

# BlueBet Holdings

## Robust core and executing in the US

BlueBet's (BBT's) Q223 results highlighted a robust performance in its primary geography, Australia, against a more competitive backdrop. Good progress was made in the US, with ClutchBet (BBT's brand) in lowa performing well after its August 2022 launch. BBT has been awarded a temporary operating licence in Colorado, which is expected to go live in mid-March. Management is exploring partnerships for its B2B Sportsbook-as-a-Solution business as it enters the second phase of its [US growth strategy](#). Management expects net operating cash outflows to normalise in H223.

### Q223 results and update on US operations

In Australia, BBT reported growth in active customers (+32.3% y-o-y) and turnover (+5.6% y-o-y) in Q223, winning market share in an increasingly competitive environment, according to management. Sports turnover was up by 58% y-o-y, boosted by the FIFA World Cup. However, due to the change in mix towards sports and increased marketing expenditure, the net win margin fell 0.7pp y-o-y to 9.3%. Progress continues to be made in the US as ClutchBet ranked 10 out of 19 operators by revenue in lowa in Q2, having only taken first bets in August. The company has received approval for a temporary internet sports betting operator licence from the Colorado Gaming Control Commission and expects to go live in Colorado in mid-March. BBT hopes to launch its BlueBet Global Platform by June, a centralised platform which management believes will enable it to scale efficiently.

### Cash flow normalisation expected in H223

Management remains confident in normalising operating cash flows and, consequently, margins in H223, seeking to return the Australian business to positive operating cash flow in the second half of FY23. Since the Q123 results in October, FY23 consensus revenue estimates have fallen by 5% and adjusted EPS loss forecasts have increased by 9.5%.

### Valuation: Discount to global peers

BBT trades on consensus EV/Sales multiples of 0.42x in FY23e and 0.33x in FY24e, significant discounts of 77% and 80%, respectively, to our peer group. The continued discount reflects the early-stage nature of the business and relatively low free float (28.6%). BBT ended Q223 with net cash (excluding customer deposits) of A\$28.5m (Q123: A\$38.7m) after higher levels of operating net cash outflow due to elevated investment in marketing, promotions and pricing. As stated above, management expects operating cash flows and margins to normalise in H223.

#### Consensus estimates

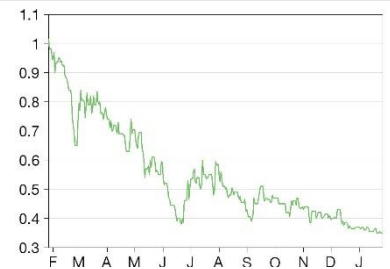
| Year end | Revenue* (A\$m) | PBT (A\$m) | EPS (A\$) | DPS (A\$) | P/E (x) | Yield (%) |
|----------|-----------------|------------|-----------|-----------|---------|-----------|
| 06/21    | 32.4            | 4.5        | 0.03      | 0.00      | 12.1    | N/A       |
| 06/22    | 49.7            | (6.3)      | (0.03)    | 0.00      | N/A     | N/A       |
| 06/23e   | 57.4            | (13.0)     | (0.06)    | 0.00      | N/A     | N/A       |
| 06/24e   | 74.0            | (12.2)     | (0.06)    | 0.00      | N/A     | N/A       |

Source: Refinitiv, BlueBet. Note: \*Revenue is wagering revenue (net win less general sales tax).

**Travel and leisure**
**27 January 2023**

**Price** **A\$0.35**  
**Market cap** **A\$70m**  
A\$1.75/£

#### Share price graph



#### Share details

Code **BBT**  
Listing **ASX**  
Shares in issue **200.1m**

#### Business description

BlueBet Holdings is an online Australian wagering operator founded in 2015. It offers betting products on 31 sports in Australia and internationally via its online platform and mobile applications. Its B2C brands include BlueBet in Australia and ClutchBet in the United States.

#### Bull

- Structural growth in regulated online gaming markets.
- Scalable B2B business in the US as the addition of new partners does not require the addition of major overheads or capital investment.
- Strong management track record within the sector. CEO Michael Sullivan was CEO of Sportingbet for 13 years, the largest online corporate bookmaker in Australia, acquired by William Hill in 2013.

#### Bear

- The online gaming industry is highly competitive, pointing to potential requirements to increase marketing spend.
- The online gaming industry is subject to political and regulatory risks. However, BlueBet's focus is on regulated markets, where risks should be lower.
- BlueBet does not pay a dividend as the priority is to grow its presence in Australia and the US.

#### Analysts

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