

bet-at-home

Travel & leisure
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Stock affected by regulatory concerns

Price €84.3
Market cap €590m

bet-at-home is a long-established sports betting brand, successfully cross-selling into gaming. As expected, Q118 revenues declined by 10.8% to €33.2m, mainly due to IP blocking in Poland. The company has reiterated FY18 guidance of €150m revenues and €36–40m EBITDA. Risks to future forecasts include uncertainty regarding e-gaming regulation in core markets. The company now has c 4.9 million customers and is well positioned to benefit from the 2018 FIFA World Cup. Largely due to regulatory concerns, the stock is down 22% ytd, trading at 13.3x 2018e EV/EBITDA. This is still a premium to peers, but the company's high cash flow and ability to pay special dividends is very attractive.

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 311 employees. It is licensed in Malta and headquartered in Dusseldorf, Germany. bet-at-home has been part of Betclix Everest since 2009; a privately owned French online gaming and sports betting group.

Bull

- Strong brand name, 4.9m customers. It is well positioned ahead of the 2018 FIFA World Cup in Russia.
- Online gambling is a growing market, with a CAGR of 7% to 2021 (source: H2 Gambling Capital 2017).
- Liquid funds and securities of €108m (Q118) and strong cash flow underpin high dividend yield.

Bear

- Regulatory uncertainty is high in major markets, with recent proposals causing concern in 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

Regulation uncertainty in key markets

bet-at-home's main markets are Germany (35% of gross win), Austria (24%) and Eastern Europe (23%). In FY17, the mix of gross gaming revenue (GGR) between sports and e-gaming (casino, poker) was 44%/56%, 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 evidenced by last year's IP blocking in Poland, with similar proposals (subsequently withdrawn) in Austria. In Germany, the regulatory environment remains unclear, particularly for online casino, and the company has ceased casino offerings in the state of Schleswig-Holstein.

Maintaining FY18 guidance

As expected, Q118 revenues declined by 10.8% to €33.2m, which is a direct result of IP blocking in Poland. Lower marketing spend in the period (€7.7m vs €14.9m) led to an 88% increase in EBITDA to €9.3m. Importantly, management has reiterated FY18 guidance of €150m revenue and €36–40m EBITDA, in line with recently lowered consensus. This assumes an unchanged regulatory environment. Despite the headwinds, the company is successfully retaining customers (4.9m vs 4.8m at YE17) and it is well-positioned ahead of the FIFA World Cup in Russia.

Valuation: 13.3x 2018e EV/EBITDA

bet-at-home's shares have fallen 22% ytd, largely due to regulatory concerns across its key markets, including a negative proposal in Austria in March (which was subsequently withdrawn). On consensus figures, the stock trades at 13.3x FY18 EV/EBITDA, a c 20% premium to 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)	EBIT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	138.7	33.0	31.9	4.42	7.50	19.1	8.9
12/17	145.4	35.5	34.1	4.68	7.50	18.0	8.9
12/18e	150.4	36.3	35.0	4.61	6.67	18.3	7.9
12/19e	159.8	40.2	38.8	5.16	5.74	16.3	6.8

Source: Bloomberg, Edison Investment Research

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