

### COMPANY RESULTS

## Genting Singapore (GENS SP)

4Q21: Better Capital Management In Sight

**GENS' 4Q21 results came in below our expectations as the Omicron outbreak stalled authorities' initial endeavours to relax social distancing measures and border restrictions. Positively, Singapore has reinstated progressive reopening of its borders via VTLs with multiple countries and loosening its social prohibitions. More importantly, cash-rich GENS plans to enhance its capital management efforts. Maintain BUY. Target: S\$1.08.**

### 4Q21 RESULTS

Year to 31 Dec (\$m)	4Q21	qoq % chg	yoy % chg	2021	yoy % chg
Revenue	261.0	3.8	(17.0)	1,067.3	0.3
-Singapore	256.0	2.0	(14.2)	1,054.1	5.4
- Gaming	164.9	(15.3)	(22.8)	802.6	14.5
- Non-gaming	91.0	62.0	7.3	251.5	(16.0)
Core adjusted EBITDA	69.4	(32.4)	(67.2)	448.0	4.9
Core net profit	12.3	(52.3)	(89.2)	149.5	14.8

Source: GENS, UOB Kay Hian

### RESULTS

- Lacklustre 4Q21 results that underperformed rival MBS.** Genting Singapore's (GENS) 4Q21 results revealed that Resort World Sentosa's (RWS) gaming revenue declined significantly (-15% qoq) from 3Q21 and underperformed rival Marina Bay Sands' (MBS) qoq gaming revenue improvement of 68% from a low base. Adjusted EBITDA fell more than revenue to S\$69m (-67% yoy, -32% qoq), missing our and consensus' expectations. 2021 net profit represents only about 87% and 90% of our and consensus' full-year forecasts respectively. The earnings disappointment reflected soft gaming volume, lower government subsidies and presumably lower win rate and closure costs associated to its abandoned bid for Japan's gaming concession.
- Soft gaming revenue reflects tightened SOP and lower VIP volumes.** While the company does not provide gaming statistics, we reckon that both the mass market and VIP volumes fell in 4Q21. Stringent social distancing set-ups (two players per gaming table, alternate slots and electronic table games machines) in Oct-Nov 21 lowered gaming capacity, while the emergence of the Omicron variant in 4Q21 caused a rise in local community cases. VIP volumes also contracted as many local gamers presumably took advantage of travel bubbles during the holiday season to travel overseas.

### 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)	76.8	63.3	26.3	13.7	13.3
P/B (x)	1.2	1.2	1.2	1.2	1.1
EV/EBITDA (x)	15.1	14.4	8.4	5.3	5.0
Dividend yield (%)	1.3	1.3	3.2	4.5	5.1
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	-	-	391	525	602
UOBKH/Consensus (x)	-	-	0.92	1.32	1.19

Source: Genting Singapore PLC, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.79
Target Price	S\$1.08
Upside	+37.6%

### 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):	12,064.8
Market cap (S\$m):	9,470.9
Market cap (US\$m):	7,044.7
3-mth avg daily t'over (US\$m):	11.6

### Price Performance (%)

52-week high/low S\$0.940/S\$0.710

1mth	3mth	6mth	1yr	YTD
0.6	(5.4)	(3.1)	(7.6)	1.3

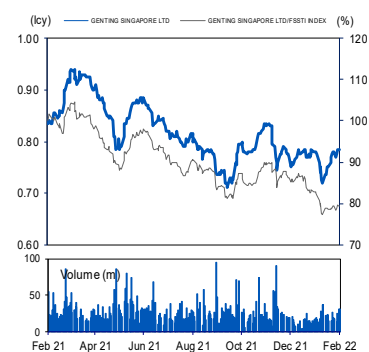
### Major Shareholders

	%
Genting Bhd	52.7
Vanguard Group	1.4
Blackrock Inc	1.4

FY22 NAV/Share (S\$) 0.66

FY22 Net Cash/Share (S\$) 0.25

### PRICE CHART



Source: Bloomberg

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- **Final DPS disappointed.** GENS declared a 1 S cent final DPS (4Q19: 2.5 S cents), implying a full-year yield of 1.3%. Recall that GENS did not declare any interim DPS in the previous quarters this year (2Q19: 1.5 S cents), mainly due to lacklustre operational profit in 9M21.

### STOCK IMPACT

- **Significantly better capital management moving forward?** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan integrated resort (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\$ 3.3b (27 S cents/share) and that post-pandemic EBITDA is largely sufficient to fund its S\$4.5b RWS 2.0 expansion.
- **Bidding sayonara to Japan's IR pursuit.** In Dec 21, GENS announced that it plans to shut down an aggregate of eight subsidiaries incorporated in Japan, officially ending GENS' bidding in Japan's IR concession. To recall, despite expressing deep interest on clinching a Japan IR, GENS did not submit its Request For Proposal (RFP) application before the deadline and withdrew from the Osaka bid in Feb 20. In Aug 2021, GENS' Yokohama IR bid was also scrapped following hardline anti-IR campaigner Takeharu Yamanaka winning Yokohama's mayoral election.
- **A laggard among beneficiaries of border reopening; Omicron variant disruptions transitory.** While the emergence of the Omicron variant has stalled the recovery of GENS, we take the view that most countries will gradually re-open their borders in 1H22 as hospitalisation and death rates remain relatively low.
- **SOP relaxations and VTL initiations a symbolic step towards normalcy restoration.** While Singapore has transitioned to its COVID-19 Resilience Phase since Nov 21, the nation has further relaxed some of its cumbersome standard operating procedures (SOP) and RWS has been allowed to operate with higher gaming capacity since Dec 21. Singapore has also piloted quarantine-free vaccinated travel lanes (VTL) with >20 countries and is looking to fully restore VTL quotas with Malaysia from Feb 22. These VTL countries contributed to >60% of the total daily arrivals at Changi Airport in 2019.
- **S\$4.5b expansion plan back on track.** Recall that RWS had committed to the Singapore government to spend S\$4.5b 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.

### EARNINGS REVISION/RISK

- We have reduced our 2022 EBITDA estimate by 25%, following the later-than-expected relaxation of borders which was previously disrupted by the emergence of the Omicron variant.

### VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of S\$1.08**, which implies 8.8x 2023F EV/EBITDA (-0.5 below SD). We expect the stock to re-rate in reaction to Singapore's gradual border reopening. Theoretically, GENS share price could reach S\$1.08 in 2023 in the scenario of GENS's EBITDA clawing its way back to the pre-pandemic level of S\$1.2b.
- **Dividend yield expected to normalise to 4.7% in 2023**, assuming revenue and cash flows recover back to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents. Theoretically, our projected 2023 after-tax EBITDA is sufficient to fund a DPS of 4.0 S cents (4.7% of 2023 yield).

### KEY ASSUMPTIONS

Year	FY20	FY21	FY22F
Revenue (\$m)	1,064	1,067	1,686
EBITDA (\$m)	427	448	773
Hotel Occupancy (%)	30%	60%	90%

Source: UOB Kay Hian

### EARNINGS TREND OF GENS AND MBS

(\$m)	----- Genting Singapore (GENS) -----			
	1Q21	2Q21	3Q21	4Q21
Revenue	277.9	276.9	251.5	261.0
EBITDA	128.1	158.0	102.5	69.4
Gaming Revenue	216.9	226.1	60.7	164.9
(\$m)	----- Marina Bay Sands (MBS) -----			
	1Q21	2Q21	3Q21	4Q21
Revenue	403.7	327.0	249.0	499.4
EBITDA	191.9	149.3	20.3	240.2
Gaming Revenue	403.7	297.2	192.1	321.7

Source: UOB Kay Hian

### LIST OF COUNTRIES' VTL WITH SINGAPORE

Country	Places
Australia	Adelaide, Brisbane, Melbourne, Perth, Sydney
Brunei	Bandar Seri Begawan
Cambodia	Phnom Penh, Siem Reap
Canada	Vancouver
China	Hong Kong (starting 25 Feb)
Denmark	Copenhagen
France	Paris
Germany	Frankfurt, Munich
India	Chennai, Delhi, Mumbai
Indonesia	Jakarta
Italy	Milan, Rome
Malaysia	Kuala Lumpur
The Maldives	Male
The Netherlands	Amsterdam
Philippines	Manila (starting 4 March)
Spain	Barcelona
South Korea	Seoul
Sri Lanka	Colombo
Switzerland	Zurich
Thailand	Bangkok, Phuket (starting 4March)
Turkey	Istanbul
The United Arab Emirates	Dubai (starting 24 Feb 2022)
United Kingdom	London, Manchester
United States	Houston, Los Angeles, New York (John F. Kennedy International Airport and Newark Liberty International Airport from 27 Mar), San Francisco, Seattle

Source: Media reports

### SINGAPORE'S COVID-19 RESTRICTIONS (RESILIENCE PHASE)

- Fully vaccinated people can dine out in groups of up to five
- Attractions, shows, and cruises entry allowed if a person is fully vaccinated
- Up to 50 persons for conveyance tours; up to 20 persons for non-conveyance tours.
- Live performances, MICE, sports events allowed up to 1000 vaccinated attendees
- Fully vaccinated travelers under VTLs are allowed to travel to Singapore quarantine-free

Source: Media reports, 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
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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)

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