



TopBetta Holdings Ltd (TBH)

2.1k active paying customers added in October surpassing expectations.

Event:

- 1Q17 quarterly activities report.

Investment Highlights:

- TBH released 1Q17 quarterly activities report on 31st October.** The major surprise of the announcement was the 2.1k increase in customer numbers from 5.4k on 30th September to 7.5k on 31st October. The cash burn increased to \$2.0M, from \$1.2M compared to previous quarter. A combination of 1Q17 being a slow quarter and cost base remaining unchanged resulted in more cash usage during 1Q17. The cash balance at the end of 1Q17 was \$2.8M.
- TBH has exceeded our estimate of active paying customers for 2Q17 in October alone.** We are now revising our forecast upwards to 8.5k from 7.5k by 31st December. Our forecast for FY17e has also increased from 9.5k to 11.0k.
- A new head of product settling into the role and improved marketing effort are some of the key reasons behind the success in bringing more active paying customers in October.** TBH upgraded its website for a better customer experience, launched new products, and increased focused on online marketing through Facebook, Google and utilizing website indexing. Increased promotions were offered to customers in the existing database using e-mails, SMS messages, phone calls, and push notifications on the website.
- TBH is expected to launch a new B2B product Global Tote in 2Q17.** The Global Tote is expected to start trading from January 2017. We anticipate TBH's operating expenses to increase by approximately \$3.7M during FY17e from \$3.6M to \$7.3M partly due to costs related to the launch of Global Tote, cost of U.K and Global Tote licenses and an increase in marketing. We are not yet assuming any revenue from Global Tote in our forecasts and anticipate TBH to provide an update in the next few weeks.

Earnings and Valuation:

- We are revising our forecasts upwards for active paying customer numbers and increasing our revenue growth estimates for FY17e and FY18e.** We now expect revenue of \$9.0M and \$12.7M above our previous estimate of \$7.3M and \$10.8M. Due to higher operating expenses we do not anticipate NPAT to rise in line with revenue growth during FY17e and FY18e. We now expect NPAT of \$-0.1M and \$1.7M below our previous estimate of \$1.8M and \$2.5M, however this will be reviewed after receiving more information from TBH on Global Tote.
- Our valuation is not changed as the benefits of revenue growth assumptions for FY17e and FY18e is diluted due to additional costs likely to be incurred in FY17e and FY18e.** We value TBH at \$0.30/share using only DCF.

Recommendation:

- We maintain our SPECULATIVE BUY rating on TBH with a price target of \$0.30 in line with our valuation.** Catalysts are Spring Carnival racing season, 2Q17 results and the launch of the Global Tote.

Rating	Speculative Buy
Previous	Speculative Buy
Price Target (A\$)	
Price Target	0.30
Previous	0.35
Share price	A\$ 0.145
ASX Code	TBH
52 week low - high (A\$)	0.10-0.25

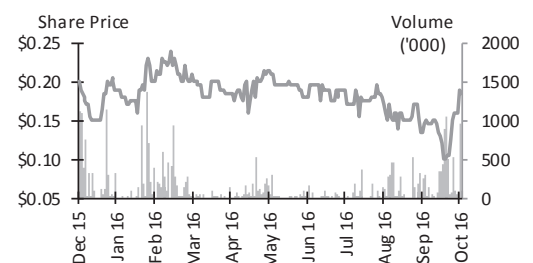
Capital Structure	
Shares on Issue (M)	110.8
Market Cap (A\$M)	16.1
Net Debt (cash) (A\$M)	-2.8
EV (A\$M)	13.2
Options on issue (M)	28.7
Performance shares	0.0
Fully diluted mkt cap (A\$M)	20.2
1mth Av Daily Volume ('000)	116

Y/e Jun (A\$M)	2016a	2017e	2018e	2019e
Revenues \$M	3.5	9.0	12.7	14.1
EBITDA \$M	-4.6	-0.1	2.5	3.3
NPAT \$M	-4.5	-0.1	1.7	2.3
EPS c	-5.6	-0.1	1.2	1.6
PER x	nm	nm	12.0	8.9
EV/EBITDA x	nm	nm	5.4	4.0

Board of Directors	
Nicholas (Nick) Chan	Chairman
Simon Dulhunty	Director
Matthew Cain	Director
Todd Buckingham	Managing Director

Major Shareholders	
RBW Nominees	8.9%
J P Morgan Nominees Australia Limited	6.5%

Share Price Graph



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Foster Stockbroking was the lead manager to TBH's \$6M IPO (30M shares at \$0.20) in December 2015 and Joint Lead Manager to the \$2.6M raising (14.5M shares at \$0.18) in August 2016 for which it earned fees.