

19 May 2023

Magnum

Luck Not on Its Side, Again

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MAGNUM's 1QFY23 net profit of RM15.8m fell short of expectations yet again, due to a high prize payout ratio. However, it managed to achieve the highest average ticket sales per draw of RM14.5m for the past three years, recovering to 82% of pre-COVID-19 level. We are ceasing coverage on MAGNUM. Our last recommendation for the stock was OUTPERFORM with a TP of RM1.39.

1QFY23 net profit of RM15.8m missed forecasts which made up only 9%/10% of house/street's FY23 estimates. This is largely attributed to higher-than-expected luck factor with estimated prize payout ratio (EPPR) of 71.8% in 1QFY23 vs. our 67% assumption for FY23. It declared a 1st interim NDSP of 1.0 sen (ex-date: 15 Jun; payment date: 30 Jun) in 1QFY23, which is the same dividend payout level as in 1QFY22.

YoY, 1QFY23 net profit fell 5% to RM15.8m from RM16.7m although revenue rose 9% to RM546.0m from RM501.0m in 1QFY22. The decline in earnings was mainly attributed to higher EPPR of 71.8% from 69.8% previously. However, despite having 41 draws vs. 43 draws in 1QFY22, the improved revenue was due to higher average ticket sales of RM14.5m per draw vs. RM12.7m previously. This was the highest average ticket sales since the start of COVID-19 and the recovery rate was 82%, similar to SPTOTO's level of 80%-85%.

QoQ, 1QFY23 net profit plunged 58% to RM15.8m largely owing to the poor luck factor of 71.8% vs. 69.5% in the preceding quarter. In view the higher average ticket sales per draw (RM14.5m vs. RM12.2m), revenue rose slightly by 1% to RM546.0m from RM538.9m previously.

We are ceasing coverage on MAGNUM. Our last recommendation for the stock was OUTPERFORM with a TP of RM1.39.

Cease Coverage

Price : RM1.01
Target Price : N/A

Share Price Performance



KLCI	1,428.04
YTD KLCI chg	-4.5%
YTD stock price chg	-21.7%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAG MK Equity
Market Cap (RM m)	1,451.6
Shares Outstanding	1,437.2
52-week range (H)	1.84
52-week range (L)	1.00
3-mth avg daily vol:	1,061,778
Free Float	61%
Beta	0.7

Major Shareholders

Casi Management Sdn Bhd	30.4%
Mwe Holdings Berhad	4.6%
Shan Hijauan Sdn Bhd	3.5%

Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	2031.1	2071.2	2112.6
EBIT	205.7	283.7	285.9
PBT	159.9	235.4	240.1
Net Profit (NP)	100.7	177.1	180.6
Core Net Profit	100.7	177.1	180.6
Consensus (NP)	-	165.4	174.8
Earnings Revision (%)	-	-	-
Core EPS (sen)	7.0	12.3	12.6
Core EPS growth (%)	>100.0	75.9	2.0
NDPS (sen)	5.0	9.9	10.1
BV/Share (RM)	1.66	1.67	1.69
NTA/Share (RM)	-0.24	-0.24	-0.21
Core PER (x)	18.4	8.2	8.0
PBV (x)	0.8	0.6	0.6
Price/NTA (x)	-5.3	-4.3	-4.8
Gearing (x)	0.29	0.29	0.27
Net Yield (%)	3.9	9.8	10.0

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Income Statement

FYE Dec (RM m)	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Turnover	546.0	538.9	1%	501.0	9%	546.0	501.0	9%
EBITDA	40.2	68.1	-41%	46.1	-13%	40.2	46.1	-13%
Depreciation	-2.1	-2.0	5%	-2.1	1%	-2.1	-2.1	1%
EBIT	38.2	66.1	-42%	44.0	-13%	38.2	44.0	-13%
Interest expense	-11.1	-9.7	14%	-11.5	-4%	-11.1	-11.5	-4%
Pretax profit	27.1	56.5	-52%	32.4	-17%	27.1	32.4	-17%
Taxation	-11.0	-19.2	-43%	-15.6	-30%	-11.0	-15.6	-30%
Profit after tax	16.1	37.2	-57%	16.9	-4%	16.1	16.9	-4%
Minority interest	-0.3	0.3	->100%	-0.2	68%	-0.3	-0.2	68%
Net profit	15.8	37.5	-58%	16.7	-5%	15.8	16.7	-5%
Core net profit	15.8	37.5	-58%	16.7	-5%	15.8	16.7	-5%
EPS (sen)	1.1	2.6	-58%	1.2	-5%	1.1	1.2	-5%
NDPS (sen)	1.0	1.5	-33%	1.0	0%	1.0	1.0	0%
NTA/share (RM)	-0.25	-0.24	2%	-0.26	-7%	-0.25	-0.26	-7%
EBITDA margin	7%	13%		9%		7%	9%	
EBIT margin	7%	12%		9%		7%	9%	
Pretax margin	5%	10%		6%		5%	6%	
Effective tax rate	40%	34%		48%		40%	48%	

Source: Company

Segmental Breakdown

Segmental Breakdown	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Segment revenue:								
Gaming	546.0	538.9	1%	501.0	9%	546.0	501.0	9%
Investment Holdings & Others	0.0	0.0	-9%	21.6	->100%	0.0	21.6	->100%
Eliminations	0.0	0.0	0%	-21.6	->100%	0.0	-21.6	->100%
Group revenue	546.0	538.9	1%	501.0	9%	546.0	501.0	9%
Segment result:								
Gaming	33.4	45.0	-26%	40.7	-18%	33.4	40.7	-18%
Investment Holdings & Others	-6.3	11.4	->100%	13.3	->100%	-6.3	13.3	->100%
Eliminations	0.0	0.0	0%	-21.6	N/A	0.0	-21.6	N/A
Group PBT	27.1	56.5	-52%	32.4	-17%	27.1	32.4	-17%
PBT margin:								
Gaming	6%	8%		8%		6%	8%	
Investment Holdings & Others	N/A	N/A		62%		N/A	62%	
Eliminations	0%	0%		N/A		0%	N/A	
Group PBT margin	5%	10%		6%		5%	6%	

Source: Company

Other NFO Data

FYE Dec (RM m)	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
NFO sales	593.5	585.7	1%	544.6	9%	593.5	544.6	9%
No of draws	41	48	-15%	43	-5%	41	43	-5%
Ticket sales per draw	14.5	12.2	19%	12.7	14%	14.5	12.7	14%
Estimated prize payout ratio	71.8%	69.5%	3%	69.8%	3%	71.8%	69.8%	3%

Source: Company

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	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.
Stocks Under Coverage																	
GENTING BHD	OP	4.52	5.86	29.65%	17,404.6	N	12/2023	36.3	42.7	344.7%	17.6%	12.5	10.6	0.5	4.2%	16.0	3.5%
GENTING MALAYSIA BHD	OP	2.68	3.56	32.84%	15,189.5	N	12/2023	16.6	21.1	5940.9%	27.5%	16.2	12.7	1.2	7.5%	15.0	5.6%
MAGNUM BHD	OP	1.01	1.39	37.62%	1,451.6	N	12/2023	12.3	12.6	75.9%	2.0%	8.2	8.0	0.6	7.4%	9.9	9.8%
SPORTS TOTO BHD	OP	1.32	1.95	47.73%	1,779.5	N	06/2023	20.1	20.8	68.1%	3.6%	6.6	6.3	1.9	29.6%	16.1	12.2%
Sector Aggregate					35,825.2					405.9%	18.7%	12.8	10.8	0.7	5.7%		7.8%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	☆			
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Security Controls	★	★	★		
	Responsible Gaming	★				
	Digitalisation & Innovation	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Energy Efficiency	★	★	★		
	Legal & Regulatory Compliance	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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