

## COMPANY RESULTS

### Genting Malaysia (GENM MK)

2Q22: Best Quarterly Results Since Onset of Pandemic

GENM charted its best quarterly EBITDA since the onset of the pandemic, mainly driven by RWG's strong recovery (achieving 75% of pre-pandemic revenue). We anticipate further recovery in 2H22, premised on RWG's stronger international patronage and room for capacity expansion. Key catalysts for GENM include sharp GGR growth, restoration of its dividend practice by end-22 (implying about 5% yield), and RWNVC bidding for a full-fledged casino licence. Maintain BUY. Target price: RM4.00.

#### 2022 RESULTS

Year to 31 Dec (RMm)	2022	qoq % chg	yoy % chg	1H22	yoy % chg	Remarks
Revenue	2175.6	26.4	166.1	3896.9	170.4	Lifted by RWG's earnings recovery
Adjusted EBITDA	619.5	49.5	1258.6	1033.9	(1695.5)	
Leisure – Malaysia	459.1	74.6	(587.4)	722.0	(506.1)	
Leisure – UK	81.3	(4.0)	468.5	166.0	(543.9)	
Leisure – US	122.9	57.6	12.4	200.9	12.9	Improved non-gaming revenue
Others	(43.8)	291.1	(370.4)	(55.0)	100.0	
Core Adjusted EBITDA	573.6	45.7	1275.5	967.3	(1234.0)	
Pretax profit	50.6	(143.6)	(113.6)	(65.5)	(93.0)	
Net Profit	(10.9)	(91.4)	(96.9)	(137.4)	(83.5)	
Core net Profit	105.9	(185.0)	(130.8)	(18.7)	(97.5)	Deducting exceptional items
Margins (%)		+/- ppt	+/- ppt		+/- ppt	
Core adjusted EBITDA	26.4	15.3	417.0	24.8	30.7	
Core net profit	4.9	(167.3)	(111.6)	(0.5)	51.8	

Source: GENM, UOB Kay Hian

#### RESULTS

- Largely within expectations.** Genting Malaysia (GENM) reported core adjusted EBITDA of RM619.5m (+1,257% yoy, +50% qoq) in 2Q22. The impressive qoq EBITDA recovery mainly reflects better performance from Resorts World Genting (RWG) following the reopening of Malaysia's international borders in April, removal of stringent social distancing, restoration of full operating capacity, and contribution from Genting SkyWorlds. Stripping out exceptional items of RM249.3m (mainly comprising impairment loss of RM66.8m on Resorts World Bimini's assets and deferred tax charges of RM78.5m), GENM recorded RM105.9m net profit. 1H22 EBITDA made up 50% and 41% of our and consensus' forecasts respectively.
- Associate Empire delivered 49% yoy EBITDA growth.** 49%-owned Empire Resorts (Empire) delivered a higher EBITDA of US\$9.1m in 2Q22 (2Q21: US\$6.1m) as we gather that Resorts World Catskill's gross gaming revenue (GGR) has exceeded 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	-	-	647	1,252	1,459
UOBKH/Consensus (x)	-	-	1.08	1.13	1.03

Source: Genting Malaysia Bhd, 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):	3,775.5
3-mth avg daily t'over (US\$m):	3.4

#### Price Performance (%)

52-week high/low RM3.18/RM2.64

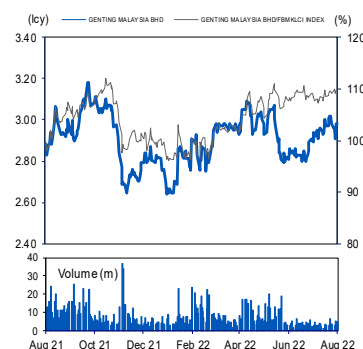
1mth	3mth	6mth	1yr	YTD
2.4	(0.3)	2.5	5.3	6.7

#### 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: Record-high EBITDA exceeding pre-pandemic levels.** GENM's US operations – comprising Resorts World New York City (RWNYC) and Bimini (Bahamas) - delivered an improved EBITDA of RM122.9m (+58% qoq) on the back of impressive revenue (+17% qoq). The resilient earnings growth was mainly due to higher non-gaming revenue following RWNYC's opening of Hyatt Regency JFK Airport and an improved performance from Hilton Miami Downtown. Meanwhile, Resorts World Bimini can potentially see a breakeven of its LBITDA (US\$4.4m in 2Q22) from July onwards, as they are now allowed to collect port charges following the lifting of strict restrictions by the immigration department.
- **UK operations: Another decent quarter with compelling recovery.** Revenue of its UK operations spiked 106% yoy from 2Q21's low base (operations was halted for 1.5 months due to the lockdown). On a qoq basis, earnings remain well above pre-pandemic levels, but revenue and EBITDA declined slightly by 4% on lower gaming revenue and higher payroll costs.
- **Restoration of 6 sen interim dividends; underappreciated yield appeals.** As anticipated, GENM declared an interim DPS of 6 sen for 2Q22 (2Q21: none), implying a yield of 2.0%. We expect dividend yield to be around 4.9% for 2022, which could rise close to 6.5% in 2023 when EBITDA recovers to pre-pandemic levels.

### STOCK IMPACT

- **Prominent GGR recovery following Malaysia's revitalised tourism market.** Note that Malaysia's tourist arrivals exceeded 3.9m in 1H22. Despite the number of inbound travellers in 1H22 remaining a fraction (c.15%) of pre-pandemic figures, we understand that July's tourist arrivals have recovered to c.35% of pre-pandemic levels. We expect GENM' 2H22 GGR to significantly recover to 80-85% of 2019's level in tandem with the influx of international visitors. Locally, RWG's revenue will continue to be supported by resilient pent-up demand from local patronage (historically accounting for >70% of RWG's visitorship).
- **RWG's capacity increase to further drive 2H22's earnings recovery.** We anticipate better revenue growth for RWG in 2H22, premised on better non-gaming revenue from its hotel operations and Genting Skyworlds. Note that RWG's hotel operations achieved 97% occupancy rate on the back of about 6,000 rooms available for sales in 2Q22, and management alluded that this had been further ramped up to 7,600 rooms as of end-July to fulfil the strong demand. Meanwhile, Genting SkyWorlds, which is currently operating 15 out of 19 rides, is also on track to launch another three rides in 4Q22, which will further boost its ticket sales (3,300/day on average in 2Q22). The improvement in non-gaming revenue will also potentially create a spillover effect on RWG's gaming revenue.
- **Highly promising outlook for its US operations; RWNYC a frontrunner to secure a full-fledged casino transition.** 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. 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).

### EARNINGS REVISION/RISK

- **None.**

### VALUATION/RECOMMENDATION

- **Maintain BUY with target price of RM4.00**, which implies 11x 2022F EV/EBITDA (historical mean).

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

<b>• Environmental</b>	
-	1,180 tonnes of recyclable waste collected globally in 2020, 0.433 million metric tonnes of carbon dioxide reduction for carbon footprint
<b>• Social</b>	
-	Provided jobs for over 14,000 employees globally
-	Over RM8m worth of community investments
<b>• Governance</b>	
-	Comprehended and applied Malaysian Code on Corporate Governance (MCCG)

### GENTING HIGHLANDS 2022 HIGHLIGHTS

- **RWG**
  - a) GGR volume back to about 70-75% of 2019 levels
  - b) VIP:Mass GGR mix about 53:47
  - c) RWG's EBITDA margin of 35% reflects gaming segment's normalised luck factor
  - d) 2Q22 total visitors to RWG about 5.4m; 81% were day trippers
  - e) 2Q22 hotel rooms available daily about 6000, occupancy rate 97% (1Q22:5000 rooms, 88% occupancy), Revpar RM215.
  - f) Genting SkyWorlds Outdoor theme park launched officially in 8<sup>th</sup> Feb 2022, average ticket sales about 3300/day.

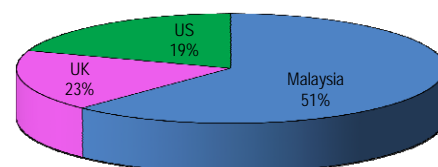
Source: GENM

### 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 (2022)



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 <sup>th</sup> 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	400	410
Others	53	113	113
<b>Total</b>	<b>727</b>	<b>2,047</b>	<b>2,791</b>

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
<b>Total assets</b>	<b>30,389</b>	<b>30,737</b>	<b>31,544</b>	<b>32,336</b>
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)
<b>Total liabilities &amp; equity</b>	<b>30,389</b>	<b>30,737</b>	<b>31,544</b>	<b>32,336</b>

## 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
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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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