

## bet-at-home

Travel & leisure

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### Near-term transition and legal challenges

bet-at-home's (BAH's) reduced FY21 financial guidance, at the mid-point revenue down by c 6% and EBITDA by 55%, reflects likely temporary effects (in Germany and Poland), more permanent effects (Germany) and litigation where the outlook is uncertain. As the temporary issues are resolved, FY22 should see improving operational momentum in Germany and potential new licences in the Netherlands and Poland (H122) may improve growth.

### Reduced management guidance for FY21

Management has reduced guidance for FY21, with revenue of €100–110m from €106–118m previously, and EBITDA of €8–10m, from €18–22m. The operational gearing reflects the high margin on 'lost' casino revenue in Germany and the new €3.2m (c 30% of the EBITDA reduction) provision for litigation in Austria.

The German market has been affected by lower casino revenue than expected as players have not substituted their spend from recently banned casino games (blackjack and roulette) to other games, which will require better policing of the black market. BAH also points to slower re-registration and verification of players to its new website, as required by new regulations, so as competitors also re-register their customers, alternate 'easier' access for gaming will reduce. These are likely to be temporary issues. Further, in H221 management anticipates lower revenue as the €1,000 per customer per month deposit limit across all operators becomes effective, and may be longer lasting. In Poland, BAH ceased its offering in June 2021 as a condition of applying for a sports betting licence, which could provide an improved medium-term outlook. In FY16, pre-IP-blocking etc, we estimate Polish sports betting represented c 10% (c €15m) of group revenue vs €2–3m in FY20. The provision for litigation of player losses in Austria reflects the scale of recent claims (aggressive marketing by lawyers) and negative rulings in 'lower' courts. The company believes the rulings do not fully consider EU law, which would find the national online monopoly as contrary to that law. As BAH appeals, its legal experts believe 'higher' courts are more likely to consider the EU law and rule more favourably for BAH. The provision represents c 25% of existing litigations (€11m) plus legal fees; further negative rulings could have a more significant impact on BAH's profitability and dividends. We no longer provide estimates for BAH.

### Valuation: FY21 skewed by lower guidance

Consensus estimates do not fully reflect the above news. Using the mid-point of management's new guidance, the FY21 EV/EBITDA multiple is 17.9x.

Consensus estimates							
Year end	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/19	143.3	35.2	33.1	2.56	2.00	12.0	6.5
12/20	126.9	31.0	N/A	3.32	2.50	9.2	8.2
12/21e	114.9	22.1	11.7	2.37	2.25	12.9	7.4
12/22e	128.8	24.6	22.7	2.47	2.50	12.4	8.2

Source: Refinitiv

Price €30.6  
Market cap €215m

#### Share price graph



#### Share details

Code	ACXX
Listing	XETR
Shares in issue	7.0m
Net cash at 31 March 2021 (excluding client money)	€53.5m

#### Business description

Founded in 1999, bet-at-home is an online sports betting and gaming company with c 300 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.

#### Bull

- Strong and growing brand name, 5.4 million registered customers.
- Online gaming is a growing market with an estimated CAGR of 7.4% between 2019–24 (Source: H2 Gambling Capital 2020)
- High dividend payout ratio and strong cash position.

#### Bear

- Regulatory uncertainty is high in some key markets, notably Austria and Poland.
- Competitive markets that require high marketing spend.
- Company has been subject to punitive taxes and customer litigation.

#### Analysts

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