

24 May 2023

## Sports Toto

### Better Luck Next Time

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SPTOTO's 9MFY23 results missed expectations, largely due to extremely high prize payout in 3QFY23. However, it managed to achieve the second highest average ticket sales per draw of RM19.2m for the past three years, recovering to 92% of the pre-pandemic level. We are ceasing coverage on SPTOTO. Our last recommendation for the stock was **OUTPERFORM** with a TP of RM1.95.

9MFY23 net profit of RM159.6m fell short of expectations, making up only 59% and 69% of our full-year forecast and the full-year consensus estimate, respectively. This was mainly due to a bad luck factor in 3QFY23 as the estimated prize payout ratio (EPPR) surged sharply to 71.2%, averaging YTD 9MFY23 EPPR to 65.4% against our FY23 assumption of 63%. Meanwhile, it declared a third interim NDPS of 2.0 sen (ex-date: 28 Jun; payment date: 21 Jul) tallying 9MFY23 NDPS to 6.5 sen which was higher than the 4.0 sen paid in 9MFY22.

**YoY**, 3QFY23 revenue fell 4% attributed to: (i) lower NFO ticket sales by 11% due to a lower draw of 41 vs. 43 as well as lower average ticket sales per draw of RM19.2m vs. RM20.6m, and (ii) lower car sales from HR Owen (HRO) by 4% on unfavourable GBP conversion to MYR. 3QFY23 net profit contracted 71% to RM23.3m largely due to the higher EPPR mentioned above which saw NFO operating profit plunging 70%.

YTD, 9MFY23 revenue jumped 19% mainly driven by higher ticket sales as during the MCO 3.0 nationwide lockdown 1QFY22, 37 draws were cancelled. 9MFY23 net profit leapt 39%, boosted by higher NFO ticket sales though partially offset by lower HRO earnings on the weakening of GBP against MYR as well as higher operating and interest cost which was due to interest rate hike.

**QoQ**, 3QFY23 revenue grew 18% led by HRO (+39%) on higher car sales but NFO ticket sales fell 4% on lower draws of 41 vs. 48. Nonetheless, average ticket sales per draw improved 12% to RM19.2m, recovering to 92% of pre-COVID-19 level, from RM17.1m in 2QFY23. Meanwhile, net profit plunged 64% largely due to the abovementioned poor luck factor which saw NFO operating profit tumbling 69%.

We are ceasing coverage on SPTOTO. Our last recommendation for the stock was **OUTPERFORM** with a TP of RM1.95.

## Cease Coverage

Price : **RM1.31**  
Target Price : **N/A**

### Share Price Performance



KLCI	1,411.54
YTD KLCI chg	-5.6%
YTD stock price chg	-19.1%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	SPTOTO MK Equity
Market Cap (RM m)	1,766.0
Shares outstanding	1,348.1
52-week range (H)	1.93
52-week range (L)	1.30
3-mth avg daily vol:	905,006
Free Float	49%
Beta	0.6

### Major Shareholders

Berjaya Corp Bhd	48.9%
Vanguard Group	2.5%
Blackrock Inc	2.0%

### Summary Earnings Table

FY Jun (RM m)	2022A	2023F	2024F
Turnover	5233	5697	5739
EBIT	312	403	423
PBT	272	400	423
<b>Net Profit (NP)</b>	<b>162</b>	<b>272</b>	<b>281</b>
<b>Core Net Profit</b>	<b>162</b>	<b>272</b>	<b>281</b>
Consensus (NP)	-	233	244
Earnings Revision (%)	-	-	-
Core EPS (sen)	12.0	20.1	20.8
Core EPS growth (%)	-11.3	68.1	3.6
NDPS (sen)	8.5	16.1	16.7
BV/Share (RM)	0.66	0.70	0.74
NTA/Share (RM)	0.15	0.18	0.22
Core PER (x)	15.3	6.5	6.3
Price/BV (x)	2.8	1.9	1.8
Price/NTA (x)	12.5	7.3	5.9
Gearing (x)	0.76	0.65	0.57
Net Div. Yields (%)	4.6	12.3	12.7

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Income Statement								
FYE Jun (RM m)	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Turnover	1,655.2	1,408.2	18%	1,728.4	-4%	4,482.5	3,771.4	19%
EBITDA	65.7	111.7	-41%	148.2	-56%	304.2	265.8	14%
Depreciation	-16.1	-16.6	-3%	-16.0	0%	-50.2	-48.6	3%
EBIT	49.7	95.0	-48%	132.2	-62%	254.1	217.3	17%
Interest & other incomes	5.3	5.5	-3%	4.3	22%	15.3	13.1	17%
Investment expenses	1.7	9.5	-83%	0.2	958%	15.5	0.4	3858%
Interest expense	-22.0	-18.6	18%	-16.2	36%	-56.9	-46.7	22%
Associates	5.4	4.6	17%	2.0	171%	14.2	5.7	147%
Exceptional items	0.0	0.0	0%	0.0	0%	0.0	0.0	0%
Pretax profit	40.0	96.0	-58%	122.4	-67%	242.1	189.8	28%
Taxation	-15.8	-30.6	-49%	-39.4	-60%	-79.6	-66.5	20%
Profit after tax	24.2	65.3	-63%	83.0	-71%	162.5	123.3	32%
Minority interest	-1.0	-0.5	99%	-3.4	-72%	-2.9	-8.1	-64%
Net profit	23.2	64.9	-64%	79.6	-71%	159.6	115.2	39%
Core net profit	23.2	64.9	-64%	79.6	-71%	159.6	115.2	39%
EPS (sen)	1.7	4.8	-64%	5.9	-71%	11.8	8.5	39%
NDPS (sen)	2.0	2.5	-20%	2.0	0%	6.5	4.0	63%
NTA/share (RM)	0.19	0.19	1%	0.14	37%	0.19	0.14	37%
EBITDA margin	4%	8%		9%		7%	7%	
EBIT margin	3%	7%		8%		6%	6%	
Pretax margin	2%	7%		7%		5%	5%	
Effective tax rate	39%	32%		32%		33%	35%	

Source: Company

Segmental Breakdown								
Segmental Breakdown (RM m)	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Segment revenue:								
NFO	725.0	756.9	-4%	814.5	-11%	2,183.2	1,478.2	48%
HRO	863.6	622.5	39%	895.0	-4%	2,178.3	2,241.5	-3%
Investment & others	66.6	28.8	131%	18.9	252%	121.1	51.7	134%
Group revenue	1,655.2	1,408.2	18%	1,728.4	-4%	4,482.5	3,771.4	19%
Segment result:								
NFO	29.8	96.5	-69%	100.2	-70%	227.5	150.2	52%
HRO	12.7	2.7	379%	39.0	-67%	30.4	84.6	-64%
Investment & others	7.2	-4.1	-275%	-7.1	-202%	-3.9	-17.5	-78%
Group EBIT	49.7	95.0	-48%	132.2	-62%	254.1	217.3	17%
EBIT margin:								
NFO	4%	13%		12%		10%	10%	
HRO	1%	0%		4%		1%	4%	
Investment & others	11%	N/A		- N/A		N/A	N/A	
Group EBIT margin	3%	7%		8%		6%	6%	

Source: Company

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Other Data								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
FYE Jun (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
NFO sales	788.0	822.8	-4%	885.3	-11%	2,373.0	1,606.7	48%
No of draws	41	48	-15%	43	-5%	135	96	41%
Ticket sales per draw	19.2	17.1	12%	20.6	-7%	17.6	16.7	5%
Estimated prize payout ratio	71.2%	63.3%	13%	63.7%	12%	65.4%	63.5%	3%
Dividend payout	27.0	33.7	-20%	26.8	1%	87.7	53.6	64%
Attributable profit	23.2	64.9	-64%	79.6	-71%	159.6	115.2	39%
Dividend payout ratio	116.3%	52.0%	123%	33.7%	245%	55.0%	46.5%	18%

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.
<b>Stocks Under Coverage</b>																	
GENTING BHD	OP	4.43	5.86	32.28%	17,058.1	N	12/2023	36.3	42.7	344.7%	17.6%	12.2	10.4	0.5	4.2%	16.0	3.6%
GENTING MALAYSIA BHD	OP	2.66	3.56	33.83%	15,076.2	N	12/2023	16.6	21.1	5940.9%	27.5%	16.1	12.6	1.2	7.5%	15.0	5.6%
<b>Sector Aggregate</b>					<b>32,134.2</b>					<b>709.4%</b>	<b>21.7%</b>	<b>13.7</b>	<b>11.3</b>	<b>0.7</b>	<b>5.1%</b>		<b>4.6%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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