

26 May 2023

Genting Malaysia

Slightly Longer Wait for Tourist Influx

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GENM's 1QFY23 results disappointed as tourist arrivals fell short at its Malaysia operation. However, its operations in the UK and North America delivered resilient numbers. Looking forward, the return of Chinese tourists should drive its earnings. We cut our FY23-24F net profit forecasts by 34-29%, reduce our TP by 6% to RM3.35 (from RM3.56) but maintain our OUTPERFORM call.

1QFY23 results below expectations, with core profit of RM12.7m making up only 1% of both our full-year forecast and consensus full-year estimates. The variance against our forecast came largely from weaker-than-expected Resorts World Genting (RWG)'s earnings due to slow recovery of foreign tourist arrivals. No dividend was declared as expected as it pays only half-yearly dividend.

YoY. 1QFY23 revenue leapt 33% as Malaysia borders reopened from April 2022 (which was in 2QFY22) which resulted in revenue from RWG jumping 52% over the year. Similarly, 1QFY23 turned into core profit of RM12.7m from core loss of RM103.8m in 1QFY22 as the border's reopening boosted RWG's adjusted EBITDA by 66%. Meanwhile, the North America unit also posted higher adjusted EBITDA by 77% which was led by stronger revenue from Resorts World New York City and Hilton Miami Downtown. Resorts World Bimini also posted higher revenue after the relaxation on travel restriction since Jun 2022.

QoQ, 1QFY23 revenue fell 6% as RWG revenue fell 12% (while other geographical locations posted revenue growth) owing to the slow recovery of foreign tourist arrivals while 4Q is always a stronger quarter QoQ due to year-end school holiday and festive season. However, 1QFY23 recorded core profit of RM12.7m vs. core loss of RM61.2m as there was RM153.6m net foreign exchange translation loss in 4QFY22 for its USD-denominated bonds.

Forecasts. We cut our FY23-FY24F earnings by 34-29% to reflect our lower earnings assumption from RWG given the slow return of foreign tourist. However, we keep our 15.0 sen NDPS forecasts unchanged.

OUTPERFORM reaffirmed. We continue to like GENTING as a proxy to the reopening of international borders and the rebound of the tourism industry, especially the influx of tourists from China. We maintain our OUTPERFORM rating with a lower SoP-driven TP of RM3.35 from RM3.56 to reflect our earnings cut on RWG. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Risks to our recommendation include: (i) non-renewal of licenses, (ii) unfavourable prize payout ratios, (iii) weak consumer spending amidst high inflation, and, (iv) products perceived to be socially undesirable.

OUTPERFORM ↔

Price: **RM2.62**
Target Price: **RM3.35** ↓

Share Price Performance



KLCI 1,402.48
YTD KLCI chg -6.2%
YTD stock price chg -2.6%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENM MK Equity
Market Cap (RM m)	14,849.5
Shares Outstanding	5,667.7
52-week range (H)	3.12
52-week range (L)	2.40
3-mth avg daily vol:	6,435,816
Free Float	49%
Beta	0.8

Major Shareholders

Genting Bhd	49.4%
Blackrock	1.8%
AIA Bhd	1.7%

Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Turnover	8603	9416	10093
EBIT	878	1222	1393
PBT	-342	745	1064
Net Profit (NP)	-520	653	889
Core Net profit	-16	653	889
Consensus (NP)	-	946	1220
Earnings Revision (%)	-	-33.5	-29.0
EPS (sen)	-0.3	11.0	15.0
EPS growth (%)	-	>100	36.1
NDPS (sen)	15.0	15.0	15.0
BV/Share (RM)	2.13	1.95	1.97
NTA/Share (RM)	1.44	1.28	1.32
PER (x)	N/A	23.8	17.5
PBV (x)	1.26	1.34	1.33
Price/NTA (x)	1.87	2.05	1.98
Net Gearing (x)	0.72	0.81	0.74
Net Yield (%)	5.6	5.7	5.7

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Income Statement

	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FYE Dec (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Turnover	2,283.5	2,434.7	-6%	1,721.3	33%	2,283.5	1,721.3	33%
EBITDA	592.9	472.9	25%	414.4	43%	592.9	414.4	43%
Depreciation	-308.6	-319.6	-3%	-296.6	4%	-308.6	-296.6	4%
EBIT	284.3	153.3	85%	117.8	141%	284.3	117.8	141%
Interest & other incomes	13.0	13.1	-1%	7.6	71%	13.0	7.6	71%
Interest expense	-148.4	-150.6	-1%	-169.5	-12%	-148.4	-169.5	-12%
Associates	-67.5	-55.4	22%	-49.3	37%	-67.5	-49.3	37%
Exceptional items	-40.1	-332.8	-88%	-22.7	77%	-40.1	-22.7	77%
Pretax profit	41.3	-372.4	>100%	-116.1	>100%	41.3	-116.1	>100%
Taxation	-86.7	-96.6	-10%	-31.8	173%	-86.7	-31.8	173%
Profit after tax	-45.4	-469.0	-90%	-147.9	-69%	-45.4	-147.9	-69%
Minority interest	18.0	75.0	-76%	21.3	-15%	18.0	21.3	-15%
Net profit	-27.4	-394.0	-93%	-126.5	-78%	-27.4	-126.5	-78%
Core net profit	12.7	-61.2	>100%	-103.8	>100%	12.7	-103.8	>100%
EPS (sen)	-0.5	-6.6	-93%	-2.1	-78%	-0.5	-2.1	-78%
Core EPS (sen)	0.2	-1.0	>100%	-1.7	>100%	0.2	-1.7	>100%
DPS (sen)	0.0	9.0	N/A	0.0	0%	0.0	0.0	0%
NTA/share (RM)	1.36	1.44	-5%	1.51	-10%	1.36	1.51	-10%
EBITDA margin	26%	19%		24%		26%	24%	
EBIT margin	12%	6%		7%		12%	7%	
Pretax margin	2%	-15%		-7%		2%	-7%	
Effective tax rate	210%	-26%		-27%		210%	-27%	

Source: Company

Segmental Breakdown

Segmental Breakdown	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Segment revenue:								
LH - Malaysia	1,402.6	1,587.2	-12%	920.0	52%	1,402.6	920.0	52%
UK & Egypt	352.5	335.1	5%	395.3	-11%	352.5	395.3	-11%
USA & Bahamas	460.7	459.7	0%	357.9	29%	460.7	357.9	29%
Properties	26.5	23.8	11%	22.4	18%	26.5	22.4	18%
Investment & others	41.2	28.9	43%	25.7	60%	41.2	25.7	60%
Group revenue	2,283.5	2,434.7	-6%	1,721.3	33%	2,283.5	1,721.3	33%
Segment result:								
LH - Malaysia	436.5	467.3	-7%	262.9	66%	436.5	262.9	66%
UK & Egypt	42.4	60.3	-30%	84.7	-50%	42.4	84.7	-50%
USA & Bahamas	138.4	148.5	-7%	78.0	77%	138.4	78.0	77%
Properties	8.7	0.2	4250%	9.5	-8%	8.7	9.5	-8%
Investment & others	-33.1	-203.4	-84%	-20.7	60%	-33.1	-20.7	60%
Group Adjusted EBITDA	592.9	472.9	25%	414.4	43%	592.9	414.4	43%
Adjusted EBITDA margin:								
LH - Malaysia	31%	29%		29%		31%	29%	
UK & Egypt	12%	18%		21%		12%	21%	
USA & Bahamas	30%	32%		22%		30%	22%	
Properties	33%	1%		42%		33%	42%	
Investment & others	N/A	N/A		N/A		N/A	N/A	
Group EBITDA margin	26%	19%		24%		26%	24%	

Source: Company

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Valuation				
(RM m)	EBITDA CY23F	Value	RM/share	Basis
RWG	1,770.8	21,957.3	3.70	12.4x FY23 EV/EBITDA (+0.5 SD)
Genting UK	333.8	2,777.1	0.47	8.3x FY23 EV/EBITDA
North American Operations	428.0	3,561.0	0.60	8.3x FY23 EV/EBITDA
Wisma Genting		221.2	0.04	FY21A book value
Net Cash/(Debt)		-8,627.5	-1.45	Estimated FY23F
		19,889.1	RM3.35	

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GENTING BHD	OP	4.33	5.66	30.72%	16,673.0	N	12/2023	25.9	32.7	217.6%	26.1%	16.7	13.2	0.5	3.0%	16.0	3.7%
GENTING MALAYSIA BHD	OP	2.62	3.35	27.86%	14,849.5	N	12/2023	150.5	140.9	5940.9%	27.5%	1.7	1.9	0.1	5.4%	15.0	5.7%
Sector Aggregate					31,522.5					575.3%	26.8%	16.1	12.7	0.7	4.5%		4.7%

Source: Kenanga Research

Regional Casino

Name	Last Price	Market Cap	Currency	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	TP	Rating
	(USD)	(mil)			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	0.75	9005.7	SGD	12/2023	35.5%	12.8%	80%	19%	35.8	19.8	16.6	1.5	1.5	4.3%	3.7%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP	6.30	27521.7	HKD	12/2023	207.9%	35.6%	-321%	72%	N.A.	26.1	16.6	3.4	3.0	-5.2%	0.9%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	11.17	4835.5	USD	12/2023	175.8%	28.8%	-101%	8838%	N.A.	N.A.	10.9	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	1.01	3831.8	HKD	12/2023	277.2%	14.7%	-128%	89%	N.A.	21.4	11.1	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.
SJM HOLDINGS LTD	0.42	2973.3	HKD	12/2023	209.8%	38.4%	-73%	-132%	N.A.	N.A.	36.0	1.5	1.5	-42.9%	0.0%	N.R.	N.R.
SANDS CHINA LTD	3.15	25516.3	HKD	12/2023	287.6%	31.8%	-155%	118%	N.A.	28.4	13.1	N.A.	116.8	N.A.	0.4%	N.R.	N.R.
WYNN MACAU LTD	0.85	4473.2	HKD	12/2023	289.6%	18.6%	N.A.	145%	N.A.	427.0	18.2	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Security Controls	★	★	★	★	
	Responsible Gaming	★	★			
	Digitalisation & Innovation	★	★	★		
	Cybersecurity/Data Privacy	★	★	★	★	
	Energy Efficiency	★	★	★		
	Legal & Regulatory Compliance	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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