

COMPANY RESULTS

Genting Singapore (GENS SP)

3Q21: Future Brightening Up

GENS' 3Q21 results came in below our expectation as EBITDA fell 30% qoq due to lower revenue generation, however it still outperformed rival MBS (EBITDA -86% qoq). Nevertheless, GENS remains a compelling economic reopening beneficiary as the COVID-19 pandemic eases, and could eventually look to enhance its capital management following the recent scrapping of its Yokohama IR bid. Target price: S\$1.08.

3Q21 RESULTS

Year to 31 Dec (\$m)	3Q21	qoq % chg	yoy % chg	9M21	yoy % chg
Revenue	251.5	(9.2)	(16.4)	806.3	7.6
-Singapore	250.9	(6.9)	(8.0)	798.2	10.7
- Gaming	194.7	(13.9)	(8.6)	637.7	30.9
- Non-gaming	56.2	29.3	(6.2)	160.5	(25.2)
Core adjusted EBITDA	102.5	(30.7)	(31.2)	378.6	65.6
Core Net profit	60.7	13.1	11.5	172.2	409.1

Source: GENS, UOB Kay Hian

RESULTS

- Lacklustre 3Q21 results...** Genting Singapore's (GENS) 3Q21 results revealed that Resort World Sentosa's (RWS) gaming revenue decreased significantly (-13.9% qoq) from 2Q21, but still outperformed rival Marina Bay Sands' (MBS) qoq gaming revenue decline of 35%. GENS also reported adjusted EBITDA of S\$102m (-31% yoy; -31% qoq) in 3Q21. 9M21 EBITDA represents only about 69% of our full-year forecasts.
- ...as the nation returns to Phase 2 Circuit Breaker.** GENS' 3Q21 decline in gaming revenue and weaker EBITDA reflected reduced operating capacity (two players per gaming table, alternate slots and electronic table games machines) in the quarter. Nevertheless, steady support by local patronage allowed GENS to deliver a profit despite the absence of international footfall without meaningful border relaxation.

STOCK IMPACT

- A compelling economic reopening beneficiary.** Despite an uninspiring 3Q21, we remain confident that GENS is charting the course for a strong recovery pace in 4Q21. To note, the tourism sector is a main beneficiary to the upcoming economic reopening as the COVID-19 pandemic eases, taking cue from the recoveries in the US and the UK after the mass dispensation of COVID-19 vaccines there. Moving forward, we expect GENS' valuations to partially factor in earnings recovery and business normalisation in 2022.

KEY FINANCIALS

Year to 31 Dec (\$m)	2019	2020	2021F	2022F	2023F
Net turnover	2,480	1,064	1,131	2,352	2,774
EBITDA	1,190	427	600	1,085	1,245
Operating profit	800	125	264	711	834
Net profit (rep./act.)	696	69	218	582	683
Net profit (adj.)	705	123	218	582	683
EPS (S\$ cent)	5.8	1.0	1.8	4.8	5.7
PE (x)	13.9	79.7	45.1	16.9	14.4
P/B (x)	1.2	1.3	1.2	1.2	1.2
EV/EBITDA (x)	5.8	16.1	11.5	6.3	5.5
Dividend yield (%)	4.3	1.2	1.8	4.3	4.3
Net margin (%)	28.1	6.5	19.3	24.7	24.6
Net debt/(cash) to equity (%)	(45.8)	(47.6)	(37.6)	(33.1)	(28.8)
ROE (%)	8.8	0.9	2.8	7.3	8.4
Consensus net profit	-	-	255	453	568
UOBKH/Consensus (x)	-	-	0.86	1.29	1.20

Source: Genting Singapore PLC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.82
Target Price	S\$1.08
Upside	+32.5%

COMPANY DESCRIPTION

Genting Singapore is a Singapore-based regional leisure, hospitality and integrated resorts development specialist.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENS SP
Shares issued (m):	12,064.8
Market cap (S\$m):	9,832.8
Market cap (US\$m):	7,306.3
3-mth avg daily t'over (US\$m):	16.1

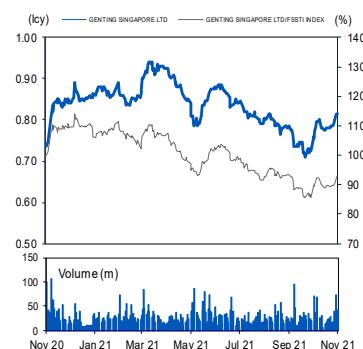
Price Performance (%)

52-week high/low	S\$0.940/S\$0.710			
1mth	3mth	6mth	1yr	YTD
12.4	3.2	(4.1)	18.1	(4.1)

Major Shareholders

Genting Bhd	52.7%
FY21 NAV/Share (S\$)	0.65
FY21 Net Cash/Share (S\$)	0.25

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• Stellar vaccination rate pushing Singapore towards restoration of normalcy...

According to the latest government data, >86% of Singapore's population has received their first dose of COVID-19 vaccines, while more than 85% have been fully vaccinated. The impressive progress of the nation's vaccination programme has also allowed authorities to lift some COVID-19 curbs (refer to the table on the right) and ease restrictions on the entry of foreign workers. With the stellar vaccination rate, authorities have made it clear they intend to restore a semblance of normalcy even without eradicating the virus.

- **...and meaningful relaxation of borders in 4Q21.** In a plan laid out by officials, Singapore is eyeing the resumption of some international travel arrangements and promised easier travel for the fully vaccinated tourists in the near term upon achieving herd immunity. To note, Singapore piloted quarantine-free travel lanes for vaccinated passengers from 12 countries currently and will be commencing vaccinated travel lanes (VTL) with Malaysia from 29 Nov onwards. The nation is also eyeing similar VTLs with Sweden, Finland and South Korea in November. More potential borders relaxation and travel arrangement initiations are sparking jubilation for GENS on the expected recovery of international patronage.

- **\$4.5b expansion plan slightly delayed.** In 1H21, GENS acquired a leasehold land for the RWS 2.0 expansion amounting to S\$880m. The revisions on the RWS 2.0 expansion are ongoing but with slight delays due to labour shortage in the construction sector, affected by the COVID-19 pandemic. Nevertheless, the group hopes to recommence construction once the pandemic eases. To recall, RWS had committed to the Singapore government to spend S\$4.5b over five years to elevate the resort's vibrancy.

- **Sayonara Yokohama.** With hardline anti-IR campaigner Takeharu Yamanaka winning the Yokohama's mayoral election earlier in August, GENS' pursuit of its Yokohama IR licence to build a casino resort in the city's waterfront Yamashita Pier District is officially scrapped. We reckon that GENS may finally decide to drop its decade-long pursuit of clinching a pricey Japan IR concession, which we would deem as a positive given the concession's high capex commitment and stringent regulatory framework, and the dwindling pool of China VIP players in the regional scene. A potential major positive would be GENS significantly improving its capital management as it had made a capex commitment of up to US\$10b for this project.

EARNINGS REVISION/RISK

- We cut our 2021 net profit forecast by 13% to S\$218m, incorporating the resurgence of COVID-19 cases in Singapore and stricter SOPs which largely reduced operational capacity and delayed the earnings recovery.

VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of S\$1.08**, which implies 10x 2022F EV/EBITDA (mean). Our valuation also assumes GENS' Japan IR bid would not materialise. We continue to expect the market to look beyond the waning COVID-19 setbacks and towards eventual earnings recovery, with the recent revelation of Pfizer's effective experimental antiviral pill further boosting expectations that the world would soon treat COVID-19 as an endemic and borders would be reopened.
- **Dividend yield expected to normalise to 4.3% in 2022**, assuming revenue and cash flows recover back to pre-pandemic levels. Meanwhile, we expect GENS to deliver better dividends in 4Q21. Theoretically, our projected 2021 after tax EBITDA is sufficient to fund a final DPS of 2.0 S cents (2.4% 2021F yield). We project 2021's net cash to be S\$3.2b, or 32% of the current market cap.

KEY ASSUMPTIONS

Year	FY19	FY20	FY21F
Revenue (S\$m)	2,480	1,064	1,131
EBITDA (S\$m)	1,190	427	599
Hotel Occupancy (%)	91%	30%	40%

Source: UOB Kay Hian

EARNINGS TREND OF GENS AND MBS

(\$m)	----- Genting Singapore (GENS) -----		
	1Q21	2Q21	3Q21
Revenue	277.9	276.9	251.5
EBITDA	128.1	158.0	102.5
Gaming Revenue	216.9	226.1	60.7
(\$m)	----- Marina Bay Sands (MBS) -----		
	1Q21	2Q21	3Q21
Revenue	403.7	327.0	249.0
EBITDA	191.9	149.3	20.3
Gaming Revenue	403.7	297.2	192.1

Source: UOB Kay Hian

LIST OF COUNTRIES' VTL WITH SINGAPORE

Country	Commencement
Brunei, Germany, Canada, Denmark, France, Italy	9 Sept 21
Netherlands, United States, United Kingdom, Spain	19 Oct 21
Republic of Korea	15 Nov 21
Malaysia, Sweden, Finland	29 Nov 21

Source: Media reports

SINGAPORE'S COVID-19 RESTRICTIONS (STABILISATION PHASE)

- Fully vaccinated people from the same household can dine out together in groups of up to five
- Size of public gatherings capped at two
- Hospital and residential care home visits will be suspended until Nov 21
- Work from home became the new default
- Fully vaccinated travelers under VTLs are allowed to travel to Singapore quarantine-free

Source: Media reports, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Net turnover	1,064	1,131	2,352	2,774
EBITDA	427	600	1,085	1,245
Deprec. & amort.	302	336	375	411
EBIT	125	264	711	834
Associate contributions	0	0	0	0
Net interest income/(expense)	41	0	0	0
Pre-tax profit	113	267	714	838
Tax	(44)	(50)	(132)	(155)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	69	218	582	683
Net profit (adj.)	123	218	582	683

CASH FLOW

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Operating	247	411	1,116	1,154
Pre-tax profit	113	267	714	838
Tax	(143)	(50)	(132)	(155)
Deprec. & amort.	276	336	375	411
Associates	0	0	0	0
Working capital changes	(60)	(143)	159	57
Other operating cashflows	61	0	0	0
Investing	(91)	(1,000)	(1,000)	(1,000)
Capex (growth)	(88)	(1,000)	(1,000)	(1,000)
Investments	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	(4)	0	0	0
Financing	(310)	(181)	(423)	(423)
Dividend payments	(302)	(181)	(423)	(423)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(5)	0	0	0
Others/interest paid	(3)	0	0	0
Net cash inflow (outflow)	(154)	(771)	(307)	(270)
Beginning cash & cash equivalent	3,948	3,999	3,229	2,922
Changes due to forex impact	(4)	0	0	0
Ending cash & cash equivalent	3,994	3,229	2,922	2,652

BALANCE SHEET

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Fixed assets	4,453	5,393	6,019	6,608
Other LT assets	240	240	240	240
Cash/ST investment	3,994	3,229	2,922	2,652
Other current assets	100	84	180	214
Total assets	8,788	8,946	9,361	9,714
ST debt	4	4	4	4
Other current liabilities	459	300	554	645
LT debt	263	263	263	263
Other LT liabilities	226	226	226	226
Shareholders' equity	7,836	7,872	8,031	8,290
Minority interest	0	0	0	0
Total liabilities & equity	8,788	8,946	9,361	9,714

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	40.1	53.0	46.1	44.9
Pre-tax margin	10.6	23.6	30.4	30.2
Net margin	6.5	19.3	24.7	24.6
ROA	0.8	2.5	6.4	7.2
ROE	0.9	2.8	7.3	8.4
Growth				
Turnover	(57.1)	6.3	108.0	17.9
EBITDA	(64.1)	40.4	81.0	14.7
Pre-tax profit	(86.8)	137.2	167.2	17.4
Net profit	(90.1)	215.9	167.2	17.4
Net profit (adj.)	(82.5)	76.6	167.2	17.4
EPS	(82.5)	76.6	167.2	17.4
Leverage				
Debt to total capital	3.3	3.3	3.2	3.1
Debt to equity	3.4	3.4	3.3	3.2
Net debt/(cash) to equity	(47.6)	(37.6)	(33.1)	(28.8)

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