

bet-at-home

German regulation looks positive (at last)

After years of uncertainty, all 16 German states have agreed in principle that the July 2021 Gambling Treaty will include a unified approach to allowing e-gaming (casino and poker). This follows recent news that e-gaming was to be banned altogether. This new development is clearly a very positive step forward for the industry. The announcement is particularly important for bet-at-home (BAH), which derives c 20% of net gaming revenues (NGR) from German e-gaming. We will update our estimates at FY19 results in March, when we expect further clarity.

Year end	Revenue (GGR**) (€m)	EBITDA (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	145.4	36.4	4.81	7.50	11.5	13.5
12/18	143.4	36.2	4.65	6.50	11.9	11.7
12/19e	142.9	32.9	3.31	4.00	16.7	7.2
12/20e	143.1	33.1	3.37	4.00	16.4	7.2

Note: *EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **GGR are gross gaming revenues

Moving towards e-gaming regulation in 2021

To date, gaming regulation in Germany has been very confusing, with a high level of disagreement. As recently as December 2019, the interior minister of Hesse (the state in charge of licensing) indicated that online gaming would be prohibited as part of fulfilling the temporary betting licence obligations. Somewhat to the contrary, this new announcement has confirmed that all 16 states have agreed in principle that the permanent regime (from 1st July 2021) would include e-gaming (casino and poker), not just betting as originally envisaged. This is clearly a hugely positive step forward for the e-gaming industry, although there are still doubts over the legality of e-gaming in the interim period (from January 2020 to June 2021).

Germany is BAH's largest market

Germany is BAH's largest market, comprising 35% of total wagers. We estimate that c 20% of BAH's net gaming revenues are derived from German e-gaming and therefore the ability to operate with legal certainty throughout Germany would be a huge positive for the company. We note that German e-gaming is subject to 19% VAT and we expect this rate to be reviewed in due course. In comparison, sports betting (c 10% of BAH's NGR) is taxed at 5% of turnover, which is equivalent to c 45% tax on gross gaming revenue. We expect further clarity at FY19 results and will update our figures at that point.

Valuation: 7.2% dividend yield

BAH trades at 10.7x EV/EBITDA and 16.4x P/E for FY20e, which is towards the top end of the peer group, but its net cash position remains healthy (despite the recently increased tax) and 7.2% prospective dividend yield are very attractive. Uncertainty surrounding German e-gaming has weighed on sentiment and this development is very positive for the company.

German regulation

Travel & leisure

23 January 2020

Price €55.4

Market cap €388m

Net cash at September 2019 (€m) 33.3

Shares in issue 7.0m

Free float 47.3%

Code ACXX

Primary exchange XETR

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 5.5 14.8 (10.4)

Rel (local) 4.0 8.3 (26.5)

52-week high/low €73.60 €45.02

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. Since 2009 bet-at-home has been part of Betclix Everest, a privately owned French online gaming company.

Next events

Q120 results 4 May 2020

Q220 results 3 August 2020

Analysts

Victoria Pease +44 (0)20 3077 5740

Russell Pointon +44 (0)20 3077 5700

gaming@edisongroup.com

[Edison profile page](#)

**bet-at-home is a research
client of Edison Investment
Research Limited**

Exhibit 1: Financial summary

	€'m	2014	2015	2016	2017	2018	2019e	2020e	2021e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue (GGR)		107.0	121.6	138.7	145.4	143.4	142.9	143.1	146.0
Cost of Sales		(12.3)	(21.3)	(25.8)	(27.6)	(28.2)	(25.8)	(26.7)	(27.3)
Net Gaming Revenue		94.7	100.3	112.9	117.8	115.1	117.1	116.4	118.7
EBITDA		26.8	31.6	33.0	36.4	36.2	32.9	33.1	34.5
Normalised operating profit		25.9	30.7	31.9	35.1	34.9	31.1	31.1	32.5
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(0.1)	0.1	0.0	(0.9)	0.0	0.0	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		25.8	30.8	31.9	34.1	34.9	31.1	31.1	32.5
Net Interest		1.7	2.2	2.2	1.5	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		27.5	32.9	34.1	36.6	35.0	31.1	31.1	32.5
Profit Before Tax (reported)		27.5	32.9	34.1	35.7	35.0	31.1	31.1	32.5
Reported tax		(1.8)	(2.3)	(3.1)	(2.8)	(2.4)	(19.7)	(7.5)	(7.8)
Profit After Tax (norm)		25.7	30.6	31.0	33.8	32.6	23.2	23.7	24.7
Profit After Tax (reported)		25.6	30.7	31.0	32.8	32.6	11.3	23.7	24.7
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		25.7	30.6	31.0	33.8	32.6	23.2	23.7	24.7
Net income (reported)		25.6	30.7	31.0	32.8	32.6	11.3	23.7	24.7
Basic average number of shares outstanding (m)		7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
EPS - basic normalised (€)		3.66	4.36	4.42	4.81	4.65	3.31	3.37	3.52
EPS - diluted normalised (€)		3.66	4.36	4.42	4.81	4.65	3.31	3.37	3.52
EPS - basic reported (€)		3.65	4.37	4.42	4.68	4.65	1.62	3.37	3.52
Dividend (€)		0.60	2.25	7.50	7.50	6.50	4.00	4.00	4.00
Revenue growth (%)		25.0	13.6	14.0	4.8	(1.4)	(0.3)	0.2	2.0
Gross Margin (%)		88.5	82.5	81.4	81.0	80.3	82.0	81.3	81.3
EBITDA Margin (%)		25.0	26.0	23.8	25.0	25.3	23.0	23.1	23.6
Normalised Operating Margin		24.2	25.2	23.0	24.1	24.4	21.7	21.7	22.2
BALANCE SHEET									
Fixed Assets		4.5	4.8	4.9	4.0	3.4	7.1	6.1	5.1
Intangible Assets		2.4	2.2	2.0	2.0	2.0	2.1	2.3	2.5
Tangible Assets		2.1	2.6	2.9	2.0	1.4	5.0	3.8	2.6
Investments & other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		89.9	123.3	140.5	120.6	99.9	68.8	66.4	65.0
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		57.9	70.7	47.9	16.9	20.1	22.0	25.0	28.0
Cash & cash equivalents		21.8	40.7	82.3	94.4	70.6	36.3	30.9	26.5
Customer cash		9.7	9.4	9.5	7.5	7.7	8.0	8.0	8.0
Other		0.5	2.5	0.7	1.8	1.5	2.5	2.5	2.5
Current Liabilities		(27.0)	(32.7)	(35.7)	(35.3)	(34.0)	(33.4)	(34.4)	(35.4)
Creditors		(1.3)	(1.0)	(0.5)	(1.8)	(3.3)	(4.3)	(5.3)	(6.3)
Short term provisions/ tax liabilities		(14.1)	(19.9)	(21.4)	(22.6)	(19.2)	(17.1)	(17.1)	(17.1)
Short term borrowings		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		(11.5)	(11.8)	(13.9)	(10.9)	(11.5)	(12.0)	(12.0)	(12.0)
Long Term Liabilities		(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(4.0)	(4.0)	(4.0)
Long term borrowings		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities		(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(4.0)	(4.0)	(4.0)
Net Assets		67.5	95.3	109.6	89.3	69.3	38.5	34.1	30.7
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		67.5	95.3	109.6	89.3	69.3	38.5	34.1	30.7
CASH FLOW									
Op Cash Flow before WC and tax		26.8	31.6	33.0	36.4	36.2	32.9	33.1	34.5
Working capital		(4.4)	(3.6)	(0.1)	(2.4)	(6.5)	(0.9)	(2.0)	(2.0)
Exceptional & other		5.8	5.9	0.4	(0.4)	0.0	0.0	0.0	0.0
Tax		(1.8)	(2.3)	(3.1)	(2.8)	(5.0)	(19.7)	(7.5)	(7.8)
Net operating cash flow		26.4	31.7	30.2	30.8	24.8	12.3	23.7	24.7
Capex		0.0	0.0	0.0	0.0	(0.7)	(1.0)	(1.0)	(1.0)
Acquisitions/disposals		(2.4)	(1.1)	(1.3)	(0.5)	0.0	0.0	0.0	0.0
Net interest		2.2	2.2	0.3	1.5	0.0	0.0	0.0	0.0
Equity financing		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends		(2.8)	(4.2)	(15.8)	(52.6)	(52.6)	(45.6)	(28.1)	(28.1)
Other		(15.0)	(9.6)	28.2	33.0	4.7	0.0	0.0	0.0
Net Cash Flow		8.4	19.0	41.6	12.1	(23.8)	(34.3)	(5.4)	(4.4)
Opening net debt/(cash)		(13.4)	(21.8)	(40.7)	(82.3)	(94.4)	(70.6)	(36.3)	(30.9)
FX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(21.8)	(40.7)	(82.3)	(94.4)	(70.6)	(36.3)	(30.9)	(26.5)

Source: BAH accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by bet-at-home and prepared and issued by Edison, in consideration of a fee payable by bet-at-home. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2020. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia