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Sports Toto's 3Q boosted by historic jackpot sales

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KUCHING: Berjaya Sports Toto Bhd (Sports Toto) saw its earnings for the third quarter of financial year 2022 (3QFY22) - beating analysts forecasts - as ticket sales rebounded strongly during the quarter, fuelled by a prolonged jackpot run that supercharged ticket sales to pre-pandemic levels.

RHB Investment Bank Bhd (RHB Research) said Sports Toto's core net profit for the total nine months of financial year 2022 (9MFY22) exceeded its expectations at 85 per cent of its full-year estimate, but was within street's at 78 per cent.

"The positive deviation is attributable to the stronger-than-expected contribution from the UK motor dealership segment, owing to the better-than-expected profit margins from the used car segment.

"Year on year (y-o-y), 3QFY22 revenue rose 54 per cent on higher gaming and motor revenue. The jump in gaming revenue was from higher ticket sales, driven by the prolonged Supreme 6/58 Jackpot run that led to a historical high accumulative prize of circa RM98 million.

"Consequently, gaming earnings before interest and tax (EBIT) jumped 250 per cent, owing to the operating leverage. On the other hand, the strong increase in motor revenue, coupled with higher margins from the tight vehicle supply, lifted motor EBIT by 58 per cent."

The research firm believed Sports Toto's ticket sales should continue to gradually recover. However, it was cognisant that this quarter's ticket sales are not representative of the underlying recovery, as it was distorted by



Although the record amount jackpot was a one-off event, Hong Leong Investment Bank Bhd's research team (HLIB Research) believed that the positive effects on Sports Toto's NFO segment are here to stay.

the aforesaid historic jackpot run.

"Taking a cue from Magnum Bhd's 1QFY22 results, we believe the underlying ticket sales recovery will take longer than expected, as punters may be financially worse off and/or have increasingly turned to illegal number forecast operators (NFOs)."

To recap, Sports Toto's Supreme 6/58 jackpot amounting to RM97.8 million -- its largest in history -- was won on March 30. The leading up to the record amount sum and the subsequent winning event had generated tremendous social media buzz and press coverage,

which translated to increased interest in the game and lifted earnings in 3Q22.

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"The jackpot should restore punters' confidence in legal NFOs as the winning payout is guaranteed, while punters may be discouraged to bet with illegal NFOs due to high risk of payment failure of game winnings.

"In addition, the jackpot should

also fuel the recovery momentum of the NFO segment going forward."

This sentiment was echoed by Kenanga Investment Bank Bhd (Kenanga Research).

"While we expect a weaker 4QFY22 ticket sales after a strong 3QFY22, we believe Sports Toto's ticket sales recovery is on track to full recovery in 1HFY23 and in fact its recovery is better than its peer Magnum.

"We continue to like this high yielding stock which is supported by the recovery of ticket sales, making it a good avenue for income seekers."



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SUMMARIES

KUCHING: Berjaya Sports Toto Bhd (Sports Toto) saw its earnings for the third quarter of financial year 2022 (3QFY22) - - beating analysts forecasts - as ticket sales rebounded strongly during the quarter, fuelled by a prolonged jackpot run that supercharged ticket sales to prepandemic levels.