

13<sup>th</sup> October 2020

# BetMakers Technology Group

## Q1 cash receipts up 132% on pcp, +63% on Q4 FY20

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. BetMakers is not a gaming company, it is a technology company that is facilitating commercial opportunities for racing authorities, rights holders, and corporate bookmakers while providing an improved racing experience for punters. The company has announced its annual revenue run rate has reached \$16m at the end of September, an increase of 18% on that reported at the end of June, with this revenue growth all generated domestically. Q1 FY21 delivered near break-even operating cashflow of negative \$55,000 which included \$158,000 in costs relating to annual licencing and regulatory fees as well as development costs associated with the US. Cash receipts increased 63% on Q4 FY20 and 132% on Q1 FY20 to \$3.9m. The company reported Q1 revenues of \$3.9m up from \$2.7m in Q4 FY20 and \$2.0m in Q1 FY20. Our DCF valuation is \$0.60/share fully diluted for all in the money options and performance rights.

### 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. Of its \$9.2m in revenue in FY20, 67% was generated under the SaaS model. 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.

### Q1 FY21 highlights

BetMakers has delivered Q1 FY21 cash receipts of \$3.9m, up substantially on cash receipts delivered in the previous quarter and in Q1 FY20. Unaudited revenues for the quarter were \$3.9m, up from \$2.7m in Q4 FY20 and \$2.0m in Q1 FY20. Operating cashflows were almost breakeven at negative \$55,000 after including annual regulatory and licence fees and investment in the US. The company invested about \$0.3m in the US expansion opportunity in Q1 FY21 including a US\$0.06m insurance payment to cover BET's sponsorship of "BetMakers Bonanza", where US\$1m will be paid the connections of any horse that wins the trifecta of the TVG.Com Haskell Stakes, the Kentucky Derby and the Breeders' Cup Classic. BET also noted that its annualised revenue run rate was now \$16m, up from \$14.3m in July. BET ended the quarter with \$32.8m in cash and no debt.

### Base case valuation is \$0.60/share fully diluted

Our DCF valuation is \$0.60/share, fully diluted for all in the money options. On the current share count, our base case DCF valuation is \$0.72/share. In our view, BET is well placed to deliver on its stated opportunities. We see potential upside from our current forecasts for BET's role in the development of the fledgling US fixed odds wagering market.

### 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)	27.5	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	24.2	nm	na
06/21e	30.0	8.0	3.8	0.80	7.4	27.6	55.3
06/22e	44.7	12.0	8.1	1.29	5.8	18.3	34.5

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

### Share details

ASX Code	BET
Share Price (intraday)	\$0.445
Market Capitalisation	\$267.1M
Shares on issue	600.25M
In the money options on issue	27.8M
Waterhouse Group options on conversion	94.7M
Net cash at 30 Sept	\$32.8M
Free float	~90%

### 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

- Finalisation of US regulatory framework for fixed odds horse wagering
- Continued evidence of strong growth for Managed Trading Services and the Global Racing Network

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## FINANCIAL SERVICES GUIDE

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of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 26<sup>th</sup> November 2018

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

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

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