

Genting Bhd

Worst Ever GENS' Results

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GENS reported its worst ever results for 2QFY20 with core loss of SGD116.5m as a complete lockdown shrunk revenue by 90% sequentially. The upcoming 3QFY20 is likely to be another lacklustre quarter as business remains challenging with cross border travelling still restricted. For now, we keep our call on GENTING unchanged pending its 2QFY20 results release later this month end.

GENS' 2QFY20 results badly hit. In a quarterly business overview released yesterday, Genting Singapore Ltd (GENS, Not Rated) reported a core loss of SGD116.5m in 2QFY20, turning 1HFY20 into the red with core loss of SGD63.3m, against consensus estimate of SGD0.2m for FY20. This results likely matched consensus as business has reopened from July. It did not declare half-yearly dividend in 1HFY20 for the first time since 2017.

The worst ever results since inception. With economic lockdown for almost the entire quarter, from 06 Apr to 30 Jun, 2QFY20 revenue plunged 90% QoQ to SGD41.3m from SGD406.9m in the preceding quarter with gaming revenue tumbling 98% to SGD6.5m from SGD267.9m. This led to a core net loss of SGD116.5m from core net profit of SGD53.2m. Similarly, on a YoY comparison, revenue contracted 94% from 2QFY19 while there was a core profit of SGD166.0m reported last year. YTD, 1HFY20 revenue fell 65% which led to a core net loss of SGD63.3m as opposed to core profit of SGD373.8m in 1HFY19.

COVID-19 pandemic took a heavy toll on earnings. The losses were highly anticipated given the lockdown in the island state for almost the entire quarter. Management did not share the casino statistic given that it only operated for five days for the quarter. Meanwhile, since the reopening on 1 July, it is only operating at 50% of gaming capacity given the stringent safety measurement and also it is only opened for members. Likewise, its theme park attractions also saw declining visitations and are still not breaking even at this stage. It mentioned about 20-30% opex cost cutting so far. Overall, management remains pessimistic in the near term given the virus outbreak that has restricted cross border travelling.

Maintain GENTING's call for now. We are keeping our OUTPERFORM call, price target of RM6.00/share, which is based on 5-year mean discount of 42% to SoP of RM10.36, and earnings estimates for GENTING, unchanged for now, pending the release of its 2QFY20 results later this month-end. Given the virus disruption to the tourism industry, we expect substantial earnings cut in the coming weeks post GENTING's earnings release. Risks to our call on GENTING include weak business volume and poorer luck factor.

OUTPERFORM ↔

Price : **RM3.70**
Target Price : **RM6.00** ↔

Share Price Performance



KLCI 1,588.57
YTD KLCI chg 0.0%
YTD stock price chg -37.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	14,247.1
Shares Outstanding	3,850.6
52-week range (H)	6.59
52-week range (L)	2.91
3-mth avg daily vol:	8,919,801
Free Float	55%
Beta	1.3

Major Shareholders

Kien Huat Realty Sdn Bhd	43.0%
Vanguard Group Inc	2.2%
Lim Kok Thay	1.8%

Summary Earnings Table

FY Dec (RM m)	2019A	2020E	2021E
Turnover	21617	15583	20414
EBIT	5251	2529	4756
PBT	4583	2049	4253
Net Profit (NP)	1996	1065	2042
Core Net Profit	2377	1065	2042
Consensus (NP)		561	1630
Earnings Revision (%)		-	-
EPS (sen)	63.5	28.5	54.5
EPS growth (%)	-34.9	-55.2	91.6
DPS (sen)	22.0	15.0	15.0
BV/Share (RM)	9.44	9.58	9.99
NTA/Share (RM)	7.91	8.48	8.54
PER (x)	5.8	13.0	6.8
PBV (x)	0.39	0.39	0.37
Price/NTA (x)	0.47	0.44	0.43
Net Gearing (x)	N Cash	0.10	0.31
Dividend Yield (%)	5.9	4.1	4.1



07 August 2020

Income Statement

	2Q	1Q	Q-o-Q	2Q	Y-o-Y	1H	1H	Y-o-Y
Y/E: Dec (SGD m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Turnover	41.3	406.9	-90%	636.8	-94%	448.2	1,277.1	-65%
EBITDA	-84.9	151.6	-156%	294.4	-129%	66.7	624.1	-89%
Net profit	-163.3	46.6	-450%	168.4	-197%	-116.7	373.9	-131%
Core net profit	-116.5	53.2	-319%	166.0	-170%	-63.3	373.8	-117%
EBITDA margin	-206%	37%		46%		15%	49%	
Core net margin	-282%	13%		26%		-14%	29%	

Source: Company

Segmental Breakdown

Segmental Breakdown	2Q	1Q	Q-o-Q	2Q	Y-o-Y	1H	1H	Q-o-Q
	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Segment revenue:								
RWS - gaming	6.5	267.9	-98%	441.1	-99%	274.4	871.3	-69%
RWS - non-gaming	16.3	138.4	-88%	195.0	-92%	154.7	404.3	-62%
Others	18.5	0.6	2847%	0.6	2969%	19.2	1.5	1179%
Group revenue	41.3	406.9	-90%	636.8	-94%	448.2	1,277.1	-65%
Segment result:								
RWS	-79.0	159.3	-150%	306.5	-126%	80.2	645.8	-88%
Other	-5.9	-7.7	-23%	-12.1	-51%	-13.6	-21.7	-37%
Group EBITDA	-84.9	151.6	-156%	294.4	-129%	66.7	624.1	-89%
EBITDA margin:								
RWS	-347%	39%		48%		19%	51%	
Other	N/M	N/M		N/M		N/M	N/M	
Group EBITDA margin	-206%	37%		46%		15%	49%	

Source: Company

GENTING Valuation

(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	9,365.9	2.50	24.2%	TP: RM3.35
GENP (51.5%)	3,276.4	0.88	8.5%	TP: RM8.05
GENS (52.9%)	14,730.4	3.94	38.0%	Market value
Landmarks (30.3%)	37.9	0.01	0.1%	Market value
Management Fee	4,262.9	1.14	11.0%	DCF @ 11.4% WACC, g = 1%
Power	3,150.0	0.84	8.1%	12x CY21 PER
Oil & Gas	449.4	0.12	1.2%	12x CY21 PER
Net Cash/(Debt)	3,489.7	0.93	9.0%	Adjusted FY21E
	38,762.5	10.36	100.0%	
No of shares	3,743.2			
SOP value per share	RM10.36			
42% discount	-RM4.36			
Target price per share	RM6.00			Round to the nearest RM0.05

Source: Kenanga Research

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BERJAYA SPORTS TOTO BHD	2.09	2,795.4	N	06/2019	-32.1%	23.1%	-44.1%	48.9%	9.0	16.1	10.8	3.9	3.8	24.1%	5.0%	2.55	OP
GENTING BHD	3.70	14,247.1	N	12/2020	-27.9%	31.0%	-55.2%	91.7%	5.8	13.0	6.8	0.4	0.4	3.0%	4.1%	6.00	OP
GENTING MALAYSIA BHD	2.22	12,550.2	N	12/2020	-24.3%	26.5%	-68.4%	136.4%	10.1	31.9	13.5	0.7	0.8	2.3%	5.4%	3.35	OP
MAGNUM BHD	2.09	2,974.0	N	12/2020	-22.4%	33.3%	-21.7%	33.3%	12.6	16.1	12.1	1.2	1.2	7.5%	5.0%	2.45	MP
Simple Average					-26.7%	28.5%	-47.4%	77.6%	9.4	19.3	10.8	1.6	1.5	9.2%	4.9%		

Source: Bloomberg, Kenanga Research

Global Peer Comparison

Name	Last Price	Market	Currency	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
		Cap		FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price	
GENTING SINGAPORE LTD	0.52	6256.2	SGD	12/2020	-56.0%	84.1%	-103%	-2200%	N.A.	N.A.	18.7	N.A.	1.1	8.7%	5.4%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP L	6.85	29705.7	HKD	12/2020	-51.7%	86.0%	-86%	519%	17.6	173.0	21.7	3.1	3.3	19.2%	0.4%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	17.92	8544.5	USD	12/2020	-46.9%	73.3%	-272%	-144%	N.A.	N.A.	34.1	4.5	5.4	16.3%	0.8%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	1.23	4692.3	HKD	12/2020	-64.6%	137.6%	-285%	-135%	N.A.	N.A.	28.7	N.A.	6.6	19.9%	0.2%	N.R.	N.R.
SJM HOLDINGS LTD	1.15	6522.8	HKD	12/2020	-59.3%	165.2%	-155%	-192%	428.8	N.A.	30.0	1.9	1.9	11.3%	0.8%	N.R.	N.R.
SANDS CHINA LTD	3.81	30842.0	HKD	12/2020	-60.8%	128.9%	-135%	-314%	15.2	N.A.	18.0	6.9	11.3	45.9%	2.6%	N.R.	N.R.
WYNN MACAU LTD	1.70	8838.3	HKD	12/2020	-65.8%	144.6%	-184%	-169%	13.6	N.A.	22.6	34.5	N.A.	288.5%	1.4%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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