

Genting Bhd

A Proxy to Tourism Rebound

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GENTING's 1QFY23 results disappointed due to weaker-than-expected earnings from GENM (tourist arrivals fell short) and GENP (soft CPO prices). We cut our FY23-24F net profit forecasts by 29% and 23%, respectively, lower our TP by 3% to RM5.66 (from RM5.86) but reiterate our OUTPERFORM call as we still like GENTING as a proxy to the reopening of international borders and the rebound of the tourism industry.

1QFY23 result missed forecast, with core profit of RM136.4m making up 10%/11% of our full-year forecast/consensus full-year estimate. The variance against our forecast came from: (i) weaker-than-expected return of foreign tourists for **GENM (OP; TP: RM3.35)**; and, softer-than-expected crude palm oil prices for **GENP (MP; TP: RM5.50)**. No dividend was declared as expected as it usually pays half-yearly dividend.

YoY, 1QFY23 revenue jumped 38% due to the reopening borders of Malaysia and Singapore from April 2022, driving revenues for GENM and GENS by 53% and 64%, respectively, while the higher revenue from non-plantation units pushed GENP revenue higher by more than 10%. It reported core profit of RM136.4m in 1QF23 against core loss of RM193.9m last year on higher revenues on the back of borders reopening as mentioned above.

QoQ, 1QFY23 revenue fell 8% on lower revenue from casino operation (-8%) given the slow return of foreign tourists as mentioned above while GENP also saw its revenue falling 26%, attributable to lower revenue from plantation (-2%) and downstream manufacturing (50%). However, 1QFY23 core profit improved by 28% due to a RM153.6m net foreign exchange translation loss recorded in 4QFY22 in GENM for its USD-denominated bonds. However, the earnings growth was capped by lower earnings by GENP (-51%) due to lower CPO prices and FFB output.

Forecasts. We cut our FY23-FY24F forecast by 29%-23% to adjust for lower earnings by GENM and GENP but keep our 16.0 sen NDPS forecast unchanged.

We continue to like GENTING as a proxy to the reopening of international borders and the rebound of the tourism industry. Post earnings revision, our new SoP-based TP is reduced to RM5.66 from RM5.86 previously based on a 40% discount which encompasses: (i) a holding company discount for its listed entities, and (ii) a risk premium to reflect related party transactions. 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: RM4.33
Target Price: RM5.66 ↓

Share Price Performance



KLCI 1,402.48
YTD KLCI chg -6.2%
YTD stock price chg -3.3%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK Equity
Market Cap (RM m)	16,673.0
Shares Outstanding	3,850.6
52-week range (H)	5.34
52-week range (L)	4.01
3-mth avg daily vol:	2,890,223
Free Float	54%
Beta	0.9

Major Shareholders

Kien Huat Realty Sdn Bhd	42.8%
Hsbc Nominees Asing	6.8%
Vanguard Group	1.6%

Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Turnover	22384	23762	25368
EBIT	3572	4091	4649
PBT	1265	2322	2929
Net Profit (NP)	-300	971	1224
Core Net Profit	306	971	1224
Consensus (NP)	-	1287	1644
Earnings Revision (%)	-	-28.6	-23.4
EPS (sen)	8.2	25.9	32.7
EPS growth (%)	N/A	217.6	26.1
NDPS (sen)	16.0	16.0	16.0
BV/Share (RM)	8.46	8.57	8.75
NTA/Share (RM)	7.10	7.12	7.20
PER (x)	7.1	16.7	13.2
PBV (x)	0.51	0.51	0.50
Price/NTA (x)	0.63	0.61	0.60
Net Gearing (x)	0.48	0.60	0.64
Dividend Yield (%)	3.6	3.7	3.7

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Income Statement

FYE Dec (RM m)	1Q FY23	4Q FY22	Q-o-Q Chg	1Q FY22	Y-o-Y Chg	3M FY23	3M FY22	Y-o-Y Chg
Turnover	5,822.5	6,361.9	-8%	4,213.9	38%	5,822.5	4,213.9	38%
EBITDA	1,833.8	1,904.9	-4%	1,301.7	41%	1,833.8	1,301.7	41%
Depreciation	-859.6	-1,083.1	-21%	-818.0	5%	-859.6	-818.0	5%
EBIT	974.2	821.8	19%	483.7	101%	974.2	483.7	101%
Interest & other incomes	201.0	154.9	30%	42.1	377%	201.0	42.1	377%
Interest expense	-502.3	-484.4	4%	-450.1	12%	-502.3	-450.1	12%
Associates	-66.5	-97.0	-31%	-57.5	16%	-66.5	-57.5	16%
Exceptional items	-38.4	-275.5	-86%	-5.8	562%	-38.4	-5.8	562%
Pretax profit	568.0	119.8	374%	12.4	4481%	568.0	12.4	4481%
Taxation	-272.8	-371.1	-26%	-185.9	47%	-272.8	-185.9	47%
Profit after tax	295.2	-251.3	>100%	-173.5	>100%	295.2	-173.5	>100%
Minority interest	-197.2	82.6	N/A	-26.2	652%	-197.2	-26.2	652%
Net profit	98.0	-168.7	>100%	-199.7	>100%	98.0	-199.7	>100%
Core net profit	136.4	106.8	28%	-193.9	>100%	136.4	-193.9	>100%
EPS (sen)	2.6	-4.5	>100%	-5.3	>100%	2.6	-5.3	>100%
Core EPS (sen)	3.6	2.9	28%	-5.2	>100%	3.6	-5.2	>100%
NDPS (sen)	0.0	9.0	N/A	0.0	0%	0.0	0.0	0%
NTA/share (RM)	7.07	7.04	0%	7.06	0%	7.07	7.06	0%
EBITDA margin	31%	30%		31%		31%	31%	
EBIT margin	17%	13%		11%		17%	11%	
Pretax margin	10%	2%		0%		10%	0%	
Effective tax rate	48%	310%		1499%		48%	1499%	

Source: Company

Segmental Breakdown

Segmental Breakdown	1Q FY23	4Q FY22	Q-o-Q Chg	1Q FY22	Y-o-Y Chg	3M FY23	3M FY22	Y-o-Y Chg
Segment revenue:								
Leisure & hospitality	4,776.6	5,185.3	-8%	3,331.6	43%	4,776.6	3,331.6	43%
Plantations	565.7	776.6	-27%	513.8	10%	565.7	513.8	10%
Properties	47.1	37.2	27%	37.6	25%	47.1	37.6	25%
Oil & gas	110.1	124.9	-12%	117.4	-6%	110.1	117.4	-6%
Power	275.5	203.8	35%	171.1	61%	275.5	171.1	61%
Investment & others	47.5	34.0	40%	42.4	12%	47.5	42.4	12%
Group revenue	5,822.5	6,361.8	-8%	4,213.9	38%	5,822.5	4,213.9	38%
Segment result:								
Leisure & hospitality	1,602.3	1,905.9	-16%	955.0	68%	1,602.3	955.0	68%
Plantations	128.7	180.5	-29%	253.2	-49%	128.7	253.2	-49%
Properties	18.2	12.3	48%	10.7	70%	18.2	10.7	70%
Oil & gas	91.9	102.3	-10%	97.1	-5%	91.9	97.1	-5%
Power	97.4	66.8	46%	34.3	184%	97.4	34.3	184%
Investment & others	-104.7	-362.9	-71%	-48.6	115%	-104.7	-48.6	115%
Group Adjusted EBITDA	1,833.8	1,904.9	-4%	1,301.7	41%	1,833.8	1,301.7	41%
EBITDA margin:								
Leisure & hospitality	34%	37%		29%		34%	29%	
Plantations	23%	23%		49%		23%	49%	
Properties	39%	33%		28%		39%	28%	
Oil & gas	83%	82%		83%		83%	83%	
Power	35%	33%		20%		35%	20%	
Investment & others	N/A	N/A		N/A		N/A	N/A	
Group EBITDA margin	31%	30%		31%		31%	31%	

Source: Company

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Geographical Breakdown								
Geographical Breakdown	1Q FY23	4Q FY22	Q-o-Q Chg	1Q FY22	Y-o-Y Chg	3M FY23	3M FY22	Y-o-Y Chg
Revenue:								
Malaysia	1,400.7	1,585.8	-12%	918.1	53%	1,400.7	918.1	53%
Singapore	1,595.3	1,771.3	-10%	974.0	64%	1,595.3	974.0	64%
UK	352.5	335.1	5%	395.3	-11%	352.5	395.3	-11%
USA	1,428.1	1,493.1	-4%	1,044.2	37%	1,428.1	1,044.2	37%
Total Casino Revenue	4,776.6	5,185.3	-8%	3,331.6	43%	4,776.6	3,331.6	43%
Adjusted EBITDA:								
Malaysia	555.9	622.4	-11%	332.6	67%	555.9	332.6	67%
Singapore	646.6	866.3	-25%	403.2	60%	646.6	403.2	60%
UK	42.4	60.3	-30%	84.7	-50%	42.4	84.7	-50%
USA	357.4	356.9	0%	134.5	166%	357.4	134.5	166%
Total Casino EBITDA	1,602.3	1,905.9	-16%	955.0	68%	1,602.3	955.0	68%
EBITDA Margin								
Malaysia	40%	39%		36%		40%	36%	
Singapore	41%	49%		41%		41%	41%	
UK	12%	18%		21%		12%	21%	
USA	25%	24%		13%		25%	13%	
Casino EBITDA margin	34%	37%		29%		34%	29%	

Source: Company

GENTING's Sum-of-Parts Valuation			
(RM m)	RM m	RM/Share	Basis
GENM (49.3%)	9,364.4	2.50	TP: RM3.35
GENP (51.5%)	2,238.5	0.60	TP: RM5.50
GENS (52.9%)	20,984.9	5.61	Market value
Landmarks (30.3%)	17.5	0.00	Market value
RWLV	6,914.9	1.85	8.3x CY23 EBITDA
Management Fee	4,512.8	1.21	DCF @ 11.4% WACC, g = 1%
Power	3,330.0	0.89	12x CY23 PER
Oil & Gas	676.6	0.18	12x CY23 PER
Net Cash/(Debt)	-12,708.4	-3.40	Adjusted FY23E
SOP value	35,331.1	9.44	
40% discount		3.78	
TP		RM5.66	

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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