

19 August 2020

# Berjaya Sports Toto

## Worst is Over

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4QFY20 results came below expectations as it turned into the red amidst lockdowns which disrupted business operations. However, we believe the worst should be over as the local NFO core business has already reopened with ticket sales currently at 80% of the pre-MCO level. We continue to rate the stock an OP with revised TP of RM2.40 for its undemanding valuation coupled with attractive yield of >6%.

**4QFY20 missed forecast.** FY20 net profit of RM134.3m came 23%/22% below house/street's forecast as 4QFY20 turned to the red with RM43.3m loss as lockdowns hit its operations in Malaysia, UK and the Philippines badly. Meanwhile, it declared a share dividend distribution of 13.4m treasury on the basis of 1-for-100, implying book cost of 2.4 sen (ex-date: 23 Sep), bringing FY20 total NDPS to 10.4 sen. Meanwhile, given the change in financial year-end from April to June in 2019, there are no comparable YoY results.

**Results in the red.** It reported RM43.3m net loss in 4QFY20 against net profit of RM48.6m in the preceding quarter with revenue plummeting 64% to RM475.1m from RM1.33b in 3QFY20. The dismal results were largely due to the lockdowns which had caused all its businesses to be loss-making. The local NFO reported operating loss of RM20.2m vs. RM79.1m EBIT previously as ticket sales plunged 91% due to cancellation of 34 draws to 6 vs. 36 in 3QFY20 while average ticket price declined 46% to RM12.3m per draw from RM22.6m previously. Meanwhile, HR Owen (HRO) raked in operating loss of RM8.3m from profit of RM79.1m previously as there was a 2-month closure in the UK. Likewise, associate income turned to share of loss of RM4.5 from profit of RM1.2m in 3QFY20 as associate company Philippine Gaming Management Corporation (PGMC) was also affected by the COVID-19-led lockdown.

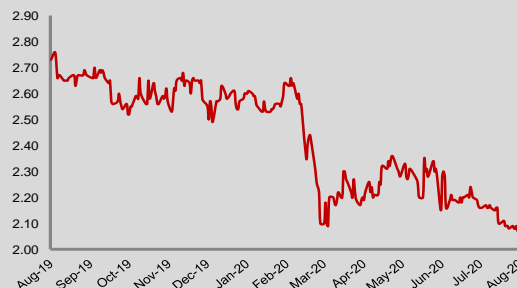
**A restart in FY21.** Since reopening business on 17 June, ticket sales have slowly picked up. We learnt that currently ticket sales have recovered to 80% of pre-MCO period while HRO is opened by appointment but PGMC is still closed as the COVID-19 outbreak situation in the Philippine is not abating. Going forward, the local ticket sales should pick up further but the non-Malaysia units' situation remained tough. We cut FY21E CNP by 13% as we trimmed FY21 ticket sales by 9% to RM19.1m per draw and make downward adjustments to HRO and PGMC. We also introduced new FY22 forecasts where we expect earnings to grow 7% as we assumed ticket sales to improve 5% to RM20.0m per draw. Our NDPS is still based on 80% pay-out.

**Attractive valuation; reiterate OUTPERFORM.** Like other gaming stocks, BJTOTO was not spared from a heavy sell-down but we believe the worst of its woe is over as it should turn profitable in the upcoming quarter as its core NFO business has resumed. As such, we maintain our OUTPERFORM rating albeit with a lower DCF target price of RM2.40 from RM2.55 post earnings revision. In addition, the stock is a good avenue for income seekers as it offers attractive yield of >6%. **Risk to our recommendation** is a slowdown in ticket sales and unfavourable luck factor.

## OUTPERFORM ↔

Price : RM2.09  
Target Price : RM2.40 ↓

### Share Price Performance



KLCI 1,577.85  
YTD KLCI chg -0.7%  
YTD stock price chg -19.0%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	BST MK
Market Cap (RM m)	2,795.4
Shares outstanding	1,337.5
52-week range (H)	2.78
52-week range (L)	1.94
3-mth avg daily vol:	1,432,093
Free Float	52%
Beta	0.7

### Major Shareholders

Berjaya Corp Bhd	47.7%
Norges Bank	2.3%
Blackrock Inc	1.9%

### Summary Earnings Table

FY Jun (RM m)	2020A	2021E	2022E
Turnover	4653.5	4614.6	5005.3
EBIT	266.5	370.6	391.9
PBT	227.1	345.4	370.5
<b>Net Profit (NP)</b>	<b>134.2</b>	<b>226.8</b>	<b>243.3</b>
<b>Core Net Profit</b>	<b>134.2</b>	<b>226.8</b>	<b>243.3</b>
Consensus (NP)		249.5	259.2
Earnings Revision (%)		-13	New
Core EPS (sen)	9.9	16.8	18.0
Core EPS growth (%)	-50.0	97.1	25.2
NDPS (sen)	10.4	13.4	14.4
BV/Share (RM)	0.55	0.58	0.61
NTA/Share (RM)	0.04	0.07	0.10
Core PER (x)	27.8	12.5	11.6
Price/BV (x)	5.0	3.6	3.4
Price/NTA (x)	71.6	30.5	20.0
Gearing (x)	1.19	0.92	0.76
Net Yields (%)	3.8	6.4	6.9



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## Income Statement

	4Q	3Q	Q-o-Q	12M
FY Apr (RM m)	FY20	FY20	Chg	FY20
Turnover	475.1	1,333.5	-64%	4,653.5
EBITDA	(11.3)	103.6	-111%	330.7
Depreciation	(16.4)	(17.5)	-7%	(64.2)
EBIT	(27.7)	86.1	-132%	266.5
Interest & other incomes	4.5	4.1	9%	28.8
Investment expenses	(1.7)	(0.5)	267%	(2.4)
Interest expense	(16.0)	(16.7)	-4%	(63.8)
Associates	(4.5)	1.2	-464%	(1.9)
Exceptional items	0.0	0.0	0%	0.0
Pretax profit	(45.5)	74.3	-161%	227.1
Taxation	0.3	(24.7)	-101%	(91.9)
Profit after tax	(45.2)	49.6	-191%	135.2
Minority interest	1.9	(1.0)	-290%	(1.0)
Net profit	(43.3)	48.6	-189%	134.2
Core net profit	(43.3)	48.6	-189%	134.2
EPS (sen)	(3.2)	3.6	-189%	9.9
NDPS (sen)	2.4	0.0	0%	10.4
NTA/share (RM)	0.077	0.076	2%	0.077
EBITDA margin	-2%	8%		7%
EBIT margin	(6%)	6%		6%
Pretax margin	(10%)	6%		5%
Effective tax rate	1%	33%		40%

Source: Company

## Segmental Breakdown

Segmental	4Q	3Q	Q-o-Q	12M
Breakdown (RM m)	FY20	FY20	Chg	FY20
Segment revenue:				
NFO	67.8	749.0	-91%	2,466.6
HRO	384.1	560.5	-31%	2,083.7
Investment & others	23.2	24.0	-4%	103.2
Group revenue	475.1	1,333.5	-64%	4,653.5
Segment result:				
NFO	(20.2)	79.1	-125%	259.8
HRO	(8.3)	13.3	-162%	20.0
Investment & others	0.7	(6.3)	-111%	(13.3)
Group EBIT	(27.7)	86.1	-132%	266.5
EBIT margin:				
NFO	(29.7%)	10.6%		10.5%
HRO	(2.1%)	2.4%		1.0%
Investment & others	N/M	N/M		N/M
Group EBIT margin	(5.8%)	6.5%		5.7%

Source: Company

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Other Data				
	4Q	3Q	Q-o-Q	12M
FY Apr (RM m)	FY20	FY20	Chg	FY20
NFO sales	73.7	814.1	-91%	2,681.1
No of draws	6	36	-83%	126
Ticket sales per draw	12.3	22.6	-46%	21.3
Estimated prize payout ratio	64.3%	65.3%	-1%	64.3%
Dividend payout	31.8	0.0	N/A	139.6
Attributable profit	-43.3	48.6	-189%	134.2
Payout ratio	-73.5%	0.0%	N/A	104.0%
Source: Company				

Valuation – New				
(RM m)	RM m	RM/Share	%	Remarks
PV of FCF for FY21-FY31	1,500.0	1.11	46%	5.3% WACC
PV of FCF in Perpetuity	2,491.2	1.84	76%	5.3% WACC, g=2%
Net Cash/(Debt)	-715.8	-0.53	-22%	estimated FY20
	3,275.3	2.42	100%	
Issued share (m)	1,351.0			
<b>DCF per share</b>	<b>RM2.40</b>			round to the nearest RM0.05
Source: Kenanga Research				

BJTOTO Valuation – Old				
(RM m)	RM m	RM/Share	%	Valuation Basic
PV of FCF for FY20-FY30	1,578.9	1.17	46%	5.24% WACC
PV of FCF in Perpetuity	2,595.6	1.92	76%	5.24% WACC, g=2%
Net Cash/(Debt)	-743.2	-0.55	-22%	estimated FY20
	3,431.3	2.54	100%	
Issued share (m)	1,351.0			
<b>DCF per share</b>	<b>RM2.55</b>			round to the nearest RM0.05
Source: Kenanga Research				

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## Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BERJAYA SPORTS TOTO BHD	2.09	2,795.4	N	06/2019	-0.8%	8.5%	69.4%	7.0%	21.1	12.4	11.6	3.8	3.6	29.8%	6.4%	2.40	OP
GENTING BHD	3.89	14,978.7	N	12/2020	-27.9%	31.0%	-55.2%	91.7%	6.1	13.7	7.1	0.4	0.4	3.0%	3.9%	6.00	OP
GENTING MALAYSIA BHD	2.35	13,285.1	N	12/2020	-24.3%	26.5%	-68.4%	136.4%	10.7	33.8	14.3	0.8	0.8	2.3%	5.1%	3.35	OP
MAGNUM BHD	2.15	3,059.4	N	12/2020	-22.4%	33.3%	-21.7%	33.3%	12.9	16.5	12.4	1.2	1.2	7.5%	4.8%	2.45	MP
<b>Simple Average</b>					<b>-18.9%</b>	<b>24.8%</b>	<b>-19.0%</b>	<b>67.1%</b>	<b>12.7</b>	<b>19.1</b>	<b>11.4</b>	<b>1.6</b>	<b>1.5</b>	<b>10.6%</b>	<b>5.1%</b>		

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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