

13 August 2021

Consumer Cyclical | Gaming

Genting Singapore (GENS SP)

Buy (from Neutral)

Position For Recovery Play; U/G BUY

Target Price (Return): SGD0.92 (15.0%)
 Price: SGD0.80
 Market Cap: USD7,107m
 Avg Daily Turnover (SGD/USD) 23.4m/17.5m

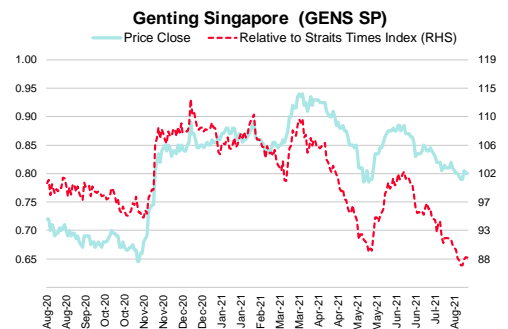
- U/G BUY from Neutral, SGD0.92 TP, 15% upside.** 1H21 results came in within our expectations. While 2H21 earnings will still be domestic focused, the current valuation is attractive to position for strong earnings growth in FY22F, with the return of foreign visitors (historically accounted for c.80% of total visitors) amid relaxation of border restrictions – given the high vaccination rate. The stock offers investors an opportunity to ride on the potential Yokohama Integrated Resorts (IR) win, which is yet to be priced in by the market.
- 1H21 within expectations.** 1HFY21 core profit of SGD112m was our expectation at 48% but below Street's at 40%. Overall, despite the tightened measures in May and June, due to the spike in COVID-19 cases, 2Q21 revenue remained resilient, and was only down by 0.4% QoQ. 2Q21 core profit recorded 50.7% QoQ growth as EBITDA margin expanded 7.4ppts. The margin expansion is likely attributable to stringent cost control and the reversal of impairment on trade receivables recognised during the quarter.
- Positive on Singapore's high vaccination rate.** While we still expect 2021 earnings to be largely supported by domestic visitors, we are overall positive with Singapore's high vaccination rate (c.68% of its population are fully vaccinated). The Government is planning to start easing restrictions for its vaccinated people. There are also plans to establish travel corridors in September, with countries that have minimal COVID-19 infections. This could lead to an earlier-than-expected gradual return of foreign visitors, that may see further upside to our forecasts.
- Yokohama IR bid.** The Yokohama mayoral election is on 22 Aug. Should a pro-IR mayor be elected, GENS – as one of the two bidders – stands a good chance of being selected as the private-sector partner to apply for the IR rights from central authorities (from Oct 2021 to Apr 2022). We estimate that the Yokohama IR could generate the highest annual gross gaming revenue of c.USD6-7bn, compared to the other three Japanese cities, given the larger population base. This IR could potentially fetch an additional SGD0.30 (DCF-derived at a WACC of 6%) to our current TP.
- No changes to earnings forecast and TP.** Nevertheless, the share price weakness in the past two months has prompted us to upgrade our recommendation to BUY. We believe the earnings have found a new base, and the current valuation of 6.7x FY22F EV/EBITDA (-0.5SD) vs the regional peer average of c.11x is an attractive proposition for investors to position for a strong FY22F earnings recovery, as more countries reach higher vaccination rates. Further upside could stem from a potential win in the Yokohama IR bid.
- Key risks:** Resurgence of COVID-19 cases globally, delayed timeline of border re-openings, luck factor, and regulatory risks.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.9)	(5.3)	(1.2)	(7.0)	13.5
Relative	(17.8)	(6.4)	(3.1)	(15.8)	(10.7)
52-wk Price low/high (SGD)	0.65 – 0.94				



Source: Bloomberg

Overall ESG Score: 2.9 (out of 4)

E: Excellent

GENS has taken active steps to manage its environmental risks. It has various energy-saving initiatives in place throughout the resorts to reduce electricity consumption. It is also committed to actively managing waste from its facilities.

S: Good

GENS has taken proactive steps and is committed to preventing problem and underage gaming. The group is exploring the use of technology to further encourage responsible gaming. Programmes are also in place to help patrons self-regulate and manage the time spent at casinos.

G: Good

Majority of GENS's board members are Independent Non-Executive directors. The group also has a Board Diversity Policy that acknowledges the benefits of having a diverse board to foster better decision making. In terms of disclosure, all price sensitive information is released through SGXNet, and then on its corporate website.

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Total turnover (SGDm)	2,480	1,064	1,286	2,070	2,410
Recurring net profit (SGDm)	705	124	234	529	625
Recurring net profit growth (%)	(6.7)	(82.5)	88.9	126.4	18.3
Recurring P/E (x)	13.68	78.03	41.31	18.24	15.42
P/B (x)	1.2	1.2	1.2	1.2	1.2
P/CF (x)	8.99	39.62	15.63	9.08	9.08
Dividend Yield (%)	4.4	1.3	2.5	3.8	3.8
EV/EBITDA (x)	4.96	13.71	10.49	6.71	6.58
Return on average equity (%)	8.7	0.9	3.0	6.6	7.6
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (SGD)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Singapore	Recurring EPS	0.06	0.01	0.02	0.04	0.05
Consumer Cyclical	DPS	0.03	0.01	0.02	0.03	0.03
Genting Singapore	BVPS	0.67	0.65	0.65	0.67	0.69
GENS SP	Return on average equity (%)	8.7	0.9	3.0	6.6	7.6
Buy						
	Valuation metrics	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Valuation basis	Recurring P/E (x)	13.68	78.03	41.31	18.24	15.42
8x FY22F EV/EBITDA	P/B (x)	1.2	1.2	1.2	1.2	1.2
	FCF Yield (%)	9.3	1.6	3.8	0.6	(4.5)
	Dividend Yield (%)	4.4	1.3	2.5	3.8	3.8
Key drivers	EV/EBITDA (x)	4.96	13.71	10.49	6.71	6.58
i. Visitor arrivals;	EV/EBIT (x)	7.37	46.99	25.68	10.96	10.18
ii. Average spending;						
iii. Positive luck factor.						
	Income statement (SGDm)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Key risks	Total turnover	2,480	1,064	1,286	2,070	2,410
i. Negative luck factor;	Gross profit	1,029	232	356	816	931
ii. Slowdown in economy;	EBITDA	1,190	427	569	940	1,079
iii. Regulatory risks.	Depreciation and amortisation	(390)	(302)	(336)	(365)	(381)
	Operating profit	800	125	232	575	698
	Net interest	60	41	51	67	62
	Pre-tax profit	847	113	285	645	763
	Taxation	(158)	(44)	(51)	(116)	(137)
	Reported net profit	689	69	234	529	625
	Recurring net profit	705	124	234	529	625
	Cash flow (SGDm)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Company Profile	Change in working capital	(67)	(60)	42	73	(8)
Genting Singapore is engaged in the development and operation of integrated resorts. It owns the Resort World Sentosa in Singapore which offers a casino, Universal Studios themepark, Adventure Cove Waterpark, S.E.A. Aquarium, MICE facilities, hotels and retail outlets.	Cash flow from operations	1,073	243	617	1,063	1,062
	Capex	(172)	(88)	(250)	(1,000)	(1,500)
	Cash flow from investing activities	(128)	114	(439)	(1,166)	(1,503)
	Dividends paid	(422)	(302)	(241)	(241)	(362)
	Cash flow from financing activities	(1,668)	(300)	(290)	(241)	(362)
	Cash at beginning of period	4,214	3,947	3,994	3,883	3,538
	Net change in cash	(723)	57	(111)	(344)	(803)
	Ending balance cash	3,491	4,000	3,883	3,538	2,736
	Balance sheet (SGDm)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Total cash and equivalents	3,947	3,994	3,883	3,538	2,736
	Tangible fixed assets	4,667	4,453	4,394	5,060	6,209
	Total investments	62	63	65	68	71
	Total assets	9,250	8,788	8,761	9,204	9,559
	Short-term debt	4	4	4	4	4
	Total long-term debt	257	263	260	260	260
	Total liabilities	1,192	952	933	1,089	1,180
	Total equity	8,058	7,836	7,828	8,115	8,378
	Total liabilities & equity	9,250	8,788	8,761	9,204	9,559
	Key metrics	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Revenue growth (%)	(2.3)	(57.1)	20.9	61.0	16.4
	Recurrent EPS growth (%)	(6.7)	(82.5)	88.9	126.4	18.3
	Gross margin (%)	41.5	21.8	27.7	39.4	38.6
	Operating EBITDA margin (%)	48.0	40.1	44.2	45.4	44.8
	Net profit margin (%)	27.8	6.5	18.2	25.5	26.0
	Dividend payout ratio (%)	61.3	174.3	103.4	68.5	57.9
	Capex/sales (%)	6.9	8.3	19.4	48.3	62.2
	Interest cover (x)	39.0	30.8	25.0	54.5	75.5

Source: Company data, RHB

Figure 1: 1HFY21 results review

FYE Dec (SGDm)	1H20	2H20	1H21	HoH (%)	YoY (%)	Comments
Revenue	448.2	615.5	554.8	(9.9)	23.8	1HFY20 revenue was lower HoH as 2H20 saw the implementation of various support measures such as SingapoRediscover vouchers that boosted domestic tourism spending
Gaming	274.4	426.4	442.9	3.9	61.4	
Non-gaming	154.7	144.7	104.3	(27.9)	(32.6)	
Others	19.2	44.3	7.5	(83.0)	(60.7)	
Adjusted EBITDA	66.7	360.4	276.1	(23.4)	314.2	2H20 EBITDA margins were higher, likely due to reversal of bad debts and bonus provisions, coupled with the government subsidies provided
Adjusted EBITDA margin (%)	14.9	58.5	49.8			
Singapore IR	80.2	375.5	288.9	(23.0)	260.1	
Others	(13.6)	(5.1)	(12.8)	151.3	(5.5)	
Depreciation	(165.9)	(136.5)	(139.7)	2.3	(15.8)	
Adjusted EBIT	(99.2)	223.8	136.4	(39.1)	(237.5)	
EBIT margin (%)	(22.1)	36.4	24.6			
Interest Income	32.1	13.4	7.9	(40.8)	(75.3)	
Interest expense	(2.0)	(2.0)	(1.8)	(8.4)	(10.5)	
Share of associate	0.5	0.8	0.7	(14.0)	41.2	
EI/Others	(53.4)	(1.0)	(23.3)	2,259.1	(56.3)	
Reported PBT	(122.0)	235.0	119.9	(49.0)	(198.2)	
Tax	5.4	(49.1)	(31.7)	(35.5)	n.m.	
Effective tax rate (%)	4.4	20.9	26.4			
Minority interest	0.0	0.0	0.0	n.m.	n.m.	
Net profit	(116.7)	185.9	88.2	(52.6)	(175.6)	
Core profit	(63.3)	186.9	111.5	(40.3)	(276.2)	Within expectations
Core net margin (%)	(14.1)	30.4	20.1			

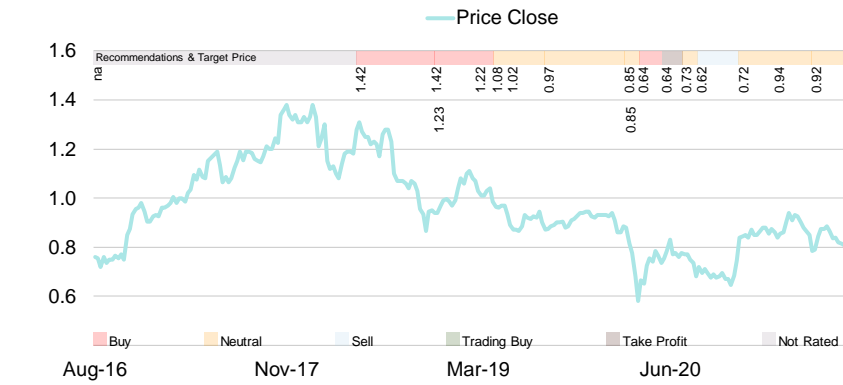
Source: Company data, RHB

Figure 2: 2Q21 quarterly comparison

FYE Dec (SGDm)	2Q20	1Q21	2Q21	QoQ (%)	YoY (%)
Revenue	41.3	277.9	276.9	(0.4)	570.1
Gaming	6.5	216.9	226.1	4.2	3,382.0
Non-Gaming	16.3	60.7	43.7	(28.0)	168.0
Others	18.5	0.4	7.2	1,866.3	(61.3)
Adjusted EBITDA	(84.8)	128.1	147.5	15.1	n.m.
Singapore IR	(79.0)	135.1	153.9	13.9	n.m.
Others	(5.9)	(7.0)	(5.9)	(15.6)	(0.6)
PAT	(163.3)	34.5	53.7	55.5	n.m.
Adjusted EBITDA Margin (%)	-205.3%	46.1%	53.3%		
Singapore IR	-346.9%	48.7%	57.1%		
Others	-31.9%	-1905.5%	-81.8%		

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2021-05-10	Neutral	0.92	0.84
2021-02-10	Neutral	0.94	0.87
2020-11-16	Neutral	0.72	0.81
2020-08-07	Sell	0.62	0.68
2020-06-30	Neutral	0.73	0.76
2020-05-14	Take Profit	0.64	0.73
2020-03-19	Buy	0.64	0.51
2020-02-13	Neutral	0.85	0.89
2019-08-05	Neutral	0.97	0.89
2019-05-10	Neutral	1.02	0.94

Source: RHB, Bloomberg

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Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Analyst	Company
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