

16 November 2020

Genting Bhd

Better-than-expected GENS' Results

By Teh Kian Yeong | tehky@kenanga.com.my

GENS reported a better-than-expected 3QFY20 results with revenue recovering to half of the pre-pandemic level. This led to a turnaround in earnings with core profit of SGD73.2m. With vaccines at the final stages prior to commercialisation, better prospect for cross border travelling re-opening is a positive for GENTING. For now, we keep our call on GENTING unchanged pending its 3QFY20 results later this month end.

GENS' 3QFY20 results better than expected. In a quarterly business overview released last Saturday, Genting Singapore Ltd (GENS, Not Rated) reported a turnaround with core profit of SGD73.2m in 3QFY20 from core loss of SGD116.5m in the preceding quarter, netting YTD 9MFY20 core profit of SGD9.9m against market consensus FY20 net loss of SGD158.7m. The stronger-than-expected set of results was attributed to higher-than-expected revenue as it reopened for business from July 2020. At the adjusted EBITDA level, 9MFY20 earnings of SGD215.7m beat house/street's FY20 full-year estimate of SGD147.3m/SGD151.5m.

Nice bounce in revenue. Sequentially, the earnings turnaround in 3QFY20 was due to higher revenue which jumped 628% to SGD301.0m from SGD41.3m in 2QFY20 which was only 26% lower than that of SGD406.9m in 1QFY20, which was fairly encouraging as it indicated a good recovery in business volume. In fact, 3QFY20 core profit of SGD73.2m was higher than that of SGD53.2m in 1QFY20. YoY, 3QFY20 core profit contracted 53% from SGD155.2m to SGD73.2m as revenue declined 50% from SGD596.1m while YTD 9MFY20 core profit plunged 98% to SGD9.9m from SGD529.0m on the back of 60% tumble in revenue to SGD749.2m from SGD1.87b.

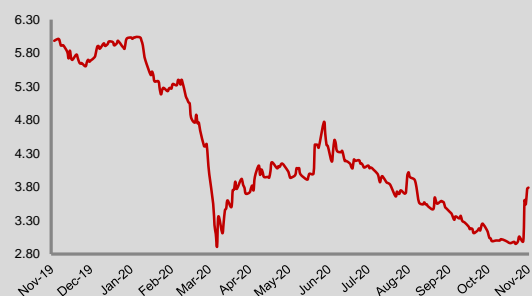
Awaiting more recovery. In last quarter's conference call in Sep, management indicated that it was operating at 50% of gaming capacity since the re-opening on 1 July 2020. This was somewhat reflected in 3QFY20 revenue of SGD301.0m which was half of the usual quarterly revenue pre-pandemic period. With vaccines against COVID-19 in their final stages before commercialising, better prospect for cross-border re-opening should help to boost stock sentiment. In our view, we only expect a recovery to pre-pandemic level in 2022. On the other hand, GENS still indicated that it is keenly exploring the Yokohama integrated resort opportunity in Japan.

Results are positive; maintain OP on GENTING. Although it is still half way from a full recovery, the surprisingly strong set of 3QFY20 results should boost sentiment for GENS and thus parent company GENTING. For now, we are keeping our OUTPERFORM call on GENTING and price target of RM5.10/share which is based on 5-year mean discount of 42.7% to SoP of RM8.89, pending the release of its 3QFY20 results later this month-end. Risks to our call on GENTING include weak business volume and poorer luck factor.

OUTPERFORM ↔

Price : **RM3.79**
Target Price : **RM5.10** ↔

Share Price Performance



KLCI	1,589.69
YTD KLCI chg	0.1%
YTD stock price chg	-35.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	14,593.7
Shares Outstanding	3,850.6
52-week range (H)	6.05
52-week range (L)	2.91
3-mth avg daily vol:	11,204,550
Free Float	55%
Beta	1.4

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	10686	17830
EBIT	5251	-53	3228
PBT	4583	-605	2570
Net Profit (NP)	1996	-315	1234
Core Net Profit	2377	-315	1234
Consensus (NP)		-363	1285
Earnings Revision (%)		-	-
EPS (sen)	63.5	-8.4	33.0
EPS growth (%)	-34.9	-113.2	-492.1
DPS (sen)	22.0	12.0	15.0
BV/Share (RM)	9.44	9.24	9.43
NTA/Share (RM)	7.91	8.48	8.17
PER (x)	6.0	-45.1	11.5
PBV (x)	0.40	0.41	0.40
Price/NTA (x)	0.48	0.45	0.46
Net Gearing (x)	N Cash	0.17	0.53
Dividend Yield (%)	5.8	3.2	4.0



16 November 2020

Income Statement								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Y/E: Dec (SGD m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Turnover	301.0	41.3	628%	596.1	-50%	749.2	1,873.2	-60%
EBITDA	149.0	-84.9	>100%	278.0	-46%	215.7	902.1	-76%
Net profit	54.4	-163.3	>100%	158.9	-66%	-62.2	532.8	-112%
Core net profit	73.2	-116.5	>100%	155.2	-53%	9.9	529.0	-98%
EBITDA margin	50%	N/M		47%		29%	48%	
Core net margin	24%	N/M		26%		1%	28%	

Source: Company

Segmental Breakdown								
Segmental Breakdown	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Q-o-Q
	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Segment revenue:								
RWS - gaming	212.9	6.5	3180%	360.8	-41%	487.3	1,232.1	-60%
RWS - non-gaming	59.9	16.3	268%	234.6	-74%	214.6	638.9	-66%
Others	28.2	18.5	52%	0.7	4092%	47.3	2.2	2081%
Group revenue	301.0	41.3	628%	596.1	-50%	749.2	1,873.2	-60%
Segment result:								
RWS	145.3	-79.0	>100%	288.3	-50%	225.5	934.0	-76%
Other	3.8	-5.9	>100%	-10.2	-137%	-9.8	-31.9	-69%
Group EBITDA	149.0	-84.9	>100%	278.0	-46%	215.7	902.1	-76%
EBITDA margin:								
RWS	53%	N/M		48%		32%	50%	
Other	13%	N/M		N/M		N/M	N/M	
Group EBITDA margin	50%	N/M		47%		29%	48%	

Source: Company

Valuation - New				
(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	7,688.4	2.05	23.1%	TP: RM2.75
GENP (51.5%)	3,642.7	0.97	10.9%	TP: RM8.95
GENS (52.9%)	13,586.4	3.63	40.8%	Market value
Landmarks (30.3%)	35.7	0.01	0.1%	Market value
Management Fee	3,546.0	0.95	10.7%	DCF @ 11.4% WACC, g = 1%
Power	3,150.0	0.84	9.5%	12x CY21 PER
Oil & Gas	449.4	0.12	1.4%	12x CY21 PER
Net Cash/(Debt)	1,186.2	0.32	3.6%	Adjusted FY21E
	33,284.9	8.89	100.0%	
No of shares	3,743.2			
SOP value per share	RM8.89			
42.7% discount	-RM3.80			
Target price per share	RM5.10			Round to the nearest RM0.05

Source: Kenanga Research

16 November 2020

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	2.07	2,781.0	N	06/2021	-0.8%	8.5%	69.4%	7.0%	20.9	12.3	11.5	3.8	3.6	29.8%	6.5%	2.40	OP
GENTING BHD	3.79	14,593.7	N	12/2020	-50.6%	66.9%	-113.2%	292.1%	6.0	N.A.	11.5	0.4	0.4	-0.9%	3.2%	5.10	OP
GENTING MALAYSIA BHD	2.43	13,737.4	N	12/2020	-59.3%	97.5%	-156.7%	-24.1%	11.0	N.A.	25.6	0.8	0.9	-4.2%	2.1%	2.75	OP
MAGNUM BHD	2.13	3,061.2	N	12/2020	-31.6%	37.2%	-41.6%	62.2%	12.8	22.0	13.5	1.2	1.2	5.6%	3.7%	2.20	MP
Simple Average					-35.6%	52.5%	-60.5%	84.3%	12.7	17.1	15.5	1.5	1.5	7.6%	3.8%		

Source: Bloomberg, Kenanga Research

Global Peer Comparison

Name	Last Price	Market Cap	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(USD)	(USD)	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	0.55	6670.3	12/2020	-64.8%	104.1%	-123%	-325%	45.4	N.A.	24.8	1.2	1.2	8.7%	3.5%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP L	7.64	33187.1	12/2020	-72.3%	203.1%	-133%	-306%	73.2	N.A.	27.9	3.9	3.9	19.2%	0.2%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	18.06	8613.8	12/2020	-65.8%	136.9%	-382%	-109%	N.A.	N.A.	70.8	20.2	8.1	15.8%	0.3%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	1.40	5332.4	12/2020	-75.4%	223.2%	-321%	-122%	N.A.	N.A.	46.3	5.7	8.4	19.9%	0.1%	N.R.	N.R.
SJM HOLDINGS LTD	1.18	6720.5	12/2020	-75.0%	283.6%	-191%	-150%	441.3	N.A.	37.3	2.0	2.1	11.3%	0.6%	N.R.	N.R.
SANDS CHINA LTD	4.24	34275.6	12/2020	-76.6%	250.8%	-171%	-183%	136.9	N.A.	25.7	12.6	16.1	45.9%	1.4%	N.R.	N.R.
WYNN MACAU LTD	1.72	8915.1	12/2020	-77.0%	231.4%	-239%	-129%	N.A.	N.A.	32.5	N.A.	N.A.	288.5%	-0.9%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

16 November 2020

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

