bet-at-home

Travel & leisure

Guidance maintained with strong Q318

bet-at-home is a long-established sports betting brand, successfully cross-selling into gaming. On the back of the FIFA World Cup, the company has produced a strong Q318, with gross gaming revenues (GGR) of €37.6m and a record EBITDA of €13.0m. Regulatory risks remain high, as witnessed by last year's IP blocking in Poland, but we are encouraged that FY18 guidance has been maintained. Largely due to regulatory concerns, the stock is down c 40% ytd, trading at 9.4x EV/EBITDA and 12.5x P/E for 2018e. This is at the top end of the peer group, but the company's strong cash position and ability to pay special dividends is very attractive.

Regulatory risks are high…

At H118, bet-at-home's main markets were Germany (36% of gross win), Austria (31%) and Eastern Europe (18%). The mix of GGR between sports and e-gaming (casino, poker) was 43/57%, 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 Regulatory risks are high, as shown by last year's IP blocking in Poland, with similar proposals (subsequently withdrawn) in Austria. In addition, Switzerland recently voted against foreign providers of online casinos (c 3% revenues).

…but guidance has been maintained

On the back of the FIFA World Cup, bet-at-home has produced a strong Q318, with €37.6m GGR and an EBITDA of €13.0m. This compares to €1.6m EBITDA in Q218, which was affected by the majority of World Cup marketing costs. For the nine months, this equates to a €104.2m GGR (vs €108.7m in 2017) and €23.9m EBITDA (vs €25.4m in 2017). Despite the increased regulatory challenges and higher levels of gaming taxes across its markets, we are very encouraged that management has reiterated FY18 guidance of €150m GGR and €36–40m EBITDA. This is slightly higher than recently lowered consensus and assumes an unchanged regulatory environment.

Valuation: 12.5x P/E, 10.7% dividend yield for FY18e

bet-at-home's shares have fallen c 40% ytd, largely due to regulatory concerns across many of its key markets. On consensus figures, the stock now trades at 9.4x EV/EBITDA and 12.5x P/E for 2018e, which is at the top end of the peer group. However, its healthy cash position and ability to pay special dividends is very attractive and the dividend yield for FY18e is 10.7%.

Consensus estimates

Year end	Revenue GGR (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	138.7	33.0	4.42	7.50	13.2	12.8
12/17	145.4	35.5	4.68	7.50	12.5	12.8
12/18e	147.8	36.6	4.67	6.25	12.5	10.7
12/19e	146.0	35.5	4.55	5.56	12.8	9.5

Source: Bloomberg, Edison Investment Research

Price	**€58.4**
Market cap	**€409m**

Share price graph

Share details

Code	ACX
Shares in issue	7.0m
Net cash as at 30 September 2018	€67m

Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with 300 employees. It is licensed in Malta and headquartered in Dusseldorf, Germany. Since 2009 bet-at-home has been part of Betclic Everest, a privately owned French online gaming and sports betting group.

Bull

- Strong brand name, five million customers.
- Online gambling is a growing market, with a CAGR of 7% to 2021 (source: H2 Gambling Capital 2017).
- Cash and cash equivalents of €67.0m underpin high dividend yield.

Bear

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

Victoria Pease +44 (0)20 3077 5740

Katherine Thompson +44 (0)20 3077 5730

gaming@edisongroup.com

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