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BetMakers Technology Group Ltd

Additional revenues added to NTD deal

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 varied the previously announced NTD contract to capture the wagering business, O'Shea Bookmaking, which trades as TexBet and which NTD has acquired. TexBet was a pre-existing client on BET's SaaS platform but under its new ownership, its net gaming revenues (NGR) will form part of the annual fee payable to BetMakers by NTD. BET has agreed to contribute \$2.5m over two tranches towards the purchase of TexBet by NTD and in turn, the annual fee payable by NTD to BET will increase by another \$2m a year over the initial 10-year term. Effectively, this increases the maximum revenue payable to BET over the initial 10-year deal with NTD by \$20m to \$333m. We have not yet included this additional NTD revenue into our forecasts. At the current share price, our FY23 forecasts imply EV/Sales of 2.6x and an EV/EBITDA multiple of 20.3x. This compares with the 12-month forward mean of the All Tech Index of 4.1x EV/Sales and 26.2x EV/EBITDA. Our base-case DCF valuation for BET is \$2.11/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, which 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.

Converting a SaaS customer into share of turnover

The acquisition of TexBet by the NTD consortium has given BET the opportunity to convert an existing SaaS customer into share of NGR. As a SaaS customer, TexBet would have been paying BET an estimated \$20,000 a month or \$0.24m a year to use BET's platform. The addition of TexBet to the NTD platform sees BET earning up to an additional \$2m a year from the consortium to a maximum of \$20m over the initial 10-year term. The upfront \$2.5m contribution being made by BET enables the company to acquire IP rights to the customised betting platform currently owned by TexBet and has an estimated payback of 18 months based on the revised terms of the NTD deal. The NTD wagering venture, between News Corp, Matt Tripp's TGW and Tekkcorp Capital, is slated to launch later this year.

Base-case valuation is \$2.11/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.

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

Year end	Revenues	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/21a	19.5	(2.9)	(17.5)	(0.33)	13.7	nm	nm
06/22f	91.6	(0.8)	(33.5)	(0.94)	3.6	nm	nm
06/23f	124.6	15.9	4.5	0.49	2.6	20.3	nm
06/24f	174.7	41.3	23.6	2.26	1.7	7.2	19.9

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

Share Details

ASX code	BET
Share price (16-Aug)	\$0.44
Market capitalisation	\$397.5M
Shares on issue	903.46M
In-the-money options on issue	14.3M
Performance rights on conversion	119.1M
Net cash 30-Jun-2022	\$87.6M
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

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- 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

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