Singapore Results Review

13 February 2020

Consumer Cyclical | Gaming

Genting Singapore (GENS SP)

Neutral (Maintained)

Pessimistic On 1H20 Outlook; Still NEUTRAL

Target Price (Return):	SGD0.85 (-3%)
Price:	SGD0.88
Market Cap:	USD7,613m
Avg Daily Turnover (SGD/USD)	18.6m/13.7m

- **Maintain NEUTRAL, new SGD0.85 TP from SGD0.97, 3% downside with c.5% FY20F yield.** Genting Singapore's 4Q19 results are in line. For the full year, it recorded an adjusted EBITDA of SGD1.2bn and PATMI of SGD689m, which made up 102% of our FY19 estimates. In view of the novel coronavirus outbreak, we expect the tourism sector to take a hit in 1H20. We cut FY20F adjusted EBITDA by 11%, which in turn lowers our TP.
- **4Q19 results supported by positive luck factor.** 4Q19 gaming revenue grew 7.5% QoQ but was down 12.8% YoY. We note that this was held up by the positive luck factor, as the VIP win rate increased to 3.4% from 2.7% in 3Q19. Both VIP and mass gaming volumes were on a declining trend due to the increase in casino tax levy and management's strategy of tightening credits towards VIPs.
- **Pessimistic on 1H20 outlook.** Aside from a normalising win rate, we expect 1H20 earnings to take a hit as the novel coronavirus outbreak disrupts the tourism industry in Singapore. Singapore has imposed an entry ban on all Chinese visitors and foreigners with a recent travel history to China. This is likely to impact the bulk of GENS gamers. On top of that, about 20% of visitors that visit GENS' attractions are also from Mainland China. Travellers from other countries are also likely to avoid Singapore, given that it has the highest number of novel coronavirus cases outside of China. MICE activities at hotels are expected to decline. Currently, we assume the travel ban to last for a quarter, and cut our FY20F EBITDA by 11% and PATMI by 14%.
- **Strong dividend yield and potential catalyst to support share price.** The group declared a final DPS of SGD0.025, bringing total DPS to SGD0.04. We expect the group to maintain dividends at this level, as management highlighted its desire to keep dividends consistent during the analyst briefing. We also believe it has adequate cash to maintain dividend payouts, despite an earnings blip in FY20F caused by the outbreak.

  GENS has submitted the request-for-proposal for both the Osaka integrated resort (IR) and Yokohama IR. Winning one of the IR bids would be a positive catalyst for the stock. As the winning bids for the IRs are expected to be announced in 3Q or 4Q this year, coupled with GENS' strong dividend yield of 4.6%, we believe its share price should remain buoyed at current levels.

Analyst

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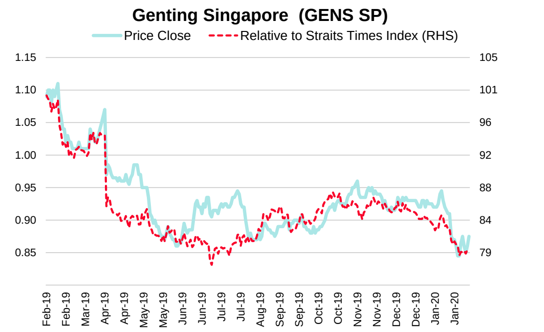
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.9)	(5.4)	(6.4)	0.6	(19.7)
Relative	(4.9)	(4.4)	(5.0)	(1.1)	(20.4)
52-wk Price low/high (SGD)					0.85 – 1.11



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (SGDm)	2,539	2,480	2,221	2,536	2,718
Recurring net profit (SGDm)	755	689	536	639	625
Recurring net profit growth (%)	(1.9)	(8.8)	(22.1)	19.1	(2.2)
Recurring P/E (x)	13.96	15.32	19.68	16.51	16.88
P/B (x)	1.4	1.3	1.3	1.3	1.2
P/CF (x)	9.42	9.83	11.07	9.41	8.54
Dividend Yield (%)	4.0	4.0	4.6	4.6	4.6
EV/EBITDA (x)	5.90	5.80	7.26	6.32	6.23
Return on average equity (%)	9.9	8.7	6.6	7.7	7.4
Net debt to equity (%)	(42.3)	(45.8)	(37.7)	(35.0)	(34.3)

Source: Company data, RHB

Financial Exhibits

Asia
Singapore
Consumer Cyclical
Genting Singapore
GENS SP
Neutral

Valuation basis

7x FY20F EV/EBITDA

Key drivers

i. Visitor arrivals;
ii. Average spending picks up;
iii. Positive luck factor

Key risks

i. Negative luck factor;
ii. Slowdown in the economy;
iii. Regulatory risks

Company Profile

Genting Singapore is engaged in the development and operation of integrated resorts. It owns Resorts World Sentosa in Singapore, which has a casino, the Universal Studios theme park, Adventure Cove Waterpark, S.E.A. Aquarium, MICE facilities, hotels and retail outlets.

Financial summary (SGD)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Recurring EPS	0.06	0.06	0.04	0.05	0.05
DPS	0.04	0.03	0.04	0.04	0.04
BVPS	0.65	0.67	0.68	0.69	0.70
Return on average equity (%)	9.9	8.7	6.6	7.7	7.4

Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Recurring P/E (x)	13.96	15.32	19.68	16.51	16.88
P/B (x)	1.4	1.3	1.3	1.3	1.2
FCF Yield (%)	9.5	8.5	(2.3)	3.0	6.0
Dividend Yield (%)	4.0	4.0	4.6	4.6	4.6
EV/EBITDA (x)	5.90	5.80	7.26	6.32	6.23
EV/EBIT (x)	7.96	8.68	12.42	10.27	10.48

Income statement (SGDm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover	2,539	2,480	2,221	2,536	2,718
Gross profit	1,154	1,029	830	1,005	1,010
EBITDA	1,218	1,173	1,020	1,196	1,215
Depreciation and amortisation	(316)	(390)	(424)	(460)	(493)
Operating profit	903	783	596	736	722
Net interest	36	60	70	58	54
Pre-tax profit	943	847	670	799	781
Taxation	(188)	(158)	(134)	(160)	(156)
Reported net profit	755	689	536	639	625
Recurring net profit	755	689	536	639	625

Cash flow (SGDm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Change in working capital	(8)	(67)	(62)	(44)	(30)
Cash flow from operations	1,120	1,073	953	1,121	1,235
Capex	(120)	(172)	(1,200)	(800)	(600)
Cash flow from investing activities		(128)	(1,193)	(803)	(766)
Dividends paid	(422)	(422)	(422)	(483)	(483)
Cash flow from financing activities	(817)	(1,668)	(365)	(483)	(483)
Cash at beginning of period	3,834	4,214	3,947	3,341	3,177
Net change in cash		(723)	(606)	(165)	(14)
Ending balance cash		3,491	3,341	3,177	3,163

Balance sheet (SGDm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total cash and equivalents	4,333	3,947	3,341	3,177	3,163
Tangible fixed assets	4,857	4,667	5,470	5,838	5,975
Total investments	58	62	67	71	76
Total assets	9,767	9,250	9,399	9,606	9,807
Short-term debt	206	4	0	0	0
Total long-term debt	832	257	260	260	260
Total liabilities	1,986	1,192	1,227	1,278	1,337
Total equity	7,781	8,058	8,171	8,327	8,470
Total liabilities & equity	9,767	9,250	9,399	9,606	9,807

Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Revenue growth (%)	6.1	(2.3)	(10.4)	14.1	7.2
Recurrent EPS growth (%)	(2.1)	(8.9)	(22.1)	19.1	(2.2)
Gross margin (%)	45.4	41.5	37.4	39.6	37.2
Operating EBITDA margin (%)	48.0	47.3	45.9	47.2	44.7
Net profit margin (%)	29.7	27.8	24.1	25.2	23.0
Dividend payout ratio (%)	55.8	61.3	90.0	75.6	77.3
Capex/sales (%)	4.7	6.9	54.0	31.6	22.1
Interest cover (x)	25.1	38.2	65.4	80.9	79.4

Source: Company data, RHB

Figure 1: 4Q19 result summarys

FYE Dec (SGDm)	4Q19	3Q19	4Q18	QoQ (%)	YoY (%)	FY19	FY18	YoY (%)	Comments
Revenue	**607.2**	**596.1**	**664.8**	**1.9**	**(8.7)**	**2480.3**	**2539.2**	**(2.3)**	
Gaming	*387.6*	*360.4*	*444.2*	7.5	(12.8)	*1619.3*	*1679.0*	(3.6)	YoY decline due to tightening of credits to VIP guests, and the increase in the casino tax levy. Luck factor strengthened QoQ.
Non-gaming	*218.9*	*234.6*	*220.0*	(6.7)	(0.5)	*857.9*	*857.7*	0.0	4Q19 hotel occupancy rate at 92%.
Others	*0.6*	*1.0*	*0.5*	(36.8)	27.2	*3.1*	*2.6*	22.7	
Adjusted EBITDA	**287.6**	**278.0**	**286.0**	**3.4**	**0.5**	**1189.6**	**1229.7**	**(3.3)**	
Singapore IR	298.3	288.3	294.4	3.5	1.3	1232.3	1260.7	(2.3)	
Others	(10.7)	(10.2)	(8.3)	4.5	28.4	(42.7)	(31.0)	37.5	
Adjusted EBITDA Margin (%)	**47.4**	**46.6**	**43.0**			**48.0**	**48.4**	**(1.0)**	
Singapore IR	77.0	80.0	66.3			76.1	75.1		
Others	(4.9)	(4.4)	(3.8)			(5.0)	(3.6)		
EBIT	**189.8**	**199.7**	**200.0**	**(4.9)**	**(5.1)**	**863.4**	**975.2**	**(11.5)**	
EBIT Margin (%)	*31.3*	*33.5*	*30.1*			*34.8*	*38.4*		
Pretax profit	**189.5**	**199.6**	**192.1**	**(5.1)**	**(1.3)**	**846.9**	**943.2**	**(10.2)**	
Pretax Margin (%)	*31.2*	*33.5*	*28.9*			*34.1*	*37.1*		
Net Profit	**155.9**	**158.9**	**150.2**	**(1.9)**	**3.8**	**688.6**	**755.4**	**(8.8)**	
Core PATMI	**155.9**	**158.9**	**150.2**	**(1.9)**	**3.8**	**688.6**	**755.4**	**(8.8)**	
Net Margin (%)	*25.7*	*26.7*	*22.6*			*27.8*	*29.7*		

Source: Company, RHB

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-11-08	Neutral	0.97	0.94
2019-10-11	Neutral	0.97	0.91
2019-08-05	Neutral	0.97	0.89
2019-05-10	Neutral	1.02	0.94
2019-04-04	Neutral	1.08	0.97
2019-02-22	Buy	1.22	1.07
2019-02-15	Buy	1.23	1.08
2019-01-16	Buy	1.23	1.08
2018-11-15	Buy	1.23	0.95

Source: RHB, Bloomberg

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