

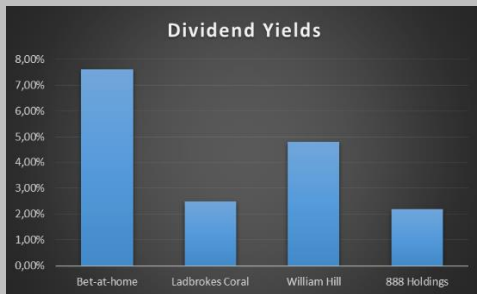
# Equity Research Report

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**WUTIS Trading and Investment Society**

## Bet-at-home

**Date:** 01/04/2017 **Current Price:** 104.85 **Target Price:** 136.5 **Ticker:** ACX **Recommendation:** BUY

*This report is published for educational purposes only by student analysts at WUTIS.*



Market profile	
Closing Price	104.85
Currency	€
52 week high/low	112.40 - 58.53
Avg. Volume	16.030
Market capitalization	735.84 Mio.
Shares Outstanding	7.02 Mio.
Beta	0.5
Dividend Yield	7.15%

## Highlights

We issue a BUY recommendation for Bet-at-home, with a target price of €136.50, indicating an upside potential of 30.2% from its closing price on 1<sup>st</sup> April 2017. The key points are:

- The online gambling industry is predicted to grow significantly in the next few years
- Bet-at-home is almost independent from macroeconomic trends
- Compared to its peers, Bet-at-home has triple the return on equity and the highest margins, despite having zero debt
- Bet-at-home has managed to consistently increase its revenue since its IPO
- Bet-at-home has a dividend yield of over 7% with a payout ratio of only 25%, which is below industry standard
- The DCF model suggest an upside potential of more than 30%, even with very conservative assumptions
- Marketing spending is highly efficient and supports the idea of Bet-at-home having a very strong management
- Bet-at-home has continuously outperformed the market and its peers in the last few years

## Recent News

- In addition to the planned dividend of €2.5 per share, the company announced on 9<sup>th</sup> March 2017 an extra dividend of €5 per share, indicating a dividend yield of 7%
- Bet-at-home became a member of the SDAX on 1<sup>st</sup> February 2017
- Commerzbank initiated coverage on the company on 11<sup>th</sup> November 2016

Key Ratios	2011	2012	2013	2014	2015	TTM
Total Revenue	66	85	86	107	122	135
Operating Margin	4,55%	0,00%	16,28%	25,23%	26,23%	22,96%
Net Profit Margin	7,58%	2,35%	17,44%	24,30%	25,41%	22,22%
Total Asset Turnover	1,27	1,60	1,25	1,14	0,96	-
LT Debt to Assets	-	-	-	-	-	-
Interest Coverage	-	-	-	-	-	-
Earnings per Share	0,66	0,24	2,07	3,65	4,37	4,26
Earnings growth	-	-63,64%	762,50%	76,33%	19,73%	-2,52%
Return on Equity	15,15%	5,88%	33,33%	38,81%	32,98%	-

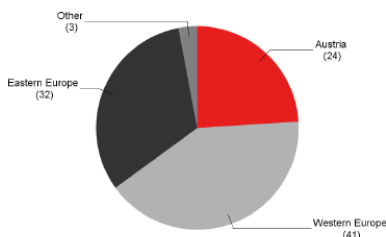
## Business Description

### Overview

Bet-at-home.com AG is a Germany-based company that is active in the online sports betting and gaming industry. It operates the website bet-at-home.com and offers sports betting, poker, casino, games and virtual sports. The Company operates through two segments: Sports Betting and eGaming. The Sports Betting segment offers bets on various types of sports and events, and the eGaming segment comprises casino, poker, virtual sports and games, including table and card games - such as blackjack, European roulette, lottery games and Keno. The Company holds licenses for online sports betting and gaming from its Maltese subsidiaries, including bet-at-home.com Holding Ltd, bet-at-home.com Entertainment Ltd, bet-at-home.com International Ltd and bet-at-home.com Internet Ltd.. Bet-at-home generates 24% of its gross win in Austria. 47% in Western Europe including Germany and 28% in Eastern Europe. The profits between its segments Sports Betting and eGaming are almost equally split. With its currently registered 4.5million users and a gaming volume of more than €2bn. Bet-at-home is one of the largest European internet-based sports betting providers. Bet-at-home shares are listed on XETRA and the Frankfurter Stock Exchange and since February 2017, the company is listed in the SDAX.



Sales by region  
2016e; in %



### Management and insiders

The company is managed by Franz Oemer (upper picture) and Michael Quatember (lower picture), who serve as co-CEOs. What we especially like, is the fact that Franz Oemer is also the co-founder of Bet-at-home which means he knows the company better than anybody else. Furthermore, he has already founded several other technology and gaming companies, and as a result he has a lot of experience in this segment. Michael Quatember was a partner at KPMG Austria before he left to join Bet-at-home, where he served as head of treasury before becoming co-CEO. We think that management has done an incredible job over the last few years, which is also demonstrated by the impressive increase of its share price, which has gained more than 1000% in the last 10 years.

### Shareholders

The majority shareholder is the French company Betclic Everest SAS group, which owns 56% of the shares. Other notable shareholders are the two co-CEOs, who each own 3.75% of the company, which is something we really like to see, because a management that also has a stake in the company tends to act more responsible and is also more focused on sustainable long-term growth. The rest is either owned by mutual funds or private investors, with JPMorgan Asset Management as the only fund that owns more than one percent (1.15%) of Bet-at-home.

## Industry analysis

### Overview and trends

Online gambling and betting consists of operators providing gambling and betting games such as poker, casino, sports betting, lottery and other games to end-user through digital environment. This helps end-users to witness gambling and betting activities in real-time through their mobile and other electronic devices.

The global online gambling and betting market is primarily driven by an increasing adoption of high-speed internet services in mobile devices. The overall demand for live streaming of sports games and videos through online portals and mobile devices is growing at a very high rate and provides players from the global online gambling and betting market the opportunity to integrate their betting services into live streams directly, further enhancing the growth rate of the market. Currently, the global online gambling and betting market comprises players that primarily provide online gambling and betting platforms and gaming solutions. Moreover, the demand for online gambling and betting is expected to increase in the coming years owing to the growing ease in regulatory norms by various countries globally.

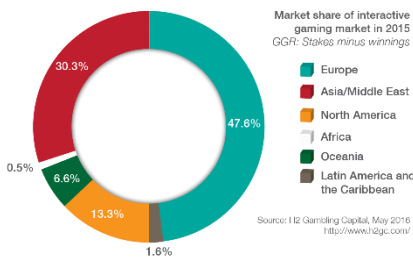
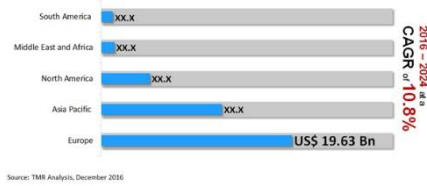
The **global** online gambling and betting market is expected to reach \$96.89 bn. by the end of 2024. The market is projected to expand at a CAGR (Compound annual growth rate) of 10.8% from 2016 to 2024. By the end of 2016, the global online gambling and betting market is expected to reach \$42.63 bn.

**Europe** held the leading share in the global online gambling and betting market in terms of revenue for 2015. Of the €34.6bn of online gaming gross win (stakes minus winnings) generated globally in 2015, more than 47.6% per cent was attributable to the EU market. This leadership comes from the innovative character of European operators, the high internet penetration in Europe and a lack of regulatory opportunities in the US and Asia to build similar industries. But Europe's leadership is uncertain due to the increasing fragmentation of the EU market along national 'boarders' and economic protectionism. The U.K. is especially expected to play a key role the European market, followed by Malta. Being a relatively young and new market, the online gambling sector in Europe is still developing, albeit slower due to the increasing regulatory pressure. Online gambling's Gross Gaming Revenue (GGR – stakes minus winnings) is expected to rise from €16.5 billion in 2015 to €24.9 billion in 2020. Betting is the most popular European online gambling product at 37% of the market, whilst online poker and casinos make up respectively 24% and 12%.

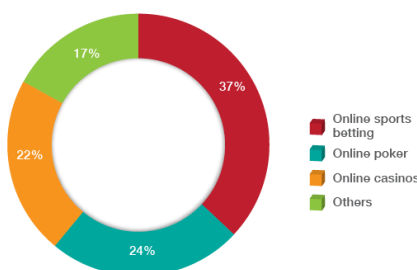
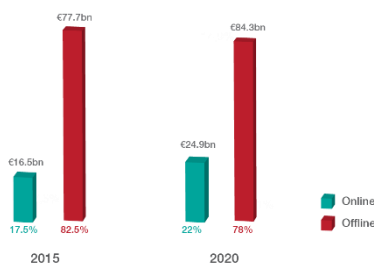
### Customer and product profiles

Revenues generated by traditional land based operators stem from long-established products, such as those found in physical betting shops, casinos and bingo halls and offerings like scratch cards and lottery tickets. Online gambling offers a wide variety of products, often found on one integrated site where consumers can, for example, place a bet on the outcome of a basketball game while playing poker at the same time. There is also a very low substitution level between the online and traditional land based sector

Global Online Gambling and Betting Market  
By Region, 2015 (US\$ Bn)



GGR in billion €  
GGR: Stakes minus winnings

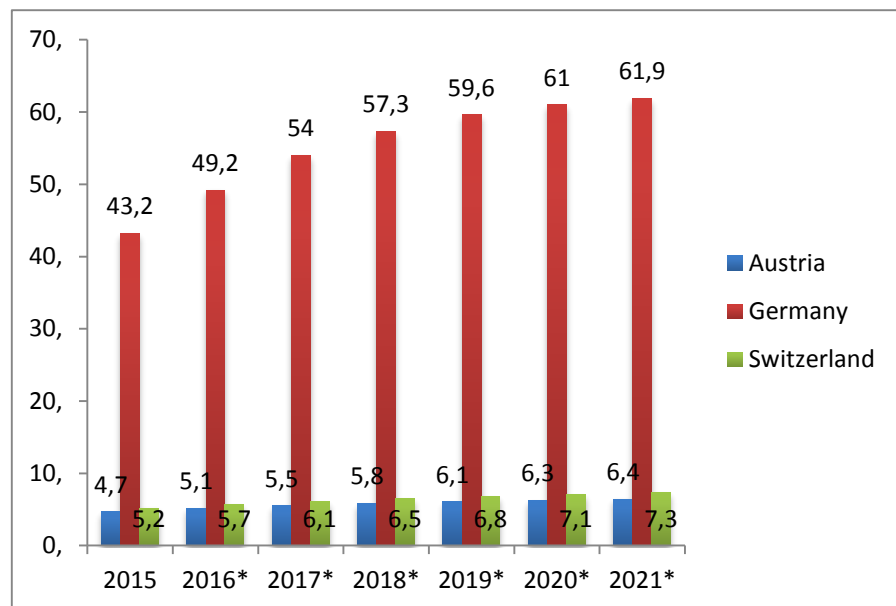


because of the different player profiles.

## Industry drivers

After analyzing the past revenues of the betting industry, we basically came to the conclusion that the main driver is smartphone and tablet penetration, especially for an online gambling company like Bet-at-home. Other than that, we also looked at consumer confidence and disposable income, which are usually important for consumer companies, but it has to be noted here that the gambling industry is very resistant to crisis and shows a very low correlation with economic downturns.

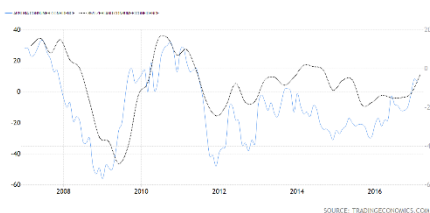
### Increasing smartphone penetration



The chart shows the past development as well as a forecast of smartphone users in Austria, Germany and Switzerland between 2015 and 2021, representing the increase of smartphone and tablet penetration, as a driving indicator for the online betting industry. The online betting market is primarily being driven by the increasing smartphone and tablet penetration with adopted high-speed internet service, which give people the opportunity to bet always and everywhere. In 2015 43.2 million people in Germany used a smartphone, 4.7 million in Austria and 5.2 million in Switzerland. In 2021 the smartphone user number in Germany is forecasted to be 61.9, which is an increase of 43.29%. In Austria 6.4 million are predicted, and in Switzerland 7.3 million, representing an increase of 36.17% and 40.38%.

### Increase in consumer confidence

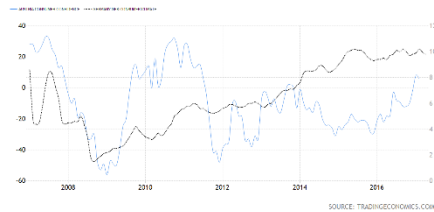
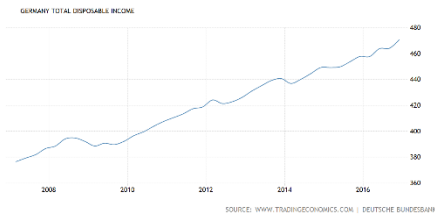
Consumer confidence has boasted a very good comeback after the financial crisis in Germany, Austria and Switzerland. Switzerland and Austria are highly correlated, as can be seen in the chart below. Both of them are currently above 6. Germany's consumer confidence has steadily increased since the financial crisis and is currently at 9.8. Although consumers are less confident that now is the right moment to make major purchases, they are in general optimistic about a positive economy development, meaning that they



tend to purchase more goods and services, which might also have has a positive impact on the online gambling industry.

### Net adjusted disposable income

The household net adjusted disposable income is the amount of money that a household earns each year after taxes and transfers. It therefore represents the money available to a household for spending. In Austria the average household net adjusted disposable income per capita is \$ 31,667 a year, which is higher than the OECD average of \$ 29,016. In Germany the average household net adjusted disposable income per capita amounts to \$ 31.925 a year and in Switzerland to \$ 35.952. Austria, Germany and Switzerland show a high and very steady growth, which is good for the online betting industry, since people have more money to spend. Here it is especially important to take into account the impact of inflation, which increased to 2.2% in February 2017 in Austria and Germany. It was the highest inflation rate since August 2012. The inflation amounts to 0.6% in Switzerland.



### Competitive position & Economic moat

When we compare Bet-at-home to its competitors, the only public companies that might come close to their products and market, are Ladbrokes Coral Group, Mybet, GVC Holdings, 888 Holdings and William Hill. Next to the public companies, there are several private companies that provide similar services and products. We indicated several private companies in the Europe market segment and would like to mention the most important ones, as Tipico, Admiral Sports betting, Bet365 Group and Interwetten Gaming.

What sets Bet-at-home apart from its competitors, is how it has positioned itself in the industry. First, the online gambling market is characterized by low technical barriers to market entry based on the availability of standard software. However, the barriers to long-term profitable existence on the market are much higher. The main driver is the large number of active users at an attractive cost-revenue ratio. For achieving this goal, Bet-at-home spends a great effort on active marketing (bonus credits, sports sponsoring, branding and partner programs), good odds and a professional customer relationship management (CRM). Continuous growth and its establishment as one of the three most popular sports betting websites in the core region of Central- and Eastern Europe are evidence that customers appreciate and value the offer. Furthermore, Bet-at-home, as the name suggests, does not have a physical location where clients can place their bets, which really sets them apart from bigger competitors, like William Hill, whose business models are therefore much more capital intensive.

### Porters 5 forces

#### Buyer Power

Buyer power is characterized through marketing and promotions and leads buyers to search for the best odds which increases the buyer power. Overall, buyer power in the online gambling market is assessed as moderate.

#### Supplier Power

Factors to consider include telecommunications infrastructure and taxation policies for internet gambling. In terms of payment, the plentiful supply of payment methods reduce supplier power, yet the size of conglomerates such



as Visa and MasterCard and their hold on much of the market increases supplier power. Overall, supplier power is assessed as moderate.

### New entrants

Government regulation is very strict. This can act as a significant entry barrier to potential new entrants. However, varying regulations mean that dominance is never absolute and it is possible for new entrants to find a niche. Overall the likelihood of new entrants is assessed as moderate

### Threat of substitutes

Physical casinos and betting shops can offer a significant substitute with minimal switching costs. However, they may not be a cheaper alternative.

### Degree of rivalry

The highly-fragmented industry, the large number of players and the low switching costs within the industry result in a higher rivalry. However, a similarity of players and the importance of the industry for players' revenues counter this. Rivalry in the online gambling industry is assessed as moderate. A more detailed breakdown of Porters Five Forces can be found in the appendix.

## SWOT analysis

### Strengths

Due to the fact that Bet-at-home provides its services online, it faces almost no marginal costs and this directly affects its profit margins and implies that theoretically its products can be scaled until infinity. As a result, an additional user induces almost no further costs. Furthermore, the business model is quite robust in terms of valuing the expected profit and the risk of bets.

### Weaknesses

The greatest weakness we see is that users have relatively low switching costs and can compare offered quotes on standard bets very easily via various online portals. Therefore, users are not very loyal and are constantly looking for the best quotes.

### Opportunities

We see the possibility to gain new costumers as a great opportunity, because there is a low substitution level between the new online market and existing customers of traditional betting shops. The increasing penetration with smartphones, tablets and smart TVs prepares the way for new innovative online services. Given the fact that younger people usually tend to spend more time online, we are confident that online betting companies can gain market share from traditional betting firms.

### Threats

As threats we consider the uncertainty due to the increasing fragmentation of the EU market along national borders and economic protectionism. While in general macroeconomic developments do not have a substantial impact on the betting market, tougher regulation and the vanished opportunity of tax evasion certainly does. It must be noted however, that this is a very unlikely scenario and therefore does not impose an immediate threat to Bet-at-home, or the industry in general.



## Valuation

CAPM	
Market return	13,30%
Rfr	0,05%
Beta	0,5
Cost of Equity	6,68%

WACC	
Cost of Debt (excl. Taxes)	0
Tax rate	6,70%
Equity Ratio	74,02%
Debt Ratio	25,98%
WACC	4,94%
Exit EBITDA Multiple	13
Perpetual growth	0,50%

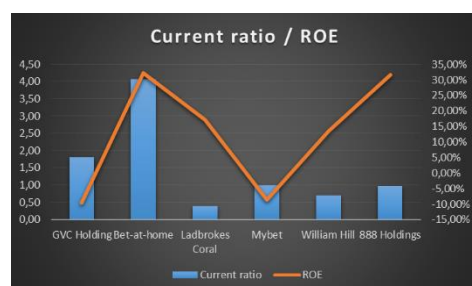
Implied Equity Value and Share Price	
Enterprise Value PGM	882,73
Enterprise Value EEM	928,79
Less: Net Debt	-
Less: Preferred Securities	-
Less: Non-Controlling Interest	-
Plus: Cash and Cash Equiv.	50
<b>Implied Equity Value PGM</b>	<b>932,73</b>
<b>Implied Equity Value EEM</b>	<b>978,79</b>
Fully Diluted Shares Outstand. Million (mm)	7
<b>Implied Share Price PGM</b>	<b>133,25</b>
<b>Implied Share Price EEM</b>	<b>139,83</b>

### DCF model

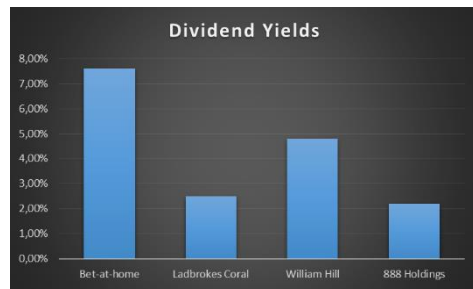
In order to assess the intrinsic value of Bet-at home, we used a DCF model. The first thing that can be noticed is that the company has some short term liabilities, but no actual debt. It is impressive what kind of ROE the company achieves with no leverage. As a result, depending on whether you use the perpetuity growth method or the exit multiple, the DCF suggests a share price between €133.25 and €139.83 which is on average (€136.54) about 30% above its current price and therefore indicates a lot of upside potential. Given that the company is in an early stage and not very mature yet, there are a few things that should be noted concerning the calculations of the FCF. We took out the astronomically high tax rate from 2012, as well as the huge change in working capital in 2011, in order to make better predictions for the future cash flows. A detailed breakdown of the DCF can be found in the Appendix. The assumed perpetuity growth rate equals the GDP growth of Germany and should give a realistic image of growth in the far distant future. Given that Bet-at-home is currently trading at an EV/EBITDA multiple of 20.9, it might seem weird on first sight why we used an EV/EBITDA multiple of only 13, which is in the 3<sup>rd</sup> quartile of the industry. The reason for that is that while we think the current state and the impressive growth rates of the company certainly justify a premium over its competitors at the moment, this might not be the case anymore, once it has stopped growing at such a high speed. Since we still think that Bet-at-home deserves to be sold at a slight premium due to its superior business model, we took the EV/EBITDA of the 3<sup>rd</sup> quartile.

### Comparables

Company	P/E ratio	EV/EBITDA	Debt/Assets	Current ratio	Net Margin	ROE	Payout ratio	Dividend Yield
GVC Holding	-	4,70	0,28	1,80	-14,94%	-9,65%	-	-
<b>Bet-at-home</b>	<b>24,60</b>	<b>20,90</b>	<b>0,35</b>	<b>4,07</b>	<b>22,23%</b>	<b>32,17%</b>	<b>25,00%</b>	<b>7,60%</b>
Ladbrokes Coral	19,00	6,80	0,21	0,40	5,28%	17,05%	42,80%	2,50%
Mybet	-	-	0,14	1,00	-1,53%	-8,53%	-	-
William Hill	15,50	9,37	0,59	0,71	10,26%	13,48%	67,00%	4,80%
888 Holdings	33,9	13,11	0,57	0,97	9,89%	31,61%	76,80%	2,20%
3rd Quartile	26,93	13,11	0,52	0,78	0,17%	-3,03%	69,45%	2,43%
Mean	23,25	10,98	0,36	1,49	5,20%	12,69%	52,90%	4,28%
Median	21,80	9,37	0,32	0,99	7,59%	15,27%	54,90%	3,65%
1st Quartile	18,13	6,80	0,23	1,60	10,17%	27,97%	38,35%	5,50%



When taking a look at the comparables, it should become pretty obvious why we like Bet-at-home so much. Although both its P/E ratio and EV/EBITDA are higher than its peers, it still is the most attractive company in the industry. Not only are many betting companies actually making a loss, but except for 888 holdings no one comes even close to Bet-at-home when it comes to the profitability, and its ROE and net margin are the highest in the industry. What is even more impressive is that it manages to have such a high return on equity, despite having no debt. This is illustrated by the graph on the left, where you can see that Bet-at-home has both a very high current ratio and a high ROE, which is usually, due to the pure nature of these measures very unlikely. What should be noted here is that the Debt/Asset ratio in the table above measures all kind of liabilities, which is the reason why this ratio is not 0 for Bet-at-home.



Furthermore, it has a stunning dividend yield of 7.8%, which is not only very impressive for such a young company, but also very appealing to investors, in a time where everybody is looking for yields, but the bull market makes it harder and harder to find a company with a substantial, and high yield. The high yield gets even more impressive, when we consider the payout ratio, which at only 25% is not only the lowest among its peers, but also leaves some upside potential for further increases in dividends.

### Historic Valuation

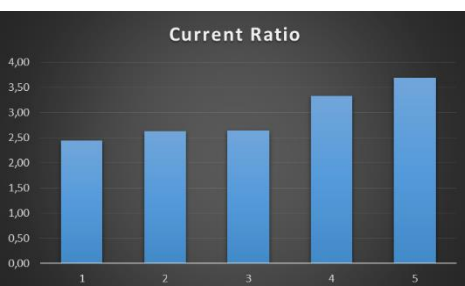
On first sight, the historic valuation might actually be one of the massive drawdowns of Bet-at-home. Its 10 year historic PE ratio is ranging between 84.7 and 7.9, but it has to be mentioned that it has not been on such high levels like now since 2010, and might therefore be considered as overvalued by some investors. The same is true for basically every other historic multiple, so we don't really want to go into more depth here, because given that Bet-at-home was much more risky a few years ago, and now managed to deliver relatively stable returns, we think this premium is justified. Furthermore, its historic dividend yield is not only at an all-time high, but also among the highest in Europe. In the next part, we will explain in much more depth, why we consider the high premiums to be justified.

### Financial Analysis

Ratios	2011	2012	2013	2014	2015	TTM
<b>Profitability</b>						
EBITDA margin	9,09%	3,53%	18,60%	26,17%	27,87%	24,44%
Operating profit margin	4,55%	0,00%	16,28%	25,23%	26,23%	22,96%
Net profit margin	7,58%	2,35%	17,44%	24,30%	25,41%	22,22%
Return on Assets	10,20%	4,00%	22,73%	28,89%	25,41%	-
Return on Investment	6,94%	2,78%	15,96%	21,49%	19,38%	-
Return on Equity	15,15%	5,88%	33,33%	38,81%	32,98%	-
<b>Liquidity</b>						
Current Ratio	2,45	2,63	2,64	3,33	3,70	-
Quick Ratio	2,00	2,11	0,92	1,19	1,52	-
Cash Ratio	2,00	2,11	0,92	1,19	1,52	-
<b>Activity</b>						
Total asset turnover	1,27	1,60	1,25	1,14	0,96	-
<b>Financial Leverage</b>						
Long-term debt to asset	-	-	-	-	-	-
long-term debt to equity	-	-	-	-	-	-
Debt to equity	0,61	0,56	0,56	0,40	0,35	-
<b>Shareholder Ratios</b>						
Earnings per share	0,66	0,24	2,07	3,65	4,37	4,26
Dividend payout ratio	0,00%	0,00%	26,67%	11,54%	12,90%	23,33%

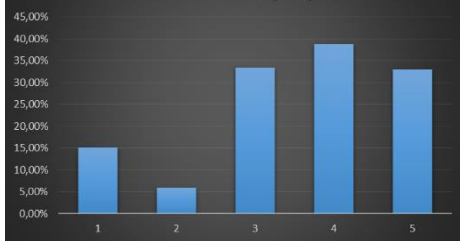
### Liquidity

When analyzing the stability, and especially the liquidity of Bet-at-home, one thing that can instantly be recognized is the incredibly low amount of liabilities the company has. It actually has no debt at all, so let's take a look at what can actually be found in liabilities: Non-current liabilities includes provisions, but the amount is so small (51.000 EUR), that it is basically irrelevant. Current liabilities again mainly includes provisions, which were made due to a betting fee for bets originating from Austria, and payables to customers. However what we should note here is that even in a worst case scenario Bet-at-home not only has enough cash to cover all of its short term liabilities, but its total liabilities 1.5 times.





Return on Equity



## Profitability

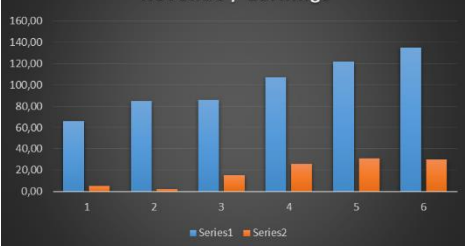
One might assume that due to its non existing debt, Bet-at-home might have a low ROE, but a brief analysis very quickly proves you wrong. Bet-at-home has a ROE of 32%, which is almost triple the ROE of its sector. Given its low amount of liabilities, also the ROI and ROA are astonishing. Furthermore, it also has much higher margins than the rest of the industry and all of its competitors. What we like especially here is that Bet-at-home finally also managed to keep both margins and returns stable. While we saw a lot of volatility in margins and returns, it is now able to keep both at a consistently high level, which is not only a sign of a very good management, but also makes us confident for the further development of the stock.

## Earnings

While it is already very impressive that the company has managed to consistently increase its revenue since its IPO in 2006, earnings growth is probably even more fascinating. On first sight it might actually be disappointing that they were not able to increase EPS from 2015 to 2016. However, what we need to understand here is that operating income actually increased more than 12% and the decrease in EPS is due to a significant increase in advertising costs. These are derived from two main sources: On the one hand, Bet-at-home became sponsor of Hertha BSC and a partner of the German Bundesliga, which we consider to be an important strategic move if the company wants to gain market share outside of Austria (which is its main market for now), especially in Germany. On the other hand, Bet-at-home had a massive campaign in Europe during the championship in France, which we consider to be one-off costs. We like that for a simple reason: The positive effects of the campaign will still be there in 2017, but the costs are not, which would naturally lead to an increase in EPS for next year.

We have already mentioned the high dividends earlier, but what is probably even more important is the ability to keep up the high payouts, especially with a yield over 7%. Therefore, we like to see that the payout ratio is only at about 25%, which means that there is still some upside potential. Peers usually have a payout ratio of over 50%, which would indicate a yield of over 14% for Bet-at-home at the moment. We certainly do not expect them to raise dividends to such insane amounts, especially when we see that marketing campaigns are really efficient, but it is at least good to know that the possibility exists and that Bet-at-home is willing to pay dividends despite being in a rather early stage of its business, which again makes us believe in a very shareholder-friendly management. What we have to mention here however, is that this massive increase in dividend payments is also due to a special dividend, which is planned to be distributed to shareholders. However, not only do we expect them to keep up a very high dividend due to the low payout ratio, but we also again like this sign of a shareholder friendly management.

Revenue / Earnings



## Potential investment risks

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### Currencies & Commodities

Given that more than 99% of the profits are generated in Europe, and most of it in Austria and Germany, currency risks are basically nonexistent. Even though a small part of its profits is generated in the United Kingdom, we do not see a certain risk associated with movements of the Euro against the Pound, because not only would there be the need for a massive rally in order to really affect the industry, but due to its business model, Bet-at-home is not sensitive to movements in the currency. Furthermore, there is no commodity risk associated with Bet-at-home, due its expense structure and the pure nature of an online business.

### Politics

The biggest risk associated with Bet-at-home is the political risk. Since it generates the vast majority of its revenues in Germany and Austria, it is very sensitive to changes in the regulation of the online gambling industry. If there was an increase in taxes on gambling, this could in fact have a negative impact on Bet-at-home and a risk that certainly has to be considered. On the other hand, there are no signs in the general political discussion that the tax rate on gambling is supposed to be changed or a new tax on returns from gambling is going to be charged.

### Macroeconomic risks

From a macroeconomic point of view, we also see a risk of an increase in target interest rates in the medium term. At the moment, core inflation is at 1.69%. So not very far away from the ECB goal of 2%. Also the rising pressure from the public discussion on Mario Draghi to increase target rates support that view. Other macroeconomic risks that should be taken into account are still the household deficit of the US (104%), but also Austria (86%) and Germany (71%) exceed the Maastricht financial stability criteria which is 60%. Some economists see also a potential bubble on the Chinese housing market. Beside this clouds, we do not see any signs for a downward movement of the stock market in general. This view is also supported by the current level of the Three Month Euro Libor interest rate, which is even slightly negative at the moment and normally a potential upcoming crises can be seen here first. Furthermore, it has to be mentioned that these risks are rather general risks for the market and not for Bet-at-home specifically.

### Fundamental risks

Fundamentally, Bet-at-home is a very stable company and has no debt, as we have already mentioned. The only risk that we could see here is the high valuation. With a P/E ratio of 24.6, it is trading at a massive premium to its competitors and the market. We think however, that the other, very strong, fundamental factors, along with its incredible dividend yield, justify this premium and we still consider the stock to be a fantastic buying opportunity.

## Disclosures

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### **Ownership and material conflicts of interest:**

The author(s), or a member of their household, of this report own(s) shares of Bet-at-home. Other than that, the author(s), or a member of their household, of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

### **Receipt of compensation:**

Neither the author(s) of this report nor a member of their households, do receive any kind of compensation from any of the companies mentioned in the article.

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# Appendix

## DCF Model

	Historical Period						Averages	Projected Period				
	2011	2012	2013	2014	2015	LTM 2016		2017F	2018F	2019F	2020F	2021F
Revenue	66	85	86,00	107,00	122,00	135,00		156,35	181,07	209,70	242,85	281,25
% growth rate		28,79%	1,18%	24,42%	14,02%	10,66%	15,81%	15,81%	15,81%	15,81%	15,81%	15,81%
COGS	-	10	11,00	12,00	21,00	24,00		22,13	25,62	29,68	34,37	39,80
% Margin		11,76%	12,79%	11,21%	17,21%	17,78%	14,15%	14,2%	14,2%	14,2%	14,2%	14,2%
EBIT	3	0,1	14,00	27,00	32,00	31,00		37,05	44,28	52,93	63,26	75,60
% Margin	4,55%	0,12%	16,28%	25,23%	26,23%	22,96%	19,52%	19,52%	19,52%	19,52%	19,52%	19,52%
Taxes	1,00	2,00	3,00	4,00	5,00	6,00		2,48	2,97	3,55	4,24	5,07
% tax rate	33,33%	1000,00%	7,14%	7,41%	6,25%	6,45%	6,70%	6,70%	6,70%	6,70%	6,70%	6,70%
EBIAT	2,00	-0,90	13,00	25,00	30,00	29,00		34,57	41,31	49,38	59,02	70,54
Plus: D&A	1	1	1,00	1,00	1,00	1,00		1,65	1,92	2,22	2,57	2,98
% of revenue	1,52%	1,18%	1,16%	0,93%	0,82%	0,74%	1,06%	1,06%	1,06%	1,06%	1,06%	1,06%
Plus/Less: Chng Working Cap	176,79	-2,00	-27,00	-14,00	-7,00	3,55		-15,62	-18,09	-20,95	-24,26	-28,10
% of revenue	267,87%	-2,35%	-31,40%	-13,08%	-5,74%	2,63%	-9,99%	-9,99%	-9,99%	-9,99%	-9,99%	-9,99%
<b>Current Assets</b>												
Accounts Receivable	0	-	-	-	-	-		-	-	-	-	-
Inventories	-	-	-	-	-	-		-	-	-	-	-
Other CurrentA & Prep. Exp.	9,00	10,00	43,00	59,00	72,00	72,00		92,27	106,86	123,75	143,32	165,98
<b>Total Current Assets</b>	<b>9,00</b>	<b>10,00</b>	<b>43,00</b>	<b>59,00</b>	<b>72,00</b>	<b>72,00</b>		<b>92,27</b>	<b>106,86</b>	<b>123,75</b>	<b>143,32</b>	<b>165,98</b>
<b>Current Liabilities</b>												
Accounts Payable	4	0,00	3,00	1,00	1,00	1,14		1,05	1,22	1,41	1,64	1,90
Accrued Liabilities	-	-	-	-	-	-		-	-	-	-	-
Other Current Liabilities	16	19	22,00	26,00	32,00	35,41		41,01	47,49	55,00	63,70	73,77
<b>Total Current Liabilities</b>	<b>20,00</b>	<b>19,00</b>	<b>25,00</b>	<b>27,00</b>	<b>33,00</b>	<b>36,55</b>		<b>42,06</b>	<b>48,71</b>	<b>56,42</b>	<b>65,34</b>	<b>75,67</b>
<b>Net Working Capital</b>	<b>-11,00</b>	<b>-9,00</b>	<b>18,00</b>	<b>32,00</b>	<b>39,00</b>	<b>35,45</b>		<b>50,21</b>	<b>58,15</b>	<b>67,34</b>	<b>77,99</b>	<b>90,32</b>
% of revenue	-16,7%	-10,6%	20,9%	29,9%	32,0%	26,3%	27,27%	32,1%	32,1%	32,1%	32,1%	32,1%
<b>(Increase) / Decrease in NWC</b>	<b>176,79</b>	<b>-2,00</b>	<b>-27,00</b>	<b>-14,00</b>	<b>-7,00</b>	<b>3,55</b>		<b>-11,21</b>	<b>-22,70</b>	<b>-67,34</b>	<b>-27,78</b>	<b>-32,17</b>
Less: CAPEX	-1	-1	0,00	-2,00	-1,00	-1,00		1,60	1,85	2,14	2,48	2,87
% of revenue	-1,52%	-1,18%	0,00%	-1,87%	-0,82%	-0,74%	-1,02%	-1,02%	-1,02%	-1,02%	-1,02%	-1,02%
<b>Unlevered Free Cash Flow</b>	<b>177,79</b>	<b>-3,90</b>	<b>-14,00</b>	<b>9,00</b>	<b>22,00</b>	<b>31,55</b>		<b>19,01</b>	<b>23,30</b>	<b>28,51</b>	<b>34,85</b>	<b>42,55</b>
WACC	4,9%											
Discount Period								1	2	3	4	5
Discount Factor								0,95	0,91	0,87	0,82	0,79
<b>Present Value of Free Cash Flow</b>								<b>18,11</b>	<b>21,15</b>	<b>24,67</b>	<b>28,74</b>	<b>33,43</b>
Cumulative Sum of PV								18,11	39,27	63,94	92,67	126,10

### Enterprise Value

Cumulative Sum of PV 126

### Perpetuity Growth Method

Terminal Value Perpetuity Growth 963  
Discount Factor 0,79

PV of Terminal Value 757  
% of Enterprise Value 81,5%

### Exit Multiple Method

2021F Terminal Period EBITDA 79  
Terminal Value Exit Multiple Method 1 022  
PV of Terminal Value 803  
% of Enterprise Value 86,4%

**Enterprise Value PGM 882,73**  
**Enterprise Value EEM 928,79**

### Implied Equity Value and Share Price

Enterprise Value PGM 882,73  
Enterprise Value EEM 928,79

Less: Net Debt -  
Less: Preferred Securities -  
Less: Non-Controlling Interest -

Plus: Cash and Cash Equiv. 50

**Implied Equity Value PGM 932,73**

**Implied Equity Value EEM 978,79**

Fully Diluted Shares Outstand. Million (mm) 7

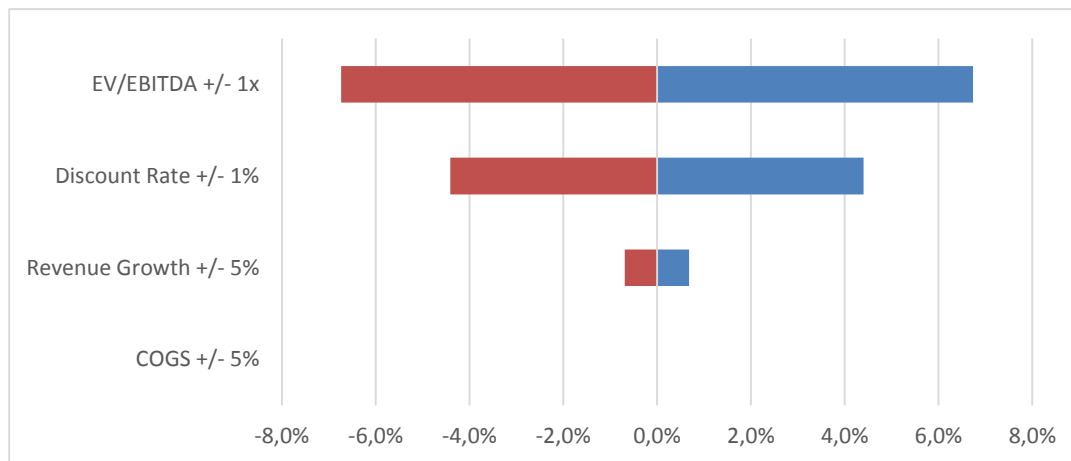
**Implied Share Price PGM 133,25**

**Implied Share Price EEM 139,83**

### Assumptions Chng. Net Working Capital

	2011	2012	2013	2014	2015	LTM 2016	2017F	2018F	2019F	2020F	2021F
Total Debt (LT & ST)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest Expenses	0	-	-	-	-	-	-	-	-	-	-
Interest Rate % Margin	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Days Sales Outstanding (DSO)	-	-	-	-	-	-	-	-	-	-	-
Days Inventory Held (DIH)	#DIV/0!	-	-	-	-	-	-	-	-	-	-
Prepaid and Other CA (% of Sale)	13,6%	11,8%	50,0%	55,1%	59,0%	59,0%	59,0%	59,0%	59,0%	59,0%	59,0%
Days Payable Outstanding (DPO)	#DIV/0!	0	100	30	17	17	17	17	17	17	17
Accrued Liabilities (% of Sales)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other Current Liabilities (% of Sa	24,2%	22,4%	25,6%	24,3%	26,2%	26,2%	26,2%	26,2%	26,2%	26,2%	26,2%

## Assumptions sensitivity



## 3 Statements

Balance Sheet		Historical						Projections					
	in Million (mm.)	Currency	2011	2012	2013	2014	2015	TTM	2016F	2017F	2018F	2019F	2020F
<b>Assets</b>													
<b>Current assets</b>													
Cash													
Cash and cash equivalents	EUR		39	39	22	30	49		141	220	307	403	512
Short-term investments	EUR		1	1	1	1	1		1	1	1	1	1
<b>Total cash</b>	EUR		<b>40</b>	<b>40</b>	<b>23</b>	<b>32</b>	<b>50</b>		<b>142</b>	<b>221</b>	<b>308</b>	<b>404</b>	<b>513</b>
Receivables	EUR		0	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
Other current assets	EUR		6	8	41	58	71		71	71	71	71	71
<b>Total current assets</b>	EUR		<b>49</b>	<b>50</b>	<b>66</b>	<b>90</b>	<b>122</b>		<b>213</b>	<b>292</b>	<b>379</b>	<b>475</b>	<b>584</b>
<b>Non-current assets</b>													
<b>Property, plant and equipment</b>													
Gross property, plant and equipment	EUR		2	3	3	4	5		4	5	7	9	12
Accumulated Depreciation	EUR		-1	-2	-2	-2	-3		3	4	4	5	6
Net property, plant and equipment	EUR		1	1	1	2	3		0	1	3	4	6
NA	EUR		-	-	-	-	-		-	-	-	-	-
Goodwill	EUR		1	-	-	-	-		-	-	-	-	-
Intangible assets	EUR		1	2	2	2	2		2	2	2	2	2
Deferred Income Taxes	EUR		-	-	-	-	-		-	-	-	-	-
Other long-term assets	EUR		0	-	-	-	-		-	-	-	-	-
<b>Total non-current assets</b>	EUR		<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>		<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>8</b>
<b>Total assets</b>			<b>52</b>	<b>53</b>	<b>69</b>	<b>94</b>	<b>127</b>		<b>215</b>	<b>295</b>	<b>383</b>	<b>482</b>	<b>592</b>
<b>Liabilities and stockholders' equity</b>													
<b>Current liabilities</b>													
NA	EUR		-	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
Accounts payable	EUR		4	-	3	1	1		1	1	1	1	1
NA	EUR		-	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
Deferred revenues	EUR		-	-	-	-	-		-	-	-	-	-
Other current liabilities	EUR		16	19	22	26	32		38	45	52	60	69
<b>Total current liabilities</b>	EUR		<b>20</b>	<b>19</b>	<b>25</b>	<b>27</b>	<b>33</b>		<b>39</b>	<b>46</b>	<b>53</b>	<b>61</b>	<b>70</b>
<b>Non-current liabilities</b>													
<b>Long-term debt</b>													
Capital leases	EUR		-	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
NA	EUR		-	-	-	-	-		-	-	-	-	-
Other long-term liabilities	EUR		0	0	-	-	-		-	-	-	-	-
<b>Total non-current liabilities</b>	EUR		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	EUR		<b>20</b>	<b>19</b>	<b>25</b>	<b>27</b>	<b>33</b>		<b>39</b>	<b>46</b>	<b>53</b>	<b>61</b>	<b>70</b>
<b>Stockholders' equity</b>													
Common stock	EUR		4	-	-	-	-		-	-	-	-	-
Additional paid-in capital	EUR		11	-	-	-	-		-	-	-	-	-
Retained earnings	EUR		18	20	30	-	-		37	82	135	199	275
NA	EUR		-	-	-	-	-		-	-	-	-	-
Accumulated other comprehensive income	EUR		-	14	14	67	94		94	94	94	94	94
<b>Total stockholders' equity</b>	EUR		<b>33</b>	<b>34</b>	<b>44</b>	<b>67</b>	<b>94</b>		<b>131</b>	<b>176</b>	<b>229</b>	<b>293</b>	<b>369</b>
<b>Total liabilities and stockholders' equity</b>	EUR		<b>52</b>	<b>53</b>	<b>69</b>	<b>94</b>	<b>127</b>		<b>171</b>	<b>222</b>	<b>282</b>	<b>354</b>	<b>439</b>

Income Statement													
	in Million (mm.)	Currency	Historical					Projections					
			2011	2012	2013	2014	2015	TTM	2016F	2017F	2018F	2019F	2020F
Revenue		EUR	66	85	86	107	122	135	156	181	210	243	281
Cost of revenue		EUR	0	10	11	12	21	24	18	21	25	29	33
<b>Gross profit</b>		EUR	<b>66</b>	<b>76</b>	<b>75</b>	<b>95</b>	<b>100</b>	<b>110</b>	<b>138</b>	<b>160</b>	<b>185</b>	<b>214</b>	<b>248</b>
Operating expenses													
Research and development (R&D)		EUR	0	0	0	0	0	0	-	-	-	-	-
Sales, General and administrative (SG&A)		EUR	41	50	34	41	36	44	68	73	78	90	103
<b>Total operating expenses</b>		EUR	<b>63</b>	<b>75</b>	<b>61</b>	<b>68</b>	<b>68</b>	<b>79</b>	<b>68</b>	<b>73</b>	<b>78</b>	<b>90</b>	<b>103</b>
<b>Operating income (EBIT)</b>		EUR	<b>3</b>	<b>0,1</b>	<b>14</b>	<b>27</b>	<b>32</b>	<b>31</b>	<b>37</b>	<b>44</b>	<b>53</b>	<b>63</b>	<b>76</b>
Interest Expense		EUR	0	0	0	0	0	0	0	0	0	0	0
Other income (expense)		EUR	3	2	2	1	1	1	3	4	4	5	5
% of Revenue			4,5%	2,4%	2,3%	0,9%	0,8%	0,7%	2,0%	2,0%	2,0%	2,0%	2,0%
<b>Income before taxes (EBT)</b>		EUR	<b>6</b>	<b>2</b>	<b>15</b>	<b>27</b>	<b>33</b>	<b>32</b>	<b>40</b>	<b>48</b>	<b>57</b>	<b>68</b>	<b>81</b>
Provision for income taxes		EUR	1	1	1	2	2	2	3	3	4	4	5
<b>Net income from continuing operations</b>		EUR	<b>5</b>	<b>2</b>	<b>15</b>	<b>26</b>	<b>31</b>	<b>30</b>	<b>37</b>	<b>45</b>	<b>53</b>	<b>64</b>	<b>76</b>
<b>Net income</b>		EUR	<b>5</b>	<b>2</b>	<b>15</b>	<b>26</b>	<b>31</b>	<b>30</b>	<b>37</b>	<b>45</b>	<b>53</b>	<b>64</b>	<b>76</b>
<b>Net income available to common shareholders</b>		EUR	<b>5</b>	<b>2</b>	<b>15</b>	<b>26</b>	<b>31</b>	<b>30</b>	<b>37</b>	<b>45</b>	<b>53</b>	<b>64</b>	<b>76</b>
<b>Earnings per share</b>													
Basic EPS		EUR	7,00	7,00	7,00	7,00	7,00	7,00	0,00	0,00	0,00	0,00	0,00
Diluted EPS		EUR	0,66	0,24	2,07	3,65	4,37	4,26	5,35	0,00	7,61	9,08	10,82
<b>Weighted average shares outstanding</b>													
Basic Shares Outstanding			0.66	0.24	2.07	3.65	4.37	4.26	4.26	4.26	4.26	4.26	4.26
Diluted			7	7	7	7	7	7	7	7	7	7	7
		EUR											
<b>EBITDA</b>		EUR	<b>4</b>	<b>1</b>	<b>15</b>	<b>28</b>	<b>33</b>	<b>32</b>	<b>39</b>	<b>46</b>	<b>55</b>	<b>66</b>	<b>79</b>

Cash Flow Statement													
	in Million (mm.)	Currency	Historical					Projections					
			2011	2012	2013	2014	2015	TTM	2016F	2017F	2018F	2019F	2020F
<b>Operating Activities</b>													
<b>Net income</b>		EUR	-	-	-	-	-	-	37	45	53	64	76
Depreciation & amortization		EUR	1	1	1	1	1	1	0	0	0	0	0
Deferred income taxes		EUR	-	-	-	-	-	-	-	-	-	-	-
Stock based compensation		EUR	-	-	-	-	-	-	-	-	-	-	-
<b>Changes in Operating Assets &amp; Liabilities</b>													
Accounts receivable		EUR	-	-	-	-	-	-	-	-	-	-	-
Inventory		EUR	-	-	-	-	-	-	-	-	-	-	-
Accounts payable		EUR	4	4	4	4	4	4	-	-	-	-	-
Other working capital		EUR	3	-2	5	-	2	7	7	7	7	7	7
Other non-cash items		EUR	2	2	15	26	29	29	29	29	29	29	29
<b>Net cash provided by operating activities</b>		EUR	<b>6</b>	<b>0</b>	<b>20</b>	<b>26</b>	<b>32</b>	<b>37</b>	<b>73</b>	<b>81</b>	<b>89</b>	<b>100</b>	<b>112</b>
<b>Cash Flows From Investing Activities</b>													
Investments in property, plant, and equipment		EUR	-1	-1	-	2	1	1	2	2	2	3	3
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
Other investing activities		EUR	-	-	32	13	8	23	-	-	-	-	-
<b>Net cash used for investing activities</b>		EUR	<b>-1</b>	<b>-1</b>	<b>-</b>	<b>15</b>	<b>9</b>	<b>24</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Cash Flows From Financing Activities</b>													
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
NA		EUR	-	-	-	-	-	-	-	-	-	-	-
Dividend paid		EUR	-	-	4	3	4	7	-	-	-	-	-
NA		EUR	-	-	-	-	-	1	-	-	-	-	-
<b>Net cash provided by (used for) financing activities</b>		EUR	<b>-</b>	<b>-</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at beginning of period		EUR	34	39	39	22	30	58					
Cash at end of period		EUR	39	39	22	30	49	79					
Net change in cash		EUR	5	1	16	8	19	20	72	79	87	97	109
<b>Cash &amp; Cash Equivalents</b>		EUR	<b>39</b>	<b>38</b>	<b>22</b>	<b>30</b>	<b>49</b>	<b>69</b>	<b>141</b>	<b>220</b>	<b>307</b>	<b>403</b>	<b>512</b>
<b>Free Cash Flow</b>													
Operating cash flow		EUR	6	0	20	26	32	37	73	81	89	100	112
Capital expenditure		EUR	1	1	-	2	1	1	1,4	1,7	1,9	2,2	2,6
Free Cash Flow		EUR	<b>5</b>	<b>-1</b>	<b>20</b>	<b>24</b>	<b>31</b>	<b>36</b>	<b>19,0</b>	<b>23,3</b>	<b>28,5</b>	<b>34,8</b>	<b>42,5</b>