

10 March 2023

# Gaming

## 4QCY22 Results Review: Recovery on Track

**OVERWEIGHT**



By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

We maintain **OVERWEIGHT** on the gaming sector, a major beneficiary of the reopening of the economy and international borders. Casino operators disappointed in the recent 4QCY22 results season largely due to unfavourable forex movements, and for **GENTING (OP; TP: RM5.86)** which was affected by weak plantation profits, while their casino operations saw improved performance across geographical areas. Meanwhile, number forecast operators (NFOs) beat expectations with tickets sales returning to 69% to 82% of pre-pandemic levels. Our sector top picks are **GENTING**, being a proxy to the recovery in the tourism activities both in Malaysia and Singapore, backed by the return of Chinese tourists, and **SPTOTO (OP; TP: RM1.95)** by virtue of its attractive dividend yield of c.11%.

**High five for NFOs.** From earnings disappointment across the board last quarter, the two NFOs in our coverage surprised to the upside in the recent 4QCY22 results season, while casino players continued to miss expectations. **SPTOTO's** 1HFY23 results topped forecasts, driven by higher-than-expected investment-related and associate income, as well as lower minority interest. In addition, though ticket sales in 2QFY23 were at 82% (1HFY23: 80%) of pre-pandemic levels, it was still within the targeted recovery rate of 80%-85%. However, its UK-based luxury car distributor HR Owen continued to report lacklustre earnings (2QFY23 operating profit: -82% QoQ/-85% YoY) due to declining car sales. The FY22 results of **MAGNUM (OP; TP: RM1.39)** also beat our forecast by 10%, driven by lower-than-expected interest expense and minority interest. In fact, its 4QFY22 net profit of RM37.5m (+87% QoQ/+83% YoY) was the best quarterly result since the pandemic started almost three years ago. This was on the back of 6% hike in ticket sales. 4QFY22 ticket sales was at 69% (FY22: 70%) of pre-Covid-19 levels.

**Casino operators missed.** **GENTING's** FY22 results missed our forecast substantially by 47% as **GENM (OP; TP: RM3.56)** slipped into the red in 4QFY22 due to forex translation losses on its USD-denominated bond while **GENP (MP; TP: RM5.50)** was hit by high production cost. However, the group's casino operations reported a broad-base improvement from all geographical areas with adjusted EBITDA jumping 1.5x YoY in FY22 following the reopening of international borders from 1 April 2022. Likewise, **GENM's** adjusted EBITDA for its Malaysia operations surged to RM2.11b from RM62.5m while the earnings of **GENS (Not Rated)** jumped 76%. **GENM's** operations in UK & Egypt and North America reported higher earnings, by 28% and 56%, respectively.

**Maintain OVERWEIGHT.** We expect visitors arrivals at integrated resorts for both GENM and GENS to continue to recover in 2023, particularly with China's reopening early this year. With this, **GENTING** remains our top pick over **GENM** as the former is a proxy to the recovery of tourism activities in both Malaysia and Singapore, and has a more diversified earnings base that includes plantation. On the other hand, for NFOs, we prefer **SPTOTO** to **MAGNUM** as it has a better recovery path for ticket sales to 87% of pre-pandemic level in FY23 (FYE: June) and 90% by FY24 whereas MAGNUM is only expected to see its ticket sales recovering to 78%/80% in FY23/FY24 (FYE: Dec) as we expect the return of its customers predominantly in the older-age group to be gradual. In addition, **SPTOTO** also offers higher dividend yield of c.11% vs. 8% of **MAGNUM**.

### Quarterly Results Performance

	4QCY22						3QCY22					
	KENANGA			CONSENSUS			KENANGA			CONSENSUS		
	Above	Within	Below	Above	Within	Below	Above	Within	Below	Above	Within	Below
GENM			1			1			1			1
GENTING			1			1			1			1
MAGNUM	1				1				1			1
SPTOTO	1			1					1	1		
<b>Total</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>3</b>
<b>Total (%)</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>25</b>	<b>25</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>25</b>	<b>0</b>	<b>75</b>

Source: Kenanga Research, Bloomberg

10 March 2023

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
GENTING BHD	OP	4.65	5.86	26.02%	17,905.2	N	12/2023	36.3	42.7	344.7%	17.6%	12.8	10.9	0.5	4.2%	16.0	3.4%
GENTING MALAYSIA BHD	OP	2.66	3.56	33.83%	15,069.5	N	12/2023	16.6	21.1	5940.9%	27.5%	16.1	12.6	1.2	7.5%	15.0	5.6%
MAGNUM BHD	OP	1.18	1.39	17.80%	1,695.9	N	12/2023	12.3	12.6	75.9%	2.0%	9.6	9.4	0.7	7.4%	9.9	8.3%
SPORTS TOTO BHD	OP	1.46	1.95	33.56%	1,970.1	N	06/2023	20.1	20.8	68.1%	3.6%	7.3	7.0	2.1	29.6%	16.1	11.0%
<b>Sector Aggregate</b>					<b>36,640.6</b>					<b>405.9%</b>	<b>18.7%</b>	<b>13.1</b>	<b>11.1</b>	<b>0.8</b>	<b>5.7%</b>		<b>7.1%</b>

Source: Kenanga Research

The rest of the page is intentionally left blank

10 March 2023

**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.***

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)