

15 May 2023

# Genting

## Singapore Unit's Recovery on Track

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**Genting Singapore Ltd (GENS)'s (NOT RATED) 1QFY23 results met market expectations with its core earnings tripling YoY as tourists returned in droves. The island state registered 2.9m tourist arrivals in 1QCY23 (vs. a mere 125k in 1QCY22). Looking forward, China's reopening since Jan 2023 will further drive GENS's earnings recovery. We maintain our forecasts, TP of RM5.86 and OUTPERFORM call for parent GENTING.**

**GENS's 1QFY23 results met expectations.** 1QFY23 core net profit of SGD131.2m came in at only 20% of the full-year consensus estimate. However, we consider the results as within market expectation as we expect stronger quarters ahead for GENS as tourist arrivals accelerate.

**Recovery continued.** 1QFY23 core profit tripled YoY to SGD131.2m from SGD43.5m in 1QFY22 while revenue grew by 54% over the same period. The improved results were mainly attributed to the ongoing recovery of regional travel and gaming demand. In 1QCY23, Singapore registered tourist arrivals of 2.9m as opposed to 125k in 1QCY22.

However, non-gaming revenue witnessed a 15% decline due to elevated airfares during the festive season which impacted visitor volume. On a QoQ basis, core profit fell slightly by 2% from SGD133.3m in 1QFY22 on the back of 11% decline in revenue. We believe the decline was due to an unfavourable luck factor which caused the adjusted EBITDA margin to deteriorate to 40% from 47% previously.

We keep our FY23/FY24 earnings forecasts of parent GENTING.

Despite the booster from China's reopening since Jan 2023, the group to a certain extent is constrained by the availability of flights and affordable fares, as well as inflation crimping consumer spending. Nonetheless, the company is ready to cater for more visitor arrivals with its on-going RWS 2.0 expansion plan.

**Maintain OUTPERFORM on GENTING.** We remain optimistic that the two-year streak of lacklustre earnings endured by GENS had ended in 1HFY22 with the opening of international borders from April 2022 as well as China's reopening early this year. And, the same would apply to GENM as well. All this should eventually benefit parent-company GENTING. For now, pending the release of the group's 1QFY23 results later this month-end, we are keeping our OP call and TP of RM5.86 (at a 40% discount to SoP valuation to encompass a holding company discount and a risk premium to reflect related party transactions) for GENTING. There is no change to our TP based on ESG given a 3-star rating as appraised by us (see Page 4)

**Risks to our call on GENTING include:** (i) non-renewal of licenses, (ii) unfavourable luck factors, (iii) weak consumer spending amidst high inflation, and (iv) products perceived to be socially undesirable.

# OUTPERFORM ↔

Price : RM4.57  
Target Price : RM5.86 ↔

### Share Price Performance



KLCI	1,422.92
YTD KLCI chg	-4.9%
YTD stock price chg	2.0%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK Equity
Market Cap (RM m)	17,597.1
Shares Outstanding	3,850.6
52-week range (H)	5.34
52-week range (L)	4.01
3-mth avg daily vol:	3,509,225
Free Float	54%
Beta	0.9

### Major Shareholders

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

### Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Turnover	22384	24062	25411
EBIT	3572	4463	4921
PBT	1265	2974	3513
<b>Net Profit (NP)</b>	<b>-300</b>	<b>1359</b>	<b>1598</b>
<b>Core Net Profit</b>	<b>306</b>	<b>1359</b>	<b>1598</b>
Consensus (NP)	-	1287	1644
Earnings Revision (%)	-	-	-
EPS (sen)	-152.5	344.7	17.6
EPS growth (%)	N/M	>100	16.0
DPS (sen)	16.0	16.0	16.0
BV/Share (RM)	8.46	8.67	8.95
NTA/Share (RM)	7.10	7.21	7.40
PER (x)	7.1	12.6	10.7
PBV (x)	0.54	0.53	0.51
Price/NTA (x)	0.63	0.63	0.62
Net Gearing (x)	0.48	0.67	0.69
Dividend Yield (%)	3.6	3.5	3.5

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Income Statement								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
FYE Dec (SGD m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Turnover	484.5	542.5	-11%	314.5	54%	484.5	314.5	54%
EBITDA	191.7	256.0	-25%	124.8	54%	191.7	124.8	54%
Net profit	129.2	119.9	8%	40.4	220%	129.2	40.4	220%
Core net profit	131.2	133.3	-2%	43.5	201%	131.2	43.5	201%
EBITDA margin	40%	47%		40%		40%	40%	
Core net margin	27%	25%		14%		27%	14%	

Source: Company

Segmental Breakdown								
Segmental Breakdown	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Q-o-Q
	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
Segment revenue:								
RWS - gaming	339.9	371.7	-9%	234.5	45%	339.9	234.5	45%
RWS - non-gaming	144.4	170.6	-15%	76.3	89%	144.4	76.3	89%
Others	0.2	0.2	-10%	3.8	-96%	0.2	3.8	-96%
<b>Group revenue</b>	<b>484.5</b>	<b>542.5</b>	<b>-11%</b>	<b>314.5</b>	<b>54%</b>	<b>484.5</b>	<b>314.5</b>	<b>54%</b>
Segment result:								
RWS	196.6	267.4	-26%	130.6	51%	196.6	130.6	51%
Other	-4.9	-11.3	-57%	-5.7	-15%	-4.9	-5.7	-15%
<b>Group EBITDA</b>	<b>191.7</b>	<b>256.0</b>	<b>-25%</b>	<b>124.8</b>	<b>54%</b>	<b>191.7</b>	<b>124.8</b>	<b>54%</b>
EBITDA margin:								
RWS	41%	49%		42%		41%	42%	
Other	N/A	N/A		N/A		N/A	N/A	
<b>Group EBITDA margin</b>	<b>40%</b>	<b>47%</b>		<b>40%</b>		<b>40%</b>	<b>40%</b>	

Source: Company

GENTING's Sum-of-Parts Valuation			
(RM m)	RM m	RM/Share	Basis
GENM (49.3%)	9,966.8	2.66	TP: RM3.56
GENP (51.5%)	2,238.5	0.60	TP: RM5.50
GENS (52.9%)	20,984.9	5.61	Market value
Landmarks (30.3%)	26.2	0.01	Market value
RWLV	6,914.9	1.85	8.3x CY23 EBITDA
Management Fee	4,580.5	1.22	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)	-11,470.8	-3.06	Adjusted FY22E
<b>SOP value</b>	<b>36,571.1</b>	<b>9.77</b>	
40% discount		3.91	
<b>TP</b>		<b>RM5.86</b>	

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. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
<b>Stocks Under Coverage</b>																	
GENTING BHD	OP	4.57	5.86	28.23%	17,597.1	N	12/2023	36.3	42.7	344.7%	17.6%	12.6	10.7	0.5	4.2%	16.0	3.5%
GENTING MALAYSIA BHD	OP	2.72	3.56	30.88%	15,416.3	N	12/2023	16.6	21.1	5940.9%	27.5%	16.4	12.9	1.2	7.5%	15.0	5.5%
MAGNUM BHD	OP	1.02	1.39	36.27%	1,465.9	N	12/2023	12.3	12.6	75.9%	2.0%	8.3	8.1	0.6	7.4%	9.9	9.7%
SPORTS TOTO BHD	OP	1.37	1.95	42.34%	1,846.9	N	06/2023	20.1	20.8	68.1%	3.6%	6.8	6.6	2.0	29.6%	16.1	11.8%
<b>Sector Aggregate</b>					<b>36,326.2</b>					<b>405.9%</b>	<b>18.7%</b>	<b>13.0</b>	<b>11.0</b>	<b>0.7</b>	<b>5.7%</b>		<b>7.6%</b>

Source: Kenanga Research

## Global Peer Comparison

Name	Last Price (USD)	Market Cap (USD)	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price	Rating
				1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.				
GENTING SINGAPORE LTD	0.83	10011.9	12/2023	35.8%	12.6%	82%	18%	39.4	21.8	18.2	1.7	1.6	4.3%	3.3%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP L	6.51	28441.1	12/2023	207.6%	36.1%	-317%	71%	N.A.	28.5	17.5	3.5	3.2	-5.2%	0.8%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	11.19	4959.7	12/2023	164.5%	29.9%	-96%	-1355%	N.A.	N.A.	12.5	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	1.14	4322.2	12/2023	265.4%	18.7%	-128%	89%	N.A.	26.9	12.6	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.
SJM HOLDINGS LTD	0.46	3278.2	12/2023	218.3%	39.7%	-65%	-125%	N.A.	N.A.	38.5	1.6	1.7	-42.9%	0.0%	N.R.	N.R.
SANDS CHINA LTD	3.30	26677.5	12/2023	275.7%	33.5%	-150%	125%	N.A.	32.6	14.7	N.A.	253.6	N.A.	0.3%	N.R.	N.R.
WYNN MACAU LTD	0.94	4929.6	12/2023	274.7%	22.4%	N.A.	188%	N.A.	N.A.	21.4	N.A.	N.A.	N.A.	0.2%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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