Genting Malaysia

A Weaker RW NYC Start Than Expected

By Khoo Teng Chuan I khootc@kenanga.com.my

GENM reported poor 1HFY26 core net profit (CNP), coming in at only 23% of Kenanga, and 29% of consensus, full-year estimate. Resorts World New York City (RWNYC) monthly casino revenue doubled compared to its former racino operations before 28 April but was still at the lower-end of our estimate. Nonetheless, 2HFY26 is often seasonally stronger and RWNYC is adding more gaming capacity. A stronger 2HFY26 is thus likely but not enough to offset the weak 1HFY26. We downgrade FY26F and FY27F core EPS (CEPS) by 15% to 9.5 sen and 12% to 13.1 sen, respectively. TP is also cut by 10% to RM2.70 but OUTPERFORM call is maintained.

2QFY26. Excluding non-operating expenses (RM76m) and unrealised FX loss (RM18m), 2QFY26 CNP of RM142m was down 40% YoY but recovered from just RM10m in 1QFY26 due to pre-operating expenses such as recruitment and training at RWNYC. Higher interest from RWNYC upfront USD600m gaming licence continued to bite into 2QFY26 PBT while RW Genting (RWG) and UK saw better QoQ revenue and EBITDA though flattish YoY.

1HFY26. YoY, 1HFY26 CNP declined 47% to RM152m on flattish RWG (+0.2%) and softer UK (-5%) EBITDA. RWNYC doubled US revenue for 1HFY26 but lifted EBITDA by only 25% YoY due to pre-operating expenses at RWNYC which thus failed to offset the uptick in associated depreciation and interest costs. Net debt rose QoQ, from RM13.7b in 1QFY26 to RM15.2b (135% net gearing). No dividend was declared in 1HFY26, FY26-27 annual DPS is cut from 7 sen to 5 sen.

Stronger overseas earnings ahead. RWNYC opened its casino with 242 live tables and 2,465 electronic games and is set to end FY26 with 400 live tables and 4,000 machines. Eventually, 800 tables and 6,000 machines will be installed come FY29. New gamers, JFK International Airport users and regular NY gamers who visit neighbouring states casinos with live games remain the key targets.

Caps on gaming machine at older, smaller UK casinos has been raised 4x to 80 units since July last year. Coupled with the acquisition of Aspers Stratford Casinos from administrators and re-launched in Jul last tear as Genting Stratford Casino, revenue has grown and should continue so despite disruption to tourism from the Middle East conflict. However, expansion related and restructuring costs have yet to stabilise but once so, earnings are expected to grow as well. A new 3-storey casino-cum-restaurant at London's Picadilly Circus is due to open in FY27, further supporting growth for the UK gaming operation.

Mixed RWG outlook expected. We expect FY26F earnings to be more subdued for RWG due to lower overseas arrivals due to the Middle East conflict, but relatively robust local visitors is still likely especially in 4QFY26 due to longer school holidays in Malaysia as well as Singapore. Extension of Visit Malaysia year into CY27 also helps.

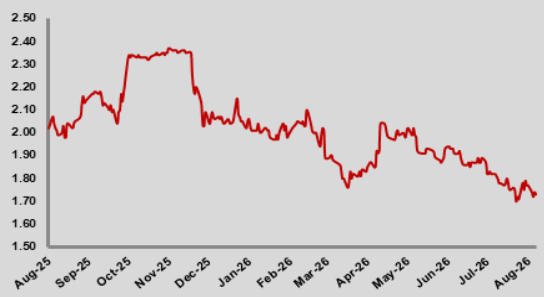
Forecasts. Downgrade FY26 CEPS by 15% from 11.2 sen to 9.5 sen as well as FY27 by 12% from 14.5 sen to 12.8 sen due mainly to slower-than-expected RWNYC ramp up and still high opening costs.

Valuation: TP is cut by 10% from RM3.00 to RM2.70 based on 1.2x PBV, which is within GENM past 10-year PBV range of 1.0-1.2x PBV. There is also no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

OUTPERFORM ↔

Price : RM1.73
Target Price : RM2.70 ↓

Share Price Performance



KLCI	1,736.71
YTD KLCI chg	3.4%
YTD stock price chg	-15.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENM MK Equity
Market Cap (RM m)	9,805.2
Shares Outstanding	5,667.7
52-week range (H)	2.37
52-week range (L)	1.70
3-mth avg daily vol:	1,629,270
Free Float	25%
Beta	0.53

Major Shareholders

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

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	**11,884**	**14,704**	**16,261**
EBIT	1,983	2,077	2,700
PBT	985	978	1,116
Net Profit (NP)	**755**	**459**	**756**
Core Net profit	**575**	**564**	**756**
Consensus (NP)		500	709
Earnings Revision (%)	-	-15%	-12%
Core EPS (sen)	9.7	9.5	12.8
CEPS Growth (%)	-9.0	-2.0	34.2
NDPS (sen)	7.0	5.0	5.0
BV/Share (RM)	2.13	2.16	2.25
NTA/Share (RM)	1.40	1.48	1.61
PER (x)	17.8	18.2	13.5
PBV (x)	0.81	0.80	0.77
Price/NTA (x)	1.24	1.17	1.07
Net Gearing (x)	0.84	0.83	0.82
Net Yield (%)	4.0	2.9	2.9

Maintain **OUTPERFORM** on GENM attractive risk-reward given its (i) stronger hold at RWNYC as the only full-service NYC casino for 3-5 years, (ii) broader London offering, from mass to high-end and lifestyle with soon-to-open Trocadero casino, and (iii) continual upgrades at RWG, from infrastructure to marketing.

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)	2Q26	1Q26	QoQ %	2Q25	YoY %	1HFY26	1HFY25	YoY %
Turnover	3,853.3	2,866.9	+34%	2,918.5	+32%	6,720.2	5,513.7	+22%
EBITDA	**844.0**	**644.7**	**+31%**	**1,029.6**	**-18%**	**1,488.7**	**1,766.8**	**-16%**
Depreciation	(350.0)	(337.9)	+4%	(313.5)	+12%	(688)	(609.3)	+13%
EBIT	**494.0**	**306.8**	**+61%**	**716.1**	**-31%**	**800.8**	**1,157.5**	**-31%**
Interest & other incomes	12.5	13.3	-6%	41.8	-70%	25.8	68.3	-62%
Interest expense	(281.0)	(246.7)	+14%	(196.0)	+43%	(527.7)	(380.2)	+39%
Associates	(5.4)	(2.1)	+157%	(42.2)	-87%	(7.5)	(109.8)	-93%
Exceptional items	(76.3)	(28.2)	+171%	(16.4)	+365%	(104.5)	(48.5)	+115%
Pretax profit	**143.8**	**43.1**	**+234%**	**503.3**	**-71%**	**186.9**	**687.3**	**-73%**
Taxation	(116.8)	(68.3)	+71%	(105.2)	+11%	(185.1)	(237.3)	-22%
Profit after tax	**27.0**	**(25.2)**	**-207%**	**398.1**	**-93%**	**1.8**	**450.0**	**-100%**
Minority interest	20.4	21.4	-5%	18.6	+10%	41.8	39.3	+6%
Net profit	**47.4**	**(3.8)**	**-1347%**	**416.7**	**-89%**	**43.6**	**489.3**	**-91%**
Core net profit (CNP)	123.7	24.4	+407%	433.1	-71%	148.1	537.8	-72%
Unrealised FX	18.1	(14.6)	-224%	(195.8)	-109%	3.5	**(253.5)**	-101%
CNP less unrealised FX	**141.8**	**9.8**	**+1347%**	**237.4**	**-40%**	**151.6**	**284.3**	**-47%**
EPS (sen)	0.8	(0.1)	-1347%	7.4	-89%	0.8	8.6	-91%
Core EPS (sen)	**2.2**	**0.4**	**+407%**	**7.6**	**-71%**	**2.6**	**9.5**	**-72%**
CEPS - unrealised FX (sen)	**2.5**	**0.2**	**+1347%**	**4.2**	**-40%**	**2.7**	**5.0**	**-47%**
DPS (sen)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
NTA/share (RM)	0.91	0.85	+7%	1.36	-33%	0.91	1.36	-33%
EBITDA margin	**22%**	**22%**		**35%**		**22%**	**32%**	**22%**
EBIT margin	13%	11%		21%		12%	35%	13%
Pretax margin	4%	2%		17%		3%	12%	4%
Effective tax rate	81%	158%		21%		99%	35%	81%

Source: Company

Segmental Breakdown

Segmental Breakdown	2Q26	1Q26	QoQ %	2Q25	YoY %	1HFY26	1HFY25	YoY %
LH - Malaysia	1,765.4	1,668.6	+6%	1,781.9	-1%	3,434.0	3,404.0	+1%
UK & Egypt	506.2	460.7	+10%	511.2	-1%	966.9	924.6	+5%
USA & Bahamas	1,533.6	694.4	+121%	576.0	+166%	2,228.0	1,077.3	+107%
Properties	25.5	25.5	-	22.6	+13%	51.0	46.7	+9%
Investment & others	22.6	17.7	+28%	26.8	-16%	40.3	61.1	-34%
Group revenue	**3,853.3**	**2,866.9**	**+34%**	**2,918.5**	**+32%**	**6,720**	**5,514**	**+22%**
Segment result:								
LH - Malaysia	615.0	512.1	+20%	606.3	+1%	1,127.1	1,124.5	+0.2%
UK & Egypt	68.8	50.9	+35%	70.2	-2%	119.7	125.7	-5%
USA & Bahamas	216.6	80.5	+169%	118.4	+83%	297.1	237.4	+25%
Properties	(1.3)	9.0	-114%	4.5	-129%	7.7	11.4	-32%
Investment & others	(55.1)	(7.8)	+606%	230.2	+>100%	(62.9)	267.8	-123%
Group Adjusted EBITDA	**844.0**	**644.7**	**+31%**	**1,029.6**	**-18%**	**1,488.7**	**1,766.8**	**-16%**
Adjusted EBITDA margin:								
LH - Malaysia	35%	31%		34%		33%	33%	
UK & Egypt	14%	11%		14%		12%	14%	
USA & Bahamas	14%	12%		21%		13%	22%	
Properties	-5%	35%		20%		15%	24%	
Investment & others	-244%	-44%		859%		-156%	438%	
Group EBITDA margin	**22%**	**22%**		**35%**		**22%**	**32%**	

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***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my