

9th July 2020

BetMakers Technology Group

PointsBet USA partners for fixed odds in New Jersey

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 that PointsBet USA, the US arm of PointsBet Holdings (ASX:PBH), has signed an agreement for Fixed Odds betting in the New Jersey market, making it the first Fixed Odds agreement in US racing. The deal also provides an option for PointsBet to offer fixed odds betting on horseracing in other US states as and when PointsBet and BetMakers secure access to these markets. The deal follows closely on the heels of the recently announced a five-year on course fixed odds deal with Monmouth Park racetrack in New Jersey in which BET will manage fixed odds terminals and kiosks on a year-round basis. After a hiatus caused by COVID-19, Monmouth Park launched its racing season on July 4.

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. We estimate that 80% of FY19's \$6.2m in revenue was generated under the SaaS model. BetMakers also generates revenue from the content distribution deals it has in place with international horse, harness and greyhound racing authorities which are more aligned to share of turnover. Over time we expect the SaaS revenue share to average 50% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

First wagering operator partnership in the US

Under the agreement, Pointsbet will offer Fixed Odds betting to New Jersey customers on all Monmouth Park race meetings, with the intention to expand the offering into New Jersey to include races and vision from other domestic and international jurisdictions. The deal also provides the option for PointsBet to offer Fixed Odds betting on horseracing in other US states as and when PointsBet and BetMakers secure access to these markets. While the company did not provide guidance on the potential revenues under the deal, it did note that it would be quantitatively material to the company. Typically, we would expect BET to earn ~1% of turnover under this deal, as highlighted in our report, [Managed Trading Services delivering new revenue streams](#).

Base case valuation is \$281.1m

We use the DCF methodology (WACC 14.3%, terminal growth rate of 2.2%) to value BET, arriving at a base case valuation of \$281.1m or \$0.39/share, fully diluted for 60.47m in the money options and the Waterhouse performance rights. Excluding the options, the base case valuation is \$0.49/share. We have identified upside cases (\$1.26 and \$2.41/share) based on higher and faster penetration of the Australian/UK/US racing wagering markets.

Historical earnings and RaaS Advisory estimates (in A\$m)

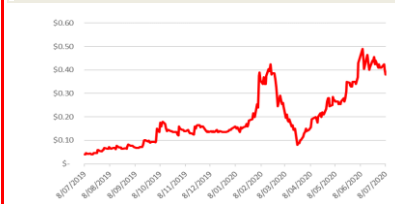
Year end	Revenue	EBITDA rep	NPAT rep.	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)	PER(x)
06/19a	6.8	(2.1)	(3.6)	(1.26)	23.6	na	na
06/20e	9.2	0.5	(1.3)	(0.24)	20.2	nm	na
06/21e	29.5	7.0	2.9	0.66	6.3	26.3	57.3
06/22e	43.1	12.2	8.1	1.28	5.1	15.1	29.8

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e * EPS normalised for one-time items

Share details

ASX Code	BET
Share Price (intraday)	\$0.38
Market Capitalisation	\$214.9M
Shares on issue post placement	568.1M
In the money options on issue	60.47M
Net cash post placement	~\$33M
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

- Delivery of FY20 guidance for positive EBITDA
- Continued evidence that the GRN and US rollout is being adopted by corporate bookmakers/racing bodies

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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: 26th November 2018

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

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- deal on behalf of retail and wholesale clients in relation to
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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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

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