

COMPANY RESULTS

Genting Malaysia (GENM MK)

1Q24: Refining Recovery Pathway

GENM delivered a stellar suit of earnings which surpassed pre-pandemic numbers. RWG's outstanding performances were backed by higher visitations and a resilient margin uptick. Meanwhile, overseas operations charted strong growth, particularly RWNYC which reported record-high EBITDA. We remain optimistic on 2024's robust tourism outlook, and opine that GENM offers meaningful capital upside for its bargain valuations and lush yields. Reiterate BUY and target price of RM3.50.

1Q24 RESULTS

Year to 31 Dec (RMm)	4Q23	qoq % chg	yoy % chg	Remarks
Revenue	2764.9	1.6	21.1	Improved qoq on better US operations
Adjusted EBITDA	654.1	(22.5)	10.3	
Leisure – Malaysia	583.6	10.2	33.7	Stronger qoq on lower RWG marketing and operating expenses
Leisure – UK	73.9	(18.1)	74.3	
Leisure – US	153.4	17.5	10.8	Stronger EBITDA on RWNYC and Bimini's improved earnings
Others	(156.8)	(267.3)	542.6	
Core Adjusted EBITDA	820.3	10.7	31.0	
Pretax profit	115.9	(60.6)	180.3	
Net Profit	57.8	(75.9)	(311.3)	
Core net Profit	262.2	35.6	472.0	Deducting exceptional items
Margins (%)		+/- ppt	+/- ppt	
Core adjusted EBITDA	29.7	2.4	2.3	
Core net profit	9.5	2.4	7.5	

Source: GENM, UOB Kay Hian

RESULTS

- 1Q24: Another quarter exceeding our and the streets' expectations.** Genting Malaysia (GENM) reported record-high core adjusted EBITDA of RM820.3m (+31.0% yoy, +10.7% qoq) in 1Q24, trending well above 2019's pre-pandemic's level. 1Q24 EBITDA made up around 27% of our and consensus full-year forecasts.
- Noteworthy results predominantly fuelled by RWG's volume recovery.** Resorts World Genting's (RWG) EBITDA was stronger qoq on lower opex and sustained well above pre-pandemic's level. This was elevated by higher gaming volume, with gross gaming revenue (GGR) recovering to around 95% of 1Q19's. More importantly, we observed a steep qoq EBITDA margin uptick of 4.0ppt qoq as management rationalises opex and marketing expenses, which is positive for mid- to long-term prospects.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	8,603	10,189	10,865	11,152	11,409
EBITDA	1,996	2,564	3,071	3,148	3,314
Operating profit	757	1,323	1,880	2,002	2,210
Net profit (rep./act.)	(640)	368	1,154	1,274	1,465
Net profit (adj.)	174	660	1,154	1,274	1,465
EPS (sen)	2.9	11.1	19.4	21.5	24.7
PE (x)	95.7	25.2	14.4	13.1	11.3
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	11.4	8.9	7.4	7.2	6.9
Dividend yield (%)	5.0	5.0	7.0	7.3	7.7
Net margin (%)	(7.4)	3.6	10.6	11.4	12.8
Net debt/(cash) to equity (%)	72.5	65.6	59.0	51.9	44.2
Interest cover (x)	2.8	3.4	5.2	5.6	6.2
ROE (%)	n.a.	2.9	8.9	9.7	10.8
Consensus net profit	-	-	935	1,129	1,166
UOBKH/Consensus (x)	-	-	1.24	1.13	1.26

Source: Genting Malaysia Bhd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.80
Target Price	RM3.50
Upside	+25.0%

COMPANY DESCRIPTION

Casino, resort and theme park operator

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENM MK
Shares issued (m):	5,667.7
Market cap (RMm):	15,869.7
Market cap (US\$m):	3,373.3
3-mth avg daily t'over (US\$m):	5.6

Price Performance (%)

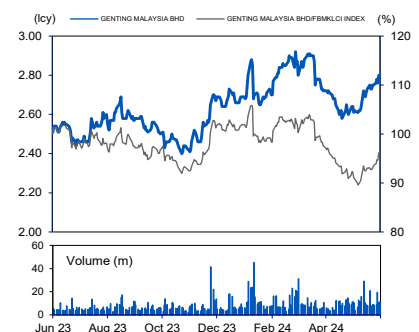
52-week high/low RM2.92/RM2.40

1mth	3mth	6mth	1yr	YTD
6.1	(2.4)	4.9	11.1	4.1

Major Shareholders

	%
Genting Bhd	49.3
AIA Bhd	2.0
Vanguard Group	1.7
FY24 NAV/Share (RM)	2.20
FY24 Net Debt/Share (RM)	1.30

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **RWG’s non-gaming revenue showing strong signs of recovery.** Lifted by higher resilient hilltop visitations (around 96% of 1Q19’s), RWG’s non-gaming revenue is sustaining qoq improvement trends. To note, 1Q24’s hotel occupancy rate further inched up to 99% (4Q23: 98%), with higher Revpar of RM231 (4Q23: RM215). Meanwhile, Genting Skyworlds’ outdoor theme park’s average ticket sales per day increased to 2,200/day vs 2,000/day in 1Q23.
- **US operations: All-time high EBITDA well above pre-pandemic levels.** GENM’s US operations – comprising Resorts World New York City (RWNYC) and Bimini (Bahamas) - delivered a rising EBITDA of RM153.4m (+18% qoq) in tandem with revenue growth (+11% qoq). The higher EBITDA mainly reflects surging gaming revenue from RWNYC, besides increasing business volume in its Bimini operations.
- **UK operations: Better earnings on higher business volume.** EBITDA surged 74% yoy on the back of higher revenue (+26% yoy), reflecting margin expansion (+4.7ppt yoy) on better business volume which largely offset higher payroll costs.
- **Empire registered impressive qoq EBITDA growth.** 89.6%-owned Empire Resorts (Empire) delivered a qoq higher adjusted EBITDA of US\$3m (1Q23: US\$1m) on higher GGR and improvement in business volume. Meanwhile, Resorts World Hudson Valley (RWHV) also contributed marginally towards earnings growth.

**STOCK IMPACT**

- **Prominent prospects ahead as RWG poised to recoup pre-pandemic’s profitability momentum.** RWG is on course to chart sequential EBITDA growth in 2024, stoked by fully-restored operating capacity and improved footfall to its attractions following ramp-up of intra-regional flight capacities. To note, we understand that: a) available hotel rooms in RWG have been restored to about 10,000 rooms, b) EBITDA margin expanded on higher gaming contributions and average spending (2023: 32.2% vs pre-COVID-19’s 26-31%), and c) better non-gaming earnings on accelerating foreign visitations.
- **Tourism Malaysia anticipating international tourist arrivals to surpass 2019’s level...** Tourism Malaysia announced that it is confident of achieving its target of 27.3m foreign tourist arrivals in 2024 on the back of the government’s charter flight matching grant incentive, visa liberalisation programme and increase in tourism promotion activities abroad. RWG will be the obvious direct beneficiary of higher inbound patronage, which historically made up 25-30% of total hilltop visitor arrivals.
- **...with China’s rising outbound tourist adding into the equation.** Within China’s top-three airlines, China Eastern Airlines is leading the recovery with international pax load reaching 89% of pre-pandemic’s level in Mar 24, compared with China Southern Airlines and Air China’s 74-76% recovery. To note, this is a significant uplift from Dec 23’s 64-71%. We also understand that China tourist visitations to RWG recovered to around 50% of 2019’s level, with progressive upside anticipated in coming quarters.

**EARNINGS REVISION/RISK**

- **No change to our earnings forecasts** as we remain conservative and observe if the exceptionally high margins in 1Q24 will continue in subsequent quarters.

**VALUATION/RECOMMENDATION**

- **Maintain BUY and SOTP-based target price of RM3.50**, which implies 9x 2024F EV/EBITDA (-0.5SD below historical mean).

**ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES**

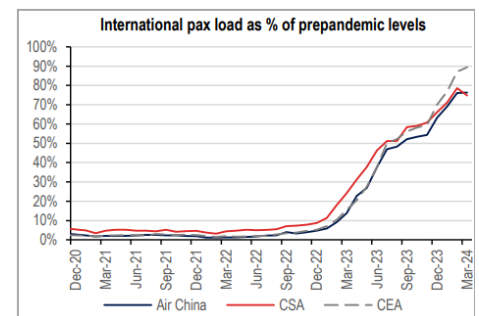
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- 1,180 tonnes of recyclable waste collected globally in 2020, 0.433m metric tonnes of carbon dioxide reduction for carbon footprint.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- Provided jobs for over 14,000 employees globally.</li> <li>- Over RM8m worth of community investments.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).</li> </ul> </li> </ul>
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**GENTING HIGHLANDS 1Q24 HIGHLIGHTS**

- RWG
  - VIP: Mass volume mix at 57:43 vs 4Q23’s 54:46
  - VIP win rate close to theoretical levels
  - 1Q24 total visitors to RWG hilltop about 6.7m (4Q23: 5.8m), 73% are day trippers.
  - China hotel guests was 81,000 in 1Q24 vs 51,000 in 4Q23. Currently at around 50% of pre-pandemic’s level.
  - 1Q24 hotel rooms available daily about 10000, occupancy rate 99%, Revpar RM231 vs 1Q23 occupancy rate 95%; Revpar RM207.
  - Genting SkyWorlds Outdoor theme park average ticket sales about 2200/day (1Q23: c.2000/day)

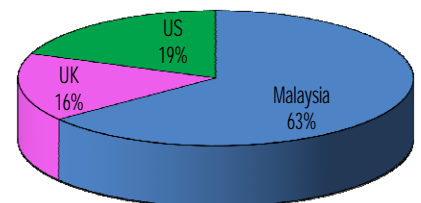
Source: GENM

**CHINA BIG 3 AIRLINES’ INTERNATIONAL PAX CAPACITY RECOVERY**



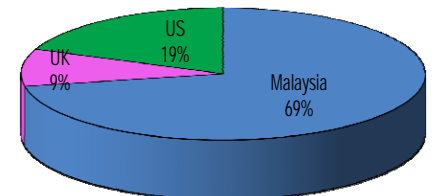
Source: Respective companies, UOB Kay Hian

**REVENUE BY COUNTRY (4Q23)**



Source: GENM, UOB Kay Hian

**EBITDA BY COUNTRY (4Q23)**



Source: GENM, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>10,189</b>	<b>10,865</b>	<b>11,152</b>	<b>11,409</b>
EBITDA	2,564	3,071	3,148	3,314
Deprec. & amort.	1,241	1,192	1,146	1,104
EBIT	1,323	1,880	2,002	2,210
Associate contributions	0	0	0	0
Net interest income/(expense)	(748)	(589)	(564)	(537)
<b>Pre-tax profit</b>	<b>606</b>	<b>1,291</b>	<b>1,438</b>	<b>1,673</b>
Tax	(313)	(242)	(270)	(314)
Minorities	76	106	106	106
<b>Net profit</b>	<b>368</b>	<b>1,154</b>	<b>1,274</b>	<b>1,465</b>
Net profit (adj.)	660	1,154	1,274	1,465

### CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>2,322</b>	<b>2,257</b>	<b>2,369</b>	<b>2,479</b>
Pre-tax profit	606	1,291	1,438	1,673
Tax	(313)	(242)	(270)	(314)
Deprec. & amort.	1,241	1,192	1,146	1,104
Associates	0	0	0	0
Working capital changes	(26)	17	55	16
Other operating cashflows	814	0	0	0
<b>Investing</b>	<b>194</b>	<b>(600)</b>	<b>(600)</b>	<b>(599)</b>
Capex (growth)	(696)	(600)	(600)	(599)
Investments	0	0	0	0
Proceeds from sale of assets	736	0	0	0
Others	154	0	0	0
<b>Financing</b>	<b>(1,776)</b>	<b>(941)</b>	<b>(989)</b>	<b>(1,037)</b>
Dividend payments	(850)	(941)	(989)	(1,037)
Issue of shares	0	0	0	0
Proceeds from borrowings	558	0	0	0
Loan repayment	(810)	0	0	0
Others/interest paid	(674)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>740</b>	<b>716</b>	<b>780</b>	<b>843</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>3,044</b>	<b>3,885</b>	<b>4,601</b>	<b>5,382</b>
Changes due to forex impact	101	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>3,885</b>	<b>4,601</b>	<b>5,382</b>	<b>6,225</b>

### BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>14,497</b>	<b>14,276</b>	<b>13,730</b>	<b>13,225</b>
Other LT assets	8,442	8,442	8,442	8,442
Cash/ST investment	3,885	4,601	5,382	6,225
Other current assets	2,292	2,336	2,359	2,376
<b>Total assets</b>	<b>29,116</b>	<b>29,011</b>	<b>29,267</b>	<b>29,730</b>
ST debt	225	225	225	225
Other current liabilities	2,921	2,982	3,059	3,093
LT debt	12,076	12,076	12,076	12,076
Other LT liabilities	1,882	1,502	1,397	1,398
Shareholders' equity	12,827	13,041	13,326	13,754
Minority interest	(815)	(815)	(815)	(815)
<b>Total liabilities &amp; equity</b>	<b>29,116</b>	<b>29,011</b>	<b>29,267</b>	<b>29,730</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	25.2	28.3	28.2	29.0
Pre-tax margin	5.9	11.9	12.9	14.7
Net margin	3.6	10.6	11.4	12.8
ROA	1.3	4.0	4.4	5.0
ROE	2.9	8.9	9.7	10.8
<b>Growth</b>				
Turnover	18.4	6.6	2.6	2.3
EBITDA	28.4	19.8	2.5	5.3
Pre-tax profit	n.a.	113.1	11.4	16.4
Net profit	n.a.	213.4	10.4	15.0
Net profit (adj.)	279.9	75.0	10.4	15.0
EPS	279.9	75.0	10.4	15.0
<b>Leverage</b>				
Debt to total capital	50.6	50.2	49.6	48.7
Debt to equity	95.9	94.3	92.3	89.4
Net debt/(cash) to equity	65.6	59.0	51.9	44.2
Interest cover (x)	3.4	5.2	5.6	6.2

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