

### COMPANY RESULTS

## Genting Singapore (GENS SP)

2Q22: Best Quarterly Revenue; Catalysts Abound In 2H22

**GENS' 2Q22 results were within expectation, recording the best quarterly revenue (55% of pre-pandemic levels) since the pandemic, but the earnings recovery predictably lags rival MBS' due to weaker luck factor, labour shortage issues and closure of Festive hotel. We remain upbeat on 2H22's recovery following Singapore's border reopening and further loosening of social prohibitions. Cash-rich GENS plans to enhance its capital management efforts. Target price: S\$1.08.**

### 2Q22 RESULTS

Year to 31 Dec (\$m)	2Q22	qoq % chg	yoy % chg	1H22	yoy % chg
Revenue	348.6	10.8	26.0	663.1	19.5
-Singapore	341.3	9.8	26.6	652.0	19.1
- Gaming	240.7	2.7	6.5	475.2	7.3
- Non-gaming	100.5	31.8	131.4	176.8	69.5
Core adjusted EBITDA	143.9	15.3	(2.8)	268.7	(2.7)
Core Net profit	65.1	49.5	(2.9)	108.7	(2.6)

Source: GENS, UOB Kay Hian

### RESULTS

- 2Q22: The best quarter for gaming revenues since the onset of the pandemic.** Genting Singapore's (GENS) 2Q22 results revealed that Resort World Sentosa's (RWS) revenue recovered (+11% qoq, 26% yoy). Despite the revenue recovery, 2Q22's adjusted EBITDA of S\$144m (-3% yoy; +15% qoq) predictably underperformed rival Marina Bay Sands' (MBS) due to lower GGR market share (GENS: 35% vs MBS: 65%) and weaker VIP luck factor (GENS: 1.5% vs MBS: 4.29%). While 1H22 EBITDA represented 35% and 37% of our and consensus full-year forecasts, we anticipate a sharper recovery in 2H22 following the region's economic reopening.
- Strong mass market gaming revenue recovery masked by poor luck factor.** Gaming revenue recovered 7% yoy to represent 54% of pre-pandemic levels. An exceptionally poor VIP win percentage masked a more robust qoq growth in gaming volume and mass gaming revenue (which we estimate to have grown 15-20% qoq). We expect further gross gaming revenue (GGR) recovery in 2H22 with the government scrapping the requirement of pre-departure tests for inbound travelers from 26 Apr onwards.
- Restored interim DPS of 1 S cents.** Positively, GENS declared interim DPS of 1.0 S cents in 2Q22 (2Q21: none), implying a yield of 1.2%.

### 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)	80.7	66.6	27.7	14.4	13.9
P/B (x)	1.3	1.3	1.3	1.2	1.2
EV/EBITDA (x)	16.3	15.5	9.0	5.7	5.4
Dividend yield (%)	1.2	1.2	3.0	4.2	4.8
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	-	-	356	546	616
UOBKH/Consensus (x)	-	-	1.01	1.27	1.16

Source: Genting Singapore PLC, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.825
Target Price	S\$1.08
Upside	+30.9%

### 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):	12,072.0
Market cap (S\$m):	9,959.4
Market cap (US\$m):	7,262.2
3-mth avg daily t'over (US\$m):	11.1

### Price Performance (%)

52-week high/low S\$0.835/S\$0.710

1mth	3mth	6mth	1yr	YTD
13.8	7.8	5.8	3.1	6.5

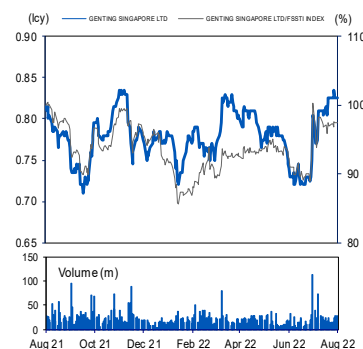
### Major Shareholders

	%
Genting Bhd	52.63
Blackrock Inc	1.38
Vanguard Group	1.27

FY22 NAV/Share (S\$) 0.66

FY22 Net Cash/Share (S\$) 0.25

### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- Prominent GGR recovery following Singapore's revitalised tourism market.** To note, Singapore's 1H22 tourist arrivals exceeded 1.5m, and the Singapore Tourism board (STB) expects visitor arrivals to reach 4m-6m for 2022. Despite the 1H22 tourist arrival numbers remaining a fraction (16%) of pre-pandemic figures, June's tourist arrival recovered to >35% of pre-pandemic levels. We expect GENS' GGR to significantly recover in 2H22 in tandem with the influx of international visitors. Overall, we expect GENS' GGR to recover to about 70% of 2019's level and fully resurrect its pre-pandemic GGR in 2023 after China's borders reopening.
- Upbeat on China patronage's reinstatement.** We retain our view that China's eventual border reopening remains as a strong rerating catalyst for GENS to restore its pre-pandemic earnings dynamic. To recap, China visitors historically make up about 19-20% of Singapore's pre-pandemic tourist arrival in 2018-19. We think that Chinese footfall made up about 20% of RWS' footfall and 20-25% of GENS' top-line revenue. Moving forward, we expect China to ease travel restrictions from 4Q21-1Q23 onwards. China's pent-up demand may allow GENS to potentially deliver above pre-pandemic earnings that could trounce our earnings estimates.
- Well-positioned to fulfil better capital management particularly in 2H22.** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan 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\$ 3.1b (26 S cents/share) and that post-pandemic EBITDA is largely sufficient to fund its S\$4.5b RWS 2.0 expansion.
- S\$4.5b expansion plan back on track.** Recall RWS' commitment to spend S\$4.5b (RWS 2.0) 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. We understand that construction works on both Minion Land and the Singapore Oceanarium are on track to start in 2H22.

### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of S\$1.08**, which implies 8x 2023F EV/EBITDA (-1SD below mean). We expect the stock to re-rate in reaction to Singapore's tourism recovery. With the world eventually fully unwinding COVID-19 curbs, and presumably including China by 4Q22-1Q23, we expect GENS' EBITDA to claw back to the pre-pandemic level of S\$1.2b in 2023 as the worst is likely over.
- Normalisation of lush prospective yield to 4.1-4.9% in 2022-23**, assuming revenue and cash flows recover back to pre-pandemic levels. Meanwhile, we expect GENS to deliver significantly better dividends in 2H22. Theoretically, our projected 2022 after tax EBITDA is sufficient to fund a final DPS of 2.0 S cents (2.4% 2022F yield).
- Theoretically, our target price for GENS would rise to S\$1.22 once our valuation horizon rolls over to 2023**, assuming EBITDA recovers to S\$1.2b and historical mean EV/EBITDA valuation of 10x.

### SHARE PRICE CATALYST

- We believe market should turn more positive towards GENS with the core profitability recovery and appealing dividend yield which promises defensiveness amid current market volatility. Re-rating catalysts for GENS include: a) further core earnings improvement, b) China's reopening of its borders, and c) GENS making good utilisation of its big cash pile for some sizeable acquisition or paying special dividend.

### SINGAPORE'S TOURIST ARRIVAL



Source: Singapore Tourism Analytics Network, UOB Kay Hian

### KEY ASSUMPTIONS

Year	FY21	FY22F	FY23F
Revenue (\$m)	1,067	1,686	2,679
EBITDA (\$m)	448	773	1,202
Hotel Occupancy (%)	60%	75%	90%

Source: UOB Kay Hian

### EARNINGS TREND OF GENS AND MBS

----- Genting Singapore (GENS) -----				
(\$m)	3Q21	4Q21	1Q22	2Q22
Revenue	251.5	261.0	314.5	348.6
EBITDA	102.5	69.4	124.8	143.9
Gaming Revenue	60.7	164.9	234.5	240.7
----- Marina Bay Sands (MBS) -----				
Revenue	249.0	499.4	539.6	935.6
EBITDA	20.3	240.2	163.6	439.6
Gaming Revenue	192.1	321.7	362.4	689.0

Source: UOB Kay Hian

### SINGAPORE'S COVID-19 RESTRICTIONS (LATEST)

- Fully vaccinated people can dine out in groups of up to five
- Attractions, shows, and cruises entry allowed if 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
- Singapore has scrapped the previous quota-based VTL arrangement and replaced it with a new Vaccinated Travel Framework (VTF) which allows fully-vaccinated travellers to enter Singapore free of quarantine and on-arrival tests.
- From 26 Apr onwards, pre-departure tests were no longer required for inoculated travellers entering Singapore

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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