

COMPANY RESULTS

Genting Singapore (GENS SP)

3Q22: Recovery Largely On Track; Visible Capital Upside

GENS' 3Q22 results were within expectations and recorded the best quarterly revenue (87% of pre-pandemic levels) since the pandemic broke out. The resilient performance was attributed to a strong luck factor, steep recovery of demand and tourist arrivals, as well as better operating capacity. We remain optimistic on GENS' sharp earnings recovery which will allow capital gains and restoration of lush dividend yields following better capital management efforts. Maintain BUY. Target price: S\$1.08.

3Q22 RESULTS

Year to 31 Dec (\$m)	3Q22	qoq % chg	yoy % chg	9M22	yoy % chg
Revenue	519.7	49.1	106.6	1,182.9	46.7
-Singapore	519.3	52.2	106.9	1,171.3	46.7
- Gaming	382.0	58.7	96.2	857.2	34.4
- Non-gaming	137.3	36.5	144.3	314.1	95.7
Core adjusted EBITDA	249.4	73.3	143.2	518.1	36.8
Core Net profit	132.3	103.2	414.8	241.0	75.6

Source: GENS, UOB Kay Hian

RESULTS

- 3Q22: Remarkable earnings recovery.** Genting Singapore's (GENS) 3Q22 results revealed that Resort World Sentosa (RWS) charted strong revenue (+49% qoq, +107% yoy) and EBITDA (+73% qoq; +143% yoy) recoveries. Despite 3Q22's adjusted EBITDA of S\$249m predictably still underperformed rival Marina Bay Sands (MBS) due to lower GGR market share (GENS 36% vs MBS 64%), RWS recorded the best quarter since COVID-19 with revenue and net profit recovering to about 87% and 85% of 3Q19's. 9M22 EBITDA represented 67% and 72% of our and consensus full-year forecasts, which we deem largely in line as we anticipate a sequentially stronger 4Q22 performance.
- Stellar operating performances lifted by better luck factor and capacity restoration.** Gaming revenue in 3Q22 recovered strongly by 59% qoq and represented 106% of pre-pandemic level, mainly due to an exceptionally strong VIP win percentage (4.8%) and better operating capacity following the gradual resolve of earlier labour shortage issues. We estimate luck-adjusted EBITDA for 3Q22 to be about S\$170m-180m. Meanwhile, non-gaming revenue also recovered 37% qoq to about 59% of pre-pandemic levels, reflecting Singapore's overall pent-up tourism demand in 3Q22 which lifted hotel occupancy and average room rates. We expect the recovery trend to sustain in upcoming quarters and expect the reopening of Festive Hotel (389 rooms) in 1Q23 to further elevate GENS' earnings.

KEY FINANCIALS

Year to 31 Dec (\$m)	2020	2021	2022F	2023F	2024F
Net turnover	1,064	1,067	1,686	2,699	2,835
EBITDA	427	448	773	1,222	1,284
Operating profit	125	176	437	847	872
Net profit (rep./act.)	69	183	359	693	714
Net profit (adj.)	123	150	359	693	714
EPS (S\$ cent)	1.0	1.2	3.0	5.7	5.9
PE (x)	79.7	65.8	27.4	14.2	13.8
P/B (x)	1.3	1.2	1.2	1.2	1.2
EV/EBITDA (x)	16.0	15.2	8.8	5.6	5.3
Dividend yield (%)	1.2	1.2	3.1	4.3	4.9
Net margin (%)	6.5	17.2	21.3	25.7	25.2
Net debt/(cash) to equity (%)	(47.6)	(39.0)	(37.8)	(33.7)	(28.7)
ROE (%)	0.9	2.3	4.5	8.6	8.6
Consensus net profit	-	-	337	536	601
UOBKH/Consensus (x)	-	-	1.07	1.29	1.19

Source: Genting Singapore PLC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.815
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):	12,072.0
Market cap (S\$m):	9,838.7
Market cap (US\$m):	7,010.6
3-mth avg daily t'over (US\$m):	10.5

Price Performance (%)

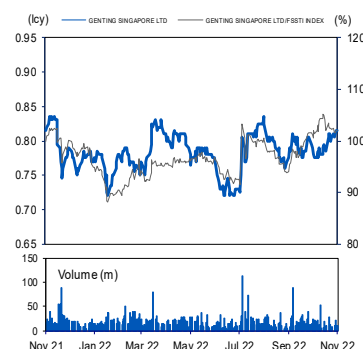
52-week high/low		S\$0.835/S\$0.720		
1mth	3mth	6mth	1yr	YTD
2.5	(1.2)	3.8	0.0	5.2

Major Shareholders

	%
Genting Bhd	52.63
Vanguard Group	1.55
Blackrock Inc	1.3

FY22 NAV/Share (S\$)	0.66
FY22 Net Cash/Share (S\$)	0.25

PRICE CHART



Source: Bloomberg

ANALYST(S)

Vincent Khoo, CFA
+603 2147 1998
vincentkhoo@uobkayhian.com

Jack Goh
+603 2147 1983
jackgoh@uobkayhian.com

STOCK IMPACT

- Noteworthy GGR recovery following Singapore's revitalised tourism market.** To note, Singapore's 9M22 tourist arrivals exceeded 3.7m, and the Singapore Tourism Board (STB) expects visitor arrivals to reach 5m-6m for 2022 which we deem highly achievable. Despite 9M22 tourist arrival numbers remaining a fraction (26%) of pre-pandemic figures, October's tourist arrivals recovered to >53% of pre-pandemic's level. We expect GENS' gaming volume to significantly recover in 4Q22 in tandem with the influx of international visitors. Overall, we expect GENS' GGR to recover to about 70% of 2019's level and fully resurrect its pre-pandemic GGR in 2023 after China's borders reopen.
- Anticipating better capital management particularly in 4Q22.** To note, GENS had fully redeemed its ¥20b (about S\$195m) Japanese Yen-denominated bonds in Japan on 24 October. With GENS finally dropping its decade-long pursuit of clinching a pricey Japan IR concession and with no new compelling projects to consider, management is targeting to enhance capital management and to develop a dividend policy. Theoretically, the scope of the company's capital management can be significant, considering its net cash of S\$ 3.1b (26 S cents/share) and that post-pandemic-peak EBITDA is largely sufficient to fund its S\$4.5b RWS 2.0 expansion.
- S\$4.5b expansion plan expeditiously proceeding.** Recall that RWS is committed to spending S\$4.5b (RWS 2.0) over five years to elevate the resort's vibrancy. For the first phase of RWS 2.0, GENS will be investing S\$400m in capex for the construction of Universal Studios Singapore's Minion Land, the Singapore Oceanarium, as well as refurbishment of its three hotels beginning 2Q22. We understood that construction works on both Minion Land and the Singapore Oceanarium are progressing well, while the complete remake of the Festive Hotel into a boutique style accommodation is targeted to be done in 1Q23, boosting RWS' room inventory by 389 keys.
- Optimistic on China's imminent patronage reinstatement.** We retain our view that China's eventual border reopening remains as a strong re-rating catalyst for GENS to restore its pre-pandemic earnings dynamic. To recap, China visitors historically make up about 20% of Singapore's pre-pandemic tourist arrivals in 2018-19. We forecast that Chinese footfall made up about 20% of RWS' footfall and 20-25% of GENS' top-line revenue. Moving forward, we expect China to ease travel restrictions from 4Q22-1Q23 onwards. China's pent-up demand may allow GENS to potentially deliver above pre-pandemic earnings that could trounce our earnings estimates.

EARNINGS REVISION/RISK

- None.

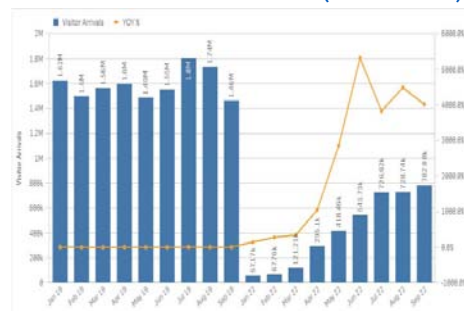
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of S\$1.08**, which implies 8x 2023 EV/EBITDA (-1SD below mean). We expect the stock to re-rate in reaction to Singapore's tourism recovery. With the world eventually fully unwinding COVID-19 curbs, and presumably including China by 4Q22-1Q23, we expect GENS' EBITDA to claw back to the pre-pandemic level of S\$1.2b in 2023 as the worst is likely over.
- Normalisation of lush prospective yields to 4.3-4.9% in 2022-23**, assuming revenue and cash flows recover back to pre-pandemic levels. Meanwhile, we expect GENS to deliver significantly better dividends in 2H22. Theoretically, our projected 2022 after tax EBITDA is sufficient to fund a final DPS of 2.0 S cents (2.4% 2022 yield).
- Theoretically, our target price for GENS would rise to S\$1.22 once our valuation horizon rolls over to 2023**, assuming EBITDA recovers to S\$1.2b and historical mean EV/EBITDA valuation of 10x.

SHARE PRICE CATALYST

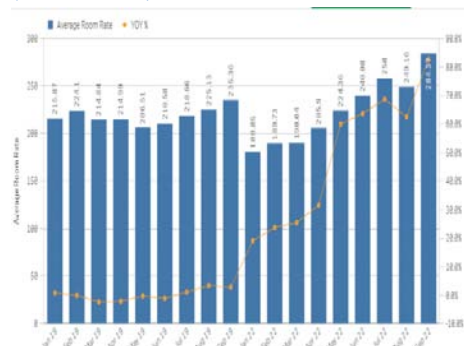
- We believe market should turn more positive towards GENS with the core profitability recovery and appealing dividend yield which promises defensiveness amid current market volatility. Re-rating catalysts for GENS include: a) further core earnings improvement, b) China's reopening of its borders, and c) GENS making good utilisation of its big cash pile for some sizeable acquisition or paying special dividend.

SINGAPORE'S TOURIST ARRIVAL (9M22 VS 9M19)



Source: Singapore Tourism Analytics Network, UOB Kay Hian

SINGAPORE'S HOTEL AVERAGE ROOM RATES (9M22 VS 9M19)



Source: Singapore Tourism Analytics Network, UOB Kay Hian

KEY ASSUMPTIONS

Year	FY21	FY22F	FY23F
Revenue (S\$m)	1,067	1,686	2,679
EBITDA (S\$m)	448	773	1,202
Hotel Occupancy (%)	60%	75%	90%

Source: UOB Kay Hian

EARNINGS TREND OF GENS AND MBS

Genting Singapore (GENS)				
(S\$m)	4Q21	1Q22	2Q22	3Q22
Revenue	261.0	314.5	348.6	519.7
EBITDA	69.4	124.8	143.9	249.4
Gaming Revenue	164.9	234.5	240.7	382.0
Marina Bay Sands (MBS)				
Revenue	499.4	539.6	935.6	1056.8
EBITDA	240.2	163.6	439.6	479.5
Gaming Revenue	321.7	362.4	689.0	712.5

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	1,067	1,686	2,699	2,835
EBITDA	448	773	1,222	1,284
Deprec. & amort.	272	336	375	412
EBIT	176	437	847	872
Associate contributions	2	2	2	2
Net interest income/(expense)	14	2	2	2
Pre-tax profit	226	441	851	877
Tax	(43)	(82)	(158)	(162)
Minorities	0	0	0	0
Preferred dividends	0	0	0	0
Net profit	183	359	693	714
Net profit (adj.)	150	359	693	714

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	378	633	1,186	1,141
Pre-tax profit	226	441	851	877
Tax	(97)	(82)	(158)	(162)
Deprec. & amort.	245	336	375	412
Associates	0	0	0	0
Working capital changes	37	(62)	118	15
Other operating cashflows	(33)	0	0	0
Investing	(921)	(400)	(1,000)	(1,000)
Capex (growth)	(942)	(400)	(1,000)	(1,000)
Investments	0	0	0	0
Proceeds from sale of assets	5	0	0	0
Others	16	0	0	0
Financing	(128)	(302)	(423)	(484)
Dividend payments	(121)	(302)	(423)	(484)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(5)	0	0	0
Others/interest paid	(2)	0	0	0
Net cash inflow (outflow)	(671)	(69)	(237)	(343)
Beginning cash & cash equivalent	3,994	3,326	3,257	3,020
Changes due to forex impact	3	0	0	0
Ending cash & cash equivalent	3,326	3,257	3,020	2,677

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	5,136	5,403	6,027	6,616
Other LT assets	214	214	214	214
Cash/ST investment	3,326	3,257	3,020	2,677
Other current assets	117	142	220	231
Total assets	8,792	9,015	9,481	9,737
ST debt	242	242	242	242
Other current liabilities	432	395	591	617
LT debt	6	6	6	6
Other LT liabilities	217	217	217	217
Shareholders' equity	7,895	7,952	8,222	8,454
Minority interest	0	0	0	0
Total liabilities & equity	8,792	9,015	9,481	9,737

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	42.0	45.9	45.3	45.3
Pre-tax margin	21.2	26.2	31.5	30.9
Net margin	17.2	21.3	25.7	25.2
ROA	2.1	4.0	7.5	7.4
ROE	2.3	4.5	8.6	8.6
Growth				
Turnover	0.3	57.9	60.1	5.0
EBITDA	4.9	72.6	58.0	5.1
Pre-tax profit	100.9	94.9	92.9	3.0
Net profit	166.0	96.0	92.9	3.0
Net profit (adj.)	21.3	140.4	92.9	3.0
EPS	21.3	140.4	92.9	3.0
Leverage				
Debt to total capital	3.0	3.0	2.9	2.8
Debt to equity	3.1	3.1	3.0	2.9
Net debt/(cash) to equity	(39.0)	(37.8)	(33.7)	(28.7)

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W