

17 February 2021

BetMakers Technology Group

Tick from Matt Tripp & a \$110m war chest to invest

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company has received a significant endorsement from leading online wagering pioneer, Matt Tripp, who has led a \$75m share placement into BetMakers and signed a three-year partnership to develop strategic and transformational opportunities for the company. Matt Tripp will take a \$25m stake at \$0.70/share, which was a 1.6% discount to the 15-day Volume Weighted Average Price (VWAP). Existing institutional investors have committed to invest an additional \$50m at the same price with settlement due on 23 February. This will take BetMakers' war chest to \$110m and allow it to accelerate its growth opportunities. BetMakers has also secured a new three year commitment from CEO Todd Buckingham to 30 June 2024 with long term incentives in the form of 25m in performance rights designed to align vesting with a 26% CAGR in revenue and/or share price from 2022 to 2024. The CAGR in revenue is in line with our forecasts for the next three years and underpins our base case valuation of \$903.6m or on current share count \$1.16/share.

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.

Endorsement from leading online wagering pioneer

Leading online wagering pioneer, Matt Tripp, who turned Sportsbet into Australia's second largest bookmaker behind Tabcorp before founding BetEasy, has entered into an exclusive partnership to develop BetMakers' B2B wagering strategy. In consideration for delivering a "strategic" deal, defined as one which will increase the company's revenues by more than 10% on a proforma basis, Mr Tripp will be issued 35m unquoted performance rights. For the delivery of a "transformational" deal, one where revenues and EBITDA are increased by more than 100% on a pro forma basis, Mr Tripp will be issued with 32m performance rights and 32m options at \$0.70/option. Shareholders will be asked to vote on the arrangements at an extraordinary general meeting. Separately, Mr Tripp will subscribe for \$25m in BetMakers shares as part of a \$75m placement at \$0.70/share.

Base case valuation is \$1.16/share

Our DCF valuation is \$1.16/share based on the post-capital raise share count. The company has on issue 60.6m in the money options but more than half these are conditional on delivery of a transformational deal. Performance shares on issue are also contingent on deal delivery and so we have excluded these from the per share count. With a war chest of \$110m now available to it, BetMakers has the opportunity to accelerate its growth ambitions which could translate into additional upside to our forecasts.

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)	43.9	na	na
06/20a	9.2	0.8	-2.1	-0.33	58.39	nm	na
06/21e	35.3	3.8	-2.8	0.03	19.30	nm	nm
06/22e	86.7	18.5	8.9	1.23	8.98	42.07	81.3

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

Share details

ASX Code	BET
Share Price (intraday)	\$1.00
Market Capitalisation	\$776.5M
Shares on issue (post raise)	776.5M
In the money options on issue	60.6M
Performance rights on conversion	186.7M
Net cash post raise	\$110M
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

- Fixed Odds horse wagering bill becomes enacted
- Strategic partnership with Matt Tripp delivers significant growth opportunities

Company contact

Anthony Pullin (CFO) +61 476 167 127
anthony.pullin@thebetmakers.com

RaaS Advisory contact

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*Analyst holds shares

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: 26th November 2018

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

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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