(6.39)	(6.96)	248.5
Employee costs	(2.28)	(12.24)	(12.13)	432.9
Admin, corporate and other costs	(1.27)	(3.78)	(5.09)	299.3
Net interest	-	-	-	-
Taxes	(0.01)	(0.09)	(0.03)	200.0
Other	(0.07)	0.69	(0.32)	356.5
Operating cashflow	(0.42)	2.77	(2.89)	582.1
Net cash at the end of the period	125.78	110.88	107.78	(14.3)

Source: Company data

Base Case DCF Valuation is \$2.28/share (\$2.06b)

Our base-case DCF-derived valuation is \$2.28/share. On a fully diluted basis, for all options and performance rights (ie 993m), the valuation is \$2.01/share. Our terminal value is \$1.45 in our \$2.28/share valuation.

Exhibit 4: Base-case DCF valuation	Parameters
Discount rate (WACC)	11.4%
Terminal Growth Rate	2.2%
Beta	1.4
Present value of free cashflows (\$m)	708
Terminal value (\$m)	1,242
Plus net cash at 31-Mar (\$m)	(108)
Equity value (\$m)	2,057
Shares on issue (m)	904
Equity value per share	\$2.28

Source: RaaS estimates

Exhibit 5: Financial Summary

BetMakers Technology Group Ltd (BET)						Share price (3rd May 2022)						A\$	0.55
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Revenue	H121A	H221A	H122A	H222F	H123F	H223F	
Sales revenue	8.6	19.5	93.5	125.6	163.7	Gross profit	4.0	6.6	32.0	35.9	42.6	52.5	
Total Revenue	9.2	19.5	93.5	125.6	163.7	EBITDA	(1.7)	(0.8)	2.3	3.5	8.4	16.4	
Gross Profit	6.3	10.2	67.9	95.1	126.1	EBIT	(2.8)	(1.9)	(3.8)	(2.4)	2.8	11.3	
EBITDA	0.8	(2.9)	5.8	24.8	50.9	NPAT (normalised)	(1.4)	(0.9)	(2.6)	(1.0)	2.6	8.6	
Depn	(0.3)	(0.5)	(3.9)	(4.8)	(5.2)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	
Amort	(1.9)	(2.2)	(8.2)	(5.9)	(3.8)	NPAT (reported)	(4.4)	(13.0)	(27.8)	(1.0)	2.6	8.6	
EBIT	(1.3)	(5.6)	(6.2)	14.1	41.9	EPS (normalised)	(0.8)	(1.9)	(3.3)	(0.1)	0.3	0.9	
Interest	(0.5)	(0.1)	0.7	1.9	2.3	EPS (reported)	(0.8)	(1.9)	(3.3)	(0.1)	0.3	0.9	
Tax	0.3	3.5	1.9	(4.8)	(13.2)	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	(1.3)	(0.7)	1.8	3.7	7.9	13.3	
NPAT pre significant items	(1.5)	(2.2)	(3.6)	11.2	30.9	Free Cash flow	(1.4)	(2.6)	(8.5)	(1.5)	5.3	10.9	
Significant items	(0.6)	(15.3)	(25.2)	0.0	0.0	Divisions							
NPAT (reported)	(2.1)	(17.5)	(28.8)	11.2	30.9	Global Betting Services	5.8	9.2	18.0	19.2	22.6	26.0	
Cash flow (A\$m)						Global Racing Network	1.8	1.4	2.3	5.5	10.7	11.4	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Global Tote	0.0	1.7	23.2	25.3	26.8	28.1	
EBITDA	0.8	(2.9)	5.8	24.8	50.9	Total Revenue	7.6	12.3	43.5	50.0	60.1	65.5	
Interest	(0.4)	(0.0)	0.8	1.9	2.3	COGS	3.6	5.7	11.5	14.2	17.5	12.9	
Tax	(0.0)	(0.1)	(0.1)	(4.8)	(13.2)	Gross Profit	4.0	6.6	32.0	35.9	42.6	52.5	
Working capital changes	(1.0)	1.0	(1.1)	(0.8)	(1.0)	Employment costs	3.3	5.8	21.3	23.3	24.7	26.1	
Operating cash flow	(0.5)	(2.0)	5.5	21.1	38.9	Selling General & Admin Costs	1.3	2.4	8.1	8.7	9.1	9.6	
Mtce capex	(0.2)	(1.9)	(15.5)	(4.9)	(2.3)	Other Opex	1.1	(0.8)	0.4	0.4	0.4	0.4	
Free cash flow	(0.7)	(4.0)	(10.0)	16.2	36.7	Total Operating Costs	5.7	7.4	29.7	32.3	34.2	36.1	
Growth capex	(0.0)	(0.7)	(7.7)	(2.9)	(2.9)	EBITDA	(1.7)	(0.8)	2.3	3.5	8.4	16.4	
Acquisitions/Disposals	0.0	(44.1)	0.0	0.0	0.0								
Other	0.0	0.0	(3.1)	0.0	0.0								
Cash flow pre financing	(0.7)	(48.8)	(20.8)	13.4	33.8								
Equity	37.8	142.8	8.7	0.0	0.0	Margins, Leverage, Returns						FY20A	FY21A
Debt	0.0	0.0	0.0	0.0	0.6	EBITDA		9.1%	(14.8%)	6.2%	19.7%	31.1%	
Dividends paid	(0.2)	(0.5)	0.0	0.0	0.0	EBIT		(14.3%)	(28.7%)	(6.6%)	11.2%	25.6%	
Net cash flow for year	36.9	93.6	(12.0)	13.4	34.4	NPAT pre significant items		(16.5%)	(11.3%)	(3.9%)	8.9%	18.9%	
Balance sheet (A\$m)						Net Debt (Cash)		31.3	118.5	104.9	118.2	152.1	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Net debt/EBITDA (x)	(x)	37.543	n/a	17.999	4.772	2.989	
Cash	31.6	120.6	107.9	121.3	155.7	ND/ND+Equity (%)	(%)	(107.4%)	(154.0%)	(108.9%)	(125.7%)	(166.8%)	
Accounts receivable	2.0	9.0	2.8	3.8	5.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	-	0.1	-
Inventory	0.0	0.0	0.0	0.0	0.0	ROA		(0.7%)	(3.8%)	(2.7%)	6.2%	16.9%	
Other current assets	0.1	5.0	6.8	6.8	6.8	ROE		(5.4%)	(13.7%)	(14.5%)	5.4%	13.6%	
Total current assets	33.7	134.6	117.6	131.9	167.4	ROIC		(2.3%)	(2.8%)	(3.0%)	6.3%	15.3%	
PPE	0.2	11.4	23.3	26.2	26.1	NTA (per share)		0.08	0.18	0.17	0.18	0.22	
Intangibles inc Goodwill	14.5	44.3	44.3	44.3	44.3	Working capital		0.7	(8.5)	1.5	2.2	3.2	
Investments	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		7.8%	(43.8%)	1.6%	1.8%	2.0%	
Deferred tax asset	7.3	12.3	14.7	14.7	14.7	Revenue growth		39.3%	112.3%	380.7%	34.3%	30.3%	
Other assets	6.9	27.7	20.4	14.5	10.8	EBIT growth pa		n/a	n/a	n/a	(327.0%)	197.7%	
Total non current assets	28.9	95.7	102.8	99.8	95.9	Pricing						FY20A	FY21A
Total Assets	62.6	230.3	220.3	231.7	263.3	No of shares (y/e)	(m)	568	858	918	918	918	
Accounts payable	1.3	17.6	1.4	1.6	1.7	Weighted Av Dil Shares	(m)	457	675	896	918	918	
Short term debt	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.47)	(2.59)	(3.38)	1.22	2.85	
Tax payable	0.0	0.1	0.2	0.2	0.2	EPS Normalised/Diluted	cps	(0.33)	(0.33)	(0.42)	1.22	2.85	
Other current liabilities	0.4	4.4	4.2	4.2	4.2	EPS growth (norm/dil)		n/a	n/a	n/a	-390%	135%	
Total current liabilities	1.7	22.1	5.7	5.9	6.1	DPS	cps	-	-	-	-	-	
Long term debt	0.4	2.1	3.1	3.1	3.6	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Other non current liabs	0.2	10.7	10.4	10.4	10.4	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total long term liabilities	0.5	12.8	13.4	13.4	14.0	Dividend imputation		0	0	0	0	0	
Total Liabilities	2.2	34.9	19.2	19.4	20.1	PE (x)		-	-	-	44.8	19.1	
Net Assets	60.4	195.4	201.1	212.3	243.2	PE market		18	18	18	18	18	
Share capital	84.9	226.0	242.0	242.0	242.0	Premium/(discount)		nm	nm	(100.0%)	148.9%	6.1%	
Accumulated profits/losses	(26.1)	(43.5)	(72.4)	(61.2)	(30.3)	EV/EBITDA		nm	nm	67.8	0.0	0.0	
Reserv es	1.6	12.9	31.5	31.5	31.5	FCF/Share	cps	(0.1)	(0.0)	2.3	2.8	4.5	
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		nm	nm	nm	nm	nm	
Total Shareholder funds	60.4	195.4	201.1	212.3	243.2	Free Cash flow Yield		nm	nm	nm	nm	nm	

Source: RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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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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- how we are paid, and
- complaint processes

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- deal on behalf of retail and wholesale clients in relation to
 - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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