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bet-at-home

Travel & leisure

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Marketing investment pays off

bet-at-home is a long-established sports betting brand with positive online growth drivers. An aggressive 2016 marketing campaign has boosted customer numbers and strong EBITDA growth is expected to continue into 2017. A high cash balance of €91.8m, together with a remaining €29m shareholder loan, supports the special dividend in May 2017. At 15.9x 2017e EV/EBITDA, the shares have traded well, helped by inclusion on the SDAX, as well as an attractive 7.1% 2016 dividend yield.

Long-established European sports betting brand

bet-at-home's main markets are Austria (24% of gross win), other western Europe including Germany (47%) and eastern Europe (28%). The mix of gross gaming revenue (GGR) between sports and eGaming (casino, games, poker) is roughly 50/50. In 2016, 33% of revenues came from mobile, below the peer average but growing fast. Some of its markets are fully licensed (eg the UK), but formal licensing has not yet been introduced in many of its main markets, where it pays taxes and VAT as applicable and operates under its EU licence. There is some risk that earnings may be affected by new taxes in regulating markets such as the Netherlands and Poland, but this is in line with peers such as GVC, Betsson and Kindred.

Strong growth and high cash balance

With a strong Q4, 2016 EBITDA rose from €31.7m to €33.0m, in line with recently raised guidance. Major sporting events such as UEFA Euro 2016 are an excellent way to attract new customers and bet-at-home spent €44m on advertising in 2016, 31.7% of GGR (vs 30.0% in 2015). Customer numbers increased to 4.6 million (vs 4.3 million in 2015). With fewer major tournaments in 2017, we would expect lower marketing spend, and EBITDA guidance is €34-38m (vs consensus of €39.1m). bet-at-home ended the year with €91.8m cash (€82.3m excluding player balances) plus a remaining €29m loan receivable from Mangas (Betclic). It will pay a special dividend in May 2017, with a total payout of €7.5/share for 2016.

Valuation: 2017e EV/EBITDA of 15.9x

bet-at-home's shares have performed well over the past year, helped by inclusion on the SDAX index in February 2017. At a share price of €106, its 2017e EV/EBITDA of 15.9x is now at a premium to the peer group, but its healthy cash position and dividend yield of 7.1% and 3.3% in 2016 and 2017 are attractive.

Consensus estimates

Year end	Revenue (GGR) (€m)	EBITDA (€m)	EBIT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	107.0	26.7	25.8	3.66*	0.60	29.0	0.6
12/15	121.6	31.7	30.8	4.37*	2.25	24.3	2.1
12/16	138.7	33.0	31.9	4.42	7.5**	24.0	7.1
12/17e	144.6	39.1	37.9	5.23	3.53	20.3	3.3
12/18e	162.7	44.5	43.2	5.88	3.72	18.0	3.5

Source: Bloomberg, Edison Investment Research. Note: *2014/15 restated for 1:1 bonus shares issued June 2016. **2016e dividend includes special dividend.

Price	€106
Market cap	€742m
	£/€1.14

Share price graph

Share details

Code	ACX
Listing	SDAX
Number of shares (m)	7.0

Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with c 290 employees. It is licensed in Malta and headquartered in Dusseldorf, Germany. bet-at-home has been part of Betclic Everest since 2009; a privately owned French online gaming and sports betting group.

Bull

- Strong brand name, 4.6 million customers.
- Online gambling is a growing market, with a CAGR of 9% to 2020 (source: H2 Gambling Capital).
- Cash of €91.8m plus a remaining loan receivable from shareholders of €29m.

Bear

- Regulatory risks, eg new gaming taxes.
- Competitive markets.
- Profits affected by high marketing spend.

Analysts

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