

## Genting Bhd

### 3QFY21 Below Expectations

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

With losses ballooning to RM355.2m in 3QFY21 which missed our forecasts, we are now expecting FY21 to be loss making against our previous net profit forecast of RM351.4m. Having said that, we believe that a swift recovery is in store for RWG and RWS once the borders reopen. Thus, we still believe that GENTING is a good pick as a recovery play. Maintain OUTPERFORM with a revised target price of RM6.38.

**3QFY21 results came below expectations.** With 3QFY21 core loss ballooning to RM355.2m from RM1.8m in 2QFY21, 9MFY21 core loss of RM466.1m missed our net profit forecast of RM351.2m and RM59.1m of consensus net loss estimate. This was largely due to weaker-than-expected GENT's (OP; TP: RM3.41) RWG and GENS' (Not Rated) RWS earnings. Meanwhile, no dividend was declared during the period which could be due to the continued losses.

**Weaker RWG and RWS.** As mentioned above, the widening 3QFY21 losses were due to continued losses from its local Malaysia unit while RWS also saw its core profit falling sharply by 61% to SGD26.0m on slow recovery while RWG's losses widened to 75% to RM164.8m but Genting UK and Genting North America reported impressive earnings since they reopened in Apr/May 2021. Meanwhile, GENTP (OP; TP: RM8.40) reported lower earnings by 17% sequentially on lower PK prices, lower FFB output and on lower earnings from the property division's Premium Outlets.

**UK and North America units to show positive data.** YoY, 3QFY21 turned to core loss of RM355.2m from core profit of RM219.1m. However, strong recovery was posted in both Genting UK and Genting North America as they reopened. On the other hand, RWG turned to losses on MCO 3.0 lockdown while RWS also posted declining earnings. GENTP benefited from higher CPO prices by 40% and 56% for PK prices that pushed its earnings higher.

**A better 4QFY21 and beyond.** With the economy reopening at end-3QFY21, Malaysia and Singapore are looking to reopen their borders. Besides, this is also aligned with the busy year-end holiday season. GENTP is also set to benefit from the still high CPO prices. In all, we are now expecting GENTING to post net loss of RM23.0m, as opposed to net profit forecast of RM351.2m previously, for adjustment in GENM, GENS and GENTP. We also cut GENTING's FY22E earnings by 20%. Although no dividend has been declared so far, we still keep our forecast NDPS of 7.5 sen for FY21 and 15.0 sen for FY22.

**Buy for recovery; keep OUTPERFORM.** GENTING is a good pick for recovery play as its business should recover quickly once cross-border restrictions are lifted especially for GENS. New casino RWLV could be a wild card judging from initial data. Post 3QFY21 results revision, our new target price is lowered to RM6.38 from RM6.47 based on unchanged +1SD to 5-year mean at 41% discount to SoP valuation. **Risk to our call** is a prolonged COVID-19 pandemic continuing to restrict travelling and hence affecting its casino operations.

## OUTPERFORM ↔

Price: **RM4.94**  
Target Price: **RM6.38** ↓

#### Share Price Performance



KLCI	1,517.60
YTD KLCI chg	-6.7%
YTD stock price chg	12.6%

#### Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	19,021.8
Shares Outstanding	3,850.6
52-week range (H)	5.53
52-week range (L)	3.77
3-mth avg daily vol:	5,187,394
Free Float	55%
Beta	1.4

#### Major Shareholders

Kien Huat Realty Sdn Bhd	43.0%
Credit Suisse	5.5%
Oversea Chinese Bank	3.2%

#### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	11564	12494	22863
EBIT	475	1334	4867
PBT	-1526	8	4138
<b>Net Profit (NP)</b>	<b>-1024</b>	<b>-23</b>	<b>1573</b>
<b>Core Net Profit</b>	<b>208</b>	<b>-23</b>	<b>1573</b>
Consensus (NP)		-59	1468
Earnings Revision (%)		N/M	-20.0
EPS (sen)	5.5	-0.6	42.0
EPS growth (%)	-91.3	>100.0	>100.0
DPS (sen)	15.0	7.5	15.0
BV/Share (RM)	8.81	8.73	9.01
NTA/Share (RM)	7.42	7.68	7.91
PER (x)	7.4	N/A	11.8
PBV (x)	0.56	0.57	0.55
Price/NTA (x)	0.60	0.64	0.62
Net Gearing (x)	0.24	0.16	0.16
Dividend Yield (%)	3.4	1.5	3.0



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Income Statement								
Y/E: Dec (RM m)	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Y-o-Y Chg
Turnover	3,502.1	2,936.7	19%	3,298.8	6%	8,691.9	8,516.0	2%
EBITDA	908.2	959.0	-5%	1,095.4	-17%	2,407.4	1,725.3	40%
Depreciation	-774.7	-638.1	21%	-577.8	34%	-1,990.8	-1,841.9	8%
EBIT	133.5	320.9	-58%	517.6	-74%	416.6	-116.6	-457%
Interest & other incomes	40.3	34.5	17%	71.3	-43%	108.1	323.4	-67%
Interest expense	-379.6	-248.5	53%	-241.7	57%	-862.1	-820.7	5%
Associates	-83.1	-52.2	59%	62.7	-233%	-161.2	-57.2	182%
Exceptional items	10.6	-561.7	-102%	-349.8	-103%	-773.7	-1,147.3	-33%
Pretax profit	-278.3	-507.0	-45%	60.0	-563%	-1,272.2	-1,818.3	-30%
Taxation	-48.2	-91.9	-48%	-481.4	-90%	-187.6	-411.1	-54%
Profit after tax	-326.5	-599.0	-45%	-421.4	-23%	-1,459.9	-2,229.4	-35%
Minority interest	-18.1	35.4	-151%	290.6	-106%	220.0	1,180.3	-81%
Net profit	-344.6	-563.5	-39%	-130.7	164%	-1,239.8	-1,049.1	18%
Core net profit	-355.2	-1.8	N/M	219.1	-262%	-466.1	98.2	-575%
EPS (sen)	-9.2	-15.1	-39%	-3.5	164%	-33.1	-28.0	18%
Core EPS (sen)	-9.5	0.0	19318%	5.9	-262%	-12.5	2.6	-575%
NDPS (sen)	0.0	0.0	0%	0.0	0%	0.0	6.5	-100%
NTA/share (RM)	7.18	7.26	-1%	7.40	-3%	7.2	7.4	-3%
EBITDA margin	26%	33%		33%		28%	20%	
EBIT margin	4%	11%		16%		5%	-1%	
Pretax margin	-8%	-17%		2%		-15%	-21%	
Effective tax rate	-17%	-18%		802%		-15%	-23%	

Source: Company

Segmental Breakdown								
Segmental Breakdown	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Y-o-Y Chg
Segment revenue:								
Leisure & hospitality	2,288.1	1,691.8	35%	2,213.7	3%	5,420.1	5,515.4	-2%
Plantations	716.5	762.8	-6%	626.8	14%	1,992.3	1,718.2	16%
Properties	35.3	48.2	-27%	35.0	1%	123.8	101.0	23%
Oil & gas	92.9	85.1	9%	70.2	32%	260.0	226.7	15%
Power	336.7	311.5	8%	244.7	38%	803.6	740.2	9%
Investment & others	32.6	37.3	-13%	108.4	-70%	92.1	214.5	-57%
<b>Group revenue</b>	<b>3,502.1</b>	<b>2,936.7</b>	<b>19%</b>	<b>3,298.8</b>	<b>6%</b>	<b>8,691.9</b>	<b>8,516.0</b>	<b>2%</b>
Segment result:								
Leisure & hospitality	458.4	504.1	-9%	801.1	-43%	1,295.0	910.2	42%
Plantations	258.8	254.2	2%	132.2	96%	661.8	366.5	81%
Properties	15.8	29.7	-47%	10.6	49%	23.2	39.5	-41%
Oil & gas	74.5	61.4	21%	53.3	40%	201.9	176.9	14%
Power	137.6	131.0	5%	101.6	35%	300.2	305.8	-2%
Investment & others	-36.9	-21.5	72%	-3.5	954%	-74.7	-73.6	1%
<b>Group Adjusted EBITDA</b>	<b>908.2</b>	<b>958.9</b>	<b>-5%</b>	<b>1,095.3</b>	<b>-17%</b>	<b>2,407.4</b>	<b>1,725.3</b>	<b>40%</b>
EBITDA margin:								
Leisure & hospitality	20%	30%		36%		24%	17%	
Plantations	36%	33%		21%		33%	21%	
Properties	45%	62%		30%		19%	39%	
Oil & gas	80%	72%		76%		78%	78%	
Power	41%	42%		42%		37%	41%	
Investment & others	-113%	-58%		-3%		-81%	-34%	
<b>Group EBITDA margin</b>	<b>26%</b>	<b>33%</b>		<b>33%</b>		<b>28%</b>	<b>20%</b>	

Source: Company

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Geographical Breakdown								
Geographical Breakdown	3Q FY21	2Q FY21	Q-o-Q Chg	3Q FY20	Y-o-Y Chg	9M FY21	9M FY20	Y-o-Y Chg
Revenue:								
Malaysia	16.0	236.0	-93%	1,179.5	-99%	549.2	2,483.6	-78%
Singapore	779.1	856.5	-9%	833.1	-6%	2,482.1	2,137.7	16%
UK	406.0	185.3	119%	131.4	209%	631.5	535.8	18%
USA	1,087.0	414.0	163%	69.7	1460%	1,757.3	358.3	390%
<b>Total Casino Revenue</b>	<b>2,288.1</b>	<b>1,691.8</b>	<b>35%</b>	<b>2,213.7</b>	<b>3%</b>	<b>5,420.1</b>	<b>5,515.4</b>	<b>-2%</b>
Adjusted EBITDA:								
Malaysia	-204.6	-102.9	99%	534.8	N/M	-395.9	660.4	-160%
Singapore	335.1	475.7	-30%	448.5	-25%	1,217.7	686.1	77%
UK	98.5	9.7	915%	-102.3	N/M	55.7	-194.3	N/M
USA	229.4	121.6	89%	-79.9	-387%	417.5	-242.0	-273%
<b>Total Casino EBITDA</b>	<b>458.4</b>	<b>504.1</b>	<b>-9%</b>	<b>801.1</b>	<b>-43%</b>	<b>1,295.0</b>	<b>910.2</b>	<b>42%</b>
EBITDA Margin								
Malaysia	-1279%	-44%		45%		-72%	27%	
Singapore	43%	56%		54%		49%	32%	
UK	24%	5%		-78%		9%	-36%	
USA	21%	29%		-115%		24%	-68%	
<b>Casino EBITDA margin</b>	<b>20%</b>	<b>30%</b>		<b>36%</b>		<b>24%</b>	<b>17%</b>	

Source: Company

Valuation - (New)					
(RM m)	RM m	RM/Share	%	Valuation Basic	
GENM (49.3%)	9,538.4	2.55	23.6%	TP: RM3.41	
GENP (51.5%)	3,418.8	0.91	8.5%	TP: RM8.65	
GENS (52.9%)	16,410.7	4.38	40.6%	Market value	
Landmarks (30.3%)	43.7	0.01	0.1%	Market value	
RWLV	6,914.9	1.85	17.1%	8.3x CY22 EBITDA	
Management Fee	4,375.2	1.17	10.8%	DCF @ 11.4% WACC, g = 1%	
Power	3,213.0	0.86	7.9%	12x CY22 PER	
Oil & Gas	435.7	0.12	1.1%	12x CY22 PER	
Net Cash/(Debt)	-3,903.1	-1.04	-9.6%	Adjusted FY22E	
	40,447.5	10.81	100.0%		
Issued shares (m)	3,743.2				
<b>SOP value per share</b>	<b>RM10.81</b>				
41.0% discount	RM4.43			+1.0SD to 5-year mean	
<b>Target price per share</b>	<b>RM6.38</b>				

Source: Kenanga Research

Valuation - (Old)					
(RM m)	RM m	RM/Share	%	Valuation Basic	
GENM (49.3%)	9,700.8	2.59	23.6%	TP: RM3.47	
GENP (51.5%)	3,418.8	0.91	8.3%	TP: RM8.65	
GENS (52.9%)	15,619.9	4.17	38.0%	Market value	
Landmarks (30.3%)	56.8	0.02	0.1%	Market value	
RWLV	6,914.9	1.85	16.8%	8.3x CY22 EBITDA	
Management Fee	4,486.8	1.20	10.9%	DCF @ 11.4% WACC, g = 1%	
Power	3,213.0	0.86	7.8%	12x CY22 PER	
Oil & Gas	435.7	0.12	1.1%	12x CY22 PER	
Net Cash/(Debt)	-2,793.1	-0.75	-6.8%	Adjusted FY22E	
	41,053.6	10.97	100.0%		
Issued shares (m)	3,743.2				
<b>SOP value per share</b>	<b>RM10.97</b>				
41.0% discount	RM4.50			+1.0SD to 5-year mean	
<b>Target price per share</b>	<b>RM6.47</b>				

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	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%	-111.1%	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%	-180.8%	-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
<b>Simple Average</b>					-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

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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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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)

