

26 November 2021

Genting Malaysia

Weak 3QFY21 But Prospect Brightening

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

3QFY21 results disappointed with higher-than-expected losses in RWG. However, it is worth highlighting that its UK and USA units' numbers are fairly encouraging, helping to mitigate the RWG losses. We believe GENM should benefit from imminent borders reopening. Keep **OUTPERFORM** on the stock albeit with a revised lower target price of RM3.41.

9MFY21 below expectations. While 3QFY21 core loss narrowed 27% QoQ to RM252.7m, 9MFY21 core loss of RM1.03b came below our expectation (FY21 net loss forecast of RM1.04b) given the higher-than-expected 3QFY21 losses but matched consensus (FY21 net loss estimate of RM1.20b). No dividend was declared during the quarter given the losses incurred.

Lockdown hit Malaysia operations. Despite losses for the local operations widening by 75% to LBITDA of RM164.8m, 3QFY21 group core loss managed to be reduced 27% QoQ from RM347.3m largely due to strong numbers from its UK unit with a full quarter impact as its adjusted EBITDA jumped to RM102.1m from RM14.3m as land-based casinos in UK reopened from mid-April while the North America unit also reported a 10% growth in EBITDA. RWG only operated for one day in 3QFY21 with revenue of RM17.7m with losses expanded 75%. Meanwhile, share of associate income from Empire Resort reported a 39% decline in losses to RM30.9m from RM50.6m previously.

But non-Malaysian numbers were impressive. YoY, 3QFY21 core loss narrowed substantially by 42% while revenue declined 42%. With the similar QoQ comparison, its Malaysia operation was hit by MCO 3.0 lockdown whereas Genting UK and North America units turned profitable after reopening. Likewise, 9MFY21 core loss reduced 20% to RM1.03b from RM1.28b. Meanwhile, Empire also saw its share of associate loss halved to RM126.9m owing to a refinancing exercise last year.

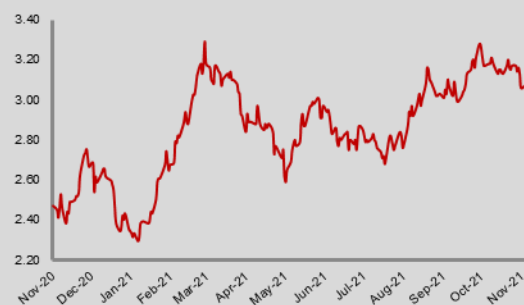
Turning around from 4QFY21 onwards. With RWG already reopened from 30 Sep, we expect losses to narrow QoQ further but this should be further helped by the improved operating environment in its UK and US units. Having said that, cost rationalisation such as 30% payroll cut and other opex items should also help to drive earnings growth. Post 3QFY21 results, we increased FY21 net loss forecast to RM1.15b from RM1.04b previously but apply a mere 0.4% cut in FY22 net profit estimate. Despite 9MFY21 losses, we still keep FY21 NDPS assumption of 6.0 sen.

Border reopening is near, OP maintained. With the government's target to open borders, we believe RWG should benefit. Going forth, while we reckon near-term earnings will remain dicey, GENM should recover swiftly upon borders reopening. Thus, the stock remains an **OUTPERFORM** albeit with a slightly lower SoP-driven TP of RM3.41 from RM3.47 previously. **Risk to our call** is a slower-than-expected recovery in business volume from business disruptions.

OUTPERFORM ↔

Price: **RM3.01**
Target Price: **RM3.41** ↓

Share Price Performance



KLCI	1,517.60
YTD KLCI chg	-6.7%
YTD stock price chg	15.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENM MK
Market Cap (RM m)	17,016.1
Shares Outstanding	5,653.2
52-week range (H)	3.31
52-week range (L)	2.27
3-mth avg daily vol:	10,129,700
Free Float	50%
Beta	1.1

Major Shareholders

Genting Bhd	49.5%
Vanguard Group	3.6%
Gic Private Limited	1.7%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	4529	3394	9882
EBIT	-768	-663	1200
PBT	-2138	-1168	948
Net Profit (NP)	-2264	-1154	868
Core Net profit	-1428	-1154	868
Consensus (NP)		-1196	798
Earnings Revision (%)		-10.5	+0.4
EPS (sen)	-24.1	-19.5	14.7
EPS growth (%)	-209.4	-19.2	-175.2
NDPS (sen)	14.5	6.0	12.0
BV/Share (RM)	2.51	2.27	2.31
NTA/Share (RM)	1.80	1.57	1.64
PER (x)	-15.3	-15.5	20.6
PBV (x)	1.47	1.33	1.30
Price/NTA (x)	2.05	1.92	1.84
Net Gearing (x)	0.41	0.46	0.49
Net Yield (%)	3.9	2.0	4.0



26 November 2021

Income Statement								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Y/E: Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	826.3	817.9	1%	1,416.9	-42%	2,267.5	3,487.7	-35%
EBITDA	53.7	45.6	18%	310.7	-83%	-11.1	179.9	-106%
Depreciation	-276.8	-270.4	2%	-287.2	-4%	-815.8	-849.6	-4%
EBIT	-223.1	-224.8	-1%	23.5	-1048%	-826.9	-669.7	23%
Interest & other incomes	6.8	5.7	19%	14.6	-53%	16.5	76.7	-78%
Interest expense	-95.5	-100.5	-5%	-67.4	42%	-278.0	-271.3	2%
Associates	-30.9	-50.6	-39%	-62.0	-50%	-126.9	-240.7	-47%
Exceptional items	-36.5	-0.8	4462%	-270.0	-86%	-94.6	-747.4	-87%
Pretax profit	-379.2	-371.0	2%	-361.3	5%	-1,309.9	-1,852.4	-29%
Taxation	72.2	4.3	1571%	-365.0	-120%	134.8	-250.9	-154%
Profit after tax	-307.0	-366.7	-16%	-726.2	-58%	-1,175.1	-2,103.3	-44%
Minority interest	17.8	18.6	-4%	21.6	-18%	54.1	80.3	-33%
Net profit	-289.2	-348.1	-17%	-704.6	-59%	-1,121.0	-2,023.0	-45%
Core net profit	-252.7	-347.3	-27%	-434.6	-42%	-1,026.4	-1,275.6	-20%
EPS (sen)	-4.9	-5.9	-17%	-11.9	-59%	-18.9	-34.1	-45%
Core EPS (sen)	-4.3	-5.8	-27%	-7.3	-42%	-17.3	-21.5	-20%
DPS (sen)	0.0	0.0	0%	0.0	0%	0.0	6.0	-100%
NTA/share (RM)	1.58	1.61	-2%	1.86	-15%	1.58	1.86	-15%
EBITDA margin	7%	6%		22%		0%	5%	
EBIT margin	-27%	-27%		2%		-36%	-19%	
Pretax margin	-46%	-45%		-25%		-58%	-53%	
Effective tax rate	19%	1%		-101%		10%	-14%	

Source: Company

Segmental Breakdown								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Segmental Breakdown	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Segment revenue:								
LH - Malaysia	17.7	237.9	-93%	1,181.3	-99%	554.6	2,488.6	-78%
UK & Egypt	406.0	185.3	119%	131.4	209%	631.5	535.8	18%
USA & Bahamas	364.2	352.9	3%	69.9	421%	973.4	359.0	171%
Properties	20.3	18.9	7%	17.8	14%	57.0	57.9	-2%
Investment & others	18.1	22.9	-21%	16.5	10%	51.0	46.4	10%
Group revenue	826.3	817.9	1%	1,416.9	-42%	2,267.5	3,487.7	-35%
Segment result:								
LH - Malaysia	-164.8	-94.2	75%	424.7	-139%	-342.6	541.2	-163%
UK & Egypt	102.1	14.3	614%	-50.5	-302%	64.7	-131.6	-149%
USA & Bahamas	120.4	109.3	10%	-71.7	-268%	298.3	-233.4	-228%
Properties	15.3	20.1	-24%	7.6	101%	8.3	24.4	-66%
Investment & others	-19.3	-3.9	395%	0.6	-3317%	-39.8	-20.7	92%
Group Adjusted EBITDA	53.7	45.6	18%	310.7	-83%	-11.1	179.9	-106%
Adjusted EBITDA margin:								
LH - Malaysia	-931%	-40%		36%		-62%	22%	
UK & Egypt	25%	8%		-38%		10%	-25%	
USA & Bahamas	33%	31%		-103%		31%	-65%	
Properties	75%	106%		43%		15%	42%	
Investment & others	-107%	-17%		4%		-78%	-45%	
Group EBITDA margin	6%	6%		22%		0%	5%	

Source: Company

26 November 2021

Valuation - (New)					
(RM m)	EBITDA CY22E	Value	RM/share	Valuation Basic	
RWG	1,542.8	19,130.7	3.22	12.4x CY22 EV/EBITDA (+0.5 SD)	
Genting UK	213.4	1,775.5	0.30	8.3x CY22 EV/EBITDA	
North American Operations	516.4	4,296.5	0.72	8.3x CY22 EV/EBITDA	
Wisma Genting		221.2	0.04	FY20A book value	
Net Cash/(Debt)		-5,165.1	-0.87	Estimated FY22E	
		20,258.8	3.41		
Issued shares (m)		5,938.0			
		RM3.41	0.28		

Source: Kenanga Research

Valuation - (Old)					
(RM m)	EBITDA CY22E	Value	RM/share	Valuation Basic	
RWG	1,820.6	22,574.9	3.80	12.4x CY22 EV/EBITDA (+0.5 SD)	
Genting UK	160.1	1,331.7	0.22	8.3x CY22 EV/EBITDA	
North American Operations	288.8	2,402.6	0.40	8.3x CY22 EV/EBITDA	
Wisma Genting		221.2	0.04	FY20A book value	
Net Cash/(Debt)		-5,926.8	-1.00	Estimated FY22E	
		20,603.5	3.47		
Issued shares (m)		5,938.0			
		RM3.47			

Source: Kenanga Research

26 November 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	1.91	2,563.0	N	06/2022	2.6%	19.2%	2.4%	40.3%	14.2	13.8	9.9	3.2	3.1	22.6%	5.8%	2.23	OP
GENTING BHD	4.94	19,021.8	N	12/2021	8.0%	83.0%	-	6737.5%	89.0	N.A.	11.8	0.6	0.6	-0.1%	151.8%	6.38	OP
GENTING MALAYSIA BHD	3.01	17,016.1	N	12/2021	6.3%	101.8%	-	-24.8%	N.A.	N.A.	20.6	1.2	1.3	-8.1%	2.0%	3.41	OP
MAGNUM BHD	2.00	2,874.4	N	12/2021	-25.6%	77.4%	-82.0%	909.6%	28.2	156.6	15.5	1.2	1.2	0.8%	0.5%	1.96	MP
Simple Average					-2.2%	70.4%	-92.9%	1915.7%	43.8	85.2	14.4	1.5	1.5	3.8%	40.0%		

Source: Bloomberg, Kenanga Research

Regional Casino

Name	Last Price	Market Cap	Currency	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	0.61	7321.1	SGD	12/2021	12.3%	53.5%	250%	101%	36.5	48.8	23.1	1.3	1.3	0.9%	1.8%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP	6.35	27654.8	HKD	12/2021	70.3%	86.9%	-128%	675%	N.A.	242.6	30.3	3.1	3.2	-5.6%	0.1%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	11.60	5535.6	USD	12/2021	29.9%	70.9%	-31%	-84%	N.A.	N.A.	N.A.	12.8	11.4	-71.4%	0.4%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	0.81	3080.3	HKD	12/2021	83.9%	57.7%	-34%	-87%	N.A.	N.A.	N.A.	7.3	17.9	-67.2%	0.3%	N.R.	N.R.
SJM HOLDINGS LTD	0.83	4736.6	HKD	12/2021	60.3%	147.7%	17%	-111%	N.A.	N.A.	361.1	1.6	1.7	-11.3%	0.0%	N.R.	N.R.
SANDS CHINA LTD	2.73	22058.4	HKD	12/2021	86.7%	86.6%	-47%	-181%	N.A.	N.A.	37.3	14.1	20.3	-47.8%	0.0%	N.R.	N.R.
WYNN MACAU LTD	1.07	5569.0	HKD	12/2021	68.5%	71.1%	-43%	-105%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.7%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

26 November 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 E-mail: research@kenanga.com.my

