Genting Malaysia

Stronger NY City Earnings From 2Q

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OUTPERFORM ↔

Price : **RM1.98**
Target Price : **RM3.00 ↔**

GENM's 1QFY26 core net profit (CNP) came in at only 3% of Kenanga, and 4% of consensus, full-year estimate due to pre-operating expenses as Resorts World New York City (RWNYC) transition from a racino to casino which opened on 28 April. Excluding this, CNP would have been 12% of full-year estimate. Meanwhile, key contributor, RW Genting (RWG) saw stronger QoQ but flat YoY performance on lower footfall but better gaming margin. We are trimming core EPS (CEPS) by 7% to 11.2 sen for FY26 on higher pre-opening cost at RWNYC but maintain our FY27 forecasts, TP of RM3.00 and OUTPERFORM call.

1QFY26. Excluding non-operating expenses (RM28.2m), 1QFY26 CNP after FX gain of RM9.8m fell 91% QoQ and 82% YoY on pre-operating expenses such as higher interest expense due to upfront payment of its USD600m gaming licence fee which was not capitalised as well as fresh pool of personnel ahead of the opening of RWNYC casino in late April.

YoY, RWG saw footfall slipping 4% to 5.5m but higher percentage of better margin mass market gaming compensated, hence RWG earnings slipped by only 1%. UK saw weaker earnings (-8%) despite stronger revenue (+11%) due to higher payroll cost from higher minimum wages. US earnings fell (-32%) from: (a) disruptions of the existing racino operations as RWNYC transitions to a full-service commercial casino, (b) pre-opening costs for the casino, and (c) higher borrowing cost to pay a USD600m portion of its licencing fee upfront. Otherwise, Empire Resorts performed better in 1QFY26 albeit minorly.

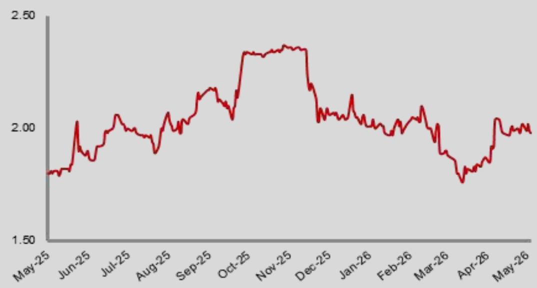
QoQ, 1QFY26 CNP slipped as 4Q is typically the best quarter for RWG, US and the UK operations. Reported net profit saw larger swing from RM113.7m in 4QFY25 to RM9.8m in 1QFY26 due largely to pre-operating expenses at RWNYC. Net debt rose sharply QoQ, from RM11.3b in 4QFY25 to RM13.7b (123% net gearing) due mainly to capex at RWNYC. RWNYC is expected to spend another RM2b this year to expand further. No dividend was declared for 1QFY26 which is the practice for GENM.

Stronger overseas earnings moving forward. RWNYC officially launched NY City first commercial casino on 28 April which offers live games, 3-5 years ahead of rivals with no existing site to work on. RWNYC opened with 242 live tables and 2,507 slots with plans to end FY26 with 400 live tables and 4,000 slots. By FY29, RWNYC aims to have 800 tables and 6,000 slots. Aside from new patrons and users of John F. Kennedy International Airport, RWNYC hopes to capture many NY gamers who visit casinos for live games located in nearby states.

In UK, since Jul 2025, the number of gaming machines in older smaller casinos has been raised from 20 to 80 to better compete against online gaming. On 1 Apr 2026, UK online gaming tax was raised significantly (from 21% to 40%). Besides re-launching Genting Stratford Casino in Jul 2025, GENM is expected to open a 3-storey casino-cum-restaurant at Trocadero in the heart of London's Picadilly Circus in 1HFY27. Altogether, UK casino earnings look set to grow over FY26-27.

Mixed RWG outlook expected. We expect FY26F earnings to be more subdued for RWG due to fewer overseas arrival after the Middle East conflict, but see relatively robust local visitors especially in 4QFY26 due to longer school holidays in Malaysia as well as Singapore.

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	-2.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENM MK Equity
Market Cap (RM m)	11,222.1
Shares Outstanding	5,667.7
52-week range (H)	2.37
52-week range (L)	1.76
3-mth avg daily vol:	2,768,501
Free Float	25%
Beta	0.60

Major Shareholders

Genting Bhd	73.9%
AIA Bhd	1.3%
UBS AG	1.0%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	**11,884**	**12,829**	**14,327**
EBIT	1,983	1,927	2,528
PBT	985	861	1,093
Net Profit (NP)	**755**	**637**	**856**
Core Net profit	**575**	**665**	**856**
Consensus (NP)	-	687	820
Earnings Revision (%)	-	-7	-
EPS (sen)	9.7	11.2	14.5
EPS Growth (%)	-9.0	15.7	28.6
NDPS (sen)	7.0	7.0	7.0
BV/Share (RM)	2.13	2.17	2.25
NTA/Share (RM)	1.40	1.51	1.66
PER (x)	20.4	17.6	13.7
PBV (x)	0.93	0.91	0.88
Price/NTA (x)	1.41	1.31	1.19
Net Gearing (x)	0.84	0.83	0.82
Net Yield (%)	3.5	3.5	3.5

Estimated capex of USD4.5b at RWNYC. FY26 is expected to need USD1-1.2b in capex. So far, an estimated USD0.8b have been incurred including the USD0.6b upfront portion of its gaming fee. RWNYC performance since late April opening has been slow but GENM is confident the starting up issues are already being resolved; hence, RWNYC is set to end the year with 400 tables and 4,000 slots. Depending on the success of attracting NY customers who currently frequent casinos in neighbouring states with live games to play at RWNYC, EBITDA could increase from around USD120m to USD200-300m by FY27. Our assessment suggests RWNYC can fund the entire project by itself though tight, with little room for pro-longed disruptions or unexpected headwinds. The risk of dilution or a cash call may thus be lower than perceived earlier. In any case, GENM owns 15 acres in Miami which was nearly sold for USD1.2b. Genting Berhad which now owns 73% in GENM can also afford to be diluted down a little which gives GENM the flexibility to place out treasury shares (USD100m-USD200m depending on price) or issue up to 10% of new shares (USD100m-USD200m) without triggering a rights issue.

Forecasts. Maintain FY27F CEPS but trim FY26F CEPS by 7% from 12.1 sen to 11.2 sen mainly due to higher-than-expected pre-operating cost at RWNYC but also slightly weaker contribution from RWG.

Valuation: Our TP of RM3.00 is based on: (a) 1.0x PBV which is still below the group's past 10-year PBV range of 1.1-1.2 times, and (b) an estimated RM1.00 enhancement from RWNYC assuming no dilution from new GENM shares. There is also no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Maintain **OUTPERFORM** as we find the risk-reward attractive on the following; (a) RWNYC will be operating the only full-service casino in NYC for the coming 3-4 years, (b) a stronger UK market with a larger London gaming footprint by the addition of Genting Stratford Casino since mid-FY25 and soon-to-open Trocadero casino, and (c) RWG should improve from current soft patch over the coming 6-12 months.

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

Income Statement

FYE Dec (RM m)	1Q26	4Q25	QoQ %	1Q25	YoY %	1QFY26	1QFY25	YoY %
Turnover	2,866.9	3,012.8	-5%	2,595.2	+10%	2,867	2,595	+10%
EBITDA	**644.7**	**692.7**	**-7%**	**737.2**	**-13%**	**644.7**	**737.2**	**-13%**
Depreciation	(337.9)	(366.8)	-8%	(295.8)	+14%	(338)	(296)	+14%
EBIT	**306.8**	**325.9**	**-6%**	**441.4**	**-30%**	**306.8**	**441.4**	**-30%**
Interest & other incomes	13.3	16.0	-17%	26.5	-50%	13.3	26.5	-50%
Interest expense	(246.7)	(228.1)	+8%	(184.2)	+34%	(246.7)	(184.2)	+34%
Associates	(2.1)	(0.7)	+185%	(67.6)	-97%	(2.1)	(67.6)	-97%
Exceptional items	(28.2)	(72.4)	-61%	(32.1)	-12%	(28.2)	(32.1)	-12%
Pretax profit	**43.1**	**40.7**	**+6%**	**184.1**	**-77%**	**43.1**	**184.1**	**-77%**
Taxation	(68.3)	82.2	-183%	(132.0)	-48%	(68.3)	(132.0)	-48%
Profit after tax	**(25.2)**	**122.9**	**-121%**	**52.0**	**-148%**	**(25.2)**	**52.0**	**-148%**
Minority interest	21.4	22.7	-6%	20.7	+4%	21.4	20.7	+4%
Net profit	**(3.8)**	**145.6**	**-103%**	**72.7**	**-105%**	**(3.8)**	**72.7**	**-105%**
Core net profit (CNP)	**24.4**	**218.0**	**-89%**	**104.8**	**-77%**	**24.4**	**104.8**	**-77%**
Unrealised FX	(14.6)	(104.3)	-86%	(50.4)	-71%	(14.6)	(50.4)	-71%
CNP less unrealised FX	**9.8**	**113.7**	**-91%**	**54.4**	**-82%**	**9.8**	**54.4**	**-82%**
EPS (sen)	(0.1)	2.6	-103%	1.3	-105%	(0.1)	1.3	-105%
Core EPS (sen)	**0.4**	**3.8**	**-89%**	**1.8**	**-77%**	**0.4**	**1.8**	**-77%**
DPS (sen)	-	**7.0**	**N.A.**	-	**N.A.**	-	-	-
NTA/share (RM)	0.85	1.27	-33%	1.36	-38%	0.85	1.36	-38%
EBITDA margin	**22%**	**23%**		**28%**		**22%**	**22%**	**23%**
EBIT margin	11%	11%		72%		11%	11%	11%
Pretax margin	2%	1%		7%		2%	2%	1%
Effective tax rate	158%	-202%		72%		158%	158%	-202%

Source: Company

Segmental Breakdown

Segmental Breakdown	1Q26	4Q25	QoQ %	1Q25	YoY %	1QFY26	1QFY25	YoY %
LH - Malaysia	1,668.6	1,733.8	-4%	1,622.1	+3%	1,668.6	1,622.1	+3%
UK & Egypt	460.7	523.0	-12%	413.4	+11%	460.7	413.4	+11%
USA & Bahamas	694.4	714.4	-3%	501.3	+39%	694.4	501.3	+39%
Properties	25.5	25.1	+2%	24.1	+6%	25.5	24.1	+6%
Investment & others	17.7	16.5	+7%	34.3	-48%	17.7	34.3	-48%
Group revenue	**2,866.9**	**3,012.8**	**-5%**	**2,595.2**	**+10%**	**2,867**	**2,595**	**+10%**
Segment result:								
LH - Malaysia	512.1	386.8	+32%	518.2	-1%	512.1	518.2	-1%
UK & Egypt	50.9	110.1	-54%	55.5	-8%	50.9	55.5	-8%
USA & Bahamas	80.5	83.8	-4%	119.0	-32%	80.5	119.0	-32%
Properties	9.0	2.5	+260%	6.9	+30%	9.0	6.9	+30%
Investment & others	(7.8)	109.5	-107%	37.6	+>100%	(7.8)	37.6	-121%
Group Adjusted EBITDA	**644.7**	**692.7**	**-7%**	**737.2**	**-13%**	**644.7**	**737.2**	**-13%**
Adjusted EBITDA margin:								
LH - Malaysia	31%	22%		32%		31%	32%	
UK & Egypt	11%	21%		13%		11%	13%	
USA & Bahamas	12%	12%		24%		12%	24%	
Properties	35%	10%		29%		35%	29%	
Investment & others	-44%	664%		110%		-44%	110%	
Group EBITDA margin	**22%**	**23%**		**28%**		**22%**	**28%**	

Source: Company

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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