

bet-at-home

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Full year on track, despite Polish concerns

bet-at-home is a long-established sports betting brand with positive online growth drivers. H117 revenues grew an impressive 17.5%, with an EBITDA margin of 22.6%. After heavy investment in marketing, the company now has 4.7m customers and is well positioned to benefit from the 2018 FIFA World Cup. Following regulatory concerns in Poland, the stock has fallen from its highs and now trades at 15.0x 2018e EV/EBITDA, which is still a premium to the peer group. However, management has reiterated its FY17 guidance. Solid cash position and 4.3% 2018e dividend yield are attractive.

Leading European sports-betting brand

bet-at-home's main markets are Austria (24% of gross win), other western Europe (47%) and eastern Europe (28%). The mix of gross gaming revenue (GGR) between sports and eGaming (casino, games, poker) is roughly 45%/55%. At H117, 39% of revenues came from mobile, up from 33% at FY16. Some of its markets are fully regulated (eg 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. As evidenced by the recent IP blocking in Poland (third-largest market), future earnings may be affected by new regulations, as well as rising taxes.

Strong H1 growth, guidance maintained

H117 revenues grew 17.5% to €76.8m over the prior year and customer numbers increased from 4.5m to 4.7m – an impressive feat given the Euro Football Championship in 2016. EBITDA increased from €9.0m to €17.4m, helped by lower marketing spend in the period (€24.2m vs €26.6m in 1H16). The company has demonstrated its ability to successfully retain customers and is well positioned to benefit from the FIFA World Cup in Russia next year. We expect the punitive Polish legislation to affect earnings but, given the strong performance in core markets, management has reiterated its FY17 guidance of €144m revenues and €34m-€38m EBITDA. This compares to consensus of €147.8m and €37.6m, respectively.

Valuation: 15.0x 2018e EV/EBITDA

Following a strong performance at the beginning of the year, bet-at-home's shares have pared back recently, partially due to concerns over the Polish business, but also reflecting the payment of the special dividend in May. At 15.0x 2018e EV/EBITDA, the stock continues to trade at a premium to the peer group. However, its healthy cash position and 2018e dividend yield of 4.3% are attractive.

Historical financials and 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	28.7	0.6
12/15	121.6	31.7	30.8	4.37*	2.25	24.1	2.1
12/16	138.7	33.0	31.9	4.42	7.5**	23.8	7.1
12/17e	147.8	37.6	36.5	4.96	4.44	21.2	4.2
12/18e	163.6	43.9	42.7	5.69	4.52	18.5	4.3

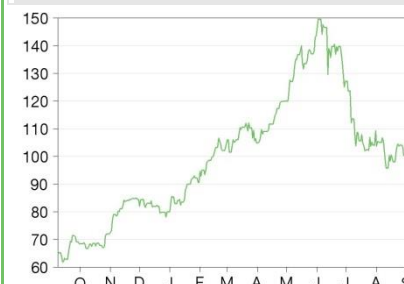
Source: Bloomberg, Edison Investment Research. Note: *2014/15 restated for 1:1 bonus shares issued June 2016. **2016 dividend includes special dividend.

Price €105.1

Market cap €736m

£/€1.099

Share price graph



Share details

Code	ACX
Listing	SDAX
Shares in issue (m)	7.0

Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with c 300 employees. It is licensed in Malta and headquartered in Dusseldorf, Germany. bet-at-home has been part of Betclix Everest since 2009, a privately owned French online gaming and sports betting group.

Bull

- Strong brand name, 4.7 million customers.
- Online gambling is a growing market, with a CAGR of 7% to 2021 (source: H2 Gambling Capital 2017).
- Cash of €77.8m underpinning high prospective dividend yield.

Bear

- Regulatory risks in major markets, largely in the form of increasing or new gaming taxes.
- Recent legislation in Poland includes punitive taxes for sports betting, as well as imposing a monopoly on e-gaming.
- Competitive markets and profits affected by high marketing spend.

Analysts

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