

26th February 2020

BetMakers Technology Group

Posts maiden positive EBITDA of \$0.64m in H1FY20

BetMakers Technology Group (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company's technology and systems are used by every racing authority in Australia and most of the major online bookmakers. 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 posted a maiden positive EBITDA of \$0.64m (ex interest revenue) for H1FY20, which was a \$2.83m turnaround from H1FY19. Underlying EBITDA was \$0.57m, an increase of \$2.51m on the previous corresponding period. Revenue for the half was \$4.04m, up from \$2.78m a year ago. BET reaffirmed its guidance for \$10m revenue in FY20. As we highlighted in our Flash comment of 5 February 2020 [Signs exclusive 10-year fixed odds deal with New Jersey](#), our forecasts are under review following the landmark exclusive fixed odds deal with the New Jersey Thoroughbred Horsemen Association and Darby Development, the operator of the Monmouth Park race-track

Interim results commentary

BET has reported a net loss of \$0.56m for H1FY20 compared with the previous corresponding period's net loss of \$1.79m. Excluding non-cash items such as employee shares and a writeback of recovered loan receivables, the underlying loss after tax was \$0.63m. The result demonstrated good cost containment across professional fees (a 40% improvement on pc), administration expenses (23% better than pc) and other expenses (a 55% improvement on H1FY19). Offsetting this was a 10.5% increase in employee costs to \$1.97m and an increase in finance costs, mostly relating to the 10% interest charge payable on the remaining \$4m earnout from the DynamicOdds and Global Betting Services acquisitions. The earnout is payable on 30 June 2024. Revenue and gross profit (\$3.9m) were in line with our forecasts as were costs excluding employment costs which were \$0.43m higher than our forecasts.

Exhibit 1: H1FY20 vs H1FY19 and RaaS fct

	H119	H120	%chge	RaaS H120
Revenue	3.03	4.29	41.5%	4.56
Gross Profit	1.58	3.85	143.4%	3.91
EBITDA Adj	(1.95)	0.57	(129.5%)	0.97
EBIT Adj	(2.14)	(0.42)	(80.3%)	(0.30)
NPAT Adj	(1.55)	(0.56)	(64.0%)	(0.44)
NPAT reported	(1.79)	(0.56)	(68.9%)	(0.44)
EPS	(0.86)	(0.12)	(86.4%)	(0.09)

Source: Company Data, RaaS estimates

Forecasts under review, with expected revenue upside

We highlighted the potential upside of the Global Racing Network in our September 2019 initiation, [Embedded in the DNA of Racing](#), but did not incorporate the US expansion in our base case valuation. As a consequence we see revenue upside and our forecasts are now under review.

Share details

ASX Code	BET
Share Price (intraday)	\$0.33
Market Cap (intraday)	\$170.46M
Shares on issue	473.49M
In the money options on issue	63.9M
Net cash at 31 Dec 2019	\$2.7M
Free float	~90%

Share price performance (12-months)



Upside Case

- Embedded in the racing clubs' integrity systems
- Strong relationships with corporate bookmakers in both Australia and UK
- Opportunity to leverage relationships to develop its Global Racing Network and potentially the Global Tote

Downside Case

- Dependent on volumes, clipping a very small portion of the wager
- Sensitive to regulation
- Potential backlash from incumbent totalisers

Catalysts

- Delivery of FY20 net revenue guidance of \$10m
- Continued evidence that the Global Tote and GRN are being adopted by corporate bookmakers/racing

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FINANCIAL SERVICES GUIDE

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

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