

# bet-at-home

German regulation

## 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.

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

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**Exhibit 1: Financial summary**

	€'m	2014	2015	2016	2017	2018	2019e	2020e	2021e
31-December		IFRS							
<b>INCOME STATEMENT</b>									
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
<b>BALANCE SHEET</b>									
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
<b>CASH FLOW</b>									
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

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