

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

Target Price: RM5.65

Previously: RM5.65

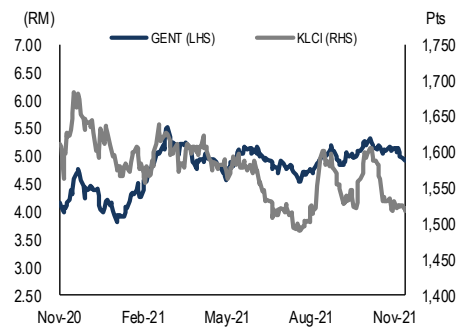
Current Price: RM4.94

Capital upside	14.4%
Dividend yield	2.0%
Expected total return	16.4%

Sector coverage: Gaming

Company description: Genting is a conglomerate chiefly involves in leisure, hospitality, gaming, plantation, power, property, tours, biotechnology activities and O&G.

Share price



Stock information

Bloomberg Ticker	GENTMK
Bursa Code	3182
Issued Shares (m)	3,851
Market cap (RM m)	19,022
3-mth avg. volume ('000)	5,120
SC Shariah-compliant	No
F4GBM Index member	No
ESG rating	★★★

Major shareholders

Kien Huat Realty Sdn Bhd	43%
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Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI - core (RM m)	(319.4)	(582.2)	1455.9
EPS - core (sen)	(8.3)	(15.1)	37.8
P/E (x)	N.M	NM	13.1

Genting

Dragged by Malaysia operations

GenT reported 3Q21 core LATAMI of -RM296.9m which brought 9M21's sum to -RM998.1m. We deem the result above our expectation as we expect GenT to be profitable in the next quarter. We revised our FY21-23 forecasts upwards to -RM582.2m/ RM1.5bn/ RM2.4bn from -RM844.8m/ RM1.4bn/ RM2.1bn after lifting its subsidiaries' projections. Maintain BUY with unchanged TP of RM5.65 based on 50% discount to SOP. With GenM and GenS prospects improving, GenT is finally seeing the light at the end of the tunnel. We like GenT for its deep expertise and experience in managing the gaming and hospitality business and its well spread operations across different regions which help to mitigate regulatory and country risks.

Above ours but below consensus. GenT reported 3Q21 core LATAMI of -RM296.9m (2Q21: -RM382.8m; 3Q20: RM215.7m) which brought 9M21's sum to -RM998.1m (9M20: -RM356.5m). While this missed consensus (-RM59.1m) expectations, the results were above ours (-RM844.8m) as we expect GenT to be profitable in the next quarter. 9M21 core LATAMI sum was arrived after adjusting for +RM241.7m of EIs, largely coming from (i) net impairment losses: +RM373.8m; and (ii) gain on disposal of a subsidiary: -RM64.3m.

Dividends. None. (3Q20: none). 9M21: none. (9M20: 6.5 sen).

QoQ. Revenue increased 19.3% mainly contributed by its UK (+1.2x) and US (+1.6x) leisure and hospitality and power (+8.1%) segments which more than offset the decline in its Malaysia leisure and hospitality segment (-93.2%). It's UK and US operations continue to record improvements due to progressive easing of restrictions in the UK and positive contribution from RWLV in the US (c.66.5% of its US revenue), while its Malaysia operation was heavily impacted as it only had 1 operating day on 30 Sep 2021. Consequently, core LATAMI narrowed to -RM296.9m (from -RM382.8m) in line with the improvement in revenue.

YoY. Revenue increased 6.2% mainly contributed by its UK (+2.1x) and US (+14.6x) leisure and hospitality, power (+37.6%) and plantation (+14.3%) which more than offset the decline in its Malaysia leisure and hospitality segment (-98.6%). Despite the increase in revenue, the group recorded core LATAMI of -RM296.9m (vs. RM215.7m) mainly due to (i) higher depreciation (+34.1%) and net finance costs (+57.1%) following the opening of RWLV; and (ii) losses from JV and associates of -RM83.1m (vs. RM62.8m) due to the share of loss from its China power plant as a result of higher coal costs.

YTD. Revenue increased marginally by 2.1% contributed by its US leisure and hospitality (+3.9x), power (+8.6%), plantation (+16%) partially offset by its Malaysia leisure and hospitality segment (-77.9%). Despite the increase in revenue, the group's core LATAMI widened to -RM998.1m (vs. -RM356.5m) largely due to the reasons mentioned in the YoY paragraph above.

Outlook. We expect a solid recovery in 4Q21 supported by the recovery from its gaming businesses in Malaysia and Singapore. GenM witnessed a strong return of local visitors to RWG since Malaysia lifted its interstate travel ban on 11 Oct, while Singapore is progressively easing its border restrictions for more countries, including Malaysia (from 29 Nov onwards) which will bode well for GenS as it relies heavily on international visitors (historically accounting for c.70-80% of visitations). Its US and UK operations continues to contribute positively towards its financials, while RWLV is enjoying excellent footfall to its casinos since its opening.

Forecast. We revised our FY21-23 forecasts upwards to -RM582.2m/ RM1.4bn/ RM2.1bn from -RM844.8m/ RM1.4bn/ RM2.1bn after lifting its subsidiaries' projections.

Maintain BUY with an unchanged TP of RM5.65 based on 50% discount to SOP. With GenM and GenS prospects improving, GenT is finally seeing the light at the end of the tunnel. We like GenT for its deep expertise and experience in managing the gaming and hospitality business and its well spread operations across different regions which help to mitigate regulatory and country risks. Furthermore, GenT provides an exposure to RWLV which is very well received by visitors since its opening in June this year.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f	Income statement					
FYE Dec	FY19	FY20	FY21f	FY22f	FY23f	FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Cash	30,282.2	25,974.3	19,497.3	20,501.5	23,629.4	Revenue	21616.5	11564.1	12680.2	21745.7	23646.4
Receivables	2,313.8	2,014.3	1,345.1	2,306.8	2,508.4	Operating cost	(14078.0)	(9870.4)	(10580.0)	(14544.7)	(15023.2)
Inventories	668.7	572.2	473.9	651.5	673.0	EBITDA	7538.5	1693.7	2100.1	7200.9	8623.1
Others	68,751.7	71,080.2	76,333.7	77,640.8	77,411.2	D&A	(2631.9)	(2426.1)	(2887.3)	(3118.9)	(3122.5)
Assets	102,016.4	99,641.0	97,650.0	101,100.6	104,222.0	Net Interest	(376.5)	0.0	(554.7)	(684.2)	(664.1)
Payables	5,747.3	4,952.0	4,404.6	6,055.2	6,254.4	JV & Associates	89.3	(89.3)	(15.2)	(4.0)	(4.0)
Debt	32,130.0	35,805.9	35,805.9	35,805.9	35,805.9	Pretax profit	4619.4	(821.7)	(1357.1)	3393.8	4832.4
Others	4,865.1	4,356.7	4,356.7	4,356.7	4,356.7	Taxation	(901.5)	(547.5)	298.6	(746.6)	(1063.1)
Liabilities	42,742.4	45,114.6	44,567.2	46,217.8	46,417.0	Adjusted Minority Interest	(1702.1)	1049.8	476.3	(1191.2)	(1696.2)
Shareholder's equity	35,332.2	32,965.4	31,998.1	32,607.0	33,832.9	Perpetual securities	0.0	0.0	0.0	0.0	0.0
Minority interest	23,941.8	21,561.0	21,084.7	22,275.9	23,972.1	Core Earning	2015.8	(319.4)	(582.2)	1455.9	2073.1
Perpetual bond	-	-	-	-	-	Adjusted Exceptionals	(20.0)	(348.0)	0.0	0.0	0.0
Equity	59,274.0	54,526.4	53,082.8	54,882.8	57,805.0	Reported Earning	1995.8	(667.5)	(582.2)	1455.9	2073.1
						Basic shares (m)	3850.6	3850.6	3850.6	3850.6	3850.6

Cash Flow Statement

FYE Dec	FY19	FY20	FY21f	FY22f	FY23f	Consensus core PATMI						
FYE Dec	FY19	FY20	FY21f	FY22f	FY23f	HLIB/ Consensus						
Profit before taxation	4,619.4	(821.7)	(1,357.1)	3,393.8	4,832.4				-59.1	1468.0	1824.0	
D&A	2,631.9	2,426.1	2,887.3	3,118.9	3,122.5				NM	99%	114%	
Working capital	297.1	(817.4)	593.8	511.3	(23.9)	Valuation ratios	FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Taxation	(1,159.4)	(804.1)	298.6	(746.6)	(1,063.1)	Net DPS (sen)	22.0	22.0	10.0	22.0	22.0	
JV & Associates	(89.3)	89.3	15.2	4.0	4.0	Yield (%)	4.5	4.5	2.0	4.5	4.5	
Others	492.7	988.6	-	-	-	Core EPS (sen)	52.3	(8.3)	(15.1)	37.8	53.8	
CFO	6,792.4	1,060.8	2,437.8	6,281.4	6,872.0	P/E (x)	9.4	NM	NM	13.1	9.2	
Capex	(6,424.9)	(5,201.4)	(8,156.0)	(4,430.0)	(2,897.0)	Market capitalization (m)	19022.0	19022.0	19022.0	19022.0	19022.0	
Others	(420.2)	(323.2)	(373.7)	-	-	Net cash (m)	(1847.8)	(9831.6)	(16308.6)	(15304.4)	(12176.5)	
CFI	(6,845.1)	(5,524.6)	(8,529.7)	(4,430.0)	(2,897.0)	Net gearing (%)	0.03	0.18	0.31	0.28	0.21	
Changes in debt	(1,321.2)	(1,285.8)	-	-	-	BV / share	9.2	8.6	8.3	8.5	8.8	
Shares issued	-	-	-	-	-	P/BV (x)	0.5	0.6	0.6	0.6	0.6	
Dividends	(750.8)	(847.1)	(385.1)	(847.1)	(847.1)	ROA (%)	2.0	(0.3)	(0.6)	1.4	2.0	
Others	1,441.2	2,993.9	-	-	-	ROE (%)	3.4	(0.6)	(1.1)	2.7	3.6	
CFF	(630.8)	861.0	(385.1)	(847.1)	(847.1)	Enterprise value	44811.6	50414.6	56415.2	56602.2	55170.5	
Net cash flow	(683.5)	(3,602.8)	(6,477.0)	1,004.2	3,127.9	EV/ EBITDA (x)	5.9	29.8	26.9	7.9	6.4	
Forex	(22.2)	(705.1)	-	-	-	Margin ratios	FYE Dec	FY19	FY20	FY21f	FY22f	FY23f
Others	-	-	-	-	1.0	EBITDA Margin (%)	34.9	14.6	16.6	33.1	36.5	
Beginning cash	30,987.9	30,282.2	25,974.3	19,497.3	20,501.5	PBT Margin (%)	21.4	(7.1)	(10.7)	15.6	20.4	
Ending cash	30,282.2	25,974.3	19,497.3	20,501.5	23,630.4	PATMI (%)	9.3	(2.8)	(4.6)	6.7	8.8	

Figure #1 Quarterly results comparison

FYE Dec (RMm)	3QFY20	2QFY21	3QFY21	QoQ	YoY	9MFY20	9MFY21	YoY
Revenue	3298.8	2936.7	3502.1	19.3%	6.2%	8516.0	8691.9	2.1%
<u>Leisure & Hospitality</u>	2213.7	1691.8	2288.1	35.2%	3.4%	5515.4	5420.1	-1.7%
- Malaysia	1179.5	236.0	16.0	-93.2%	-98.6%	2483.6	549.2	-77.9%
- Singapore	833.1	856.5	779.1	-9.0%	-6.5%	2137.7	2482.1	16.1%
- UK	131.4	185.3	406.0	119.1%	209.0%	535.8	631.5	17.9%
- US	69.7	414.0	1087.0	162.6%	1459.5%	358.3	1757.3	390.5%
Power	244.7	311.5	336.7	8.1%	37.6%	740.2	803.6	8.6%
Plantation	626.8	762.8	716.5	-6.1%	14.3%	1718.2	1992.3	16.0%
Property	35.0	48.2	35.3	-26.8%	0.9%	101.0	123.8	22.6%
Oil & Gas	70.2	85.1	92.9	9.2%	32.3%	226.7	260.0	14.7%
Investment & Others	108.4	37.3	32.6	-12.6%	-69.9%	214.5	92.1	-57.1%
Adj. EBITDA	1095.3	958.9	908.2	-5.3%	-17.1%	1725.3	2407.4	39.5%
<u>Leisure & Hospitality</u>	801.1	504.1	458.4	-9.1%	-42.8%	910.2	1295	42.3%
- Malaysia	534.8	-102.9	-204.6	98.8%	NM	660.4	-395.9	NM
- Singapore	448.5	475.7	335.1	-29.6%	-25.3%	686.1	1217.7	77.5%
- UK	-102.3	9.7	98.5	915.5%	NM	-194.3	55.7	NM
- US	-79.9	121.6	229.4	88.7%	NM	-242	417.5	NM
Power	101.6	131	137.6	5.0%	35.4%	305.8	300.2	-1.8%
Plantation	132.2	254.2	258.8	1.8%	95.8%	366.5	661.8	80.6%
Property	10.6	29.7	15.8	-46.8%	49.1%	79.2	23.2	-70.7%
Oil & Gas	53.3	61.4	74.5	21.3%	39.8%	137.2	201.9	47.2%
Investment & Others	-3.5	-21.5	-36.9	71.6%	954.3%	-73.6	-74.7	1.5%
EI	-346.4	-180.7	-47.7	-73.6%	-86.2%	-692.6	-241.7	-65.1%
EBITDA	745.5	397.274	918.8	131.3%	23.2%	578	1633.774	182.7%
Dep. & Amort.	-577.8	-638.1	-774.7	21.4%	34.1%	-1841.9	-1990.8	8.1%
EBIT	167.7	-240.826	144.1	NM	-14.1%	-1263.9	-357.026	-71.8%
Interest income	71.3	34.5	40.3	16.8%	-43.5%	323.4	108.1	-66.6%
Finance costs	-241.7	-248.5	-379.6	52.8%	57.1%	-820.7	-862.1	5.0%
JCE & Associates	62.8	-52.2	-83.1	59.2%	NM	-57.1	-161.2	182.3%
PBT	60.1	-507.026	-278.3	-45.1%	NM	-1818.3	-1272.23	-30.0%
Taxation	-481.4	-91.9	-48.2	-47.6%	-90.0%	-411.1	-187.6	-54.4%
Tax rate (%)	801.0%	-18.1%	-17.3%	-4.5%	NM	22.6%	14.7%	-34.8%
PAT	-421.3	-599.0	-326.5	-45.5%	-22.5%	-2229.4	-1459.8	-34.5%
Minority Interest	290.6	35.4	-18.1	NM	NM	1180.3	220.0	-81.4%
PATMI	-130.7	-563.5	-344.6	-38.9%	163.5%	-1049.1	-1239.8	18.2%
Core PATMI	215.7	-382.8	-296.9	-22.5%	NM	-356.5	-998.1	180.0%
Basic EPS (sen)	-3.4	-8.62	-7.62	-11.6%	124.1%	-27.3	-24.9	-8.8%
Diluted EPS (sen)	-3.41	-8.62	-7.62	-11.6%	123.5%	-27.3	-24.9	-8.8%
Core EPS (sen)	5.6	-9.9	-7.7	-22.5%	NM	-9.3	-25.9	180.0%

Company data, HLIB

Figure #2 **Sum-of-Parts Valuations**

	Fair Value (RMm)	Value/share (RM)	Valuation Method
Genting Malaysia	9,194.77	2.39	TP of RM3.28 based on SOP
Genting Singapore	14,872.32	3.86	TP of SG\$0.76 based on EV/EBITDA
Genting Plantations	4,210.14	1.09	TP of RM8.89 based on SOP
Resorts World Las Vegas	1,821.94	0.47	DCF
Landmarks Bhd	48.08	0.01	Market Value
Oil & Gas	2,008.00	0.52	Target P/B of 0.5x
Power	2,585.33	0.67	Target P/B of 0.5x
Management Fees	8,096.48	2.10	DCF
	42,837.05	11.12	
Add: Net cash/(debt)	766.80	0.20	
	43,603.85	11.32	
Holding company discount	(21,889.13)	(5.68)	(50% Holding Company Discount)
Equity Value		5.65	

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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