

## COMPANY RESULTS

### Genting Malaysia (GENM MK)

3Q22: Within Expectations; Slow-paced Recovery

Results were largely in line. While GENM delivered a modest qoq revenue growth (78% of pre-pandemic level), core EBITDA was flattish, presumably due to the upward calibration of operating costs. We foresee a better 4Q22, driven by progressive room capacity expansion and the holiday season. Other key catalysts include RWNYC's bid for a full-fledged casino licence, restoration of its lush dividends and potentially China's border reopening. Maintain BUY. Target price: RM3.50.

#### 3Q22 RESULTS

Year to 31 Dec (RMm)	3Q22	qoq % chg	yoy % chg	9M22	yoy % chg	Remarks
Revenue	2271.4	4.4	174.9	6168.3	172.1	Lifted by RWG's earnings recovery
Adjusted EBITDA	609.8	(1.6)	1035.6	1643.7	(14908.1)	
Leisure – Malaysia	445.0	(3.1)	370.0	1167.0	440.6	
Leisure – UK	73.9	(9.1)	(27.6)	239.9	270.8	Declined on higher opex
Leisure – US	128.2	4.3	6.5	329.1	10.3	Improved non-gaming revenue
Others	(37.3)	(14.8)	832.5	(92.3)	193.0	
Core Adjusted EBITDA	569.4	(0.7)	1555.2	1536.7	3119.1	
Pretax profit	95.7	89.1	(125.2)	30.2	(102.3)	
Net Profit	11.4	(204.8)	(103.9)	(126.0)	(88.8)	
Core net Profit	114.9	8.5	(149.2)	96.2	(109.7)	Deducting exceptional items
Margins (%)		+/- ppt	+/- ppt		+/- ppt	
Core adjusted EBITDA	25.1	(4.9)	502.1	24.9	27.2	
Core net profit	5.1	3.9	(117.9)	1.6	45.1	

Source: GENM, UOB Kay Hian

#### RESULTS

- **Largely within expectations.** Genting Malaysia (GENM) reported core adjusted EBITDA of RM569.4m (+1,553% yoy, -2% qoq) in 3Q22. The flattish qoq EBITDA mainly reflects stable performance from Resorts World Genting (RWG) following the removal of stringent social distancing and contribution from Genting SkyWorlds, which was partially offset by weaker UK operations on higher payroll costs. Stripping out exceptional items of RM143.9m (mainly comprising impairment loss of RM66.8m in the US and UK properties and deferred tax charges of RM79.9m), GENM recorded RM114.9m in net profit. 9M22 EBITDA made up 75% and 66% of our and consensus' forecasts respectively.
- **Associate Empire delivered 73% yoy EBITDA growth.** 49%-owned Empire Resorts (Empire) delivered a higher EBITDA of US\$19m in 3Q22 (3Q21: US\$11.1m) as we gather that Resorts World Catskill's gross gaming revenue (GGR) has exceeded pre-pandemic levels.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	4,529	4,157	8,832	10,327	11,001
EBITDA	350	727	2,297	2,737	3,045
Operating profit	(768)	(379)	1,092	1,575	1,924
Net profit (rep./act.)	(2,264)	(947)	169	1,019	1,325
Net profit (adj.)	(1,420)	(401)	338	1,019	1,325
EPS (sen)	(23.9)	(6.8)	5.7	17.2	22.3
PE (x)	n.m.	n.m.	47.8	15.9	12.2
P/B (x)	1.1	1.2	1.2	1.2	1.2
EV/EBITDA (x)	67.6	32.6	10.3	8.6	7.8
Dividend yield (%)	5.3	3.1	5.3	7.2	7.2
Net margin (%)	(50.0)	(22.8)	1.9	9.9	12.0
Net debt/(cash) to equity (%)	46.8	61.4	66.4	59.9	51.8
Interest cover (x)	0.7	1.3	4.3	6.1	7.2
ROE (%)	n.a.	n.a.	1.3	7.7	9.8
Consensus net profit	-	-	550	1,159	1,454
UOBKH/Consensus (x)	-	-	0.61	0.88	0.91

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	RM2.72
Target Price	RM3.50
Upside	+28.7%
(Previous TP)	RM4.00

#### 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):	15,409.4
Market cap (US\$m):	3,427.7
3-mth avg daily t'over (US\$m):	4.7

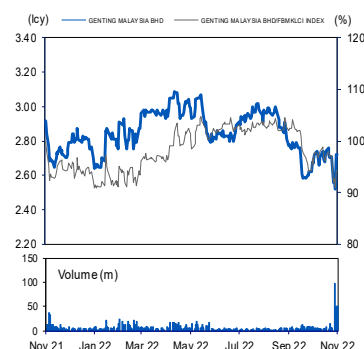
#### Price Performance (%)

52-week high/low	RM3.09/RM2.52
1mth	3.8
3mth	(6.5)
6mth	(9.3)
1yr	(8.0)
YTD	(2.6)

#### Major Shareholders

	%
Genting Bhd	49.3
FY22 NAV/Share (RM)	2.23
FY22 Net Debt/Share (RM)	1.48

#### PRICE CHART



Source: Bloomberg

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• **US operations: Another quarter of 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 RM128.2m (+4% qoq) on the back of marginal revenue growth (+2% qoq). The commendable 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: Hit by higher payroll costs and unfavourable forex.** Revenue of its UK operations declined 3% yoy due to the weakening of GBP exchange rate to RM. Meanwhile, EBITDA plunged 28% yoy due to higher payroll and related costs following the gradual resumption of its operations to full capacity as well as reopening of Crockfords casino in Jul 22.

### STOCK IMPACT

• **Looking forward to China's eventual border reopening.** While Malaysia has seen impressive recovery of international patronage after its borders reopened, we maintain our view that China's loosening of border restrictions remains the missing piece that serves as a strong re-rating catalyst for both the countries' gaming industries. To recap, Chinese visitors made up 11-12% of Malaysia's pre-pandemic tourist arrivals in 2018-19. Moving forward, we expect China to ease travel restrictions from 1Q23 onwards, and its pent-up demand for travel may allow RWG to potentially deliver above pre-pandemic GGR. This will allow GENM, which is a key beneficiary, to incorporate option values for China's border reopening.

• **US portfolio gaining significance; all eyes on New York's downstate concession.** Following Resorts World Catskills' GGR recovering to pre-pandemic levels, associate Empire Resorts is expected to deliver healthy EBITDA growth in 2022, and does not envision requiring any more capital injection. Meanwhile, RWNYC, by far GENM's largest earnings contributor in the 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 (RFP submission expected in 4Q22-1Q23). We reckon that RWNYC could eventually lift GENM's EBITDA by US\$106m should it clinch a downstate casino licence, and could pave the way for a potential US listing for the Genting Group's US assets. Furthermore, Genting Group is also poised to launch Resorts World Hudson Valley (RWHV), a 90,000sf video gaming machine (VGM) facility located at the Newburgh Mall in Orange County in the fall of 2022.

• **Surprise tender for a Macau gaming concession.** While we assign a small winning chance for GENM's surprise bid for a Macau gaming concession, clinching one of the six concessions due for renewal would be uplifting to the stock's valuations.

### EARNINGS REVISION/RISK

• **Reduced our 2023F EBITDA forecasts by 9%,** in part factoring the delays in China's borders reopening due to prolonged COVID-19 lockdowns.

### VALUATION/RECOMMENDATION

• **Maintain BUY with a lower target price of RM3.50,** which implies 11x 2022F EV/EBITDA (historical mean).

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

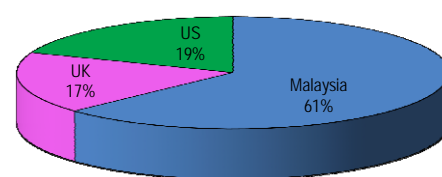
<ul style="list-style-type: none"> <li>• <b>Environmental</b></li> </ul>
- 1,180 tonnes of recyclable waste collected globally in 2020, 0.433m metric tonnes of carbon dioxide reduction for carbon footprint.
<ul style="list-style-type: none"> <li>• <b>Social</b></li> </ul>
- Provided jobs for over 14,000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

### GENTING HIGHLANDS 3Q22 HIGHLIGHTS

- RWG
  - a) GGR volume back to about 75-80% of 2019 levels
  - b) RWG's EBITDA margin of 32% reflects gaming segment's normalised luck factor
  - c) 3Q22 total visitors to RWG was about 5.9m; 77% were day trippers
  - d) 3Q22 hotel rooms available daily about 8300, occupancy rate 95% (2Q22:6000 rooms, 97% occupancy), Revpar RM194.
  - e) Genting SkyWorlds Outdoor theme park launched officially in 8 Feb 22, with average ticket sales of about 3300/day.

Source: GENM

### REVENUE BY COUNTRY (3Q22)



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	1,595	1,825
UK	244	310	320
US	415	459	479
Others	53	(67)	113
<b>Total</b>	<b>727</b>	<b>2,297</b>	<b>2,737</b>

Source: UOB Kay Hian

## PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	4,157	8,832	10,327	11,001
EBITDA	727	2,297	2,737	3,045
Deprec. & amort.	1,106	1,205	1,161	1,121
EBIT	(379)	1,092	1,575	1,924
Associate contributions	0	0	0	0
Net interest income/(expense)	(541)	(538)	(449)	(421)
Pre-tax profit	(1,148)	385	1,126	1,503
Tax	97	(320)	(211)	(282)
Minorities	104	104	104	104
Net profit	(947)	169	1,019	1,325
Net profit (adj.)	(401)	338	1,019	1,325

## BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	16,008	15,530	14,969	14,448
Other LT assets	8,877	8,877	8,877	8,877
Cash/ST investment	4,641	4,301	5,111	5,998
Other current assets	885	818	948	1,003
<b>Total assets</b>	<b>30,389</b>	<b>29,882</b>	<b>30,365</b>	<b>30,890</b>
ST debt	439	439	439	439
Other current liabilities	2,607	2,630	3,035	3,175
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	13,232	13,310	13,695
Minority interest	(531)	(531)	(531)	(531)
<b>Total liabilities &amp; equity</b>	<b>30,389</b>	<b>29,882</b>	<b>30,365</b>	<b>30,890</b>

## CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	471	959	2,351	2,428
Pre-tax profit	(1,148)	385	1,126	1,503
Tax	97	(320)	(211)	(282)
Deprec. & amort.	1,046	1,205	1,161	1,121
Associates	(774)	0	0	0
Working capital changes	(28)	90	275	86
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	(340)	810	887
Beginning cash & cash equivalent	2,453	4,641	4,301	5,111
Changes due to forex impact	39	0	0	0
Ending cash & cash equivalent	4,641	4,301	5,111	5,998

## KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	17.5	26.0	26.5	27.7
Pre-tax margin	(27.6)	4.4	10.9	13.7
Net margin	(22.8)	1.9	9.9	12.0
ROA	n.a.	0.6	3.4	4.3
ROE	n.a.	1.3	7.7	9.8
<b>Growth</b>				
Turnover	(8.2)	112.5	16.9	6.5
EBITDA	107.5	215.9	19.2	11.3
Pre-tax profit	n.a.	n.a.	192.7	33.5
Net profit	n.a.	n.a.	503.5	30.1
Net profit (adj.)	n.a.	n.a.	201.2	30.1
EPS	n.a.	n.a.	201.2	30.1
<b>Leverage</b>				
Debt to total capital	49.7	50.8	50.6	49.9
Debt to equity	95.1	98.9	98.3	95.6
Net debt/(cash) to equity	61.4	66.4	59.9	51.8
Interest cover (x)	1.3	4.3	6.1	7.2

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