

Genting Bhd

Strong Earnings Rebound in Singapore

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GENTING's Singapore unit GENS reported 3QFY23 results that beat expectations on stronger-than-expected recovery in its gaming and non-gaming businesses. We upgrade our FY23-24F net profit for GENTING by 33-12%, respectively, but keep our SoP-based TP of RM5.20. Maintain OUTPERFORM.

Stellar 3QFY23 for GENS. GENS's 9MFY23 adjusted EBIDTA of SGD798m amounted to 91% of our full-year forecast and surpassed last year's 12-month adjusted EBITDA. 3QFY23 adjusted EBITDA of SGD345m was nearly (76%) that of 1HFY23 earnings with gaming revenue improving to SGD460m (+13% QoQ, +28% YoY) with non-gaming revenue surging even stronger to SGD230m (+22% QoQ, +68% YoY). Footfall and spending improved on strong tourist arrivals from the likes of China, India and ASEAN.

FY23-24F outlook is positive with visitor arrivals expected to stay strong. Traditionally, Singapore welcomes the most visitors in the third quarter but fourth quarter arrivals are usually not far off and could match the third quarter this year. GENS is also transforming its Resorts World at Sentosa. Project RWS 2.0 was launched in FY22 to meet an anticipated post-pandemic recovery. Hotel Ora opened in Apr 2023 as a renovated and rebranded Festive Hotel. Work to double the Forum to just over 200,000 sf began in May 2023 and should be completed by 2HCY24. Universal Studio Singapore's new Minion Land also started construction work in May 2023 with opening targeted for 1QCY25. Early this month, application to develop another 228,658 sf of retail space and a 700-room hotel was granted by the Singapore's Urban Redevelopment Authority. Therefore, GENS should grow as RWS expands and emerges with new offerings to serve an evolving regional market.

Forecasts. We upgrade our FY23-24F net profit for GENTING by 33-12%, respectively, on the back of stronger and earlier recovery in both gaming as well as non-gaming performance at GENS. Singapore should continue to welcome over a million visitors each month.

We continue to like GENTING as a proxy to the reopening of international borders and the return of mainland Chinese tourists. Revenue at GENS has recovered strongly and the momentum is expected to continue. GENM's earnings should more or less double once spendings on marketing, promotions as well as recruitment stabilises at Resort World Genting and other GENM assets transition from FY23 into FY24.

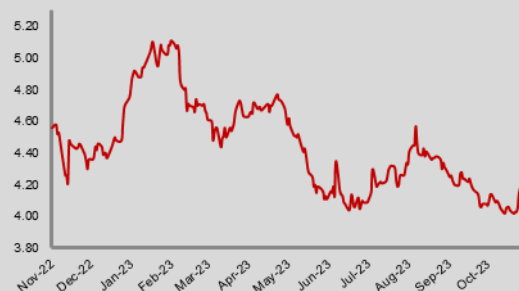
Nonetheless, despite our earnings revision, GENTING's SoP-based TP is maintained at RM5.20 as the underlying share prices of GENM and GENS have not changed much. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

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: **RM4.15**
Target Price: **RM5.20** ↔

Share Price Performance



KLCI 1,445.18
YTD KLCI chg -3.4%
YTD stock price chg -7.4%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK EQUITY
Market Cap (RM m)	15,979.9
Shares Outstanding	3,850.6
52-week range (H)	5.12
52-week range (L)	4.01
3-mth avg daily vol:	3,117,477
Free Float	54%
Beta	1.0

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	22,384	24,874	28,066
EBIT	3,572	5,959	5,731
PBT	1,265	3,947	4,139
Net Profit (NP)	-300	995	1,353
Core Net Profit	306	1,033	1,353
Consensus (NP)	-	1,038	1,531
Earnings Revision (%)	-	33	12
EPS (sen)	8.2	27.6	36.1
EPS growth (%)	-152.5	238.0	31.0
NDPS (sen)	16.0	16.0	16.0
BV/Share (RM)	8.46	8.58	8.79
NTA/Share (RM)	7.10	7.06	7.08
PER (x)	50.8	15.0	11.5
PBV (x)	0.49	0.48	0.47
Price/NTA (x)	0.58	0.59	0.59
Net Gearing (x)	0.48	0.57	0.58
Dividend Yield (%)	3.9	3.9	3.9

14 November 2023

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	4.15	5.20	25.3%	15,979.9	N	12/2023	27.8	36.4	238.0%	31.0%	14.9	11.4	0.5	3.1%	16.0	3.9%
GENTING MALAYSIA BHD	OP	2.46	3.35	36.2%	13,942.6	N	12/2023	11.5	15.7	3915.2%	36.1%	21.3	15.7	1.2	5.4%	15.0	6.1%
Sector Aggregate					29,922.5					482.8%	33.0%	17.7	13.3	0.7	3.9%		5.0%

Source: 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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