

COMPARING BTOTO QUARTERLY RESULTS MEANINGLESS, SAYS TA

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THE comparison of quarterly results for Berjaya Sports Toto Bhd is “meaningless,” according to TA Securities, owing to the suspension of 4D and lotto games over the movement control order (MCO).

As it stands, BToto saw a core profit of RM136.2 mil for its 2020 financial year, which ended June 30 2020. This, according to TA analyst Tan Kam Meng, had missed analyst forecasts.

“The variance was largely due to the cancellation of draws during the MCO with 40 draws cancelled, which was more than our expectations of 37 draws,” said Tan.

The analyst noted that, after adjusting for the timing difference after the change of financial year, BToto’s revenue had declined 18.3% year-on-year (yoy) to RM4.7 bil, with the drop due to the suspension of 39 normal draws and one special draw during the MCO.



However, further adding to the decline was that the motor franchising division, H.R. Owen, had shut down its operations from March 23 to May 31, in accordance with the UK's lockdown order.

Individually, the number forecast operator (NFO) segment saw a 23.8% drop in revenue yoy, while the motor franchising division saw a 12.5% drop in revenue yoy.

With regards to BToto's balance sheet, Tan noted that net gearing had expanded to 1.2x as of June 2020, with total cash dwindling to RM307 mil. This is compared to a gearing of 1x and a total cash of RM422 mil in June 2019.

"However, we are not overly concerned as the company has resumed operations on June 17," said Tan.

Moving forward, the analyst noted that BToto's lotto game Supreme Toto 6/58 jackpot has ballooned to over RM20 mil, and Tan believes this would encourage more punters to continue trying their luck, especially during this difficult period.

At the same time, Tan also believes that it is not likely for the NFO sector to see any negative budgetary policies in Budget 2021.

"Like other NFO players, BToto has been hit hard by the Covid-19 pandemic. As such, we do not think there would be any negative budgetary policies in Budget 2021, which would derail earnings recovery for the NFO sector," said Tan.

TA Securities maintains a buy call on BToto, noting that the stock has defensive earnings quality and a compelling dividend yield. However, the research house also revised its target price for BToto to RM2.40 from a previous RM2.67, citing the reductions in earnings and dividends per share.

At the end of the morning's trading, BToto's shares were last done at RM2.12, up 3 sen, with 393,000 shares traded. – Aug 19, 2020