

ERM Power

Industrials
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Looking for a stronger performance in H218

bet-at-home is a long-established sports betting brand, successfully cross-selling into gaming. As a result of last year's IP blocking in Poland, Q218 gross gaming revenues (GGR) declined 15.6% to €33.4m. EBITDA was additionally affected by FIFA World Cup marketing spend but management has reiterated FY18 guidance of €150m revenues and €36–40m EBITDA. Risks to forecasts include uncertainty regarding e-gaming regulation in core markets. Largely due to regulatory concerns, the stock is down 40% year to date, trading at 9.7x EV/EBITDA and 12.7x P/E for 2018e. This is in line with peers, but the company's strong cash position and ability to pay special dividends is very attractive.

Regulatory burdens in Poland and Switzerland

At H118, bet-at-home's main markets were Germany (36% of gross win), Austria (31%) and Eastern Europe (18%). The mix of GGR between sports and e-gaming (casino, poker) was 43/57%, demonstrating successful cross-selling into gaming. 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. Regulatory risks are high, as shown by last year's IP blocking in Poland, with similar proposals (subsequently withdrawn) in Austria. In addition, Switzerland recently voted against foreign providers of online casinos (c 3% revenues).

Q218 EBITDA affected by higher marketing

Full H118 results have now been published, following the 30th July update. In a continuation of previous trends, Q218 revenues declined 15.6% to €33.4m, which is a direct result of IP blocking in Poland (introduced in July 2017). Higher marketing spend in the quarter led to a 6% increase in customers (five million) but a decline in EBITDA (€1.6m vs €12.4m in the prior year). We note the benefit from the FIFA World Cup will also fall into Q318. Importantly, management has reiterated FY18 guidance of €150m revenues and €36–40m EBITDA, suggesting a significant uptick in H218 EBITDA (€25–30m in H218 vs €10.9m in 1H18). This is in line with recently lowered consensus and assumes an unchanged regulatory environment.

Valuation: 9.7x 2018e EV/EBITDA

bet-at-home's shares have fallen 40% ytd, largely due to regulatory concerns across many of its key markets. On consensus figures, the stock now trades at 9.7x EV/EBITDA and 12.7x P/E for 2018e, which is in line with the peer group. However, its healthy cash position and ability to pay special dividends is very attractive.

Consensus estimates

Year end	Revenue (GGR) (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	138.7	33.0	4.42	7.50	13.2	12.8
12/17	145.4	35.5	4.68	7.50	12.5	12.8
12/18e	147.5	36.0	4.59	6.25	12.7	10.7
12/19e	145.6	35.1	4.49	5.56	13.0	9.5

Source: Bloomberg, Edison Investment Research

Price €58.5
Market cap €410m

Share price graph



Share details

Code	ACX
Listing	SDAX
Shares in issue	7.0m

Business description

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

Bull

- Strong brand name, five million customers.
- Online gambling is a growing market, with a CAGR of 7% to 2021 (source: H2 Gambling Capital 2017).
- Liquid funds and securities of €61.6m (H118) underpin high dividend yield.

Bear

- Regulatory uncertainty is high in major markets, with recent proposals causing concern in Switzerland, Austria and Germany.
- 2017 legislation in Poland included 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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Bet-at-home is a client of Edison Investment Research Limited

In this interview, ERM Power's MD and CEO, Jon Stretch, talks about the prospects for the company and explains its capital management framework.

Executive Interview

EDISON TV

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Jon Stretch, ERM Power
Managing Director and CEO

Please give us a brief description of the company.

▶ PLAYLIST

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