

5 July 2022

BetMakers Technology Group Ltd

Further validation of the Global Racing Network

BetMakers Technology Group Ltd (ASX:BET) is a B2B software services business focussed on servicing the wagering market and race operators globally. The company has announced that it has been awarded rights to offer Penn National Gaming Inc's (NASDAQ:PENN) racing content outside the US and Canada, from 1 July 2022. These rights include data and race vision for fixed-odds, booked bets and exchange wagering for almost 950 race meetings. This will expand the Global Racing Network's (GRN) content offering to more than 1,400 race meetings a year from the North American market. We are forecasting \$18.5m in revenues from GRN in FY23, up from \$5.2m in FY22, and predominantly driven by the NJ fixed-odds racing opportunity. This new agreement is not captured in our forecasts, which we will review as more information comes to market. The company noted that Penn would be paid a minimum guaranteed amount annually with the parties agreeing to a revenue-share arrangement. The agreement is currently until 31 December 2025. At the current share price, our FY23 forecasts imply EV/Sales of 2.0x, EV/EBITDA of 8.2x and PER of 24.3x. This compares with the 12-month forward mean of the All Tech Index of 2.7x EV/Sales and 17.5x EV/EBITDA. Our base-case DCF valuation for BET is \$2.00/share, with \$0.70/share incorporated for the US fixed-odds wagering opportunity.

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.

Significant boost to GRN's North American racing content

The Penn National Gaming agreement significantly boosts BET's North American racing content (from around 500 races a year currently to more than 1,400 races a year) for distribution into international markets. We expect that it will also give BET the opportunity to build on the relationship to potentially offer fixed-odds wagering and content in the North American market. Penn National Gaming operates 40 casinos and racetracks across the US and Canada, and owns Barstool Sportsbook, its online sports-betting platform. We anticipate that the distribution deal on the data and vision rights will be similar to other GRN deals where the general aim is to gross 2.0% on turnover with BET earning from 0.5% to 1.0% of turnover.

Base-case valuation is \$2.00/share

Our base-case DCF valuation is \$2.00/share on the current share count and \$1.75/share fully diluted for all in-the-money options and performance rights on issue. Our valuation incorporates a 3.5% risk-free-rate to reflect rising Treasury bond rates. We see evidence of the progress of fixed-odds wagering in New Jersey as a key catalyst, along with progression of its Heads of Agreement with Caesars Retail Sportsbooks to be the exclusive provider of pari-mutuel racing services at bricks-and-mortar locations in Nevada, and the rollout of the NTD platform in Australia and New Zealand, which are not yet in our forecasts.

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)	PER (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	12.0	nm	nm
06/22f	91.8	6.0	(28.7)	(0.40)	3.0	38.6	nm
06/23f	130.1	30.9	15.5	1.68	2.0	8.2	24.3
06/24f	163.9	57.7	35.7	3.42	1.3	3.7	12.0

Source: Company data; RaaS Advisory estimates for FY22f, FY23f and FY24f; *EPS normalised for one-time items

Share Details

ASX code	BET
Share price (4-July)	\$0.41
Market capitalisation	\$370.4M
Shares on issue	903.46M
In-the-money options on issue	14.3M
Performance rights on conversion	119.1M
Net cash 31-Mar	\$107.8M
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
- Evidence of take-up of fixed-odds wagering in NJ

Company Contact

Anthony Pullin (CFO) +61 476 167 127

anthony.pullin@thebetmakers.com

RaaS 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: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- 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: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

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.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by BetMakers Technology Group Ltd and prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.