

# Singapore Company Guide

## Genting Singapore

Version 17 | Bloomberg: GENS SP | Reuters: GENS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 May 2019

### BUY

Last Traded Price ( 9 May 2019): S\$0.95 (STI : 3,269.70)

Price Target 12-mth: S\$1.20 (26% upside) (Prev S\$1.54)

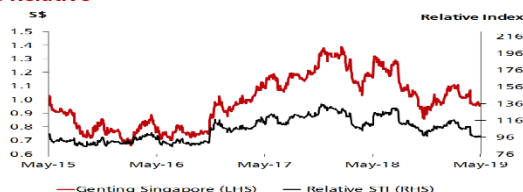
#### Analyst

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### What's New

- 1Q19 adjusted EBITDA down 8%— below expectations - to S\$303m due to c.20% drop in VIP rolling chip
- Management guiding for more cautious extension of credit and maintaining current quarterly run rate; cut FY19-21F adjusted EBITDA by 7-9%
- Trading close to -2SD EV/EBITDA; maintain BUY on lower TP of S\$1.20

#### Price Relative



#### Forecasts and Valuation

FY Dec (S\$m)	2018A	2019F	2020F	2021F
Revenue	2,539	2,516	2,561	2,649
EBITDA	1,230	1,194	1,214	1,256
Pre-tax Profit	943	880	916	965
Net Profit	755	704	732	772
Net Pft (Pre Ex.)	758	704	732	772
Net Pft Gth (Pre-ex) (%)	22.5	(7.0)	4.0	5.4
EPS (S cts)	6.27	5.84	6.07	6.40
EPS Pre Ex. (S cts)	6.29	5.84	6.07	6.40
EPS Gth Pre Ex (%)	22	(7)	4	5
Diluted EPS (S cts)	6.27	5.85	6.08	6.41
Net DPS (S cts)	3.50	4.00	4.50	4.50
BV Per Share (S cts)	64.6	67.7	70.7	73.9
PE (X)	15.2	16.3	15.6	14.8
PE Pre Ex. (X)	15.1	16.3	15.6	14.8
P/Cash Flow (X)	10.0	9.4	9.1	8.8
EV/EBITDA (X)	6.7	6.5	6.8	6.5
Net Div Yield (%)	3.7	4.2	4.7	4.7
P/Book Value (X)	1.5	1.4	1.3	1.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	9.9	8.8	8.8	8.9
Earnings Rev (%)		(8)	(11)	(10)
Consensus EPS (S cts)		6.1	6.3	6.4
Other Broker Recs:		B: 21	S: 0	H: 1

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

### Opportunity lies ahead

**Trading close to -2SD EV/EBITDA.** We maintain our BUY call on Genting Singapore (GENS) with a revised TP of S\$1.20. We expect volatility in GENS' share price near term due to weaker than expected 1Q19 results and cautious outlook commentary for its VIP business. However, the share price is buffered by the fact that GENS already trades on an EV/EBITDA of 6.5x, which is close to -2SD EV/EBITDA of 5.7x which provides valuation support and an attractive entry point for value oriented and long term focused investors.

**Where we differ – More positive on growth plans.** Despite acknowledging the market's cautious view on GENS' S\$4.5bn redevelopment of Resort World Sentosa (RWS) given the large capex and uncertainty over returns in 5-6 years' time, we are more positive on GENS ability to generate a return due to its strong track record since RWS was opened close to 10 years ago. Furthermore, we believe the market is underappreciating the impact from a near doubling of its hotel room inventory at RWS which translates to more guests staying at the property, boosting both gaming and non-gaming income. Thus, we believe GENS deserves to trade closer to -1SD EV/EBITDA at c.9x as implied by our TP compared to close to -2SD currently.

**Potential Japan IR.** Beyond upside potential from an enhanced RWS, we believe the potential launch of a request for proposal (RFP) for a Japan integrated resort (IR) in Osaka at end 2019 could act as a re-rating catalyst.

#### Valuation:

On the back of a weaker near-term outlook, we reduced our DCF-based TP to S\$1.20 from S\$1.55 (cut FY19-21F EBITDA by 7-9%, beta adjusted from 1.0 to 1.2).

#### Key Risks to Our View:

**Decline in VIP and mass businesses.** The key risk to our positive view is slower-than-expected recovery or decline in GENS' VIP and mass divisions.

#### At A Glance

Issued Capital (m shrs)	12,057
Mkt. Cap (S\$m/US\$m)	11,454 / 8,396
Major Shareholders (%)	
Genting Bhd	52.8
Free Float (%)	47.2
3m Avg. Daily Val (US\$m)	27.1
ICB Industry : Consumer Services / Travel & Leisure	



Live more, Bank less

## WHAT'S NEW

### Long term opportunity

#### Impacted by drop in VIP rolling chip

- 1Q19 adjusted EBITDA fell 8% y-o-y to S\$329.7m which was below expectations. The underperformance was largely due to an estimated 20% y-o-y drop in VIP rolling chip volumes to US\$5.6bn as GENS VIP market share fell to c.44% from 47-50% over the last few quarters. We understand given the uncertain macro environment, GENS has decided to be more selective in extending credit to its VIP customers.
- Partially offsetting the lower VIP volumes was a higher than average VIP win rate of 3.3% which was also marginally higher than the 3.2% achieved in 1Q18.
- Due to weaker adjusted EBITDA, normalised 1Q19 profit (excluding exceptional items) fell 12% y-o-y.

#### Mass business also dipped marginally

- The mass business did better than the VIP business.
- However, we estimate gross gaming revenue (GGR) for the mass business would have dipped 3-4% y-o-y.
- We understand GENS is facing increased competition from other casinos in ASEAN.

#### Bad debts under control.

- Impairment on trade receivables fell to S\$11m following a spike in 4Q18 to S\$36m.
- At S\$11m, bad debts are tracking below our assumed S\$15m quarterly run rate.

#### Strong balance sheet maintained

- GENS remains in a strong financial position with a net cash balance of S\$3.4bn.
- Post balance date, GENS announced that it had prepaid c.\$680m worth of borrowings, which leaves the group with c.S\$260m worth of debt and c.US\$3.7bn of cash.

#### Updates on redevelopment of Resort World Sentosa

- Based on recent disclosure by the Singapore government, out of the S\$4.5bn cost associated with the development of Resort World Sentosa, c.S\$1bn relates to the acquisition of land and/or increasing the plot ratio at the property.
- GENS guided that payment for this "land" will be made in 1Q20 and mainly funded with GENS' existing cash balances to maintain a more efficient balance sheet.

- Thereafter, capex will peak in 2022-2023 before tapering off ahead opening of the new hotel rooms at end 2024.
- We understand GENS will target to fund the initial capex in the first 1-2 years with its cash balance and operating cashflows. Subject to timing of a Japan IR and operating cashflows, GENS also guided it may not need to rely on project financing to fully fund the project, although we have conservatively assumed GENS draws down c.\$1-2bn during the peak construction period in 2022-2023.
- Furthermore, given the healthy annual operating cashflows of c.S\$1bn a year, strong balance sheet and timing of any construction for an IR in Japan at earliest by only 2022, GENS guided that it does not need to undertake a rights issue to fund its RWS redevelopment and Japan IR, contrary to rumours from some market participants.

#### RWS redevelopment overview

- The RWS S\$4.5bn renewal and refresh of Resort World Sentosa (RWS) will take over five years and will result in c.50% increase in gross floor area (GFA), adding 164,000 sqm of GFA of leisure and entertainment space.
- The developments and enhancements include:
  - **Expansion of Universal Studios Singapore (USS)** - Two new attractions - Minion Park and Super Nintendo World - are slated to open in 2022 and 2024 respectively, which should increase visitors to USS and RWS in general.
  - **Expansion of the SEA Aquarium to be re-branded as "Singapore Oceanarium"** - The existing Maritime Museum will be closed in 4Q19, and the new 'Singapore Oceanarium' will be 3x the size of the existing aquarium with a scheduled opening in 2021. Currently the aquarium attracts c.2m visitors a year with capacity constrained by the number of fire exits as a large part of the existing aquarium is underground. The new Oceanarium will alleviate this issue, potentially boosting visitor numbers by 50%.
  - **Addition of up to 1,100 new hotel rooms** - 900 new rooms are targeted to be added in 2024 and another 200 rooms in late 2025/early 2026 at a new waterfront lifestyle complex. The ability of GENS to generate additional gaming revenues has been constrained by: 1) lack of hotel rooms and, 2) gaming guests not staying in Sentosa,

thus reducing time spent in the casino. More rooms should enhance GENS' gaming revenue. GENS currently has 2,120 hotel rooms (1,570 at RWS and 550 rooms in Jurong). An additional 1,100 new rooms represents a 47% increase.

- **An enhanced waterfront promenade** - The existing waterfront promenade has struggled to draw large numbers of visitors and a refresh is expected to enhance the attractiveness of RWS as a destination. The new waterfront promenade will be lined with restaurants, retail outlets and a "spectacular" public attraction.
- **Expansion of Meetings, Incentives, Conferences and Exhibitions (MICE) facilities** – It is anticipated that there will be a 20% increase in MICE facilities (c.11k sqft) which should lead to more events coming to Singapore. Benefits from an increase in MICE facilities should start from 2024 onwards. We understand that MICE visitors – compared to aquarium and USS visitors – have a higher propensity to visit the casino.
- **Development of a driverless transport system (DTS)** – A new DTS is expected to enhance last mile connectivity and bring greater footfall to RWS and the rest of Sentosa. We understand that the new DTS (potential opening in 2024) could boost transport capacity to and around Sentosa by 30-40%.

#### Extension of exclusivity period to end-2030 but 3% higher gaming taxes

- On the back of GENS' S\$4.5bn investment in RWS and Marina Bay Sands' (MBS) commitment to spend c.S\$4.5bn to build a 1,000 room luxury hotel, new 15,000 seat arena and additional MICE space, the Singapore government recently announced the extension of the exclusivity period for the two casinos to end 2030 (i.e. no new casinos until 2030).
- MBS and RWS will also be given an option to deploy (subject to payment of additional land costs) an additional 2,000 sqm and 500 sqm of Approved Gaming Area (AGA) respectively. Currently, MBS and RWS are allowed 15,000 sqm of AGA.
- Furthermore, MBS and RWS will be given an option to increase their allowable gaming machines by 1,000 and 800 respectively. These machines are used to target higher-tier non-mass market players who are mainly tourists. The additional AGA can be exercised only after the various new attractions are completed. We also understand that GENS' S\$4.5bn capital expenditure (capex) already includes the potential 500 sqm of extra AGA. RWS targeted a

smaller increase in AGA compared to MBS to minimise overall capex.

- However, the casino entry levies for Singaporeans and permanent residents (PR) will be raised by 50% from S\$100 to S\$150 for the daily levy and from S\$2,000 to S\$3,000 for the annual levy, with a 5-year moratorium. The increase in levies is effective 4 April 2019.
- In addition, the casino tax will be increased by c.3% from March 2022. The tax rate for premium gaming (VIP business) will be lifted from the current flat 5% to 8% for the first S\$2.4bn of gross gaming revenue (GGR) and 12% for GGR in excess of S\$2.4bn. For mass gaming, the flat 15% rate will be revised to 18% for the first S\$3.1bn of GGR and 22% of GGR in excess of S\$3.1bn. If an integrated resort (IR) fails to meet its investment commitments (i.e. S\$4.5bn), then a flat tax rate of 12% will apply to the entire GGR from premium gaming and a flat tax rate of 22% will apply on the entire GGR from mass gaming. Nevertheless, the effective casino tax for Singapore's IR remains relatively low compared to the 39% gaming tax for casinos in Macau.

#### Japan IR inching closer

- GENS guided that it is in the process of preparing a proof of concept (RFC) for a potential integrated resort (IR) in Osaka as the city has issued a request of concept to various potential operators.
- Following submission which is non-binding, a potential request for proposal (RFP) may occur later in the year with the city picking a preferred partner in 2Q20 before seeking submission and approval from the Japanese federal government. This process may take another 6-9 months with planning permission and regulatory approvals resulting at earliest any construction work in 2021 or early 2022. Thus, there are no capex needs for Japan until 2022 should GENS win the right to build an IR in Japan.

#### Revising earnings estimates on the back of more cautious guidance

- On the back of weaker than expected 1Q19 results and guidance that GENS intends to be more cautious with extending credit in its VIP business in an uncertain macro environment, we now assumed a 9% y-o-y drop in VIP rolling chip in FY19 from a 3% increase previously. Thereafter, we expect 3% recovery p.a.
- In addition, due to the recent increase in the casino entry levy for Singaporeans and increased competition from regional casinos, we assume 3%

dip in the mass business, down from 2-3% increase previously.

- This leads us to cut our FY19-21F adjusted EBITDA by 7-9%.
- On the back of lower earnings and an increase in beta from 1.0 to 1.2, we lowered our DCF-based TP to S\$1.20 from S\$1.55.
- Our TP now implies a EV/EBITDA multiple of 9x which is close to -1SD EV/EBITDA of 8.6x.
- Given GENS track record of developing and managing RWS, we believe GENS is in a strong position to create at minimum a NPV neutral or better outcome from its S\$4.5bn investment. This is underpinned by near doubling of rooms at the property (1,100 extra rooms on top of the existing 1,570 rooms) which will not only improve income from the hotels directly but more importantly result in more guests staying at RWS, translating to higher gaming and non-gaming income. Historically, with the lack of available rooms (hotel occupancy typically in the mid-90s), RWS was unable to offer sufficient rooms to attract more casino guests or host larger conventions and meeting groups. Furthermore, with

guests not being able to stay RWS causing them to typically leave in the late afternoon, this resulted in missed opportunities to generate sales in the various F&B outlets and also spend time in the casino.

- However, due to the disappointment over the 1Q19 results and some investors being unable to envision the benefits from the investment 5-6 years away, in our view it will be difficult for GENS to re-rate closer to average EV/EBITDA multiple we had previously assumed, with a -1SD multiple being more realistic.

#### **Maintain BUY with a revised TP of S\$1.20**

- Given 26% upside to our revised TP of S\$1.20, we maintain our BUY call.
- While there may be some short-term volatility in GENS' share price, we believe this should provide an attractive entry point, given the attractive valuations on offer, with GENS trading close to its -2SD EV/EBITDA, with medium upside from the redeveloped RWS and potential investment in a Japan IR.

## Quarterly / Interim Income Statement (\$m)

FY Dec	1Q2018	4Q2018	1Q2019	% chg yoy	% chg qoq
Revenue	675	665	640	(5.1)	(3.7)
Cost of Goods Sold	(332)	(410)	(351)	5.8	(14.4)
<b>Gross Profit</b>	<b>343</b>	<b>254</b>	<b>289</b>	<b>(15.8)</b>	<b>13.7</b>
Other Oper. (Exp)/Inc	(54.1)	(72.6)	(52.1)	(3.7)	(28.3)
<b>Operating Profit</b>	<b>289</b>	<b>182</b>	<b>237</b>	<b>(18.0)</b>	<b>30.4</b>
Other Non Opg (Exp)/Inc	(1.2)	(3.6)	1.98	nm	nm
Associates & JV Inc	0.70	1.05	1.01	45.3	(3.7)
Net Interest (Exp)/Inc	6.69	11.4	12.6	88.1	10.6
Exceptional Gain/(Loss)	(22.0)	1.44	(4.3)	80.3	nm
<b>Pre-tax Profit</b>	<b>274</b>	<b>192</b>	<b>248</b>	<b>(9.2)</b>	<b>29.3</b>
Tax	(56.3)	(41.9)	(42.9)	(23.8)	2.4
Minority Interest	0.0	0.0	0.0	-	-
<b>Net Profit</b>	<b>217</b>	<b>150</b>	<b>205</b>	<b>(5.4)</b>	<b>36.8</b>
Net profit bef Except.	239	149	210	(12.3)	41.1
EBITDA	359	294	330	(8.2)	12.3
<b>Margins (%)</b>					
Gross Margins	50.9	38.3	45.2		
Opg Profit Margins	42.8	27.3	37.0		
Net Profit Margins	32.2	22.6	32.1		

Source of all data: Company, DBS Bank

## CRITICAL DATA POINTS TO WATCH

## Critical Factors

**Medium upside from the VIP business.** GENS' current quarterly VIP rolling chip remains low at c.US\$5.5-6.0bn a quarter versus the peak of c.US\$14b-15n. Thus, in the medium term, assuming GENS selectively extends credit to its VIP customers, this will present significant upside to earnings going forward especially after the redevelopment of Resort World Sentosa (RWS) which will provide a near doubling in hotel room capacity. Nevertheless, near term, due to the uncertain macro-economic environment, management has guided that it intends to maintain the current quarterly run rate and is cautious on extending credit in a significant manner. Thus, given the high base effect with strong volume growth 1H18, we have penciled in 9% y-o-y decline in FY19 VIP rolling chip volumes before a 3% y-o-y recovery p.a. from FY20 onwards.

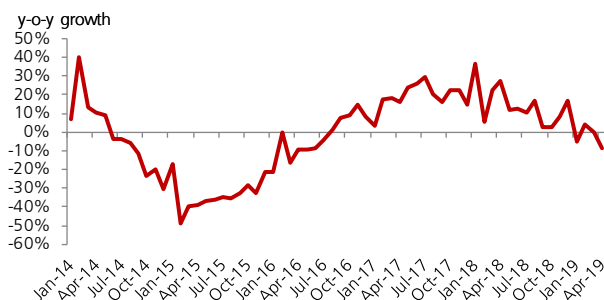
**Bad debts to remain low.** We expect impairment on trade receivables to remain under control following a more rigorous credit process following a spike in 2015-2016. Going forward, we expect bad debts to track around S\$15m per quarter, down from a peak of S\$92m in 1Q16. In 1Q19, bad debts of S\$11m is tracking below our expectations.

**Volatility in regional currencies.** China, Malaysia and Indonesia are key markets for GENS, with potential volatility in the CNY, MYR and IDR impacting GENS' business. FX rates have been relatively stable in the last couple of quarters.

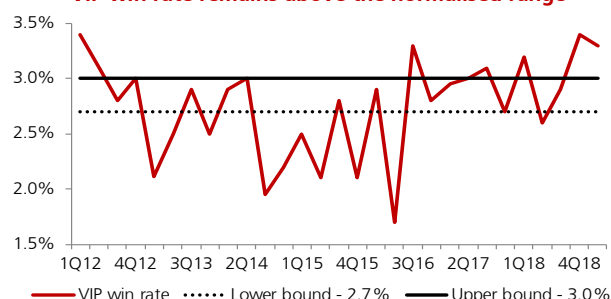
**Near term dip in the mass business.** With new hotels opening on Sentosa in 2019, this should drive more foot traffic to GENS' casino and help support more conventions and meetings at GENS' property, we believe the mass business will provide a steady contribution going forward. However, over 2Q19 and 3Q19, there may some impact from the recent increase in the entry levy for Singaporean guests and we understand some regional casinos have been aggressive in their marketing efforts. Thus, we project 3% dip in FY19 versus 2-3% increase previously.

**Redevelopment of RWS.** GENS will be investing S\$4.5bn over the next 5 years to add more attractions at Universal Studios, provide 1,100 new hotel rooms, potentially expand its gaming floor as well as enhance its convention and F&B offering. This should provide a medium-term boost GENS' earnings.

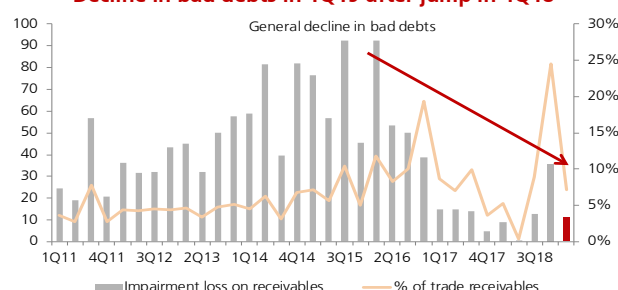
## Macau's gross gaming revenue hitting a soft patch in recent times



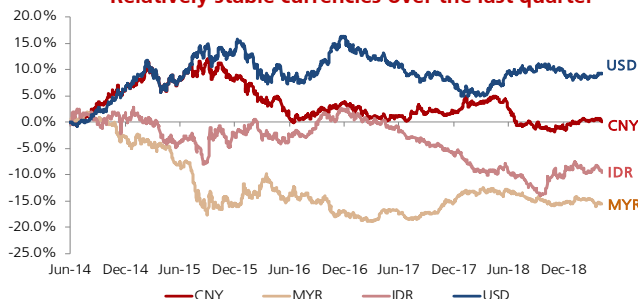
## VIP win rate remains above the normalised range



## Decline in bad debts in 1Q19 after jump in 4Q18



## Relatively stable currencies over the last quarter



## Forward EV/EBITDA chart



Source: Company, DBS Bank

## Genting Singapore

### Balance Sheet:

**Net cash position.** GENS has net cash of c.S\$3.4bn (S\$4.3bn of cash and restricted cash less gross debt of S\$0.9bn) as at 31 March 2019. With operating cashflows of S\$800m to S\$1.2bn per annum, GENS' financials should remain healthy. The strong balance sheet also allows GENS to raise sufficient debt should it be awarded the right to develop an integrated resort in Japan which could cost US\$7-12bn, and also to fund the S\$4.5bn redevelopment of RWS.

### Share Price Drivers:

**Attractive valuation.** We believe despite near term earnings disappointment and a more cautious outlook, we believe a significant proportion of this risk has been priced in with GENS trading at c.6.5x EV/EBITDA multiple which is close to -2SD EV/EBITDA of 5.7x. Thus, we believe any share price weakness presents an attractive entry point.

**Expansion into Japan.** The Japanese government recently approved the development of integrated resorts. A successful bid for such a project would boost the long-term earnings of the group which would drive GENS' share price higher.

### Key Risks:

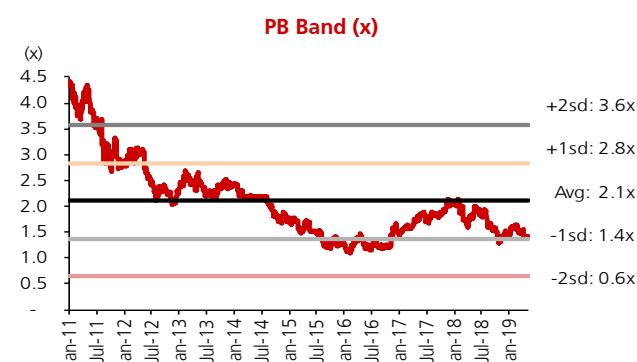
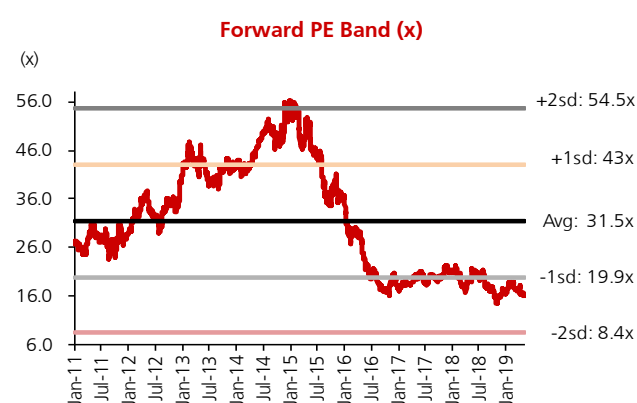
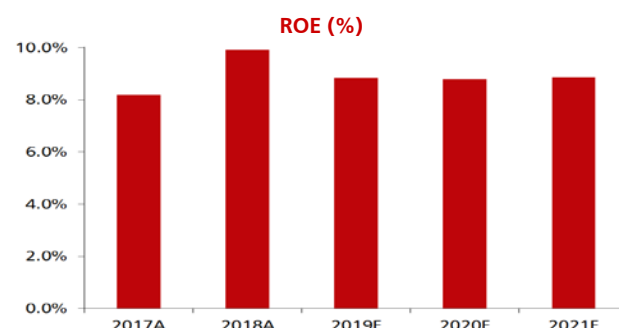
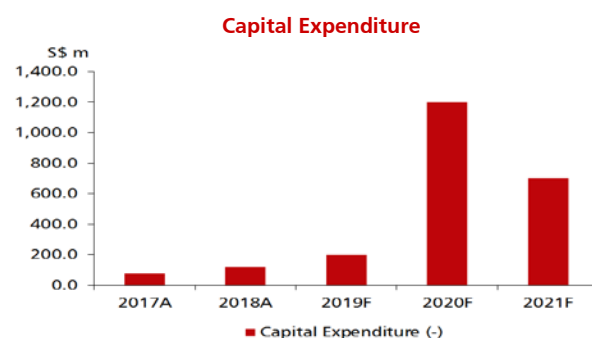
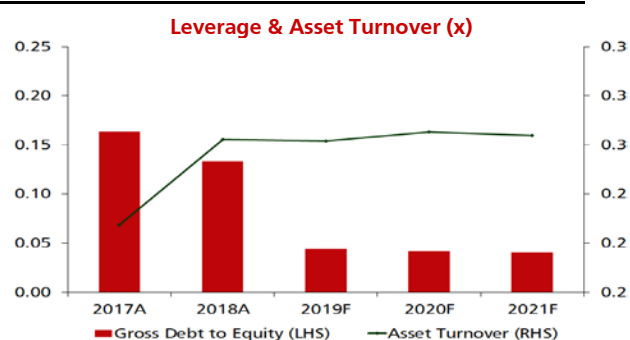
**Hard landing in China.** A hard landing in China would present downside risk to our earnings estimates as this may impact the ability of GENS' Chinese customers to gamble at its properties.

**Credit risks.** GENS extends credit to its VIP customers. In the event it is unable to recover its receivables, GENS may face higher levels of bad debts.

**Competition from other markets.** Other markets in Asia including Macau, Philippines, Vietnam, Cambodia and potentially Hainan Island have been developing new integrated resorts which may draw GENS customers away.

### Company Background

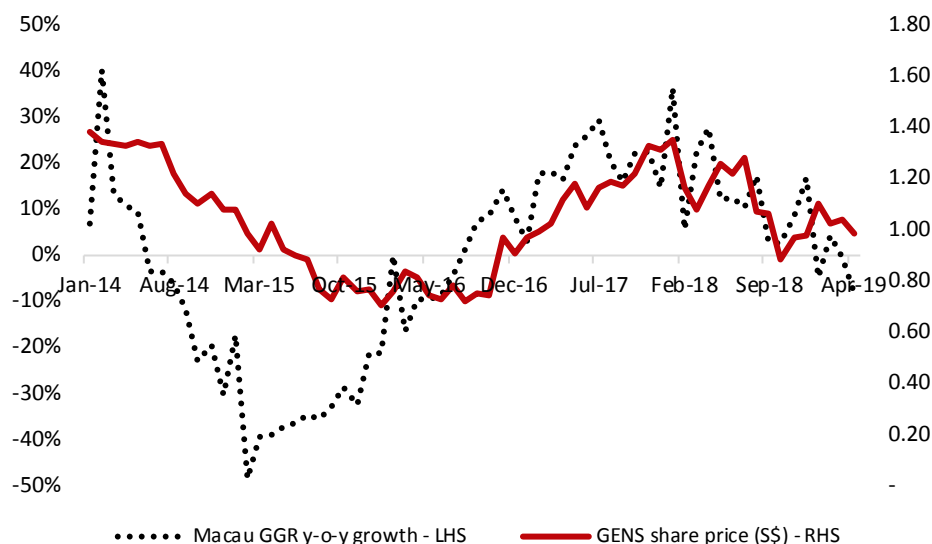
Genting Singapore Plc (GENS) operates Resorts World Singapore (RWS) which is one of the largest fully integrated resorts in Southeast Asia. RWS consist of convention facilities, hotels, food & beverage and retail outlets, Universal Studios Singapore and a casino.



Source: Company, DBS Bank

## GENS' share price versus Macau GGR y-o-y growth

## Remarks



Source: Bloomberg Finance L.P., DICJ, DBS Bank

GENS' share price typically tracks the direction of Macau's GGR performance

Following the recovery in the Macau market, GENS' share price rebounded. Recently due to the higher base effect, Macau's GGR performance had softened resulting in a correction in GENS' share price. However, we believe at close to -2SD EV/EBITDA, there is scope for GENS to partially de-link from Macau's GGR performance.

## Gaming peer comp\*

Company	FYE	Curncy	Closing Price	Rec	12-mth Target Price	Mkt Cap US\$bn	PE		EV/EBITDA	
							FY19F	FY20F	FY19F	FY20F
Macau										
Galaxy Ent	Dec	HKD	53.45	NR	N/A	29.5	16.8	15.5	12.7	11.4
Sands China	Dec	HKD	40.40	NR	N/A	41.6	19.1	17.1	14.5	13.4
SJM Holdings	Dec	HKD	9.10	NR	N/A	6.6	20.5	18.2	15.0	10.6
Wynn Macau	Dec	HKD	19.70	NR	N/A	13.0	16.5	14.9	11.8	10.9
MGM China	Dec	HKD	13.98	NR	N/A	6.8	19.6	15.5	11.0	9.4
Singapore										
Genting Singapore	Dec	SGD	0.95	BUY	1.20	8.3	16.3	15.6	6.5	6.8

\* Macau stocks based on consensus estimates with Genting Singapore based on DBS Bank estimates

Source: Bloomberg Finance L.P., DBS Bank

## Income Statement (\$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Revenue	2,393	2,539	2,516	2,561	2,649
Cost of Goods Sold	(1,318)	(1,385)	(1,393)	(1,414)	(1,450)
<b>Gross Profit</b>	<b>1,075</b>	<b>1,154</b>	<b>1,123</b>	<b>1,147</b>	<b>1,199</b>
Other Opng (Exp)/Inc	(207)	(240)	(293)	(298)	(306)
<b>Operating Profit</b>	<b>868</b>	<b>914</b>	<b>830</b>	<b>850</b>	<b>893</b>
Other Non Opg (Exp)/Inc	(29.7)	(8.9)	(10.0)	(10.0)	(10.0)
Associates & JV Inc	3.39	3.96	3.00	3.00	3.00
Net Interest (Exp)/Inc	35.4	36.4	57.7	72.9	79.7
Exceptional Gain/(Loss)	(17.4)	(2.4)	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>860</b>	<b>943</b>	<b>880</b>	<b>916</b>	<b>965</b>
Tax	(174)	(188)	(176)	(183)	(193)
Minority Interest	(84.6)	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>601</b>	<b>755</b>	<b>704</b>	<b>732</b>	<b>772</b>
Net Profit before Except.	618	758	704	732	772
EBITDA	1,151	1,230	1,194	1,214	1,256
<b>Growth</b>					
Revenue Gth (%)	7.4	6.1	(0.9)	1.8	3.4
EBITDA Gth (%)	47.8	6.8	(2.9)	1.7	3.5
Opg Profit Gth (%)	80.0	5.3	(9.2)	2.4	5.0
Net Profit Gth (Pre-ex) (%)	141.8	22.5	(7.0)	4.0	5.4
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	44.9	45.4	44.6	44.8	45.3
Opg Profit Margin (%)	36.3	36.0	33.0	33.2	33.7
Net Profit Margin (%)	25.1	29.7	28.0	28.6	29.2
ROAE (%)	8.2	9.9	8.8	8.8	8.9
ROA (%)	5.7	7.8	7.3	7.6	7.7
ROCE (%)	6.9	8.1	7.4	7.6	7.6
Div Payout Ratio (%)	70.1	55.8	68.4	74.0	70.2
Net Interest Cover (x)	NM	NM	NM	NM	NM

Dip due to decline in VIP business

Source: Company, DBS Bank

## Quarterly / Interim Income Statement (\$5m)

FY Dec	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
Revenue	675	560	639	665	640
Cost of Goods Sold	(332)	(309)	(334)	(410)	(351)
<b>Gross Profit</b>	<b>343</b>	<b>251</b>	<b>305</b>	<b>254</b>	<b>289</b>
Other Oper. (Exp)/Inc	(54.1)	(54.5)	(58.5)	(72.6)	(52.1)
<b>Operating Profit</b>	<b>289</b>	<b>196</b>	<b>247</b>	<b>182</b>	<b>237</b>
Other Non Opg (Exp)/Inc	(1.2)	(3.4)	(0.8)	(3.6)	1.98
Associates & JV Inc	0.70	0.99	1.21	1.05	1.01
Net Interest (Exp)/Inc	6.69	8.45	9.91	11.4	12.6
Exceptional Gain/(Loss)	(22.0)	18.2	0.0	1.44	(4.3)
<b>Pre-tax Profit</b>	<b>274</b>	<b>221</b>	<b>257</b>	<b>192</b>	<b>248</b>
Tax	(56.3)	(43.0)	(46.6)	(41.9)	(42.9)
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>217</b>	<b>178</b>	<b>210</b>	<b>150</b>	<b>205</b>
Net profit bef Except.	239	159	210	149	210
EBITDA	359	266	319	294	330

## Growth

Revenue Gth (%)	16.4	(17.0)	14.1	4.0	(3.7)
EBITDA Gth (%)	40.7	(25.9)	19.9	(7.9)	12.3
Opg Profit Gth (%)	60.0	(32.1)	25.6	(26.3)	30.4
Net Profit Gth (Pre-ex) (%)	78.9	(33.3)	32.0	(29.3)	41.1

## Margins

Gross Margins (%)	50.9	44.8	47.8	38.3	45.2
Opg Profit Margins (%)	42.8	35.0	38.6	27.3	37.0
Net Profit Margins (%)	32.2	31.7	32.9	22.6	32.1

## Balance Sheet (\$5m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Net Fixed Assets	5,069	4,857	4,717	5,577	5,937
Invt in Associates & JVs	54.3	58.3	61.3	64.3	67.3
Other LT Assets	345	326	302	278	254
Cash & ST Invt	3,834	4,214	4,068	3,582	3,640
Inventory	48.6	48.8	57.5	58.6	60.5
Debtors	127	144	152	154	160
Other Current Assets	129	119	119	119	119
<b>Total Assets</b>	<b>9,607</b>	<b>9,767</b>	<b>9,476</b>	<b>9,834</b>	<b>10,238</b>
ST Debt	203	206	206	206	206
Creditor	463	455	462	469	481
Other Current Liab	200	202	202	202	202
LT Debt	1,013	832	152	152	152
Other LT Liabilities	286	291	291	291	291
Shareholder's Equity	7,442	7,781	8,163	8,514	8,906
Minority Interests	0.00	0.00	0.00	0.00	0.00
<b>Total Cap. &amp; Liab.</b>	<b>9,607</b>	<b>9,767</b>	<b>9,476</b>	<b>9,834</b>	<b>10,238</b>
Non-Cash Wkg. Capital	(358)	(345)	(336)	(339)	(344)
Net Cash/(Debt)	2,618	3,176	3,709	3,224	3,282
Debtors Turn (avg days)	24.8	19.5	21.4	21.8	21.6
Creditors Turn (avg days)	143.3	156.5	162.6	161.8	159.6
Inventory Turn (avg days)	19.4	16.6	18.8	20.2	20.0
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.3
Current Ratio (x)	4.8	5.2	5.1	4.5	4.5
Quick Ratio (x)	4.6	5.1	4.8	4.3	4.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	6.3	11.5	55.8	334.7	195.2
Z-Score (X)	5.7	5.7	5.8	5.8	NA

Remains in strong financial position even after commencing redevelopment of RWS

Source: Company, DBS Bank

## Cash Flow Statement (\$m)

FY Dec	2017A	2018A	2019F	2020F	2021F
Pre-Tax Profit	860	943	880	916	965
Dep. & Amort.	283	316	364	364	364
Tax Paid	(78.2)	(181)	(176)	(183)	(193)
Assoc. & JV Inc/(loss)	(3.4)	(4.0)	(3.0)	(3.0)	(3.0)
Chg in Wkg.Cap.	197	(25.1)	(9.3)	3.07	5.00
Other Operating CF	858	1,041	1,040	1,076	1,128
<b>Net Operating CF</b>	<b>1,256</b>	<b>1,146</b>	<b>1,215</b>	<b>1,257</b>	<b>1,301</b>
Capital Exp.(net)	(76.1)	(120)	(200)	(1,200)	(700)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	533	14.3	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>457</b>	<b>(105)</b>	<b>(200)</b>	<b>(1,200)</b>	<b>(700)</b>
Div Paid	(361)	(422)	(482)	(542)	(542)
Chg in Gross Debt	(195)	(210)	(680)	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(2,219)	(32.0)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(2,775)</b>	<b>(664)</b>	<b>(1,162)</b>	<b>(542)</b>	<b>(542)</b>
Currency Adjustments	(67.5)	2.86	0.0	0.0	0.0
Chg in Cash	(1,130)	380	(147)	(485)	58.3
Opg CFPS (\$ cts)	8.79	9.72	10.2	10.4	10.7
Free CFPS (\$ cts)	9.79	8.52	8.42	0.47	4.98

Includes capex to fund redevelopment of Resort World Sentosa

Source: Company, DBS Bank

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 May 18	1.28	1.49	BUY
2:	06 Aug 18	1.13	1.55	BUY
3:	09 Nov 18	0.95	1.55	BUY
4:	22 Feb 19	1.07	1.54	BUY
5:	04 Apr 19	0.97	1.54	BUY

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

Source: DBS Bank

Analyst: Mervin SONG, CFA

DBS Bank recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**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*

Completed Date: 10 May 2019 12:00:53 (SGT)

Dissemination Date: 10 May 2019 12:01:45 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

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