14 August 2023

Global Economics & Market Strategy

USD Bond: Outperform Genting USD bonds

- **We are Outperform GENM Capital Labuan (BBB- S&P), given the meaningful 80 bps spread over the USD BBB- curve. We are also Outperform the speculative grade Genting New York LLC (GENTNY) (BB+, S&P), and Resorts World Las Vegas LLC (RWLV) (BB+, S&P) given the attractive spread of around 140bps over the USD BB+ curve. We are Market Perform on GOHL Capital Ltd (BBB, Fitch) given that yields are near the BBB- curve. Refer to the chart in Figure 1.**
- **Our top idea is GENM Capital Labuan, which is secured by an unconditional guaranteed by Genting Malaysia Bhd (GENM), the operator of the integrated resort operation in Malaysia. Meanwhile GENTNY (wholly owned by Genting Malaysia) and RWLV (wholly owned by Genting Bhd) operates a video lottery facility and a flagship resort in Las Vegas with 3,506 rooms respectively. Unlike GENM Capital Labuan, GENTNY, RWLV and GOHL Capital does not enjoy credit guarantee from their listed parent company, however rating agencies consider the issuing entities to have implicit financial support from them and rate them one notch below the listed entities.**
- **The elevated spreads on the USD bonds are attributed to negative sentiment of the default and the subsequent winding up of the sister company Genting Hong Kong (GENTHK) in early 2022. However, the default of GENTHK debts did not have any credit or financial impact on GENM and Genting Bhd as the two entities are ring fenced against GENTHK.**
- **The financial performance of both GENTNW and RWLV has recovered strongly since the pandemic reopening in 2022, and given our expectations of healthy US consumption growth in the near-term, financials of those assets are expected to improve significantly in the near-term.**
- **On the balance of risk, credit metrics of GENM could weaken as Genting New York (GENTNY) is in bidding process for a full casino license in New York state, the result will likely be known in 1H24. Analysts have touted investments ranging up to USD5bn, which will impact medium-term credit metrics. If this materialises, GENM could fund the investments via the disposal of non-core assets and/or resorting to a rights issue.**

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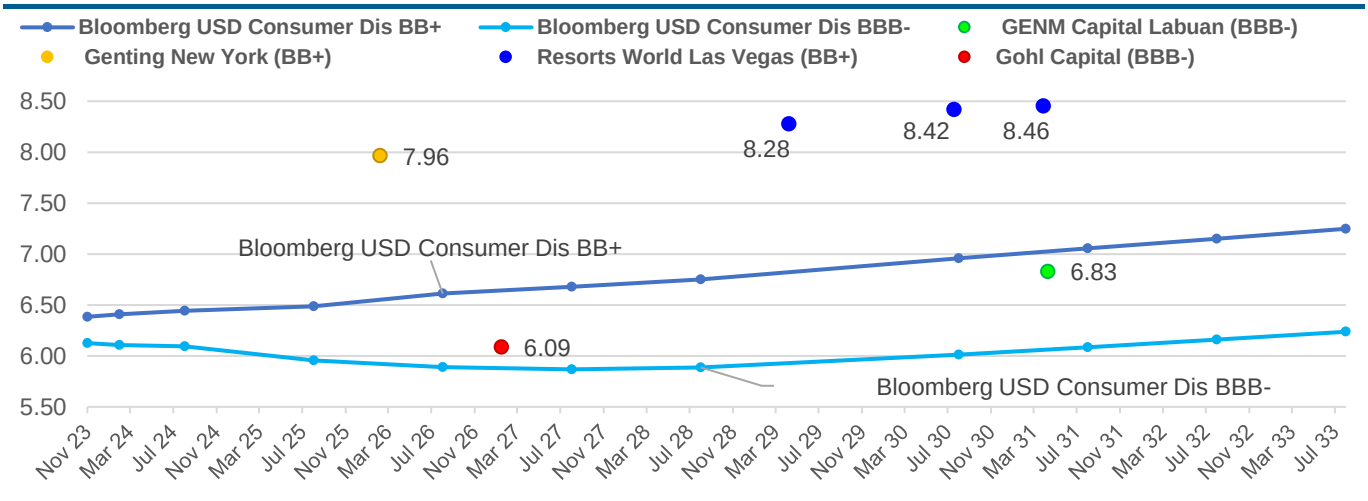
Chris Tan Chee Hong
+603 92808864
tan.chee.hong@rhbgroup.com

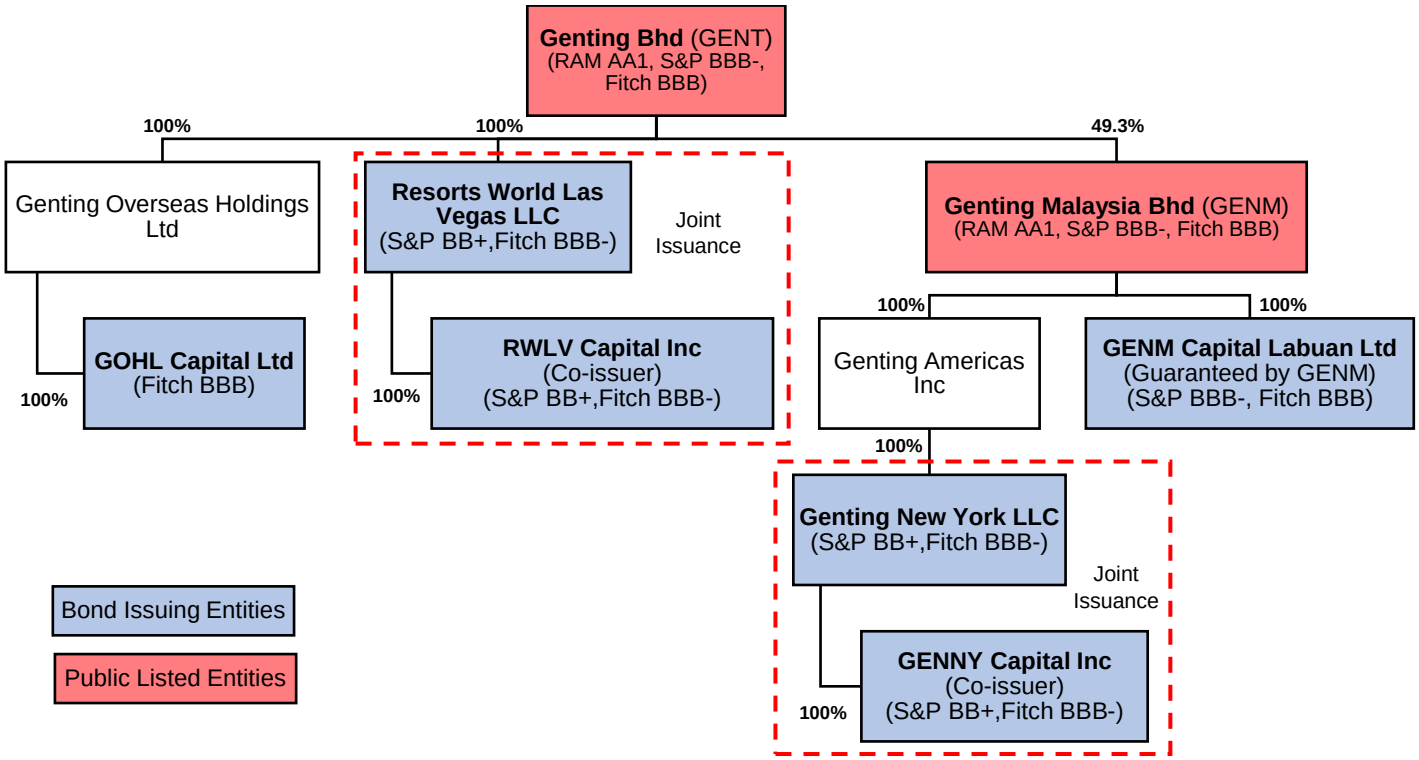
RHB FIC Strategy
+603 92802172
rhbficstrategy@rhbgroup.com

Figure 1: Our top pick is GENM Capital Labuan which is secured by an unconditional guarantee by Genting Malaysia…



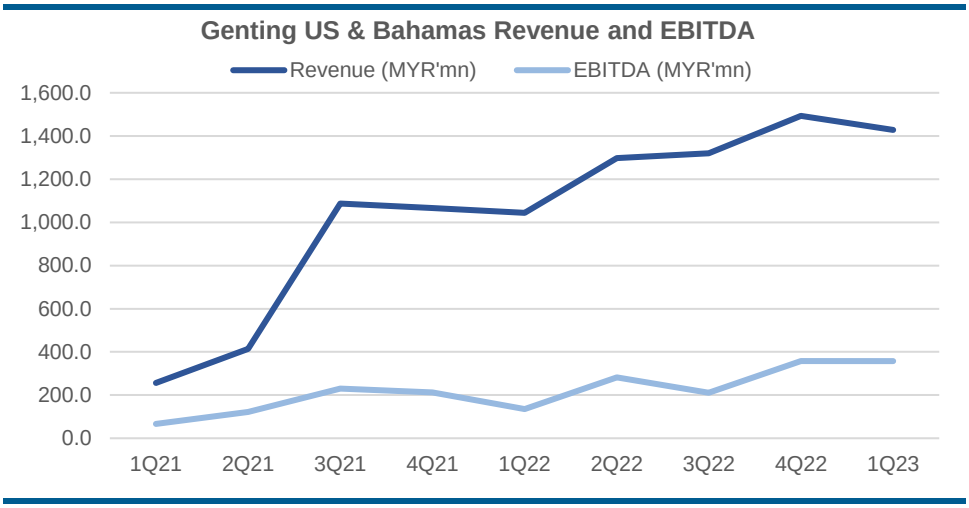
Source: Bloomberg, RHB Economics & Market Strategy. 11 August 2023.

Figure 2: Genting Corporate Structure



Source: Company, Bloomberg, RHB Economics and Market Strategy

Figure 3: US & Bahamas operations ramping up



Source: Company, RHB Economics & Market Strategy.

Figure 4: Genting US & Bahamas Revenue and EBITDA

US & Bahamas	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Revenue (MYR'mn)	256.3	414.0	1,087.0	1,066.7	1,044.2	1,297.2	1,319.9	1,493.1	1,428.1
EBITDA (MYR'mn)	66.5	121.6	229.4	213.0	134.5	281.5	210.3	356.9	357.4

Source: Company, RHB Economics & Market Strategy.

Figure 5: Genting Bhd Financial Highlights

GENTING BHD

MYRmn (FYE Dec)	FY19	FY20	FY21	FY22	3M23
Revenue	21,602	11,555	13,529	22,383	5,823
EBITDA	7,373	2,037	3,372	7,284	1,674
Interest Expense	1,097	1,053	1,255	1,846	502
Net Income	1,996	-1,024	-1,370	-300	98
CFO	6,240	34	1,810	5,849	817
FCF	-418	-6,388	-6,864	3,697	317
Capex	-6,658	-6,422	-8,674	-2,152	-500
Cash in Bank	32,246	27,471	22,842	22,180	22,042
Total Debt	33,059	36,767	40,739	39,915	39,478
Total Asset	102,016	99,641	102,448	102,510	103,088
Total Equity	59,274	54,526	53,159	52,890	53,152
Net Margin	9%	-9%	-10%	-1%	2%
ROE*	3%	-2%	-3%	-1%	1%
Debt/Equity	0.56	0.67	0.77	0.75	0.74
Net Debt/Equity	0.01	0.17	0.34	0.34	0.33
CFO/Interest	5.7	0.0	1.4	3.2	1.6
EBITDA/Interest	6.7	1.9	2.7	3.9	3.3
CFO/Debt Service* **	1.4	0.0	0.3	1.0	0.5
EBITDA/Debt Service* **	1.7	0.4	0.6	1.2	1.1

* Non-annual income statement and cash flow are annualized

** Debt service is interest expense plus 10% of total debt

Source: Bloomberg, RHB Economics and Market Strategy

Figure 6: Genting Malaysia Bhd Financial Highlights

GENTING MALAYSIA BHD

MYRmn (FYE Dec)	FY19	FY20	FY21	FY22	3M23
Revenue	10,314	4,465	4,085	8,467	2,283
EBITDA	2,619	-743	352	1,646	534
Interest Expense	250	332	382	597	148
Net Income	1,395	-2,264	-947	-520	-27
CFO	2,294	-850	35	1,873	194
FCF	-224	-1,920	-830	1,220	-6
Capex	-2,518	-1,071	-865	-653	-200
Cash in Bank	7,253	2,816	4,641	3,044	2,738
Total Debt	10,877	10,238	13,786	12,900	12,629
Total Asset	33,313	28,287	30,410	28,631	28,425
Total Equity	18,170	14,501	13,253	11,929	11,490
Net Margin	14%	-51%	-23%	-6%	-1%
ROE*	8%	-16%	-7%	-4%	-1%
Debt/Equity	0.60	0.71	1.04	1.08	1.10
Net Debt/Equity	0.20	0.51	0.69	0.83	0.86
CFO/Interest	9.2	-2.6	0.1	3.1	1.3
EBITDA/Interest	10.5	-2.2	0.9	2.8	3.6
CFO/Debt Service* **	1.7	-0.6	0.0	1.0	0.4
EBITDA/Debt Service* **	2.0	-0.5	0.2	0.9	1.2

* Non-annual income statement and cash flow are annualized

** Debt service is interest expense plus 10% of total debt

Source: Bloomberg, RHB Economics and Market Strategy

Figure 7: Resort World Las Vegas occupancy rate and average daily hotel rate

RW Las Vegas	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Occupancy	79.6%	70.8%	90.0%	86.0%	88.9%	89.8%
Average daily hotel rate	USD223.5	USD229	-	-	USD269.7	USD280

Source: Company, RHB Economics & Market Strategy.

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799