

26 November 2021

## Magnum Bhd

### 3QFY21 Below

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The 3QFY21 loss was highly expected given the MCO 3.0 lockdown. However, the recovery of ticket sales post re-opening has been disappointing, initially at 50%-60% of pre-COVID-19 level to 70%-75% currently which is still short of 80%-85% prior to the lockdown. A full recovery is expected in 2HFY22. For now, we see no catalyst for the stock. Thus, MAGNUM remains as a MP with a lowered TP of RM1.96.

The loss in 3QFY21 was highly expected, same as its peer BJTOTO (OP; TP: RM2.23), given the lockdown closure but ticket sales after reopening at 50%-60% of pre-COVID level was much lower than the 80%-85% levels prior to the MCO 3.0 lockdown. As such, 3QFY21 net loss of RM29.9m turned YTD 9MFY21 into losses of RM20.3m which missed forecasts against house/street's FY21 net profit forecast of RM65.4m/RM51.8m. Meanwhile, no dividend was declared for the 3<sup>rd</sup> consecutive quarters as opposed to quarterly distribution previously.

**MCO 3.0 lockdown hit earnings badly** with 3QFY21 turning to net loss of RM29.9m from net profit of RM2.1m in the preceding quarter as revenue plunged 80% to RM66.2m only. There was only 8 draws in 3QFY21 against 28 draws in 2QFY21 given the cancellation of draws due to the MCO 3.0 lockdown. 3QFY21 average ticket sales per draw fell substantially as mentioned above by 29% to RM9.0m from RM12.7m while prize payout ratio also increased which we estimated at 67.7% from 66.7% previously.

**Average ticket sales per draw also lower.** YoY, 3QFY21 net loss turned from net profit of RM30.3m in 3QFY20 which was due to lower draw days of 8 vs. 42 previously with average ticket sales tumbling 29% to RM9.0m from RM12.6m per draw. YTD, 9MFY21 net loss of RM20.3m was reported against net profit of RM62.2m in 9MFY20 given the lower average ticket sales per draw by 30% to RM10.4m from RM14.8m although both draw days were comparable at 81 draws vs. 84 previously. The main culprit is MCO 2.0 during 1QFY21 where only its Sarawak-based outlet were allowed to operate while 9MFY20 results included the pre-COVID-19 period of 1QFY20.

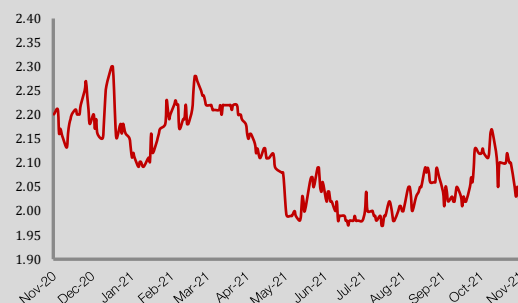
**To turn around in 4QFY21 but ticket sales may still be weak.** Although NFO outlets have been allowed to reopen since 14 Sep, against our earlier assumption of 01 Oct, overall FY21-FY22 ticket sales are expected to be lower than our estimates given the slow recovery, standing currently at 70-75% of pre-COVID levels against 80-85% prior to MCO 3.0 lockdown. Together with Kedah government banning NFO outlets, we cut FY21/FY22 ticket sales by 6%/9% to RM1.35b/RM2.40b. On the other hand, we slash FY21/FY22 earnings estimates by 72%/14% in tandem with the cut in ticket sales and one-off prosperity tax in 2022. As such, we also trimmed NDPS proportionally based on unchanged 80% payout.

**MARKET PERFORM reaffirmed on lack of fresh catalyst.** While FY21 is forming to be a miss, a swift recovery of ticket sales is expected in FY22 with full recovery to pre-COVID levels expected in 2H 2022. However, we believe near-term catalysts are already mostly priced in at the moment. Thus, the stock is maintained at MARKET PERFORM with a lower target price of RM1.96/DCF share post earnings revision from RM2.04/DCF share. Our call is still supported by a decent dividend yield of >5% for FY22. **Upside risk to our recommendation** is a quicker-than-expected recovery of ticket sales.

## MARKET PERFORM ↔

Price : RM2.00  
Target Price : RM1.96 ↓

### Share Price Performance



KLCI	1,517.60
YTD KLCI chg	-6.7%
YTD stock price chg	-12.3%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAG MK
Market Cap (RM m)	2,874.4
Shares Outstanding	1,437.2
52-week range (H)	2.37
52-week range (L)	1.97
3-mth avg daily vol:	560,175
Free Float	67%
Beta	0.7

### Major Shareholders

Casi Management Sdn Bhd	30.4%
Aia Bhd	3.5%
Mwe Holdings Berhad	2.0%

### Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	1673.2	1244.7	2208.1
EBIT	191.9	80.2	328.5
PBT	144.0	33.0	283.7
<b>Net Profit (NP)</b>	<b>21.2</b>	<b>18.4</b>	<b>185.3</b>
<b>Core Net Profit</b>	<b>102.0</b>	<b>18.4</b>	<b>185.3</b>
Consensus (NP)		51.8	219.4
Earnings Revision (%)		-71.9	-13.7
Core EPS (sen)	7.1	1.3	12.9
Core EPS growth (%)	-57.3	-82.0	909.6
NDPS (sen)	8.5	1.0	10.3
BV/Share (RM)	1.66	1.65	1.67
NTA/Share (RM)	-0.24	-0.26	-0.23
Core PER (x)	32.2	156.6	15.5
PBV (x)	1.4	1.2	1.2
Price/NTA (x)	-9.5	-7.7	-8.6
Gearing (x)	0.28	0.27	0.24
Net Yield (%)	3.7	0.5	5.2



26 November 2021

## Income Statement

Y/E: Dec (RM m)	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Y-o-Y Chg
Turnover	66.2	326.5	-80%	485.7	-86%	776.5	1,145.8	-32%
EBITDA	-14.8	27.9	-153%	62.1	-124%	33.6	144.1	-77%
Depreciation	-2.7	-2.6	2%	-2.7	-1%	-7.8	-7.5	3%
EBIT	-17.4	25.3	-169%	59.4	-129%	25.8	136.5	-81%
Interest expense	-13.7	-10.8	26%	-12.1	13%	-29.8	-36.5	-18%
Associates	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
Exceptional items	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
Pretax profit	-31.1	14.5	-315%	47.3	-166%	-4.0	100.1	-104%
Taxation	0.7	-12.5	-105%	-17.0	-104%	-17.2	-37.8	-55%
Profit after tax	-30.4	1.9	N/M	30.3	-200%	-21.2	62.3	N/M
Minority interest	0.5	0.1	416%	0.0	N/A	0.8	-0.1	N/M
Net profit	-29.9	2.1	N/M	30.3	N/M	-20.3	62.2	N/M
Core net profit	-29.9	2.1	N/M	30.3	N/M	-20.3	62.2	N/M
EPS (sen)	-2.1	0.1	N/M	2.1	N/M	-1.4	4.3	N/M
NDPS (sen)	0.0	0.0	0%	2.0	N/A	0.0	6.5	N/A
NTA/share (RM)	-0.28	-0.25	8%	-0.19	43%	-0.28	-0.19	43%
EBITDA margin	-22%	9%		13%		4%	13%	
EBIT margin	-26%	8%		12%		3%	12%	
Pretax margin	-47%	4%		10%		-1%	9%	
Effective tax rate	2%	87%		36%		-430%	38%	

Source: Company

## Segmental Breakdown

Segmental Breakdown	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Y-o-Y Chg
Segment revenue:								
Gaming	66.0	326.5	-80%	485.6	-86%	776.3	1,145.6	-32%
Investment Holdings & Others	0.2	0.0	720%	0.1	74%	0.2	73.3	-100%
Eliminations	0.0	0.0	0%	0.0	0%	0.0	-73.1	-100%
<b>Group revenue</b>	<b>66.2</b>	<b>326.5</b>	<b>-80%</b>	<b>485.7</b>	<b>-86%</b>	<b>776.5</b>	<b>1,145.8</b>	<b>-32%</b>
Segment result:								
Gaming	-28.5	17.0	-268%	49.6	-157%	2.2	106.8	-98%
Investment Holdings & Others	-2.6	-2.5	3%	-2.3	10%	-6.1	66.4	-109%
Eliminations	0.0	0.0	0%	0.0	0%	0.0	-73.1	-100%
<b>Group PBT</b>	<b>-31.1</b>	<b>14.5</b>	<b>-315%</b>	<b>47.3</b>	<b>-166%</b>	<b>-4.0</b>	<b>100.1</b>	<b>-104%</b>
PBT margin:								
Gaming	-43%	5%		10%		0%	9%	
Investment Holdings & Others	N/A	N/A		N/A		N/A	91%	
Eliminations	N/A	N/A		N/A		N/A	N/A	
<b>Group PBT margin</b>	<b>-47%</b>	<b>4%</b>		<b>10%</b>		<b>-1%</b>	<b>9%</b>	

Source: Company

## Other NFO Data

FYE Dec (RM m)	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Chg
NFO sales	71.8	354.9	-80%	527.8	-86%	843.8	1,245.2	-32%
No of draws	8	28	-71%	42	-81%	81	84	-4%
Ticket sales per draw	9.0	12.7	-29%	12.6	-29%	10.4	14.8	-30%
Estimated prize payout ratio	67.7%	66.7%	1%	66.7%	2%	67.6%	65.5%	3%

Source: Company

26 November 2021

## Valuation - (New)

(RM m)	RM m	RM/Share	%	Remarks
Gaming - PV of FCF for FY21-FY30	1,093.2	39%	0.76	6.1% WACC
PV of FCF in Perpetuity	2,012.3	72%	1.40	6.1% WACC, g = 2%
Investment Securities	331.5	12%	0.23	FY21E book value
Net Cash/(Debt)	-624.4	-22%	-0.43	FY21E
	2,812.6	100%	1.96	
Issued share (m)	1,437.7			
<b>DCF per share</b>	<b>RM1.96</b>			

Source: Kenanga Research

## Valuation - (Old)

(RM m)	RM m	RM/Share	%	Remarks
Gaming - PV of FCF for FY21-FY30	1,156.1	39%	0.80	6.1% WACC
PV of FCF in Perpetuity	2,029.3	69%	1.41	6.1% WACC, g = 2%
Investment Securities	351.7	12%	0.24	FY21E book value
Net Cash/(Debt)	-597.6	-20%	-0.42	FY21E
	2,939.4	100%	2.04	
Issued share (m)	1,437.7			
<b>DCF per share</b>	<b>RM2.04</b>			

Source: Kenanga Research

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26 November 2021

## 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	1.91	2,563.0	N	06/2022	2.6%	19.2%	2.4%	40.3%	14.2	13.8	9.9	3.2	3.1	22.6%	5.8%	2.23	OP
GENTING BHD	4.94	19,021.8	N	12/2021	8.0%	83.0%	-111.1%	6737.5%	89.0	N.A.	11.8	0.6	0.6	-0.1%	151.8%	6.38	OP
GENTING MALAYSIA BHD	3.01	17,016.1	N	12/2021	6.3%	101.8%	-180.8%	-24.8%	N.A.	N.A.	20.6	1.2	1.3	-8.1%	2.0%	3.41	OP
MAGNUM BHD	2.00	2,874.4	N	12/2021	-25.6%	77.4%	-82.0%	909.6%	28.2	156.6	15.5	1.2	1.2	0.8%	0.5%	1.96	MP
<b>Simple Average</b>					-2.2%	70.4%	-92.9%	1915.7%	43.8	85.2	14.4	1.5	1.5	3.8%	40.0%		

Source: Bloomberg, Kenanga Research

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26 November 2021

**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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