

Genting Berhad (GENT MK) : **BUY**

Mkt. Cap: US\$5,785m | **3m Avg. Daily Val:** US\$11.7m

Last Traded Price (30 Nov 2018): RM6.28

Price Target 12-mth: RM8.75 (39% upside) (Prev RM9.45)

Analyst

King Yoong CHEAH +60 32604 3908; cheahky@alliancedbs.com

Strong 3Q earnings despite impairment

- 3Q core earnings up 44% y-o-y
- No updates/clarifications the development of outdoor theme park
- Cut FY18-19 earnings by 1-14%
- Maintain BUY with lower TP of RM8.75

Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	20,020	22,470	23,948	25,414
EBITDA	7,078	8,787	8,543	9,015
Pre-tax Profit	4,312	4,755	5,723	6,318
Net Profit	1,445	1,268	2,382	2,710
Net Pft (Pre Ex.)	2,021	2,488	2,382	2,710
Net Pft Gth (Pre-ex) (%)	10.6	23.1	(4.2)	13.7
EPS (sen)	38.9	34.1	61.5	69.9
EPS Pre Ex. (sen)	54.4	67.0	61.5	69.9
EPS Gth Pre Ex (%)	11	23	(8)	14
Diluted EPS (sen)	38.9	67.0	61.5	69.9
Net DPS (sen)	12.5	5.00	5.00	5.00
BV Per Share (sen)	910	973	990	1,056
PE (X)	16.1	18.4	10.2	9.0
PE Pre Ex. (X)	11.5	9.4	10.2	9.0
P/Cash Flow (X)	3.4	3.1	3.3	3.2
EV/EBITDA (X)	6.1	4.9	4.8	3.9
Net Div Yield (%)	2.0	0.8	0.8	0.8
P/Book Value (X)	0.7	0.6	0.6	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	4.2	3.6	6.4	6.8

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Despite headline losses, 3QFY18 core earnings up 44% y-o-y. Headline losses of RM276m was mainly due to the impairment losses on Genting Malaysia (GENM)'s investment in the promissory notes issued by the Mashpee Wampanoag Tribe (Tribe) amounting to RM1,834m for the development of an integrated gaming resort in Massachusetts, US. Stripping out various exceptional items including the RM1,834m impairment losses, Genting Bhd (GENT), reported 3Q core earnings of RM694m (+44% y-o-y, +2% q-o-q), driven by higher contributions from GENM and Genting Singapore (GENS). This brings its 9MFY18 core earnings to RM2,021m, accounting for 80% our full-year estimates.

GENM-driven by improved contributions from Malaysian operations. Stripping out various exceptional items including the RM1,843.3m impairment losses, GENM reported core earnings of RM413m (+60% y-o-y, +3% q-o-q). The stronger earnings on a y-o-y basis were mainly attributable to higher contributions from its Malaysian operations driven by higher hold percentage and business volume. Revenue and adjusted EBITA for 3QFY18 increased by 26% and 91% to RM1,592m and RM641m, respectively, mainly driven by overall higher hold percentage in the mid to premium players segments.

GENS- still game on. GENS reported a credible set of 3Q18 results considering that 3Q17 was boosted by an above



Flash Note

average VIP win rate of 3.1%. 3Q18 adjusted EBITDA was flat y-o-y at S\$319m but up 20% q-o-q owing to a below average VIP win rate in 2Q18. Meanwhile, 3Q18 normalised profit (excluding exceptional items) jumped 16% y-o-y to S\$210.4m mainly attributed to the absence of coupon payments for the perpetual securities which were redeemed late last year. Overall, 3Q18 results were in line with our expectations with 9M18 adjusted EBITDA of S\$944m (+5% y-o-y) forming c.75% of our full year estimates.

GENP- dragged by low ASP. Genting Plantation (GENP) reported core profit of RM18.0m, declining by a steep 77% y-o-y and 75% q-o-q. This brings 9M18 net profit to RM150.6m (-31% y-o-y), and core profit RM134.8m (-42% y-o-y), coming in below expectations. Crude palm oil (CPO) average selling price (ASP) fell by a steep 22% y-o-y to RM2,043/MT (-14% q-o-q), in part due to the translation impact of a weaker rupiah for its Indonesian operations; resulting in plantation EBITDA falling 53% y-o-y to RM66.2m (-57% q-o-q).

No updates/clarifications on the development of outdoor theme park. Although there are deep concerns over the impacts of GENM's current lawsuit against the Walt Disney Company and Twenty-First Century Fox after the latter two decided to terminate Genting's contract for the "Fox World" outdoor theme park project at Resorts World Genting in Malaysia, management declined to answer any queries on this matter. Nonetheless, management highlighted that the indoor theme park at Resorts World Genting will commence operations in mid December 2018. The revised Genting Integrated Tourism Plan (GITP) plan is as follows:

Key developments	(Expected) launch date
1,300-room First World Hotel Tower 3	June 2015
Sky Avenue & Sky Plaza Shopping Malls	(progressively) end-2016
Sky casino	3Q2017
Genting Premium Outlets	(progressively) June 2017
Indoor theme park	Commence in Dec 2018
Twentieth Century Fox Theme Park	No guidance

Although no guidance by the management, we believe that (1) the further theme park delay from its initial guidance of

1HFY19 is imminent, and (2) the collaboration with Fox is off the table.

Cut FY18-20 by 1-14% to account for lower contributions from GENM. We have conservatively cut our FY18-20 earnings by 1-14% mainly to account for lower contributions from GENM.

Maintain BUY with a lower TP of RM8.75. We maintain our BUY recommendation on GENT with a lower SOP-based TP of RM8.75, mainly to reflect the combined effect of (1) lowering our TP for GENM, (2) removing the dilutive impact of remaining company warrants from our model. This is because the warrants are expiring on 18th Dec 2018, while the exercise price of RM7.96 is significantly higher than GENT's current share price, and, (3) bookkeeping purposes.

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Quarterly Income Statement (RMm)

FY Dec	3Q2017	2Q2018	3Q2018	% chg yoy	% chg qoq
Revenue	5,040	4,823	5,381	6.8	11.6
Cost of Goods Sold	(3,415)	(2,920)	(3,240)	(5.1)	11.0
Gross Profit	1,624	1,903	2,141	31.8	12.5
Other Oper. (Exp)/Inc	(482)	(523)	(529)	9.7	1.1
Operating Profit	1,142	1,380	1,613	41.2	16.8
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	(3.6)	71.7	18.9	nm	(73.7)
Net Interest (Exp)/Inc	(27.6)	(34.6)	(19.2)	30.4	44.5
Exceptional Gain/(Loss)	(272)	(300)	(1,881)	(592.7)	527.1
Pre-tax Profit	839	1,117	(269)	nm	nm
Tax	(283)	(294)	(463)	63.7	57.5
Minority Interest	(266)	(440)	(456)	(71.1)	3.5
Net Profit	212	384	(1,187)	nm	(409.5)
Net profit bef Except.	483	683	694	43.6	1.5
EBITDA	1,621	1,975	2,160	33.3	9.4
Margins (%)					
Gross Margins	32.2	39.5	39.8		
Opg Profit Margins	22.7	28.6	30.0		
Net Profit Margins	4.2	8.0	(22.1)		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: King Yoong CHEAH

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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HONG KONG**DBS (Hong Kong) Ltd**

Contact: Carol Wu
11th Floor The Center
99 Queen's Road Central
Central, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA**AllianceDBS Research Sdn Bhd**

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com

SINGAPORE**DBS Bank Ltd**

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
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