

13 May 2022

Genting Bhd

Satisfactory GENS' 1QFY22 Results

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GENS saw earnings recovery in 1QFY22 with core profit jumping 263% sequentially to SGD43.5m as the preceding quarter was hit by sharp decline in business volume as spiking COVID-19 cases restricted operating capacity and visitor arrivals. Business volume should turn upward further with the reopening of international borders from April 1. For now, we keep our OP call on GENTING unchanged pending its 1QFY22 results later this month-end.

Satisfactory GENS' 1QFY22 results. In a quarterly business overview released yesterday, Genting Singapore Ltd (GENS, Not Rated) reported 1QFY22 core profit which jumped to SGD43.5m from SGD12.0m in the preceding quarter when business volume fell sharply. While the core earnings only made up 13% of consensus' FY22 forecast, we deem the results as within expectations as stronger forward earnings are anticipated following the island state reopening its international borders to fully vaccinated travellers from April 1. At the adjusted EBITDA level, 1QFY22 earnings of SGD43.5m accounted for 17%/18% of house/street's FY22 estimates.

Recovered from the weak 4QFY21. 1QFY22 core profit bounced from a weak core profit of SGD12.0m in 4QFY21 which as mentioned above was owing to lower business volume due to the restriction of operating capacity and visitor arrivals as COVID-19 community cases spiked as well as the emergence of the Omicron variant which hit the preceding quarter badly. Meanwhile, in YoY comparison, 1QFY22 core profit dipped slightly by 2% to SGD43.5m from SGD44.5m previously partly due to higher utilities expenses and the expiry of COVID-19 related government support measures.

A better FY22 as Singapore has reopened its international borders from April 1 which could mean GENS is likely to experience growing volume from 2QFY22 onwards. Meanwhile, in the business review note, management is cautiously optimistic of the recovery trajectory in view of the border reopening as more travelers will return to the island state which should augur well for GENS. It had earlier disclosed investing SGD400m in 2022 for RWS2.0 and related refurbishment works for the theme park and three of its hotels to get ready for the borders reopening.

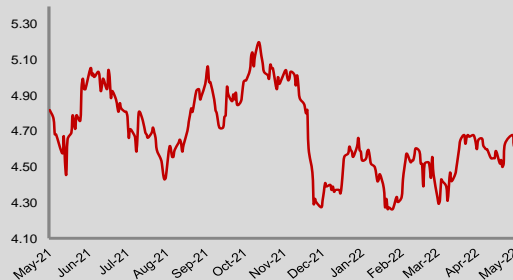
A recovery is on the way; maintain OP on GENTING. We believe the two years of lackluster earnings at GENS is likely ending with earnings recovery expected from 2QFY22 given the reopening of international borders from April 1. And, the same would apply to GENM as well. This should eventually benefit parent-company GENTING as well. For now, pending the release of the group's 1QFY22 results this month-end, we are keeping our OP call and TP of RM6.12 (+1SD to 5-year mean at 41% discount to SoP valuation) and estimates unchanged on GENTING.

Risk to our call on GENTING is a prolonged/resurging COVID-19 pandemic continuing to restrict travelling and hence affecting its casino operations.

OUTPERFORM ↔

Price : RM4.48
Target Price : RM6.12 ↔

Share Price Performance



KLCI	1,538.80
YTD KLCI chg	-1.8%
YTD stock price chg	-4.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	17,250.6
Shares Outstanding	3,850.6
52-week range (H)	5.40
52-week range (L)	4.30
3-mth avg daily vol:	4,642,994
Free Float	54%
Beta	1.2

Major Shareholders

Kien Huat Realty Sdn Bhd	44.8%
Credit Suisse	5.5%
Vanguard Group	1.7%

Summary Earnings Table

FY Dec (RM m)	2021A	2022E	2023E
Turnover	13530	23751	24122
EBIT	1253	5555	5587
PBT	-971	3974	4127
Net Profit (NP)	-1370	1510	1882
Core Net Profit	-582	1510	1882
Consensus (NP)		1210	1708
Earnings Revision (%)		-	-
EPS (sen)	-15.6	40.3	50.3
EPS growth (%)	N/M	>100.0	24.6
DPS (sen)	11.0	15.0	15.0
BV/Share (RM)	8.49	8.70	9.06
NTA/Share (RM)	7.15	7.18	7.52
PER (x)	7.2	11.1	8.9
PBV (x)	0.53	0.51	0.49
Price/NTA (x)	0.64	0.62	0.60
Net Gearing (x)	0.44	0.41	0.42
Dividend Yield (%)	2.4	3.3	3.3



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Income Statement								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
Y/E: Dec (SGD m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	314.5	261.0	21%	277.9	13%	314.5	277.9	13%
EBITDA	124.8	145.9	-14%	128.1	-3%	124.8	128.1	-3%
Net profit	40.4	34.4	17%	34.5	17%	40.4	34.5	17%
Core net profit	43.5	12.0	263%	44.5	-2%	43.5	44.5	-2%
EBITDA margin	40%	56%		46%		40%	46%	
Core net margin	14%	5%		16%		14%	16%	

Source: Company

Segmental Breakdown								
Segmental	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Q-o-Q
Breakdown	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Segment revenue:								
RWS - gaming	234.5	164.9	42%	216.9	8%	234.5	216.9	8%
RWS - non-gaming	76.3	91.0	-16%	60.7	26%	76.3	60.7	26%
Others	3.8	5.0	-25%	0.4	932%	3.8	0.4	932%
Group revenue	314.5	261.0	21%	277.9	13%	314.5	277.9	13%
Segment result:								
RWS	130.6	76.0	72%	135.1	-3%	130.6	135.1	-3%
Other	-5.7	-6.6	-14%	-7.0	-18%	-5.7	-7.0	-18%
Group EBITDA	124.8	69.4	80%	128.1	-3%	124.8	128.1	-3%
EBITDA margin:								
RWS	42%	30%		49%		42%	49%	
Other	N/A	N/A		N/A		N/A	N/A	
Group EBITDA margin	40%	27%		46%		40%	46%	

Source: Company

Valuation				
(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	10,696.9	2.86	27.6%	TP: RM3.41
GENP (51.5%)	4,070.1	1.09	10.5%	TP: RM8.65
GENS (52.9%)	16,410.7	4.38	42.3%	Market value
Landmarks (30.3%)	43.7	0.01	0.1%	Market value
RWLV	6,914.9	1.85	17.8%	8.3x CY22 EBITDA
Management Fee	4,714.1	1.26	12.1%	DCF @ 11.4% WACC, g = 1%
Power	3,213.0	0.86	8.3%	12x CY22 PER
Oil & Gas	435.7	0.12	1.1%	12x CY22 PER
Net Cash/(Debt)	-7,673.5	-2.05	-19.8%	Adjusted FY22E
	38,825.6	10.37	100.0%	
Issued shares (m)	3,743.2			
SOP value per share	RM10.37			
41.0% discount	RM4.25			+1.0SD to 5-year mean
Target price per share	RM6.12			

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.	Hi st.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
SPORTS TOTO BHD	1.88	2,518.0	N	06/2022	-1.6%	24.2%	-11.1%	61.7%	13.9	15.7	9.7	3.1	3.1	19.7%	5.1%	2.22	OP
GENTING BHD	4.48	17,250.6	N	12/2022	75.5%	1.6%	159.3%	24.6%	N.A.	11.1	8.9	0.5	0.5	4.7%	3.3%	6.12	OP
GENTING MALAYSIA BHD	2.93	16,599.1	N	12/2022	137.7%	2.5%	45.5%	26.2%	N.A.	16.6	13.2	1.3	1.3	7.6%	4.1%	3.83	OP
MAGNUM BHD	1.77	2,543.8	N	12/2022	75.3%	9.0%	100627.2%	25.5%	13,825.2	13.7	10.9	1.1	1.1	7.8%	5.8%	1.95	MP
Simple Average					71.8%	9.3%	25205.2%	34.5%	6919.6	14.3	10.7	1.5	1.5	9.9%	4.6%		

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	6621.1	SGD	12/2022	50.2%	31.4%	83%	63%	50.4	27.3	16.6	1.2	1.2	2.3%	3.0%	N.R.
GALAXY ENTERTAINMENT GROUP L	5.18	22603.2	HKD	12/2022	33.2%	53.3%	94%	206%	133.4	60.0	18.0	2.6	2.6	2.0%	0.7%	N.R.
MELCO RESORTS & ENTERT-ADR	4.26	2067.0	USD	12/2022	17.1%	63.7%	-19%	-102%	N.A.	N.A.	4255.0	82.4	N.A.	-120.5%	0.0%	N.R.
MGM CHINA HOLDINGS LTD	0.52	1960.5	HKD	12/2022	14.0%	60.2%	-30%	-112%	N.A.	N.A.	50.6	12.9	N.A.	-123.8%	0.0%	N.R.
SJM HOLDINGS LTD	0.39	2229.2	HKD	12/2022	44.8%	72.5%	-10%	-127%	N.A.	N.A.	18.2	0.9	1.1	-18.5%	0.0%	N.R.
SANDS CHINA LTD	1.96	15856.5	HKD	12/2022	32.4%	75.9%	39911%	-349%	N.A.	N.A.	14.0	17.9	37.0	-74.4%	0.0%	N.R.
WYNN MACAU LTD	0.56	2927.0	HKD	12/2022	5.9%	77.5%	-17%	-116%	N.A.	N.A.	32.7	N.A.	N.A.	N.A.	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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