

Genting

A Solid Recovery At GENS

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We raised GENTING's FY22F/FY23F earnings by 21%/19% following the strong set of GENS' 9MFY22 results where core profit jumped 75% QoQ to SGD241.0m on higher revenue as tourist returned. Singapore registered a 91% QoQ surge in tourist arrivals to 2.04m in 3QCY22 as opposed to pre-border reopening arrivals of only 246k in 1QCY22. We expect another solid quarter in 4QFY22 given the year-end seasonality. For now, we keep our OP call and TP of RM5.86 on GENTING, pending its 3QFY22 results later this month-end.

Upbeat GENS' 3QFY22 numbers... In a quarterly business overview released yesterday, **Genting Singapore Ltd (GENS, Not Rated)** reported 3QFY22 core profit which doubled sequentially to SGD132.3m, with revenue surging 49%, totalling YTD 9MFY22 core profit to SGD241.0m which made up 72% of consensus' FY22 forecast. We deem the result is above expectation given that 4QFY22 is seasonally a strong quarter on year-end holiday season and result usually is stronger than that of 3Q. At the adjusted EBITDA level, 9MFY22 earnings of SGD518.1m accounted for 86%/74% of house/street's FY22 forecasts.

...led by ongoing recovery of regional travelling. 9MFY22 core profit bounced strongly by 75% to SGD241.0m from SGD137.5m last year thanks to a solid earnings recovery in 3QFY22 (with core profit of SGD132.3m making up more than half of the 9MFY22 results). This was backed by 49% QoQ and 107%YoY hikes in 3QFY22 revenue with gaming revenue led by the more affluent and premium customers that stayed slightly longer. Singapore registered a 91% jump in tourist arrivals of 2.04m in 3QCY22 from 1.07m in 2QCY22 a contrast to only 246k during the pre-reopening of international border from 1 April, in 1QCY22.

Raise GENTING's FY22/FY23 earnings forecasts, by 21%/19% to reflect the strong GENS' 3QFY22 earnings.

A better 4QFY22 GENS is expected, given the seasonally year-end festive season as GENS is likely to experience growing volume. In the quarterly business overview note, we sense improved sentiment as the company is confident and excited about growth opportunities in Singapore in which its RWS 2.0 expansion is proceeding expeditiously as planned with the new Festive Hotel scheduled to re-open in 1QFY23, boosting room inventory by 389 keys.

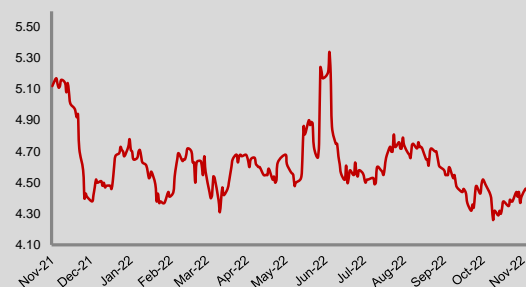
A recovery is on the way; maintain OP on GENTING. We remain optimistic that the two-year lackluster earnings streak at GENS is likely ending with earnings recovery from 2QFY22 as the reopening of international borders from April 1 slowly brings back visitorship. And, this would apply to GENM as well. This should eventually benefit parent-company GENTING as well. For now, pending the release of the group's 3QFY22 results this month-end, we are keeping our OP call and TP of RM5.86 (a 40% discount to SoP valuation to encompass a holding company discount and a risk premium to reflect related party transactions) for GENTING. We do not revise our TP as the valuation for GENS is based on market price which has not changed much in the past three months.

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

OUTPERFORM ↔

Price : RM4.38
Target Price : RM5.86 ↔

Share Price Performance



KLCI 1,449.74
YTD KLCI chg -7.5%
YTD stock price chg -6.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	GENT MK
Market Cap (RM m)	Equity 16,865.5
Shares Outstanding	3,850.6
52-week range (H)	5.34
52-week range (L)	4.26
3-mth avg daily vol:	4,045,267
Free Float	55%
Beta	1.1

Major Shareholders

Kien Huat Realty Sdn Bhd	42.8%
HSBC Nominees Asing Sdn Bhd	5.5%
Vanguard Group	1.7%

Summary Earnings Table

FY Dec (RM m)	2021A	2022F	2023F
Turnover	13530	22718	23742
EBIT	1253	3935	4316
PBT	-971	2201	2715
Net Profit (NP)	-1370	920	1359
Core Net Profit	-582	920	1359
Consensus (NP)		775	1463
Earnings Revision (%)		+21.2	+18.6
EPS (sen)	-15.6	24.6	36.3
EPS growth (%)	N/M	>100	47.7
DPS (sen)	11.0	15.0	15.0
BV/Share (RM)	8.49	8.60	8.82
NTA/Share (RM)	7.15	7.19	7.35
PER (x)	7.2	17.8	12.1
PBV (x)	0.52	0.51	0.50
Price/NTA (x)	0.65	0.61	0.60
Net Gearing (x)	0.44	0.54	0.58
Dividend Yield (%)	2.4	3.4	3.4



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Income Statement

	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Y/E: Dec (SGD m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	519.7	348.6	49%	251.5	107%	1,182.9	806.3	47%
EBITDA	132.3	225.2	-41%	26.0	409%	401.1	302.1	33%
Net profit	135.8	44.1	208%	60.7	124%	220.2	148.9	48%
Core net profit	132.3	65.1	103%	26.0	409%	241.0	137.5	75%
EBITDA margin	25%	65%		10%		34%	37%	
Core net margin	25%	19%		10%		20%	17%	

Source: Company

Segmental Breakdown

Segmental Breakdown	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Q-o-Q
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Segment revenue:								
RWS - gaming	382.0	240.7	59%	194.7	96%	857.2	637.7	34%
RWS - non-gaming	137.3	106.7	29%	56.2	144%	320.3	160.5	100%
Others	0.5	1.2	-60%	0.6	-20%	5.5	8.2	-33%
Group revenue	519.7	348.6	49%	251.5	107%	1,182.9	806.3	47%
Segment result:								
RWS	255.3	149.8	70%	108.0	136%	535.6	393.8	36%
Other	-5.9	-5.9	0%	-5.4	8%	-17.5	-15.2	15%
Group EBITDA	249.4	143.9	73%	102.5	143%	518.1	378.6	37%
EBITDA margin:								
RWS	49%	43%		43%		45%	49%	
Other	N/A	N/A		N/A		N/A	N/A	
Group EBITDA margin	48%	41%		41%		44%	47%	

Source: Company

Valuation

(RM m)	RM m	RM/Share	%	Valuation Basic
GENM (49.3%)	10,190.1	2.72	27.9%	TP: RM3.71
GENP (51.5%)	3,052.5	0.82	8.3%	TP: RM9.50
GENS (52.9%)	16,341.1	4.37	44.7%	Market value
Landmarks (30.3%)	30.6	0.01	0.1%	Market value
RWLV	6,914.9	1.85	18.9%	8.3x CY22 EBITDA
Management Fee	4,575.4	1.22	12.5%	DCF @ 11.4% WACC, g = 1%
Power	2,570.4	0.69	7.0%	12x CY22 PER
Oil & Gas	510.1	0.14	1.4%	12x CY22 PER
Net Cash/(Debt)	-7,104.0	-1.90	-19.4%	Adjusted FY22E
	36,571.1	9.77	100.0%	
Issued shares (m)	3,743.2			
SOP value per share	RM9.77			
40% discount	3.91			
Target price per share	RM5.86			

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GENTING BHD	OP	4.38	5.86	33.79%	16,865.5	N	12/2022	24.6	36.3	256.8%	47.7%	17.8	12.1	0.5	2.9%	15.0	3.4%
GENTING MALAYSIA BHD	OP	2.68	3.64	35.82%	15,182.8	N	12/2022	7.2	16.6	159.5%	129.7%	129.7	16.2	1.2	3.1%	12.0	4.5%
MAGNUM BHD	MP	1.49	1.59	6.71%	2,141.4	N	12/2022	8.3	12.9	66338.9%	54.8%	17.9	11.6	0.9	5.0%	6.7	4.5%
SPORTS TOTO BHD	OP	1.77	2.13	20.34%	2,388.7	N	06/2023	19.7	20.7	64.4%	5.0%	9.0	8.6	2.7	30.8%	15.7	8.9%
Simple Average								14.9	21.6	16704.9%	59.3%	55.1	13.3	0.9	10.5%		5.3%

Source: Kenanga Research

Global Peer Comparison

Name	Last Price	Market Cap	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(USD)	(USD)	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price	
GENTING SINGAPORE LTD	0.58	7014.6	12/2022	51.8%	30.8%	84%	59%	54.8	29.1	18.5	1.3	1.2	2.3%	2.8%	N.R.	N.R.
GALAXY ENTERTAINMENT GROUP L	5.38	23504.1	12/2022	-24.4%	142.7%	-160%	-861%	N.A.	N.A.	22.8	2.8	2.8	2.0%	0.8%	N.R.	N.R.
MELCO RESORTS & ENTERT-ADR	6.05	2692.8	12/2022	-27.7%	119.0%	28%	-77%	N.A.	N.A.	N.A.	N.A.	N.A.	-120.5%	2.1%	N.R.	N.R.
MGM CHINA HOLDINGS LTD	0.55	2072.3	12/2022	-32.0%	118.2%	19%	-85%	N.A.	N.A.	N.A.	N.A.	N.A.	-123.8%	0.0%	N.R.	N.R.
SJM HOLDINGS LTD	0.39	2741.8	12/2022	-21.1%	172.7%	37%	-81%	N.A.	N.A.	N.A.	1.0	1.2	-18.5%	0.0%	N.R.	N.R.
SANDS CHINA LTD	2.14	17324.2	12/2022	-34.9%	171.7%	34%	-131%	N.A.	N.A.	34.0	133.3	N.A.	-74.4%	0.0%	N.R.	N.R.
WYNN MACAU LTD	0.50	2621.6	12/2022	-38.7%	161.9%	22%	-88%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.0%	N.R.	N.R.

Source: Bloomberg, Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★				
	Management/Workforce Diversity	★	★			
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Dependence on Socially Undesirable Businesses	★				
	Digital Transformation	★	★	★		
	Cyber Security	★	★	★	★	
	Customer Data Protection	★	★	★	★	
	Waste Disposal/Pollution Control	★	★	★		
	Resource Efficiency	★	★	★		
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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