

27<sup>th</sup> April 2020

## BetMakers Technology Group

### New contracts as demand for racing content builds

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. Top on-course bookmakers Rob Waterhouse and Mark Sampieri have signed agreements with BET to launch their own online wagering ventures. Separately, BetMakers has also entered a partnership with international gaming company Pronet Gaming whereby Pronet will offer BET's racing solution alongside its sports, casino and retail offerings. As we highlighted in our recent upgrade report [Racing still on, upgrading for advance into US fixed odds](#), these are developments that we anticipated could emerge from the current environment in which racing, without on-course patrons, was one of the few sports available for punters. Our forecasts, which are RaaS's not the company's, anticipated new contracts wins and confirms our view for significant earnings upside in FY21.

### 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 racing authorities such as US Greyhounds and US Racing and UK Greyhounds which are more aligned to share of turnover. Over time we expect the SaaS revenue share to average 60% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

### Rob Waterhouse & Mark Sampieri sign on, as does Pronet Gaming

Tier 1 on course bookmakers Rob Waterhouse and Mark Sampieri have signed onto BET's technology platform, including trading and pricing solutions, to create their own online wagering solution. The deals are a significant endorsement of BET's technology solutions. The deals will deliver BET SaaS revenues through monthly fixed fees, as well as share of turnover and profit sharing. Separately, BET and international gaming company Pronet Gaming have entered into a commercial partnership for Pronet to offer BET's racing solution (more than 250,000 racing events a year) alongside its sports, casino and retail offerings. These deals underpin the earnings growth we have captured in FY21.

### Base case valuation is \$160m or \$0.30/share

We use the DCF methodology (WACC 15.0%, terminal growth rate of 2.2%) to value BET, arriving at a base case valuation of \$160m or \$0.30/share, fully diluted for 60.47m in the money options. In our view, continued demonstrated success with its strategy and delivery of FY20 revenue guidance should underpin BET's share price performance.

### 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)	14.77	na	na
06/20e	9.9	0.5	(1.6)	(0.32)	11.53	nm	na
06/21e	20.7	6.8	1.6	0.61	5.32	16.30	38.3
06/22e	31.3	13.6	8.5	1.59	3.26	8.13	14.8

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)	\$0.225
Market Capitalisation	\$99.3M
Shares on issue	473.49M
In the money options on issue	60.47M
Net debt at 31 Dec 2019	\$1.3M
Free float	~90%

### Share price performance (12-months)



### Upside Case

- Embedded in the racing clubs' integrity systems
- Strong relationships with corporate bookmakers in both Australia and UK
- Opportunity to leverage relationships to develop its Global Racing Network and potentially the Global Tote

### 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 \$10m net revenue
- Continued evidence that the Global Tote and GRN are being adopted by corporate bookmakers/racing bodies

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# FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26<sup>th</sup> 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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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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