

bet-at-home

Travel and leisure

15 November 2022

Navigating challenges in 2022

bet-at-home's (BAH's) interim results were consistent with the view in [our May 2022 outlook note](#) that 2022 would be a challenging year, as the group continues to navigate the regulatory landscape in its key markets. Full year guidance was lowered in June given legal and regulatory changes in Germany and Switzerland, and BAH exited the UK market in July following a licence review. Management continues to look forward to a potential new licence in the Netherlands, which would provide a new growth opportunity. Given the significant fall in BAH's share price in the year to date, the group's June 2022 net cash position (excluding client money) of €28.3m would represent 92% of its current market capitalisation.

H122: Results affected by restrictions

Against a restated comparator that excludes the discontinued Austrian business, BAH's H122 gross gaming revenue (GGR) fell 18.8% y-o-y to €26.7m due to a significant fall in Sports revenue and restrictions in Germany. Management notes no significant change in customer behaviour despite the wider macroeconomic backdrop and anticipates stronger volumes in Q422 due to the FIFA World Cup. EBITDA was down 83% y-o-y, from €6.1m to €1.1m, a margin of 4%, driven by operational gearing and significantly increased legal costs.

Guidance lowered following regulatory challenges

Management lowered FY22 guidance in June given the exit from the Swiss market and product restrictions in Germany, and left the guidance unchanged with the H122 results. The mid-point of revenue guidance is €47.5m, versus €55m previously, a downgrade of 14% and a year-on-year decline of c 20% from the restated FY21. The EBITDA range is a loss of €4.5–2.0m, versus the range of a loss of €2.0m to a profit of €2.0m previously, which includes a €1.7m loss from discontinued Austrian operations. This implies ongoing pressure on profitability in H2.

Valuation: Cash underpins market value

Commentary around valuation is complicated by the fact that current consensus estimates do not accurately reflect the lowered guidance. On CY22e and CY23e EV/sales multiples of 0.05x, BAH remains at a deep discount to peers of 97% for both years. BAH's share price has fallen 68% YTD and its end-June net cash (excluding client money) of €28.3m would account for 92% of the current market value. The next catalyst for BAH could be the Q322 results on 21 November.

Consensus estimates

Year end	Revenue* (€m)	EBITDA (€m)	EPS (€)	DPS (€)	EV/sales (x)	P/E (x)	Yield (%)
12/20	54.6**	13.2**	1.28	2.50	0.05	3.4	56.8
12/21	59.3	14.0	1.52	0.00	0.05	2.9	N/A
12/22e	51.6	1.8	0.03	0.00	0.05	146.7	N/A
12/23e	51.0	2.6	0.16	0.00	0.05	27.5	N/A

Source: Refinitiv. Note: *Gross gaming revenue. **Restated figures.

Price €4.40
Market cap €31m

Share price graph



Share details

Code	ACXX
Listing	XETR
Shares in issue	7.0m
Net cash (€m) at 30 June 2022 (excluding client money)	28.3

Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with 170 (end June 2022) employees. It is licensed in Malta and headquartered in Düsseldorf, Germany. Since 2009, bet-at-home has been part of BetClic Everest, a privately owned gaming company, which currently holds 53.9% of bet-at-home's shares.

Bull

- bet-at-home has a strong record of growing its registered customer base as it expanded geographically and developed new products across sports betting and casino.
- Online gaming is a growing market.
- A potential new licence in the Netherlands in Q422 could lead to a more favourable outlook.

Bear

- Regulatory risk is high in the majority of its markets, albeit regulated market exposure should increase over time.
- bet-at-home operates in competitive markets that require high marketing spend.
- The company has been subject to punitive taxes and customer litigation.

Analysts

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H122 results

BAH's interim results exclude the results of its activities in Austria following the closure of its online casinos in 2021, which were treated as discontinued.

Exhibit 1: Financial highlights

	H122 (€m)	H121 (€m)	Change y-o-y
GGR (gross gaming revenue)	26.7	32.8	-19%
NGR (net gaming revenue)	20.8	26.8	-22%
EBITDA	1.1	6.1	-83%
Margin	4%	19%	14.6pp
PBT	(0.2)	4.8	N/A
Net cash (ex client money)	28.3	35.7	-21%

Source: bet-at-home

In the period, GGR fell by c 19% to €26.7m (H121: €32.8m), driven mainly by the c 25% fall in Sports revenue to €24.3m (H121: €32.3m) as Gaming GGR rose from a depressed H121 to €2.4m (H121: €0.6m). Personnel and marketing costs fell by 22% and 37%, respectively, providing some offset to the revenue decline. However, other operating expenses, including professional expenses and additional transaction costs, grew almost threefold to €6.3m, which resulted in total operating costs falling by only 4%.

As such, EBITDA fell by 83% to €1.1m (H121: €6.1m), a margin of only 4% (H121: 19%), and BAH swung to a loss before tax in the period of €0.2m (H121: PBT of €4.8m).

Management's focus in H122 was on the selection of a partner to provide its sports and gaming platform, replacing its in-house platform. This will enable BAH to focus on marketing and customer relationship management in future, growing brand awareness. In July 2022 BAH selected EveryMatrix and as a result management expects to reduce the number of employees to c 110 by FY22-end from 170 at 30 June 2022.

Despite further changes to regulations, notably in its core German market, management believes the underlying performance was stable in the period. BAH has not seen any significant change in customer behaviour despite the more challenging macroeconomic backdrop.

As is typical in the years of major football tournaments, the upcoming FIFA World Cup in November and December 2022 should drive higher betting volumes. We note that in Q318 (the 2018 FIFA World Cup), BAH's Sports GGR grew by c 17% y-o-y. BAH will also increase advertising expenditure in the lead up to the tournament accordingly and we note that in Q218, ahead of the competition, marketing expenditure increased by c 45% y-o-y. The World Cup is typically a good opportunity to attract new players.

Regulatory developments and guidance

BAH faced further regulatory and legal headwinds in H122. The section below updates the more detailed comments on BAH's markets in our [May Outlook note](#).

Germany

In May 2022, authorities in the German region of Hesse published a licensable betting programme, which significantly reduced BAH's live betting offering. As at 1 July 2022 the €1,000 per month deposit limit imposed in the State Treaty on Gaming 2021, that previously had only been implemented in the online casino sector, was enforced across all products. BAH has actioned these changes accordingly. The existing betting programme will be extended to the end of CY22 and BAH has applied for an extension of its sports betting licence. Following this change, management

anticipates a stable regulatory environment in Germany, but further restrictions in the region cannot be discounted. Management has welcomed the granting of the first licences for virtual slot machines (in June 2022). The gradual development of legal certainty in Germany should provide greater clarity for operators and as such should be a positive for BAH.

Austria

The winding up proceedings of the Austrian subsidiary, bet-at-home Entertainment Ltd, were approved on 13 May 2022, with retrospective effect from the initial application date of 23 December 2021, following the negative ruling by the Austrian Supreme Court in October 2021.

Netherlands

As we wrote in our outlook note in May 2022, BAH has applied for a new sports betting and gaming licence in the Netherlands and expects it to be awarded by the end of FY22. Management expects a decision to be made in Q422.

Poland

At the time of the publication of our Outlook note, management intended to apply for a new licence in Poland. However, management now states it does not currently plan to return to the Polish market, following a detailed market analysis, preferring to focus on its German-speaking core markets.

Switzerland

In June 2022, BAH lost the legal case it brought before the Swiss Federal Supreme Court; the case dated back to 2019 and concerned the legality of IP blocking of BAH's offer. Although the group had exited the market in 2019, this has resulted in management closing access to its websites from Switzerland.

UK

In line with its strategy to focus on German-speaking markets, BAH announced its decision to exit the UK market in July 2022, driven by increasing compliance requirements in the market, which made the business no longer economically viable following the suspension of its operating licence by the UK Gambling Commission. The licence was surrendered on 12 July 2022.

Guidance

Given the negative impact of these legal and regulatory events, on 27 June BAH lowered both its GGR and EBITDA guidance for FY22. The revised guidance was reiterated with the H122 interim results on 22 August. Management expects GGR of between €45m and €50m (previously €50–60m) and an EBITDA loss within a range of €4.5–2.0m (previously between a loss of €2.0m and a profit of €2.0m).

We expect the Q322 results to be announced on 21 November 2022.

Valuation

BAH has seen a 70% decline in its share price over the last six months, notably since management reduced its FY22 guidance in late June following the loss of the Swiss legal dispute and the regulatory developments in Germany, and since the exit from the UK market.

BAH's end-June net cash excluding client money of €28.3m would represent 92% of the current market value. We assume there will have been some cash outflow during Q322 and we also note

that BAH has current liabilities relating to the discontinued operations in Austria amounting to €7.8m. Nevertheless, it appears that cash currently underpins a substantial proportion of the market capitalisation.

Exhibit 2 shows the peer comparison group. BAH currently trades on very low EV/sales multiples of 0.05x in both CY22e and CY23e, reflecting a 97% discount in both years to our peer group. We believe the current CY22e adjusted EBITDA and adjusted EPS consensus for bet-at-home (as shown on page 1) does not reflect management's most recent guidance and we assume this may also be the case for CY23e. As such, we draw attention to the fact that the current forward CY22e and CY23e multiples for bet-at-home are potentially misrepresentative. Based on the consensus forecasts published by Refinitiv, the group currently trades on EV/EBITDA multiples of 1.5x in CY22e and 1.0x in CY23e and forward P/E multiples of 146.5x in CY22e and 27.5x in CY23e. This is despite management guiding to an EBITDA loss for CY22 (which suggests some analyst forecasts have yet to be updated).

BAH suspended dividend payments in FY21, having paid a dividend consistently since FY11 prior to that.

Exhibit 2: Peer valuation

Company	Share price (local ccy)	Currency	Market cap (€m)	EV/sales CY22 (x)	EV/sales CY23 (x)	EV/EBITDA CY22 (x)	EV/EBITDA CY23 (x)	P/E CY22 (x)	P/E CY23 (x)
Betsson	81.2	SEK	1,840	1.15	1.04	5.2	4.9	9.4	9.0
Entain	1,350.0	GBp	9,112	2.36	2.19	10.8	9.6	23.8	17.0
Flutter Entertainment	11,430.0	GBp	23,048	3.15	2.68	22.2	15.2	48.7	27.8
Kindred Group	104.2	SEK	2,206	1.74	1.45	13.5	8.4	26.2	13.0
BlueBet Holdings	0.4	AUD	52	0.49	0.10	N/A	N/A	N/A	N/A
Average				1.78	1.49	12.95	9.54	27.00	16.72
bet-at-home	4.4	EUR	31	0.05	0.05	1.5	1.0	146.5	27.5
Premium/(discount) to average				(97)%	(97)%	(89)%	(89)%	443%	64%

Source: Refinitiv. Note: Prices at 15 November 2022.

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