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BetMakers Technology Group

NJ fixed odds wagering bill is in the house, wait is over

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 it has received confirmation that a Bill to authorise “fixed odds wagering on horse races through fixed odds wagering system” has been introduced into the New Jersey Legislature. This is the news that the market has been waiting for and a crucial step to enable fixed odds wagering to commence in New Jersey, where BET has an exclusive 10-year agreement with the New Jersey Thoroughbred Horsemen Association and Darby Development LLC, operator of Monmouth Park racetrack. A key positive is that the Bill was introduced into the Senate with bi-partisan support. Our forecasts incorporate modest assumptions for the US fixed odds opportunity, with revenue generated making up just 10% of our long term forecasts.

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. Of its \$9.2m in revenue in FY20, 67% 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 ~45-50% as the company expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

Next legislative steps

The legislation has been introduced and supported by both parties and will now be put to public hearings before the Senate State Government, Wagering, Tourism and Historic Preservation Committee. Once the Bill is approved by a majority of both the Senate and General Assembly, it will be sent to the NJ Governor for consideration and, if approved, signature to become law, allowing anyone in NJ aged over 18 years to bet on fixed odds horse racing (versus 21 years for sports betting). While the Bill will take time to progress through the legislative process, it gives clarity to BET and its partners, Monmouth Park and the NJ Horsemen, and allows licenced wagering operators to set up and plan for the NJ Fixed Odds wagering opportunity. It also paves the way for other US jurisdictions to adopt fixed odds wagering and is a key step in the development of the US horse racing industry. Currently, the US racing opportunity accounts for just 10% of our revenue forecasts.

Base case valuation is \$0.60/share fully diluted

Our DCF valuation is \$0.60/share, fully diluted for all in the money options. On the current share count, our base case DCF valuation is \$0.72/share. In our view, BET is well placed to deliver on its stated opportunities. We see potential upside from our current forecasts for BET’s role in the development of the fledgling US fixed odds wagering market.

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)	24.8	na	na
06/20a	9.2	0.8	(2.1)	(0.33)	21.4	nm	na
06/21e	30.0	8.0	3.8	0.80	6.9	25.9	49.4
06/22e	44.7	12.0	8.1	1.29	5.4	17.3	30.8

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

Share details

ASX Code	BET
Share Price (30 Oct)	\$0.40
Market Capitalisation	\$240.1M
Shares on issue	600.25M
In the money options on issue	27.8M
Waterhouse Group options on conversion	94.7M
Net cash at 30 Sept	\$32.8M
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

- Fixed odds horse wagering bill becomes enacted
- Continued evidence of strong growth for Managed Trading Services and the Global Racing Network

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FINANCIAL SERVICES GUIDE

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of

BR SECURITIES AUSTRALIA PTY LTD

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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 - Securities
- 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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