

COMPANY RESULTS

Sports Toto (SPTOTO MK)

4QFY24: Commendable Numbers

SPTOTO's 4QFY24 results came in within expectations as gaming revenue further recovered and achieved about 87% of pre-pandemic levels. We anticipate SPTOTO would deliver progressive earnings recovery and also provide a compelling prospective yield of about 8% in FY25. Meanwhile, investors' sentiment should recover and focus should return to the group's bargain valuations, especially since the political landscape has largely stabilised after GE15. Retain BUY with a higher target price of RM1.98.

4QFY24 RESULTS

Year to 30 Jun (RMm)	4QFY24	qoq % chg	yoy % chg	FY24	yoy % chg
Revenue	1650.6	(2.6)	2.1	6,307.8	3.4
Toto	712.1	(8.6)	9.8	2,952.5	4.3
Motor	913.2	3.2	(0.1)	3,245.9	5.0
Others	25.3	(16.1)	(53.4)	109.4	(37.6)
EBIT	118.1	2.3	10.7	400.6	11.0
Toto	102.3	(0.7)	45.0	382.5	28.3
Motor	21.2	6.8	(35.2)	44.1	(30.2)
Others	(5.5)	(26.9)	(266.1)	(26.0)	4539.3
PBT	104.2	2.9	9.6	343.3	1.8
Net profit	67.6	(1.3)	8.4	220.4	(0.7)
Core net profit	67.6	(1.3)	8.4	220.4	(0.7)
Margins (%)		+/- ppt			+/- ppt
EBIT - Toto	14.4	1.1	3.5	13.0	2.4
EBIT - Motor	2.3	0.1	-1.3	1.4	(0.7)
PBT	6.3	0.3	0.4	5.4	(0.1)
Net profit	4.1	0.1	0.2	3.5	(0.1)

Source: BST, UOB Kay Hian

RESULTS

- Within expectations.** Sports Toto (SPTOTO) reported 4QFY24 revenue of RM1.65b (+2.1% yoy) and headline net profit of RM67.6m (+8.4% yoy). The resilient yoy revenue is mainly attributed to subsidiary Sports Toto Malaysia's (STM) progressive ticket sales recovery. FY24 net profit of RM220m represented about 103% and 118% of our and consensus FY24 forecasts respectively.
- Declared final dividend of 2.0 sen.** SPTOTO declared a fourth interim DPS of 2 sen, bringing FY24 DPS to 10 sen (FY23: 9 sen) and representing a 61.3% payout. This implies a total yield of around 6.3% for FY24.

KEY FINANCIALS

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	6,100	6,308	6,737	6,886	7,019
EBITDA	433	485	510	512	528
Operating profit	361	401	433	441	461
Net profit (rep./act.)	222	220	239	249	268
Net profit (adj.)	222	220	239	249	268
EPS (sen)	16.4	16.3	17.7	18.4	19.8
PE (x)	9.7	9.7	9.0	8.6	8.0
P/B (x)	2.0	1.9	1.8	1.7	1.7
EV/EBITDA (x)	6.7	6.0	5.7	5.7	5.5
Dividend yield (%)	5.7	6.3	8.2	9.9	10.6
Net margin (%)	3.6	3.5	3.5	3.6	3.8
Net debt/(cash) to equity (%)	83.0	60.2	42.8	28.6	15.0
Interest cover (x)	9.7	6.9	6.9	7.8	9.2
ROE (%)	22.2	19.6	20.0	20.1	20.9
Consensus net profit	-	-	201	214	230
UOBKH/Consensus (x)	-	-	1.19	1.17	1.17

Source: Sports Toto Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM1.59
Target Price	RM1.98
Upside	+24.5%
(Previous TP)	RM1.82)

COMPANY DESCRIPTION

Largest number forecast operator in the country both in terms of number of outlets and product offerings.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	SPTOTO MK
Shares issued (m):	1,349.3
Market cap (RMm):	2,145.4
Market cap (US\$m):	490.4
3-mth avg daily t'over (US\$m):	0.4

Price Performance (%)

52-week high/low RM1.68/RM1.36

1mth	3mth	6mth	1yr	YTD
(3.6)	1.3	4.6	6.7	7.4

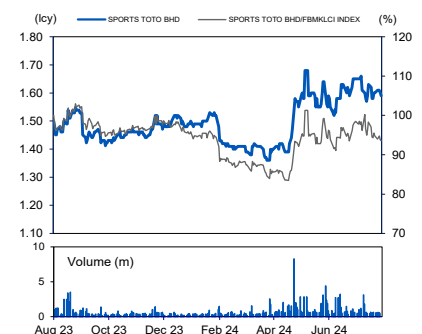
Major Shareholders

	%
Berjaya Corp Bhd	49.75
Vanguard Group	2.15
Great Eastern	1.69

FY25 NAV/Share (RM) 0.91

FY25 Net Debt/Share (RM) 0.39

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Ticket sales normalising qoq from prolonged jackpot run and lower draw days.** We estimate that STM's 4QFY24 revenue declined 8.6% qoq, presumably due to a shorter jackpot run from 3QFY24's high base, seasonality, and one fewer draw. In the quarter, jackpot ticket sales per draw fell marginally by 2% qoq on a weaker jackpot run. For classic games, we estimate that ticket sales per draw dropped 8% qoq, partially reflecting a slowdown of sales from 3QFY24's Chinese New Year period. Nevertheless, this was partially offset by a lower prize payout of 58.5% (3QFY24: 59.9%). As such, STM recorded a marginally softer EBIT of RM102.3m (-0.7% qoq) in 4QFY24 following an uptick of 1.1ppt qoq in EBIT margin.

• **Motor division: Margin expanded qoq on higher new car sales.** H.R. Owen reported revenue of RM913.2m (+3% qoq) and EBIT of RM21.2m (+7% qoq). The stronger qoq revenue is mainly attributed to higher new-car sales on the ramp-up in delivery of certain high-demand new models. Meanwhile, the division's EBIT margin rose 0.1ppt qoq due to higher margins from the new-car sales segment as well as a full resumption of its aftersales operations after the completion of outlet relocations. As a result, the motor division charted an EBIT of RM21.2m.

STOCK IMPACT

• **Structural headwinds from illegal operators may gradually reverse.** Despite the government's easing of various pandemic-related social distancing constraints, SPTOTO has been facing progressive market share losses to illegal operators ever since the pandemic started, amid a shift in punters' habits to channel their bets through these illegal bookies. The illegal bookie market is said to be at least 1.5-2.0x larger than the NFO segment. Nevertheless, we expect this structural headwind to gradually reverse as the authority ramps up raiding activities on the illegal bookies. We estimate SPTOTO's current ticket sales per draw has progressively recovered to c.88% of pre-pandemic levels.

• **Improvement in ticket sales to continue.** As estimated, SPTOTO's classic game's ticket sales recovered to 85-90% of pre-pandemic level (4QFY24: 88%). We anticipate this to further recover to 95-100% in FY25. While SPTOTO is still facing market share challenges from illegal operators, there has been a gradual shift in habits, with punters who were previously executing bets through illegal bookies now changing their behaviour as authorities accelerated clampdown efforts. Potential tailwinds may also emerge for SPTOTO if the government allows legal operators to commence online operations.

• **Defensive nature to fuel share price recovery.** SPTOTO should gain more attention as the group delivers lush prospective yields of 8-10% for FY25-26. Risk-reward remains palatable as current valuations have more than priced in existing downsides, especially when earnings are on course for sequential recovery in upcoming quarters. Such valuations are particularly appealing for SPTOTO given: a) its asset-light business model, and b) it doles out most of the domestic cash flows as dividends.

EARNINGS REVISION/RISK

• **We introduce our FY27 earnings forecasts.**

VALUATION/RECOMMENDATION

• **Maintain BUY with higher DCF-based target price of RM1.98** (WACC: 7%, risk-free rate: 4.0%, terminal growth rate: 1%). Our target price implies 11x FY25F PE (-1 SD below 5-year mean).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Reduced usages of plastic cores and thermal papers for lottery tickets
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Attain World Lottery Association Security Control Standard for responsible gaming - Organised various Corporate Social Responsibility (CSR) programmes
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance (MCCG)

SNAPSHOT OF SPTOTO

No. of outlets	681
Location	Peninsular, Sabah & Sarawak
No. of games	7
Types of game	4D, 5D, 6D, 4D jackpot Lotto 6/58, 6/55 & 6/50

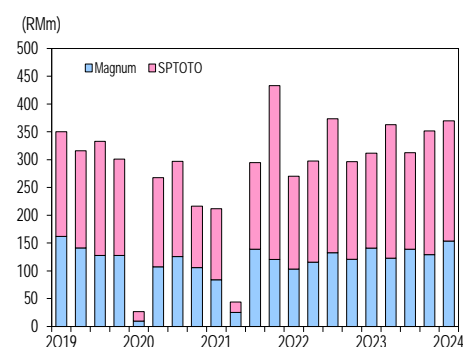
Source: SPTOTO

KEY ASSUMPTIONS

Year to 30 Jun	FY23	FY24	FY25F
Outlets	681	681	681
Draw day/annum	175	167	167
Prize payout (%)	63	60	62

Source: UOB Kay Hian

NFO BIG 2'S TICKET SALES



Source: UOB Kay Hian

HR OWEN - HATFIELD SITE'S LAYOUT PLAN



Source: SPTOTO

PROFIT & LOSS

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	6,308	6,737	6,886	7,019
EBITDA	485	510	512	528
Deprec. & amort.	85	78	72	67
EBIT	401	433	441	461
Associate contributions	13	13	13	14
Net interest income/(expense)	(70)	(74)	(66)	(58)
Pre-tax profit	343	372	388	417
Tax	(120)	(130)	(136)	(146)
Minorities	(3)	(3)	(3)	(3)
Net profit	220	239	249	268
Net profit (adj.)	220	239	249	268

CASH FLOW

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	482	382	397	410
Pre-tax profit	401	433	441	461
Tax	(120)	(130)	(136)	(146)
Deprec. & amort.	85	78	72	67
Associates	(4)	3	4	5
Working capital changes	96	(15)	(5)	(5)
Other operating cashflows	24	14	21	29
Investing	(41)	(30)	(27)	(24)
Capex (growth)	(37)	(40)	(40)	(40)
Investments	(4)	3	3	3
Proceeds from sale of assets	16	3	3	3
Others	(16)	4	4	4
Financing	(337)	(269)	(303)	(315)
Dividend payments	(87)	(176)	(212)	(227)
Issue of shares	0	0	0	0
Proceeds from borrowings	68	3	3	3
Loan repayment	(153)	(100)	(100)	(99)
Others/interest paid	(165)	4	4	4
Net cash inflow (outflow)	104	83	67	71
Beginning cash & cash equivalent	633	738	821	888
Changes due to forex impact	6	0	0	0
Ending cash & cash equivalent	743	821	888	959

BALANCE SHEET

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	614	419	388	361
Other LT assets	1,416	1,412	1,413	1,414
Cash/ST investment	743	821	888	959
Other current assets	1,128	1,246	1,225	1,249
Total assets	3,901	3,898	3,913	3,983
ST debt	654	654	654	654
Other current liabilities	953	1,014	1,037	1,055
LT debt	788	691	595	501
Other LT liabilities	277	277	277	277
Shareholders' equity	1,161	1,224	1,261	1,301
Minority interest	71	74	77	80
Total liabilities & equity	3,901	3,898	3,913	3,983

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	7.7	7.6	7.4	7.5
Pre-tax margin	5.4	5.5	5.6	5.9
Net margin	3.5	3.5	3.6	3.8
ROA	5.7	6.1	6.4	6.8
ROE	19.6	20.0	20.1	20.9
Growth				
Turnover	3.4	6.8	2.2	1.9
EBITDA	12.2	5.2	0.4	3.0
Pre-tax profit	1.8	8.2	4.5	7.4
Net profit	(0.7)	8.2	4.5	7.4
Net profit (adj.)	(0.7)	8.2	4.5	7.4
EPS	(0.7)	8.2	4.5	7.4
Leverage				
Debt to total capital	53.9	50.9	48.3	45.5
Debt to equity	124.2	109.9	99.0	88.7
Net debt/(cash) to equity	60.2	42.8	28.6	15.0
Interest cover (x)	6.9	6.9	7.8	9.2

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