

# Magnum (5319)

## Striking Lottery



### Stock Highlights

**Steady as it goes.** Number forecast operators (NFOs) like Magnum have been on a steady recovery since the full lifting of COVID-19 restrictions in FY22, showcasing the resilience of NFOs business and inelastic demand from punters. We believe there is still potential for Magnum's revenue to return to its pre-pandemic level, which reached a high of RM2.7bn back in 2019. Additionally, a favourable High Court ruling in July overturning Kedah's ban on NFO outlets offers much-needed clarity and assurance about their operation, especially in opposition-controlled states. The absence of any gaming tax or SST rate hikes in the recent Budget 2025 is also another positive relief for NFO players.

**6.3%-owned U Mobile selected to implement 2<sup>nd</sup> 5G network.** Last Friday, Malaysia's telecom regulator, MCMC, has selected U Mobile to lead the implementation of the nation's second 5G network, with the flexibility to collaborate with other network operators. In our view, this win has significantly boosted the appeal of U Mobile's upcoming IPO, which aims to raise new capital for its network rollout. Notably, Magnum currently holds a 6.3% stake in U Mobile, positioning it to benefit from this development.

**Monetisation of U Mobile stake a key catalyst.** Based on consensus forecast, Magnum currently trades at an undemanding valuation of 10.7x FY24 PE and offers 5.5% net dividend yield. U Mobile's 5G win will likely add credibility to news report suggesting a target IPO valuation of RM9bn-10bn, therefore valuing Magnum's 6.3%-stake at approximately RM567m-630m (about 1/3 of Magnum's market cap).

**Breakout from falling wedge pattern.** Since early 2024, the stock has stayed above an uptrend line and recently formed a falling wedge pattern. Just last week, it broke out of this pattern, followed by two healthy pullbacks. An ideal entry point lies between RM1.16 and RM1.18, with RM1.20 as a key resistance level. If it successfully breaks above RM1.20, the stock could test RM1.26, potentially setting up for further upward movement and challenging its 52-week high. On the downside, a break below RM1.15 may trigger to a correction toward RM1.11, a consolidation zone where strong buying interest has historically supported the stock.

#### Technical

Resistance 1 (RM)	1.20
Resistance 2 (RM)	1.26
Support 1 (RM)	1.15
Support 2 (RM)	1.11
MACD	Positive
RSI	Neutral

#### Stock Information

Last Close (RM)	1.18
Market cap (RM m)	1,696.5
52-week Range (RM)	1.06-1.32

#### Financial Highlights

FYE Dec	FY21	FY22	FY23	1HFY24
Revenue (RM m)	1,259.6	2,031.1	2,160.0	1,186.3
Core PAT (RM m)	0.2	100.6	125.3	71.4
Core EPS (sen)	0.0	7.0	8.7	5.0
DPS (sen)	1.5	5.0	6.0	3.5
BV/share (RM)	1.64	1.66	1.70	1.71
P/E (x)	n.m.	16.9	13.6	12.3
P/B (x)	0.7	0.7	0.7	0.7

Source: Bloomberg, Mercury Securities

#### Company Profile

Through its subsidiary, Magnum operates a licensed lottery business that includes 4D numbers forecast betting and variation games.

## Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none"><li>- current high less the current low;</li><li>- the absolute value of the current high less the previous close;</li><li>- the absolute value of the current low less the previous close;</li></ul>
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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