



25 MAY, 2022

Earnings upgrades for Sports Toto

The Star, Malaysia



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PETALING JAYA: Sports Toto Bhd saw a slew of earnings upgrades after the gaming and auto group reported financial results which came in mostly above analysts' expectations.

Maybank Investment Bank's research unit in a note to clients said it was raising its earnings estimates to reflect higher earnings from the group's luxury car company, H.R. Owen plc.

Its strong results in the last two years, especially used car sales, have been because of supply chain disruptions to new car sales due to Covid-19, said the research house.

"Given that the global Covid-19 situation has eased, we expect H.R. Owen's earnings to moderate.

"That said, H.R. Owen is part of 88%-owned Berjaya Philippines which does not pay dividends to Sports Toto. Thus, we maintain our dividends per share estimates," it said.

Sports Toto's net profit rose more than four-fold year-on-year to RM79.56mil for the third quarter ended March 31 from RM18.68mil for the same period a year earlier.

Its revenue surged 54% to RM1.73bil during the quarter under review, from RM1.12bil last year.

Hong Leong Investment Bank's (HLIB) research arm said it was increasing its earnings forecast by 14.8% for Sports Toto's financial year 2022 (FY22) to account for the "results surprise" in the current quarter.

"We deem this above our expectations as the nine-month FY22 sum was dragged by the loss-making first-quarter 2022," it said.

HLIB said it believed the group will continue to record positive sales recovery in the number forecast operator (NFO) segment, supported by the economy recovery as well as the increased confidence and interest in legal NFOs.

"Furthermore, the robust sales in its luxury car dealership segment will continue to contribute positively to the group."

It noted that Sports Toto's Supreme 6/58 jackpot amounting to RM97.8mil (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 third-quarter 2022.

"Although the record amount jackpot was a one-off event, the positive effects on Sports Toto's NFO segment are here to stay," it said, adding that the jackpot should restore punters' confidence in legal NFOs as the winning payout is guaranteed.

UOB Kay Hian's research arm told clients in its report that moving forward, it expected Sports Toto to appeal as a "compelling laggard beneficiary of economic reopening" as well as a high dividend yielder (FY23 prospective yield more than 7%).

It is maintaining its "buy" call on the stock with a target price of RM2.46, while Maybank and HLIB each have a target price of RM2.24 and RM2.43 on Sports Toto.

At last look, it was at RM1.92, valuing the whole group at around RM2.6bil.



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SUMMARIES

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