

24 January 2022

## BetMakers Technology Group

### New Jersey fixed-odds exclusivity locked in for 15 years

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 an amended and restated Fixed Odds & Data Distribution Agreement with Darby Development LLC, the operator of the Monmouth Park racetrack and the New Jersey Thoroughbred Horseman Association (NJTHA), which will give BetMakers exclusivity over New Jersey fixed-odds wagering for 15 years. Under the new agreement, NJTHA has assigned its rights under the Fixed Odds Wagering Act to BetMakers, which means any wagering operator, casino or sportsbook wanting to offer fixed-odds wagering in New Jersey, currently the only state with fixed-odds horse wagering regulations in place, will have to secure a sub-licence from BET if they want to operate in NJ. The announcement also noted that BET will award limited sub-licenses in the initial NJ fixed-odds rollout, scheduled to commence on-track in March 2022 and online before Monmouth Park's racing season commences on May 7, 2022. The new extended deal shores up BET's position as the sole provider and manager of fixed-odds betting on thoroughbred horse racing in New Jersey. We expect BET to initially offer a handful of sub-licenses, which could create competitive tensions among sportsbook operators and help drive the initial take-up of fixed-odds wagering. It also provides an opportunity for BET to convert some sportsbooks into managing trading services (MTS) customers, and could see additional revenue-sharing deals for BET's MTS operations currently not factored into our forecasts.

### 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.

### Extended exclusivity and commercial details shore up BET's position

The extended exclusivity and commercial details of the agreement shores up BET's position as the pivotal player in the NJ fixed-odds wagering market. It will be responsible for licensing and distributing any thoroughbred content to third parties for fixed-odds wagering and for sub-licensing sportsbooks to operate in NJ. As part of the agreement, BET has included a provision, a guarantee to NJTHA up to US\$1m against any reduction in contributions toward pari-mutuel, to ensure existing pari-mutuel revenues are preserved with the introduction of fixed odds. The preservation of pari-mutuel revenues has been an important component in the development of the legislation and regulations for fixed-odds wagering. Darby Development's chairman and CEO Dennis Drazin is expected to provide further clarity to the industry on the commercial models to be deployed in NJ which should further cement BET's role in the NJ fixed-odds wagering market.

### Base-case valuation is \$2.35/share

Our forecasts include estimates for the rollout of fixed-odds wagering in the US, commencing with NJ, which we see having a two-year head-start. We assume BET maintains the ~25% share of market currently commanded by its US tote business, except in NJ where its 15-year exclusivity should see it benefit from fixed-odds wagering turnover.

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

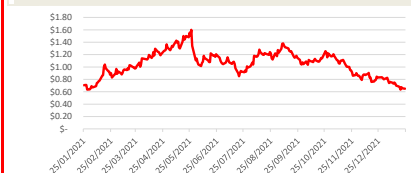
Year end	Revenue	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	22.3	nm
06/22e	94.4	8.8	5.4	0.62	5.2	49.3
06/23e	115.0	22.6	14.8	1.62	4.1	21.1
06/24e	156.8	45.8	31.1	2.84	3.0	10.1

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)	\$0.63
Market capitalisation	\$540.3M
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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ABN 92 168 734 530

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Effective Date: 6<sup>th</sup> May 2021

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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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