



TopBetta Holdings Ltd (TBH)

NT Racing Commission Fails To Approve Application, Delays Global Tote Launch

Event:

- Northern Territory Racing Commission has not accepted the current Application of the proposed agreement between Topbetta and The Global Tote.

Investment Highlights:

- The launch of the Global Tote has been delayed indefinitely, having failed to achieve regulatory approval from the Northern Territory Racing Commission's, seven member board. TBH will amend its agreement and re-submit its application this week, addressing issues raised and await a response (no fixed date for review known). Given the highly politicized environment, we are uncertain when a final outcome will occur. The option of last resort is a legal challenge in the Court system, which is likely to take time.
- At the end of December, TBH had a cash balance of \$3.7m. We estimate, the cash balance at the end of February to be approximately \$3.0m. On aggressive estimates, it may be possible to reduce the cash burn to \$250k per month, providing a c.10 month window. We anticipate that by the end of June the capital requirements will be determined and the situation with the Global Tote is likely to be clearer.
- In the near future, we would not be surprised to see, TBH announce a global tote deal offshore. Today however, we prefer to focus on core operations and the Australian Global Tote progress, before we attribute value to new ventures.

Recommendation, Earnings and Valuation:

- We have reduced our recommendation to HOLD from SPECULATIVE BUY.
- We would expect the stock to track sideways until a decision is reached on the Australian operations of the Global Tote. With a positive outcome on the Australian Global Tote, we could see the stock double. In the short-term, with significant uncertainty on the outcome of the NT decision, we prefer to remain on the sidelines until a resolution occurs.
- We will revise our full earnings estimates in due course, as certainty occurs with regards to the Global Tote outcome.
- Key catalysts include: 1) Northern Territory approves Australian Global Tote application; 2) the launch of Global Tote products in offshore jurisdictions, 3) a resolution in potential short term funding issues through a capital raise or JV.

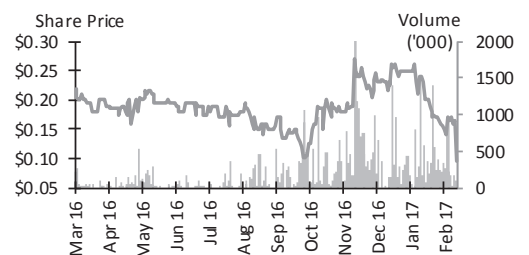
Rating	Hold
Previous	Speculative Buy
Price Target (A\$)	n/a
Previous	0.30
Share price	A\$ 0.10
ASX Code	TBH
52 week low - high (A\$)	0.09-0.28
Risk	Very High

Capital Structure	
Shares on Issue (M)	125.9
Market Cap (A\$M)	12.3
Net Debt (cash) (A\$M)	-2.8
EV (A\$M)	9.5
Options on issue (M)	32.7
Performance shares	0.0
Fully diluted mkt cap (A\$M)	15.5
1mth Av Daily Volume ('000)	284

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

Major Shareholders	
IFM Investors	8.8%
Ryder	6.6%

Share Price Graph



Analyst: Darren Odell +61 2 9993 8131
darren.odell@fostock.com.au
The analyst does not hold TBH securities

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.