

# BlueBet Holdings

**Travel & leisure**
**30 September 2022**

## Dual-track growth strategy

BlueBet's (BBT's) two-prong strategy is to build on its core online betting brand in Australia and develop the US market. Funded by positive operating cash flow from the Australian business and the July 2021 A\$80m (gross) initial public offering (IPO), BBT is investing in its proprietary gaming platform and is increasing marketing spend, to build on the current strong growth in active customers and revenue and to further its US ambitions. BBT's share price has declined by 74% since IPO, against a backdrop of share price volatility in the gaming sector and despite reported FY22 KPIs exceeding targets set out at the time of the IPO.

## Core Australian business executing on growth

BBT aims to continue taking market share (currently c 1%) in its core geography, Australia, by strengthening the brand and growing its active customer base. BBT's FY22 results demonstrated strong growth (in revenue, active customers and betting volume), still bolstered by the pandemic as users shifted to online platforms and gambled more frequently. Despite a highly competitive environment, management notes it is gaining market share from domestic incumbents due to its localised brand and increased marketing spend (FY22 +191% y-o-y to A\$14m). In FY22, BBT reported growth of 64% in active customers to 53k (FY21: 33k), 49% in turnover to A\$512m (FY21: A\$345m) and 48% in gross profit to A\$27m (FY21: A\$18m).

## Recent expansion into the US to propel business

BBT recently entered the US market with its B2C brand (ClutchBet) as it took first bets in Iowa, with three other target states undergoing the licensing process. The four states have been initially chosen based on the competitive opportunity and relatively low taxes and licensing fees. BBT will subsequently look to roll-out its B2B 'sportsbook-as-a-solution' business once ClutchBet is established, leveraging its proprietary platform and the partner's customer base to reduce its risk profile and capital requirements. Revenues are yet to be reported in the US, but Refinitiv consensus expects US revenue to grow from A\$1m in FY23 to A\$30m in FY25.

## Valuation: Discount to established peers

BBT trades on consensus FY23e and FY24e EV/sales multiples of 0.76x and 0.59x, discounts of 48% and 55% to our peer group. The discount likely reflects its early-stage nature and relatively low free float (28.6%). End FY22 net cash of A\$47m should provide the means to invest to grow its market position, product and technology offerings, as well as to ramp up the US operations. Consequently, management points to an FY23 peak in net cash burn (A\$8.8m in FY22).

### 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	16.2	N/A
06/22	49.7	(6.3)	(0.03)	0.00	N/A	N/A
06/23e	63.0	(12.1)	(0.05)	0.00	N/A	N/A
06/24e	81.7	(11.5)	(0.05)	0.00	N/A	N/A

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

**Price** **A\$0.47**
**Market cap** **A\$93.8m**

A\$1.72/£

### 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. BlueBet 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

Russell Pointon	+44 (0)20 3077 5700
Milo Bussell	+44 (0)20 3077 5700

[consumer@edisongroup.com](mailto:consumer@edisongroup.com)

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