

26 February 2021

# Genting Malaysia

## A Recovery Play; Upgrade to OP

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**FY20 core loss of RM1.43b came lower than our forecast given that RWG managed to stay EBITDA positive despite the MCO which restricted inter-state travel. We reckon near-term earnings remain dicey especially due to the on-going MCO 2.0. However, business volume should recover strongly in 2HFY21 as vaccination should be in a more mature stage by then. Thus, we expect strong buying momentum to continue riding on recovery theme. Upgrade the stock to OP with a higher TP of RM3.35**

**FY20 losses lower than expected.** 4QFY20 core loss narrowed further by another 65% QoQ to RM152.6m despite CMCO during the quarter. This brought FY20 core loss to RM1.43b which is lower than our core loss forecast of RM1.80b due to stronger-than-expected Malaysia operation but the losses were slightly higher than consensus estimates by 6%. It declared a special dividend of 8.5 sen (ex-date: 12 Mar; payment date: 06 Apr), totalling FY20 NDPS to 14.5 sen, which is higher than our forecast of 11.0 sen, vs. 20.0 sen paid in FY19.

**RWG still EBITDA positive.** Despite revenue contracting by 27% due to CMCO, 4QFY20 core loss narrowed 65% QoQ from RM434.6m in 3QFY20 largely due to taxation credit of RM26.9m as compared to a charge of RM365.0m. We were surprised with an EBITDA of RM130.8m posted by its Malaysia operation, despite of the CMCO which restricted interstate travel during the quarter. We had expected it to fall more than the reported 69% QoQ. The North America unit turned in an EBITDA of RM70.9m from LBITDA of RM71.7m following the reopening of RWNOC operations in early Sep 2020. Meanwhile, associate Empire also posted narrower share of loss of RM44.4m from RM62.0m.

**COVID-19 weighed on earning badly,** with 4QFY20 and FY20 results turned loss-makings from core profits of RM216.2m and RM1.31b in the same period last year. All geographical casinos posted declined volume that led to the dismal report card. Meanwhile, there was a total share of loss of RM285.2m FY20 against RM31.6m last year as GENM only started recognising Empire's equity accounting in 4QFY19.

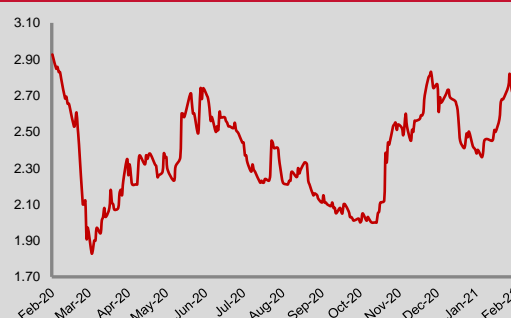
**To recovery in 2HFY21.** With the on-going MCO 2.0 and land-based UK casinos remain temporarily shut, the upcoming 1QFY21 is expected to be weak and this may carry on with 2QFY21 before a recovery in 2HFY21 as vaccination deployment should be at the advanced stage by then which should boost business. Besides, the long-awaited outdoor theme park will be ready to open by mid-2021. We have learnt that the burn rate for RWG was RM4m per day during the closure under MCO 2.0 recently. In all, we cut FY21 estimates by 3% to reflect the MCO 2.0 closure but keep other assumptions unchanged. We also introduced new FY22 estimates where we expect a strong rebound with 161% growth from the low base in FY21.

**Upgrade to OP for recovery play.** While we reckon near-term earnings will remain dicey especially in 1HFY21, as the vaccination deployment should help the economy to recover; thus, benefitting tourism-related stocks like GENM while a strong recovery in 2HFY21 is highly possible. As such, we decided to value the stock based on FY22E earnings and removing our 10% discount to SoP valuation. We arrived at a new target price of RM3.35 from RM2.45 and hence upgrade the stock to OP from MP previously. Risk to our upgraded call is slower-than-expected recovery in business volume from business disruptions.

**OUTPERFORM** ↑

Price: **RM2.90**  
Target Price: **RM3.35** ↑

### Share Price Performance



KLCI	1,581.54
YTD KLCI chg	-2.8%
YTD stock price chg	7.8%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENM MK
Market Cap (RM m)	16,394.4
Shares Outstanding	5,653.2
52-week range (H)	2.99
52-week range (L)	1.83
3-mth avg daily vol:	14,509,760
Free Float	48%
Beta	1.1

### Major Shareholders

Genting Bhd	49.5%
Vanguard Group	3.4%
Gic Private Limited	1.7%

### Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	4529	8449	9598
EBIT	-768	803	1338
PBT	-2138	427	1116
<b>Net Profit (NP)</b>	<b>-2264</b>	<b>391</b>	<b>1022</b>
<b>Core Net profit</b>	<b>-1428</b>	<b>391</b>	<b>1022</b>
Consensus (NP)	-1343	500	1248
Earnings Revision (%)		-2.6	New
EPS (sen)	-24.1	6.6	17.3
EPS growth (%)	-209.4	-127.4	161.4
NDPS (sen)	14.5	12.0	12.0
BV/Share (RM)	2.51	2.48	2.55
NTA/Share (RM)	1.80	1.78	1.87
PER (x)	-12.0	43.9	16.8
PBV (x)	1.15	1.17	1.14
Price/NTA (x)	1.61	1.63	1.55
Net Gearing (x)	0.41	0.41	0.34
Net Yield (%)	5.0	4.1	4.1

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Income Statement								
Y/E: Dec (RM m)	4Q FY20	3Q FY20	Q-o-Q Chg	4Q FY19	Y-o-Y Chg	12M FY20	12M FY19	Y-o-Y Chg
Turnover	1,041.1	1,416.9	-27%	2,442.0	-57%	4,528.8	10,406.9	-56%
EBITDA	170.4	310.7	-45%	551.3	-69%	350.3	2,641.4	-87%
Depreciation	-269.1	-287.2	-6%	-279.4	-4%	-1,118.7	-1,070.6	4%
EBIT	-98.7	23.5	-520%	271.9	-136%	-768.4	1,570.8	-149%
Interest & other incomes	6.8	14.6	-53%	23.5	-71%	83.5	110.5	-24%
Interest expense	-60.6	-67.4	-10%	-60.4	0%	-331.9	-250.3	33%
Associates	-44.4	-62.0	-28%	-31.6	41%	-285.2	-31.6	803%
Exceptional items	-88.2	-270.0	-67%	83.5	-206%	-835.6	90.0	-1028%
Pretax profit	-285.1	-361.3	-21%	286.9	-199%	-2,137.5	1,489.4	-244%
Taxation	26.9	-365.0	-107%	-4.6	-679%	-224.0	-157.2	43%
Profit after tax	-258.2	-726.2	-64%	282.2	-191%	-2,361.5	1,332.2	-277%
Minority interest	17.3	21.6	-20%	17.5	-1%	97.7	63.1	55%
Net profit	-240.8	-704.6	-66%	299.7	-180%	-2,263.9	1,395.4	-262%
Core net profit	-152.6	-434.6	-65%	216.2	-171%	-1,428.3	1,305.4	-209%
EPS (sen)	-4.1	-11.9	-66%	5.0	-180%	-38.1	23.5	-262%
Core EPS (sen)	-2.6	-7.3	-65%	3.6	-171%	-24.1	22.0	-209%
DPS (sen)	8.5	0.0	>100%	14.0	-39%	14.5	20.0	-28%
NTA/share (RM)	1.80	1.86	-3%	2.36	-24%	1.80	2.36	-24%
EBITDA margin	16%	22%		23%		8%	25%	
EBIT margin	-9%	2%		11%		-17%	15%	
Pretax margin	-27%	-25%		12%		-47%	14%	
Effective tax rate	9%	-101%		2%		-10%	11%	

Source: Company

Segmental Breakdown								
Segmental Breakdown	4Q FY20	3Q FY20	Q-o-Q Chg	4Q FY19	Y-o-Y Chg	12M FY20	12M FY19	Y-o-Y Chg
Segment revenue:								
LH - Malaysia	644.7	1,181.3	-45%	1,601.2	-60%	3,133.3	7,066.6	-56%
UK & Egypt	116.1	131.4	-12%	422.3	-73%	651.9	1,676.4	-61%
USA & Bahamas	245.5	69.9	251%	368.5	-33%	604.5	1,469.4	-59%
Properties	17.4	17.8	-2%	27.6	-37%	75.3	101.7	-26%
Investment & others	17.4	16.5	5%	18.8	-7%	63.8	92.8	-31%
<b>Group revenue</b>	<b>1,041.1</b>	<b>1,416.9</b>	<b>-27%</b>	<b>2,438.4</b>	<b>-57%</b>	<b>4,528.8</b>	<b>10,406.9</b>	<b>-56%</b>
Segment result:								
LH - Malaysia	130.8	424.7	-69%	415.1	-68%	672.0	2,048.2	-67%
UK & Egypt	-40.9	-50.5	-19%	59.8	-168%	-172.5	231.6	-174%
USA & Bahamas	70.9	-71.7	-199%	65.3	9%	-162.5	289.3	-156%
Properties	-2.8	7.6	-137%	11.9	-124%	21.6	49.3	-56%
Investment & others	12.4	0.6	1967%	-0.7	-1871%	-8.3	23.0	-136%
<b>Group Adjusted EBITDA</b>	<b>170.4</b>	<b>310.7</b>	<b>-45%</b>	<b>551.4</b>	<b>-69%</b>	<b>350.3</b>	<b>2,641.4</b>	<b>-87%</b>
Adjusted EBITDA margin:								
LH - Malaysia	20%	36%		26%		21%	29%	
UK & Egypt	-35%	-38%		14%		-26%	14%	
USA & Bahamas	29%	-103%		18%		-27%	20%	
Properties	-16%	43%		43%		29%	48%	
Investment & others	71%	4%		-4%		-13%	25%	
<b>Group EBITDA margin</b>	<b>16%</b>	<b>22%</b>		<b>23%</b>		<b>8%</b>	<b>25%</b>	

Source: Company

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## Valuation - New

(RM m)	EBITDA CY22E	Value	RM/share	Valuation Basic
RWG	2,038.1	21,196.6	3.57	10.4x CY22 EV/EBITDA
Genting UK	144.1	1,198.5	0.20	8.3x CY22 EV/EBITDA
North American Operations	229.3	1,908.0	0.32	8.3x CY22 EV/EBITDA
Wisma Genting		226.4	0.04	FY19A book value
Net Cash/(Debt)		-4,624.0	-0.78	Estimated FY22E
		19,905.5	3.35	
No of shares		RM3.35		

Source: Kenanga Research

## Valuation - Old

(RM m)	EBITDA CY21E	Value	RM/share	Valuation Basic
RWG	1,783.6	18,549.9	3.12	10.4x CY21 EV/EBITDA
Genting UK	20.0	166.5	0.03	8.3x CY21 EV/EBITDA
North American Operations	53.1	441.7	0.07	8.3x CY21 EV/EBITDA
Wisma Genting		226.4	0.04	FY19A book value
Net Cash/(Debt)		-3,191.3	-0.54	Estimated FY21E
		16,193.1	2.73	
No of shares		5,938.0		
<b>SOP value per share</b>		<b>2.73</b>		
10% discount		-0.27		
<b>Target price per share</b>		<b>RM2.45</b>		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	2.13	2,861.7	N	06/2021	-5.9%	14.6%	35.1%	35.6%	21.4	15.9	11.7	3.9	3.7	24.0%	5.0%	2.45	OP
GENTING BHD	4.63	17,828.2	N	12/2021	57.9%	15.2%	457.4%	70.3%	83.5	15.0	8.8	1.2	1.2	7.8%	2.6%	5.97	OP
GENTING MALAYSIA BHD	2.90	16,394.4	N	12/2021	86.6%	13.6%	-72.6%	161.4%	N.A.	43.9	16.8	1.2	1.2	2.6%	4.1%	3.35	OP
MAGNUM BHD	2.24	3,219.3	N	12/2021	31.7%	18.0%	92.4%	11.1%	31.6	16.4	14.8	1.3	1.3	8.2%	6.1%	2.15	MP
<b>Simple Average</b>					<b>42.6%</b>	<b>15.4%</b>	<b>128.1%</b>	<b>69.6%</b>	<b>45.5</b>	<b>22.8</b>	<b>13.0</b>	<b>1.9</b>	<b>1.9</b>	<b>10.7%</b>	<b>4.5%</b>		

Source: Bloomberg, Kenanga Research

## Regional Casino

Name	Last Price	Market Cap	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	TP	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.		
GENTING SINGAPORE LTD	0.65	7768.2	SGD	12/2021	59.6%	27.2%	515%	48%	149.7	27.6	18.2	1.3	1.3	0.9%	2.7%	N.R.
GALAXY ENTERTAINMENT GROUP	9.55	41489.2	HKD	12/2021	203.0%	40.8%	-45%	88%	N.A.	46.3	24.3	4.8	4.4	N.A.	0.7%	N.R.
MELCO RESORTS & ENTERT-ADR	20.95	9992.9	USD	12/2021	138.3%	26.0%	-93%	-501%	N.A.	N.A.	31.0	9.1	11.1	-71.4%	1.2%	N.R.
MGM CHINA HOLDINGS LTD	1.77	6714.2	HKD	12/2021	-30.5%	28.5%	-89%	738%	N.A.	N.A.	30.4	7.1	11.8	N.A.	0.4%	N.R.
SJM HOLDINGS LTD	1.48	8421.2	HKD	12/2021	263.1%	49.5%	-93%	1607%	N.A.	N.A.	21.6	2.7	2.7	-11.3%	0.5%	N.R.
SANDS CHINA LTD	4.87	39438.1	HKD	12/2021	276.3%	34.7%	-156%	128%	N.A.	54.2	21.1	20.5	14.8	-47.8%	2.5%	N.R.
WYNN MACAU LTD	2.02	10514.2	HKD	12/2020	-77.2%	192.4%	-238%	-108%	N.A.	N.A.	233.7	N.A.	N.A.	288.5%	0.0%	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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