

COMPANY RESULTS

Genting Malaysia (GENM MK)

1Q22: Plenty Of Excitement In 2H22

1Q22 results are largely in line. GENM continues to chart commendable earnings recovery in all its key gaming jurisdictions. We expect sequentially stronger earnings from 2Q22 onwards with the reopening of borders in the region, capacity reinstatement amid removal of pandemic-related constraints, and pent-up domestic demand. Other re-rating catalysts include lush dividend yields and securing a New York downstate gaming concession. Maintain BUY and target price of RM4.00.

1Q22 RESULTS

Year to 31 Dec (RMm)	1Q22	qoq % chg	yoy % chg	Remarks (yoy analysis)
Revenue	1721.3	(8.9)	176.1	Higher yoy as RWG and UK operations temporarily closed in 1Q21; and stronger US operations
Adjusted EBITDA	414.4	(43.9)	475.4	
Leisure – Malaysia	262.9	(26.6)	414.5	Declined qoq on lower VIP win rate and higher Genting SkyWorlds' payroll cost
Leisure – UK	84.7	(52.6)	263.8	Declined qoq due to recognition of RM109.4m recovery of value added taxes in 4Q21
Leisure – US	78.0	(33.2)	13.7	Declined qoq due to exceptional capital award of RM44.6m in 4Q21 for RWNVC's expansion project
Others	(11.2)	(113.3)	74.4	
Core Adjusted EBITDA	393.7	(14.3)	410.0	
Pretax profit	(116.1)	(171.6)	79.3	Reflecting higher average outstanding borrowings as well as one-off finance costs (MTN premium) of about RM50m
Net Profit	(126.6)	(172.7)	73.8	
Core net Profit	(124.6)	(548.6)	69.6	
Margins (%)		+/- ppt	+/- ppt	
Core adjusted EBITDA	22.9	(5.9)	212.3	
Core net profit	(7.2)	(592.4)	89.0	

Source: Genting Malaysia Bhd, UOB Kay Hian

RESULTS

- Within expectations.** Genting Malaysia (GENM) reported core adjusted EBITDA of RM393.7m (+410% yoy, -14% qoq) and revenue of RM1.72b (+176% yoy, -9% qoq) in 1Q22, with core EBITDA making up 19% and 17% of our and consensus' estimates. The yoy recovery mainly reflects sustained recoveries at Resorts World Genting's (RWG) and UK operations from 1Q21's temporary closure. Revenue declined qoq mainly due to seasonality (4Q has been the strongest quarter historically). GENM's EBITDA margin was lower qoq, reflecting a below-theoretical win percentage at RWG and higher payroll cost from its UK operations.
- Associate Empire turned EBITDA positive.** 49%-owned Empire Resorts (Empire) delivered an EBITDA of US\$3.3m in 1Q22 (1Q21: -US\$0.9m) as we gather that Resorts World Catskill's gross gaming revenue (GGR) has recovered to pre-pandemic level

KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	4,529	4,157	9,430	11,051	11,708
EBITDA	350	727	2,047	2,791	2,842
Operating profit	(768)	(379)	1,029	1,798	1,873
Net profit (rep./act.)	(2,264)	(947)	698	1,412	1,500
Net profit (adj.)	(1,420)	(660)	698	1,412	1,500
EPS (sen)	(23.9)	(11.1)	11.8	23.8	25.3
PE (x)	n.m.	n.m.	25.3	12.5	11.8
P/B (x)	1.2	1.3	1.3	1.2	1.2
EV/EBITDA (x)	70.1	33.8	12.0	8.8	8.6
Dividend yield (%)	4.9	2.9	4.9	6.5	6.5
Net margin (%)	(50.0)	(22.8)	7.4	12.8	12.8
Net debt/(cash) to equity (%)	46.8	61.4	59.5	50.7	42.1
Interest cover (x)	0.7	1.3	6.9	14.8	18.4
ROE (%)	n.a.	n.a.	5.1	10.1	10.3
Consensus net profit	-	-	787	1,279	1,460
UOBKH/Consensus (x)	-	-	0.89	1.10	1.03

Source: Genting Malaysia, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	RM2.98
Target Price	RM4.00
Upside	+34.2%

COMPANY DESCRIPTION

Casino, resort and theme park operator

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENM MK
Shares issued (m):	5,665.2
Market cap (RMm):	16,882.3
Market cap (US\$m):	3,839.5
3-mth avg daily t'over (US\$m):	6.0

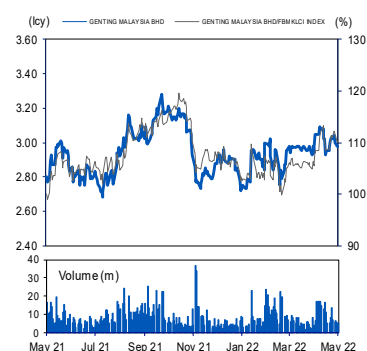
Price Performance (%)

52-week high/low		RM3.18/RM2.60		
1mth	3mth	6mth	1yr	YTD
0.0	2.5	4.9	11.8	6.7

Major Shareholders

Genting Bhd	49.3%
FY22 NAV/Share (RM)	2.32
FY22 Net Debt/Share (RM)	1.38

PRICE CHART



Source: Bloomberg

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- **US operations: EBITDA exceeds pre-pandemic levels.** GENM's US subsidiary operations – comprising Resorts World New York City (RWNYC) and Bimini (Bahamas) – delivered a 2% qoq revenue growth and flattish normalised EBITDA margin of 22% (+1ppt qoq) due to higher promotional and payroll costs, as well as an exceptional capital award of RM44.6m-equivalent for RWNYC's expansion in 4Q21. Stripping out the capital award, the US operations recorded a commendable EBITDA growth of 8% qoq.
- **UK operations: Impressive recovery.** Revenue of its UK operation spiked 883% yoy from 1Q21's low base (operations were fully closed due to lockdowns). Stripping out a one-off recognition of RM109.4m in relation to the recovery of value added taxes in 4Q21, the UK operations reported a remarkable EBITDA of RM84.7m (+22% qoq; +264% yoy) and surpassed pre-pandemic levels with stellar margin (5-11ppt higher).

STOCK IMPACT

- **RWG: Prominent GGR recovery in sight.** Following the borders reopening on 1 April, anecdotes point to a meaningful influx of international visitorship to Malaysia and Resorts World Genting (RWG). We estimate that RWG's GGR will return to 70-75% of 2019's level, led by the mass and premium mass GGR soaring to 75-80% of 2019's level. RWG's revenue is boosted by the pent-up demand from local patronage (historically accounting for >70% of RWG's visitorship) and the recently-launched Genting Skyworlds. However, we expect a more subdued (<70% of GGR) VIP segment. We note that RWG is still operating only about 50% of its pre-pandemic hotel rooms due to labour shortage.
- **Removal of pandemic-related constraints and capacity reinstatement a huge positive.** The government eased more COVID-19 curbs in early-May, including lifting restrictions for unvaccinated citizens and scrapping the needs for MySejahtera scanning or wearing mask outdoors. RWG has been allowed to operate with full gaming capacity (from three players per gaming table, alternate slots and electronic table games machines) without headcount limitations in its premises. This will largely boost RWG's GGR from 2Q22 onwards.
- **Promising outlook for its US operations, strong contender for a New York City concession.** Following Resorts World Catskill's GGR recovery to pre-pandemic levels, associate Empire Resorts is expected to deliver healthy EBITDA growth in 2022, driven by the recently-secured online sports betting licence and opening of Resorts World Hudson Valley. More importantly, management does not envision Empire requiring any more capital injection. Meanwhile, Resorts World New York City (RWNYC), by far GENM's largest earnings contributor in US, will fully benefit from the opening of Hyatt Regency JFK (in Aug 21) and is a strong contender for a full-fledged gaming licence in downstate New York (bidding process expected in 2H22).
- **GENM's underappreciated yield appeals.** We expect GENM to swiftly restore its pre-pandemic dividend practice. We expect dividend yield to rise close to 7% in 2023 when EBITDA recovers to pre-pandemic levels.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **Maintain BUY with target price of RM4.00**, which implies 11x 2022F EV/EBITDA (historical mean). Key catalysts include sharp GGR growth, restoration of dividend practice by end-22 and RWNYC bidding for a full-fledged casino licence in 2H22.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental	
-	1,180 tonnes of recyclable waste collected globally in 2020, 0.433 million metric tonnes of carbon dioxide reduction for carbon footprint
• Social	
-	Provided jobs for over 14,000 employees globally
-	Over RM8 million worth of community investments
• Governance	
-	Comprehended and applied Malaysian Code on Corporate Governance (MCCG)

GENTING HIGHLANDS 1Q22 HIGHLIGHTS

- **RWG**
 - GGR volume back to about 50% of 2019 levels
 - VIP:Mass GGR mix about 55:45
 - RWG's EBITDA margin of 29% reflects gaming segment's lower VIP luck factor, normalized EBITDA about 34%
 - 1Q22 total visitors to RWG about 4.3m; 80% were day trippers
 - 1Q22 hotel rooms available daily about 5000, occupancy rate 88% (4Q21:2500 rooms, 90% occupancy)
 - Outdoor theme park launched officially in 8th Feb 2022

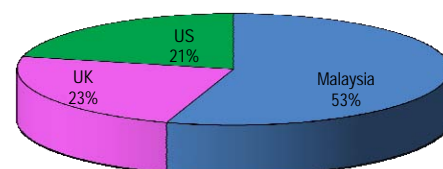
Source: GENM

GGR, MIX AND GROWTH OUTLOOK

Country	2022F	2023F
Malaysia		
GGR(USD)	1.1b	1.4b
GGR Growth Forecast (%)	100-110	30-40
VIP: Mass Revenue Mix (%)	35:65	45:55

Source: UOB Kay Hian

REVENUE BY COUNTRY (1Q22)



Note: Excluding non-leisure and hospitality revenue

Source: GENM, UOB Kay Hian

GENTING'S PREMISES OPERATION STATUS

Resorts World Genting, Malaysia	Reopened in 16 Feb after a one-month closure. Closed from 26 May until further notice.
Resorts World Sentosa, Singapore	Reopened since Jul 20.
Resorts World Birmingham, UK	Closed since Nov 20, reopened on 17 May 21
Resorts World New York City, US	Reopened since Sep 20
Resorts World Catskills, US	Reopened since Sep 20
Resorts World Las Vegas, US	Opened in 24 th June 2021.
Genting SkyWorlds, Malaysia	Opened in Feb 22.

Source: UOB Kay Hian

EBITDA FORECAST

(RMm)	2021	2022F	2023F
Malaysia	16	1,332	2,064
UK	244	359	359
US	415	243	255
Others	53	113	113
Total	727	2,047	2,791

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	4,157	9,430	11,051	11,708
EBITDA	727	2,047	2,791	2,842
Deprec. & amort.	1,106	1,018	993	969
EBIT	(379)	1,029	1,798	1,873
Associate contributions	0	0	0	0
Net interest income/(expense)	(541)	(298)	(188)	(155)
Pre-tax profit	(1,148)	731	1,610	1,718
Tax	97	(137)	(302)	(322)
Minorities	104	104	104	104
Net profit	(947)	698	1,412	1,500
Net profit (adj.)	(660)	698	1,412	1,500

BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	16,008	15,716	15,323	14,954
Other LT assets	8,877	8,877	8,877	8,877
Cash/ST investment	4,641	4,901	5,867	6,861
Other current assets	885	886	1,017	1,079
Total assets	30,389	30,737	31,544	32,336
ST debt	439	439	439	439
Other current liabilities	2,607	2,956	3,292	3,524
LT debt	12,650	12,650	12,650	12,650
Other LT liabilities	1,462	1,462	1,462	1,462
Shareholders' equity	13,763	13,761	14,232	14,792
Minority interest	(531)	(531)	(531)	(531)
Total liabilities & equity	30,389	30,737	31,544	32,336

CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	471	1,560	2,506	2,535
Pre-tax profit	(1,148)	731	1,610	1,718
Tax	97	(137)	(302)	(322)
Deprec. & amort.	1,046	1,018	993	969
Associates	(774)	0	0	0
Working capital changes	(28)	347	205	170
Other operating cashflows	1,279	(400)	0	0
Investing	(601)	(600)	(600)	(600)
Capex (growth)	(865)	(600)	(600)	(600)
Investments	(774)	0	0	0
Proceeds from sale of assets	45	0	0	0
Others	993	0	0	0
Financing	2,279	(700)	(941)	(941)
Dividend payments	(480)	(700)	(941)	(941)
Issue of shares	0	0	0	0
Proceeds from borrowings	7,075	0	0	0
Loan repayment	(3,648)	0	0	0
Others/interest paid	(669)	0	0	0
Net cash inflow (outflow)	2,149	260	965	994
Beginning cash & cash equivalent	2,453	4,641	4,901	5,867
Changes due to forex impact	39	0	0	0
Ending cash & cash equivalent	4,641	4,901	5,867	6,861

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	17.5	21.7	25.3	24.3
Pre-tax margin	(27.6)	7.8	14.6	14.7
Net margin	(22.8)	7.4	12.8	12.8
ROA	n.a.	2.3	4.5	4.7
ROE	n.a.	5.1	10.1	10.3
Growth				
Turnover	(8.2)	126.9	17.2	5.9
EBITDA	107.5	181.6	36.3	1.8
Pre-tax profit	n.a.	n.a.	120.1	6.7
Net profit	n.a.	n.a.	102.2	6.2
Net profit (adj.)	n.a.	n.a.	102.2	6.2
EPS	n.a.	n.a.	102.2	6.2
Leverage				
Debt to total capital	49.7	49.7	48.9	47.9
Debt to equity	95.1	95.1	92.0	88.5
Net debt/(cash) to equity	61.4	59.5	50.7	42.1
Interest cover (x)	1.3	6.9	14.8	18.4

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