

26 February 2021

# Genting Bhd

## A Recovery Is Well on Track

By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

FY20 results came below expectation, being distorted by MI. However, operationally, earnings came higher than expected given the better-than-expected GENM's earnings, GENS showed steady recovery while higher CPO prices boosted GENP's earnings. While 1HFY21 earnings still look dicey, a quick recovery is likely to happen in 2HFY21 as vaccine deployment has started. Maintain OP with a higher TP of RM5.93.

FY20 results are below our expectation with core profit of RM207.7m making up 40% of our estimate of RM518.1m but beat market expectation with consensus expecting a net loss of RM412.2m. The variant between our forecast and actual was due to us projecting a higher share of losses of RM1.40b from minority interest (MI) while the actual loss was RM1.05b. However, operationally, the results beat our numbers with adjusted EBITDA of RM2.90b coming 9% higher than our forecast. It declared a special dividend of 8.5 sen (ex-date: 12 Mar; payment date: 08 Apr), bringing FY20 NDPS to 15.0 sen, which is higher than our assumption of 12.0 sen, against 22.0 sen paid in FY19.

**Casino earnings recovery remains sound...** While earnings were distorted by MI, with 4QFY20 core profit falling 50% to RM109.5m, adjusted EBITDA was higher by 7% to RM1.18b largely driven by a 50% jump in GENS' (Not Rated) earnings while RWG was impacted by CMCO with RWNYP turning around after business resumption. In addition, GENP (MP; TP: RM9.50) saw its plantation earnings soaring 44% on higher CPO/PK price and FFB output by 3%/22% and 11% respectively.

**...with solid CPO prices too.** YoY, earnings plummeted 78% from RM487.6m in 4QFY19 and 91% from RM2.38b in FY20 primarily due to the pandemic-hit casino earnings. However, this was partially mitigated by the strong CPO price-led earnings of GENP as the plantation's adjusted EBITDA grew 14% and 13% in 4QFY20 and FY20 as CPO and PK prices were higher by 14%/41% and 23%/29%, respectively.

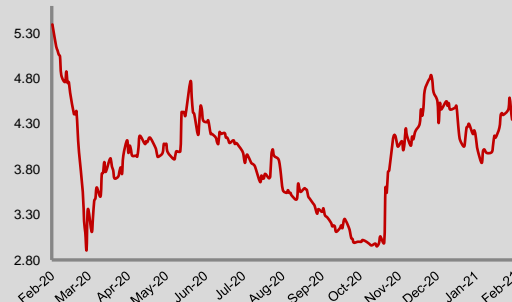
**Near-term earnings remain dicey but casinos to lead growth in 2HFY21.** Upcoming 1QFY21 result is expected to be weaker given the on-going MCO 2.0 in Malaysia. However, business volume is likely to recover strongly from 2HFY21 onwards due to the vaccination deployment which has just started recently. As such, we trimmed FY21 earnings forecast by 3% mainly on adjustment for MCO 2.0 closure for GENM's (OP; TP: RM3.35) RWG operation but we raised GENP's earnings slightly by 1%. We also launched our new FY22 forecast with earnings to jump 70% from the low base.

**Still a value buy; maintain OUTPERFORM.** We believe GENTING is a good pick for recovery play as we believe its business should recover quickly once travelling restriction are lifted which was witnessed earlier by GENS and GENM enjoying pent-up business volume post business resumption. Post earnings revision and a valuation base rollover to FY22E, our new target price is RM5.93 from RM5.80 based on unchanged 5-year mean discount of 42.7% to its SoP valuation. **Risk to our call** is a prolonged COVID-19 pandemic continuing to restrict travelling and hence affecting its casino operations.

**OUTPERFORM** ↔

Price: **RM4.63**  
Target Price: **RM5.93** ↑

### Share Price Performance



KLCI	1,581.54
YTD KLCI chg	-2.8%
YTD stock price chg	3.8%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	17,828.2
Shares Outstanding	3,850.6
52-week range (H)	5.20
52-week range (L)	2.91
3-mth avg daily vol:	12,322,610
Free Float	55%
Beta	1.4

### Major Shareholders

Kien Huat Realty Sdn Bhd	43.0%
Vanguard Group	2.0%
Lim Kok Thay	1.8%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2021E
Turnover	11564	18260	21040
EBIT	475	3188	5297
PBT	-1526	2730	4928
<b>Net Profit (NP)</b>	<b>-1024</b>	<b>1157</b>	<b>1971</b>
<b>Core Net Profit</b>	<b>208</b>	<b>1157</b>	<b>1971</b>
Consensus (NP)	-412	1122	1851
Earnings Revision (%)		-3.1	New
EPS (sen)	5.5	30.9	52.7
EPS growth (%)	-91.3	457.4	70.3
DPS (sen)	15.0	15.0	15.0
BV/Share (RM)	8.81	8.97	9.36
NTA/Share (RM)	7.42	7.60	7.92
PER (x)	83.5	15.0	8.8
PBV (x)	0.53	0.52	0.49
Price/NTA (x)	0.62	0.61	0.58
Net Gearing (x)	0.24	0.32	0.34
Dividend Yield (%)	3.2	3.2	3.2

26 February 2021

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	3,048.1	3,298.8	-8%	5,303.0	-43%	11,564.1	21,616.5	-47%
EBITDA	1,175.7	1,095.4	7%	1,866.6	-37%	2,901.1	7,883.0	-63%
Depreciation	-584.2	-577.8	1%	-667.7	-13%	-2,426.1	-2,631.9	-8%
EBIT	591.5	517.6	14%	1,198.9	-51%	475.0	5,251.1	-91%
Interest & other incomes	49.1	71.3	-31%	159.0	-69%	372.5	720.5	-48%
Interest expense	-232.1	-241.7	-4%	-270.2	-14%	-1,052.8	-1,097.0	-4%
Associates	-32.2	62.7	-151%	-9.3	245%	-89.3	89.3	-200%
Exceptional items	-84.5	-349.8	-76%	41.2	-305%	-1,231.8	-381.3	223%
Pretax profit	291.9	60.0	386%	1,119.5	-74%	-1,526.5	4,582.6	-133%
Taxation	-136.4	-481.4	-72%	-184.3	-26%	-547.5	-901.5	-39%
Profit after tax	155.4	-421.4	-137%	935.2	-83%	-2,074.0	3,681.1	-156%
Minority interest	-130.5	290.6	-145%	-406.4	-68%	1,049.8	-1,685.3	-162%
Net profit	25.0	-130.7	-119%	528.8	-95%	-1,024.1	1,995.8	-151%
Core net profit	109.5	219.1	-50%	487.6	-78%	207.7	2,377.1	-91%
EPS (sen)	0.7	-3.5	-119%	14.1	-95%	-27.4	53.3	-151%
Core EPS (sen)	2.9	5.9	-50%	13.0	-78%	5.5	63.5	-91%
NDPS (sen)	8.5	0.0	>100%	15.5	-45%	15.0	22.0	-32%
NTA/share (RM)	7.36	7.40	0%	7.84	-6%	7.4	7.8	-6%
EBITDA margin	39%	33%		35%		25%	36%	
EBIT margin	19%	16%		23%		4%	24%	
Pretax margin	10%	2%		21%		-13%	21%	
Effective tax rate	47%	802%		16%		-36%	20%	

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:								
Leisure & hospitality	1,914.5	2,213.7	-14%	4,247.6	-55%	7,429.9	17,730.0	-58%
Plantations	694.6	626.8	11%	609.4	14%	2,412.8	2,144.0	13%
Properties	62.8	35.0	79%	62.5	0%	163.8	224.7	-27%
Oil & gas	73.4	70.2	5%	76.9	-5%	300.1	309.5	-3%
Power	221.8	244.7	-9%	279.2	-21%	962.0	1,060.3	-9%
Investment & others	81.0	108.4	-25%	27.4	196%	295.5	148.0	100%
<b>Group revenue</b>	<b>3,048.1</b>	<b>3,298.8</b>	<b>-8%</b>	<b>5,303.0</b>	<b>-43%</b>	<b>11,564.1</b>	<b>21,616.5</b>	<b>-47%</b>
Segment result:								
Leisure & hospitality	876.1	801.1	9%	1,610.2	-46%	1,786.3	6,900.4	-74%
Plantations	190.8	132.2	44%	122.2	56%	557.3	388.9	43%
Properties	1.1	10.6	-90%	26.1	-96%	40.6	83.1	-51%
Oil & gas	51.2	53.3	-4%	51.8	-1%	228.1	214.9	6%
Power	2.1	101.6	-98%	108.3	-98%	307.9	453.6	-32%
Investment & others	-45.6	-3.5	1203%	-52.1	-12%	-119.2	-157.9	-25%
<b>Group Adjusted EBITDA</b>	<b>1,075.7</b>	<b>1,095.3</b>	<b>-2%</b>	<b>1,866.5</b>	<b>-42%</b>	<b>2,801.0</b>	<b>7,883.0</b>	<b>-64%</b>
EBITDA margin:								
Leisure & hospitality	46%	36%		38%		24%	39%	
Plantations	27%	21%		20%		23%	18%	
Properties	2%	30%		42%		25%	37%	
Oil & gas	70%	76%		67%		76%	69%	
Power	1%	42%		39%		32%	43%	
Investment & others	-56%	-3%		-190%		-40%	-107%	
<b>Group EBITDA margin</b>	<b>35%</b>	<b>33%</b>		<b>35%</b>		<b>24%</b>	<b>36%</b>	

Source: Company

26 February 2021

Geographical Breakdown								
Geographical Breakdown	4Q FY20	3Q FY20	Q-o-Q Chg	4Q FY19	Y-o-Y Chg	12M FY20	12M FY19	Y-o-Y Chg
Revenue:								
Malaysia	643.0	1,179.5	-45%	1,602.9	-60%	3,126.6	7,058.7	-56%
Singapore	910.1	833.1	9%	1,853.9	-51%	3,047.8	7,525.5	-60%
UK	116.1	131.4	-12%	422.3	-73%	651.9	1,676.4	-61%
USA	245.3	69.7	252%	368.5	-33%	603.6	1,469.4	-59%
<b>Total Casino Revenue</b>	<b>1,914.5</b>	<b>2,213.7</b>	<b>-14%</b>	<b>4,247.6</b>	<b>-55%</b>	<b>7,429.9</b>	<b>17,730.0</b>	<b>-58%</b>
Adjusted EBITDA:								
Malaysia	187.6	534.8	-65%	575.7	-67%	848.0	2,651.3	-68%
Singapore	672.1	448.5	50%	909.5	-26%	1,358.2	3,728.2	-64%
UK	-44.6	-102.3	-56%	59.7	-175%	-238.9	231.6	-203%
USA	61.0	-79.9	-176%	65.3	-7%	-181.0	289.3	-163%
<b>Total Casino EBITDA</b>	<b>876.1</b>	<b>801.1</b>	<b>9%</b>	<b>1,610.2</b>	<b>-46%</b>	<b>1,786.3</b>	<b>6,900.4</b>	<b>-74%</b>
EBITDA Margin								
Malaysia	29%	45%		36%		27%	38%	
Singapore	74%	54%		49%		45%	50%	
UK	-38%	-78%		14%		-37%	14%	
USA	25%	-115%		18%		-30%	20%	
<b>Casino EBITDA margin</b>	<b>46%</b>	<b>36%</b>		<b>38%</b>		<b>24%</b>	<b>39%</b>	

Source: Company

Valuation - New				
(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	9,365.9	2.50	24.2%	TP: RM2.45
GENP (51.5%)	3,866.5	1.03	10.0%	TP: RM10.00
GENS (52.9%)	16,691.9	4.46	43.1%	Market value
Landmarks (30.3%)	55.4	0.01	0.1%	Market value
Management Fee	4,310.0	1.15	11.1%	DCF @ 11.4% WACC, g = 1%
Power	3,213.0	0.86	8.3%	12x CY21 PER
Oil & Gas	494.3	0.13	1.3%	12x CY21 PER
Net Cash/(Debt)	711.2	0.19	1.8%	Adjusted FY21E
	38,708.2	10.34	100.0%	
No of shares	3,743.2			
<b>SOP value per share</b>	<b>RM10.34</b>			
42.7% discount	RM4.42			
<b>Target price per share</b>	<b>RM5.93</b>			

Source: Kenanga Research

Valuation - Old				
(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	6,849.7	1.83	18.1%	TP: RM2.45
GENP (51.5%)	4,070.1	1.09	10.8%	TP: RM10.00
GENS (52.9%)	17,274.2	4.61	45.7%	Market value
Landmarks (30.3%)	49.5	0.01	0.1%	Market value
Management Fee	3,663.2	0.98	9.7%	DCF @ 11.4% WACC, g = 1%
Power	3,150.0	0.84	8.3%	12x CY21 PER
Oil & Gas	449.4	0.12	1.2%	12x CY21 PER
Net Cash/(Debt)	2,280.0	0.61	6.0%	Adjusted FY21E
	37,786.0	10.09	100.0%	
No of shares	3,743.2			
<b>SOP value per share</b>	<b>RM10.09</b>			
42.7% discount	RM4.29			
<b>Target price per share</b>	<b>RM5.80</b>			Round to the nearest RM0.05

Source: Kenanga Research

26 February 2021

## 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

26 February 2021

**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

