

# BetMakers Technology Group Ltd

## Cash profit in Q4, annualised revenues now \$100m

BetMakers Technology Group (ASX:BET) is a B2B software services business providing racing, wagering and integrity data, software and hardware products to bookmakers, racing authorities and rights holders globally. The company is rapidly on a path to become a key player in the transforming US horse racing industry, which is poised to introduce fixed-odds wagering, initially in New Jersey where BET has a 15-year exclusive licence with New Jersey Thoroughbred Horsemen Association and Darby Development LLC to deliver and manage fixed-odds thoroughbred horse racing wagering. BET has reported FY22 revenues of \$91.6m, in line with our forecasts, and FY22 cash receipts of \$93.4m, up three-fold on FY21. Q4 cash receipts jumped 194% on the pcp to \$26.2m and operating cashflow for the quarter was \$0.42m. BET ended the quarter with \$87.55m cash in hand, down \$20m on Q3 FY22 after making payments associated with the NTD wagering platform and capital investments in its US betting terminals. Moving into FY23, BET expects capital expenditure of \$6m with this halving to \$3m in FY24 and beyond. We have incorporated estimates for the NTD wagering platform and included higher employee and operating costs for the group to support its global expansion. We have also pushed our expectations for meaningful revenues from New Jersey's fixed-odds wagering opportunity into Q2 FY23 with the launch of Monmouth Park's online app imminent. Our base-case valuation is now \$2.11/share (previously \$2.00/share), with the NTD wagering platform contributing around \$0.15/share to our valuation.

### 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.

### Revenues and cash receipts in line with forecasts

BET delivered FY22 revenues and cash receipts in line with our forecasts and confirmed that annualised revenues were now \$100m. On a costs basis, the company invested in human capital at a faster rate than we had forecast and we have now incorporated this into our forecasts. We have also now included the NTD wagering opportunity into our forecasts, which over a 10-year period is forecast to deliver up to \$313m in revenues to BET. While there has been no confirmation of a start date for the venture, our forecasts assume operational revenue contributions from H2 FY23. We anticipate that the company's investment in additional people and resourcing will flow through to sustained revenue and profit growth longer-term. Our forecasts incorporate a 10-year CAGR in revenues of 30% and a 45% CAGR in operating profits to FY31.

### Base-case DCF valuation is \$2.11/share (up from \$2.00/share)

Our base-case DCF valuation is \$2.11/share on the current share count and \$1.85/share fully diluted for all in-the-money options and performance rights on issue. Our forecasts capture estimates for the broader US fixed-odds wagering opportunity, the NTD wagering opportunity and assumptions for growth for the Global Racing Network division which will service the Penn National Gaming deal and other data and vision opportunities. We see key catalysts as evidence of take up of fixed-odds wagering in New Jersey and other US jurisdictions, the rollout of the NTD wagering platform in Australia and New Zealand, and growth in GRN revenues from Penn National Gaming and other ventures.

#### Earnings history and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenues	EBITDA Adj.	NPAT rep.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	15.9	nm
06/22f	91.6	(0.8)	(33.5)	(0.94)	4.1	nm
06/23f	124.6	15.9	4.5	0.49	3.0	23.2
06/24f	174.7	41.3	23.6	2.26	2.0	8.3

Source: RaaS estimates for FY22f, FY23f and FY24f; Company data for historical earnings

## Q4 FY22 Results Analysis

### Software & Services

28<sup>th</sup> July 2022

#### Share Details

ASX code	BET
Share price (27-July)	\$0.50
Market capitalisation	\$451.8M
Shares on issue	903.5M
In-the-money options	14.3M
Performance rights including Waterhouse Group/Matt Tripp	119.1M
Net cash 30-Jun-2022	\$87.6M

#### Share Performance (12 months)



#### Upside Case

- Embedded in racing clubs' integrity systems
- Strong relationships with corporate bookmakers in Australia, UK and US
- Opportunity to deliver its Managed Trading Services and GRN on a global scale

#### Downside Case

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

#### Catalysts

- Fixed- odds wagering commences in NJ
- Demonstrated expansion in US wagering market

#### Board of Directors

Nicholas Chan	Non-Executive Chairman
Simon Dulhunty	Non-Executive Director
Anna Massion	Non-Executive Director
Rebekah Giles	Non-Executive Director
Todd Buckingham	Managing Director/CEO

#### Company Contact

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#### RaaS Advisory Contacts

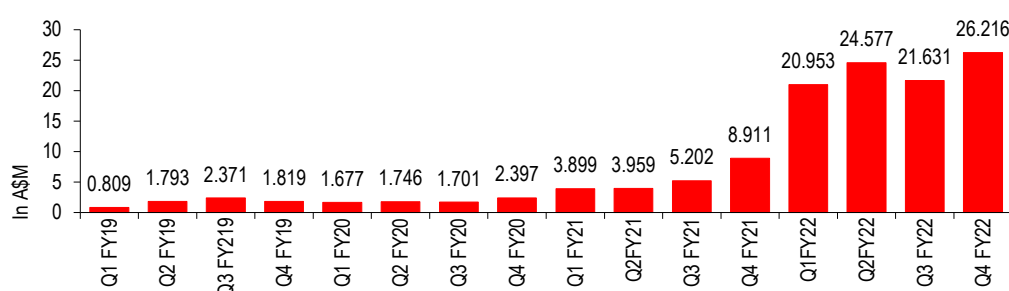
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\*Analyst holds shares

## Q4 FY22 Results Analysis

BET reported Q4 FY22 cash receipts of \$26.2m, a 194% increase on the cash receipts reported in the previous corresponding period and a 21% lift on Q3 FY22 cash receipts. It was the company's best-ever quarter for cash generation and resulted in BET reporting \$93.4m in cash receipts for FY22. Operating cashflow for Q4 was \$0.42m, allowing the company to narrow its operating cash loss for FY22 to \$1.63m. In Q4, this included \$2.5m in payments not directly related to normal ongoing costs, including \$0.5m associated with product manufacturing and operating costs relating to fixed-odds wagering in New Jersey, \$1.5m in accelerated development contractor and recruitment costs, and \$0.5m in fees to third-party advisers which are not recurring in nature. Excluding these items, the operating cash outflow for the quarter would have been \$2.9m and ahead of the \$0.65m in operating cashflow reported on the pcip.

**Exhibit 1: Cash receipts breakdown by quarter**



Source: Company reports

Capital expenditure in Q4 was \$5.9m, bringing total capex for the year to \$24.4m. The company's investment in renewing its BetLine terminals which were part of the Sportech acquisition, is now largely complete. Capex in FY23 is expected to be around \$6m and beyond FY23, revert to \$3m a year. The company ended Q4 FY22 with \$87.55m cash in hand, a \$20m decrease on the previous quarter after paying \$15m in an advisory payment in relation to the execution of the NTD wagering deal and the capex discussed above.

**Exhibit 2: Q4 FY22 versus Q4 FY21 and Q3 FY22 (in A\$m unless otherwise stated)**

	Q4 FY21	Q3 FY22	Q4 FY22	% chg
Cash receipts	(2.81)	21.63	26.22	194.20
Product manufacturing and operating costs	(3.24)	(6.96)	(7.17)	155.42
Employee costs	(2.13)	(12.13)	(13.53)	316.92
Admin, corporate and other costs	(2.81)	(5.09)	(4.87)	128.60
Net interest	-	-	-	na
Taxes	(0.08)	(0.03)	(0.00)	(94.74)
Other	(0.01)	(0.32)	(0.24)	nm
<b>Operating cashflow</b>	<b>0.65</b>	<b>(2.89)</b>	<b>0.42</b>	<b>(35.80)</b>
Net cash at the end of the period	120.61	107.78	87.55	(27.41)

Source: Company data

## FY22 Discussion

BET announced FY22 revenues (unaudited) of \$91.6m, which was in line with our forecasts and a three-fold increase on that reported in FY21.

**Global Betting Services**, which incorporates the Managed Trading Services platform (a SaaS platform which outsources risk and provides a trading solution to bookmakers) and other bookmaker-focused, racing products such as Price Manager, outperformed our revenue forecast delivering revenues of \$40.9m in FY22, up 180% from \$14.6m in FY21 and ahead of our forecast for \$37.3m. Importantly, this is underlying, not acquired, growth within the business. The NTD wagering platform will sit within this division.

The **Global Tote**, which predominantly incorporates the pari-mutuel business and digital assets acquired from Sportech, reported revenues of \$46.7m in FY22, substantially more than the \$1.7m reported in FY21, although a little below our forecast for \$49.4m, largely due to timing issues. This is the division which will encompass revenues from BET's contract with Caesars Entertainment to provide pari-mutuel solutions on its retail sportsbooks, the 10-year Monmouth Park exclusive pari-mutuel and tote services deal, and the expansion of BET's tote technology into Norway and other jurisdictions.

The **Global Racing Network** generated revenues of \$4.1m in FY22, up from \$3.2m in FY21 but a little behind our forecast for revenues of \$5.1m due to timing of the New Jersey fixed-odds wagering opportunity. This division is responsible for the 15-year exclusive arrangement with Monmouth Park and the New Jersey Thoroughbred Horsemen Association, the Penn National Gaming racing content deal for delivery of its content outside the US and Canada, and BET's other racing content arrangements.

## Earnings Adjustments

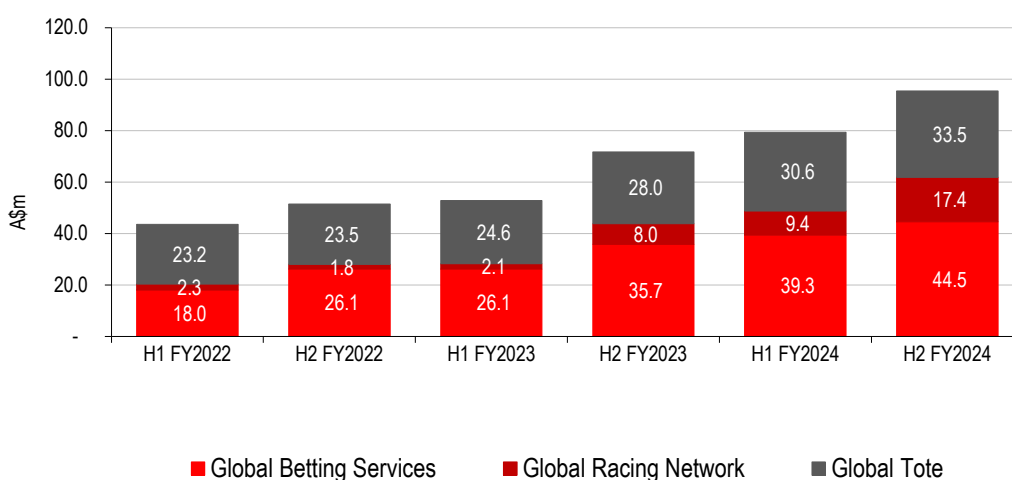
We have taken the opportunity to review our forecasts for FY23 and FY24 and have used the cash costs reported for FY22 as a guide to adjust our FY22 forecasts. Our forecasts have largely been altered to capture higher employee and operating costs associated with what is now a truly global company. We anticipate that this investment will lead to a significant expansion of revenues in FY24 and beyond and that longer-term that this will flow through to the bottom line. The forecasts below also have taken into account a later timing for revenues from the NJ fixed odds wagering opportunity (shifting from Q1 FY23 to Q2 FY23) and our expectation (not the company's) that the NTD wagering platform will be operational and generating revenues for BET in H2 FY23. Exhibit 4 below highlights our expectation that the Global Betting Services division (which services the NTD wagering platform) and the Global Racing Network (which oversees the US fixed odds wagering opportunity) will grow at a fast pace over the next four half-year periods.

**Exhibit 3: Earnings adjustments to FY22, FY23 and FY24**

	FY22 old	FY22 new	FY23 old	FY23 new	FY24 old	FY24 new
Revenue	91.8	91.6	130.1	124.6	163.9	174.7
Gross profit	68.1	67.1	101.2	97.9	132.8	130.4
EBITDA	6.0	(0.8)	30.9	15.9	57.7	41.3
NPAT	(5.3)	(12.2)	15.5	4.5	35.7	23.6

Source: RaaS estimates

**Exhibit 4: Forecasted revenues by half year and by source**



Source: RaaS estimates

## Base-Case DCF Valuation Is \$2.11/Share (Up From \$2.00/Share)

Our base-case DCF-derived valuation is \$2.11/share, (previously \$2.00/share). On a fully diluted basis, for all options and performance rights (ie 1,035m), the valuation is \$1.85/share. Our terminal value is \$1.41 in our \$2.11/share valuation. Our valuation now incorporates expected cashflows from the NTD wagering platform which we estimate adds around \$0.15/share to our base-case DCF.

<b>Exhibit 3: Base-case DCF valuation</b>		<b>Parameters</b>
Discount rate (WACC)		11.6%
Terminal Growth Rate		2.2%
Present value of free cashflows (\$m)		610
Terminal value (\$m)		1,213
Plus net cash at 30-Jun (\$m)		(86)
Equity value (\$m)		1,911
Shares on issue (m)		904
<b>Equity value per share</b>		<b>\$2.11</b>
Source: RaaS estimates		

#### Exhibit 4: Financial Summary

BetMakers Technology Group Ltd (BET)						Share price (27 July 2022)						A\$	0.50
Profit and Loss (A\$m)						Interim (A\$m)						H121A	H123F
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Revenue	H121A	H221A	H122A	H222F	H123F	H223F	
Sales revenue	8.6	19.5	91.6	124.6	174.7	Gross profit	4.0	6.6	32.0	35.0	42.4	55.5	
Total Revenue	9.2	19.5	91.6	124.6	174.7	EBITDA	(1.7)	(0.8)	2.3	(3.2)	2.3	13.5	
Gross Profit	6.3	10.2	67.1	97.9	130.4	EBIT	(2.8)	(1.9)	(3.8)	(9.1)	(3.4)	8.3	
EBITDA	0.8	(2.9)	(0.8)	15.9	41.3	NPAT (normalised)	(1.4)	(0.9)	(2.6)	(5.7)	(1.9)	6.3	
Depn	(0.3)	(0.5)	(3.9)	(5.1)	(5.4)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	
Amort	(1.9)	(2.2)	(8.2)	(5.9)	(3.8)	NPAT (reported)	(4.4)	(13.0)	(27.8)	(5.7)	(1.9)	6.3	
EBIT	(1.3)	(5.6)	(12.9)	4.9	32.1	EPS (normalised)	(0.8)	(1.9)	(3.3)	(0.6)	(0.2)	0.7	
Interest	(0.5)	(0.1)	0.7	1.4	1.7	EPS (reported)	(0.8)	(1.9)	(3.3)	(0.6)	(0.2)	0.7	
Tax	0.3	3.5	3.9	(1.9)	(10.1)	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0	
Minorities	0.0	0.0	0.0	0.0	0.0	Imputation	0.0	0.0	0.0	0.0	0.0	0.0	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(1.3)	(0.7)	1.8	(3.5)	2.9	10.9	
NPAT pre significant items	(1.5)	(2.2)	(8.3)	4.5	23.6	Free Cash flow	(1.4)	(2.6)	(8.5)	(11.0)	0.3	8.6	
Significant items	(0.6)	(15.3)	(25.2)	0.0	0.0	Divisions						H121A	H123F
NPAT (reported)	(2.1)	(17.5)	(33.5)	4.5	23.6	Global Betting Services	5.8	9.2	18.0	22.9	26.1	35.7	
Cash flow (A\$m)						Global Racing Network	1.8	1.4	2.3	1.8	2.1	8.0	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Global Tote	0.0	1.7	23.2	23.5	24.6	28.0	
EBITDA	0.8	(2.9)	(0.8)	15.9	41.3	Total Revenue	7.6	12.3	43.5	48.2	52.9	71.7	
Interest	(0.4)	(0.0)	(0.1)	1.4	1.7	COGS	3.6	5.7	11.4	13.1	10.5	16.2	
Tax	(0.0)	(0.1)	(0.1)	(2.7)	(10.1)	Gross Profit	4.0	6.6	32.0	35.1	42.4	55.5	
Working capital changes	(1.0)	1.0	(0.5)	(0.7)	(1.1)	Employment costs	3.3	5.8	21.3	27.5	29.3	31.0	
Operating cash flow	(0.5)	(2.0)	(1.6)	13.9	31.7	Selling General & Admin Costs	1.3	2.4	8.1	10.1	10.3	10.5	
Mtce capex	(0.2)	(1.9)	(17.9)	(4.9)	(2.3)	Other Opex	1.1	(0.8)	0.4	0.5	0.5	0.5	
Free cash flow	(0.7)	(4.0)	(19.5)	9.0	29.4	Total Operating Costs	5.7	7.4	29.7	38.1	40.0	41.9	
Growth capex	(0.0)	(0.7)	(6.6)	(2.9)	(2.9)	EBITDA	(1.7)	(0.8)	2.3	(2.9)	2.3	13.5	
Acquisitions/Disposals	0.0	(44.1)	0.0	0.0	0.0								
Other	0.0	0.0	(15.6)	0.0	0.0								
Cash flow pre financing	(0.7)	(48.8)	(41.6)	6.1	26.6								
Equity	37.8	142.8	8.8	0.0	0.0	Margins, Leverage, Returns						FY20A	FY21A
Debt	0.0	0.0	0.0	0.0	0.6	EBITDA		9.1%	(14.8%)	(0.9%)	12.8%	23.6%	
Dividends paid	(0.2)	(0.5)	0.0	0.0	0.0	EBIT		(14.3%)	(28.7%)	(14.0%)	4.0%	18.4%	
Net cash flow for year	36.9	93.6	(32.8)	6.1	27.1	NPAT pre significant items		(16.5%)	(11.3%)	(9.1%)	3.6%	13.5%	
Balance sheet (A\$m)						Net Debt (Cash)		31.3	118.5	84.5	90.6	117.2	
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Net debt/EBITDA (x)	(x)	37.543	n/a	n/a	5.699	2.837	
Cash	31.6	120.6	87.6	93.7	120.8	ND/ND+Equity (%)	(%)	(107.4%)	(154.0%)	(85.0%)	(92.7%)	(123.6%)	
Accounts receivable	2.0	9.0	2.8	3.8	5.3	EBIT interest cover (x)	(x)	n/a	n/a	n/a	0.3	0.1	
Inventory	0.0	0.0	0.0	0.0	0.0	ROA		(0.7%)	(3.8%)	(5.9%)	2.4%	14.6%	
Other current assets	0.1	5.0	6.8	6.8	6.8	ROE		(5.4%)	(13.7%)	(17.7%)	2.4%	11.8%	
Total current assets	33.7	134.6	97.1	104.2	132.9	ROIC		(2.3%)	(2.8%)	(7.3%)	2.7%	14.4%	
PPE	0.2	11.4	24.6	27.3	27.0	NTA (per share)		0.08	0.18	0.15	0.16	0.18	
Intangibles inc Goodwill	14.5	44.3	44.3	44.3	44.3	Working capital		0.7	(8.5)	1.3	2.1	3.2	
Investments	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		7.8%	(43.8%)	1.5%	1.7%	1.9%	
Deferred tax asset	7.3	12.3	16.7	17.5	17.5	Revenue growth		39.3%	112.3%	370.7%	36.0%	40.2%	
Other assets	6.9	27.7	20.4	14.5	10.8	EBIT growth pa		n/a	n/a	n/a	(138.4%)	549.1%	
Total non current assets	28.9	95.7	106.0	103.6	99.6	Pricing						FY20A	FY21A
Total Assets	62.6	230.3	203.1	207.8	232.4	No of shares (y/e)	(m)	568	858	918	918	918	
Accounts payable	1.3	17.6	1.4	1.7	2.1	Weighted Av Dil Shares	(m)	457	675	896	918	918	
Short term debt	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.47)	(2.59)	(3.90)	0.49	2.26	
Tax payable	0.0	0.1	0.2	0.2	0.2	EPS Normalised/Diluted	cps	(0.33)	(0.33)	(0.94)	0.49	2.26	
Other current liabilities	0.4	4.4	4.2	4.2	4.2	EPS growth (norm/dil)		n/a	n/a	n/a	-152%	365%	
Total current liabilities	1.7	22.1	5.8	6.1	6.4	DPS	cps	-	-	-	-	-	
Long term debt	0.4	2.1	3.1	3.1	3.6	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Other non current liabs	0.2	10.7	10.4	10.4	10.4	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total long term liabilities	0.5	12.8	13.4	13.4	14.0	Dividend imputation		0	0	0	0	0	
Total Liabilities	2.2	34.9	19.2	19.5	20.4	PE (x)		-	-	-	102.8	22.1	
Net Assets	60.4	195.4	183.9	188.3	212.0	PE market		18.3	18.3	18.3	18.3	18.3	
Share capital	84.9	226.0	242.1	242.1	242.1	Premium/(discount)		nm	nm	nm	461.6%	20.8%	
Accumulated profits/losses	(26.1)	(43.5)	(89.7)	(85.3)	(61.6)	EV/EBITDA		nm	nm	(441.3)	23.2	8.3	
Reserves	1.6	12.9	31.5	31.5	31.5	FCF/Share	cps	(0.1)	(0.0)	1.8	2.0	3.7	
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		nm	nm	0.3	0.2	0.1	
Total Shareholder funds	60.4	195.4	183.9	188.3	212.0	Free Cash flow Yield		nm	nm	3.5	4.1	7.4	

Source: RaaS estimates

# 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: 6<sup>th</sup> 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

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

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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto: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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