



Company: BetTech Gaming
Investor: 4Di Capital
Year of investment: 2009
Investor shareholding: 20%
Sector: Technology
Type of investment: Start-up
Enterprise value: R87 million
Turnover: R20 million (2016)
Employees: 43 (2016)

INVESTMENT IMPACT HIGHLIGHTS

- Capital to support BetTech through platform software development and gambling manufacturer licence applications
- Introduction of corporate governance structures and establishment of a professional management team
- Securing an experienced investor, who is well connected in the sports betting industry

COMPANY DESCRIPTION

BetTech Gaming, established in 2009, is a Cape Town-based provider of sports betting software. The company was founded by entrepreneurs Jesse Hemson-Struthers and Mark Bosman. On returning to South Africa after living in Europe – where sports betting was already a large industry – the duo had envisioned starting an online betting operator. However, after searching for software to power their business, they discovered a gap in the market and opted to focus on developing betting platform software.

BetTech's platform offers operators a turnkey betting solution: a 'business in a box', which includes back-end systems, automated third-party payment gateways and content feeds, and customer interfaces for retail, web and mobile channels. End users can bet on sports, horse racing, lucky numbers, and casino and virtual games.

Initially BetTech focused on web wagering. But due to the small size of this segment in South Africa, it has since shifted its attention to brick-and-mortar retail betting shops, which still account for the bulk of the market. BetTech targets established operators looking to switch platforms, as well as new entrants.

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gaming

4Di / CAPITAL
FROM GARAGE TO GLOBAL



THE COMPANY AS AN INVESTMENT OPPORTUNITY

4Di Capital, through its 4Di Capital Fund 1, supported the founders with start-up funding when BetTech was little more than an idea. By building a modern sports betting platform, supported by good client service, the company had the opportunity to capture market share from older systems. At the time, there was only one significant competitor in the South African market.

BetTech's revenue-sharing model makes it a highly scalable business, able to grow on the back of its clients. South Africa's sports betting industry has significant growth potential, with PwC forecasting annual compound growth in turnover of 7.9% from 2015 to 2019. The industry also has strong potential in the rest of Africa, despite the regulatory environment for the sector still being under-developed in many markets. BetTech expects increased revenue from other African countries as its South African clients move into these territories.

THE IMPACT OF THE PRIVATE EQUITY PARTNERSHIP

Providing financial stability during the start-up phase

4Di's financial backing kept BetTech afloat while it developed the software and went through the lengthy process of applying for gambling manufacturer licences. It took about two years from the company's inception until it was able to generate its first revenue.

As adopting a new platform is a major, long-term commitment, it was important for clients to feel assured that BetTech was financially stable and would remain in business. Having a strong private equity partner went a long way to providing this comfort.

Attracting an experienced investor

BetTech recently attracted a sizeable investment from the owner of a well-known international betting-data industry business. The new investor – now also chairman of the board – has a wealth of industry experience and knowledge, which has helped BetTech sharpen its focus on opportunities that will deliver maximum results.



Putting corporate governance structures in place

In addition to providing capital, 4Di laid important foundations for the business. It introduced robust corporate governance structures and practices, including the formation of a board and quarterly board meetings. These structures also assisted in attracting new investment to the company.

“4Di has been a valuable sounding board many times over the years. The team has always been supportive and has helped me make better decisions. It’s a relationship I’m truly grateful for.” – Anli Kotzé, CEO: BetTech



Establishing a dedicated management team

BetTech's private equity partner guided the company's transition from being founder-run to being managed by a professional team – a process during which many start-ups stumble. While the founders continue to play a role in a shareholder capacity, they are no longer involved in the day-to-day operations of the company.

4Di has assisted management in various areas of the business, including human resources, pricing and distribution. It has also helped BetTech's current CEO, who was appointed in March 2014, grow into the role. In addition, 4Di introduced BetTech to its extensive network of corporate contacts. 