

# Genting Malaysia (GENM MK)

## Observations from our post-Covid walkabout

### Maintain BUY call with revised TP of MYR3.27 (-1%)

Genting SkyWorlds (GS) is taking time to ramp up while other Resorts World Genting (RWG) operations are being limited by labour. Yet, we maintain a more sanguine view. We revise FY22E/FY23E/FY24E EPS by -30%/+7%/+7% and trim our DCF-based TP to MYR3.27 from MYR3.30. There could be another MYR0.53/sh of upside if Resorts World New York City is converted into a full casino. On another note, we raise our ESG score to 51 from 48 due to the addition of a female director to its BOD.

### Genting SkyWorlds off to a slow start...

From 8 Feb 2022 to 31 Mar 2022, GS welcomed 2.6k visitors daily. From 1 Apr 2022 till today, GS welcomed slightly higher 3k-4k visitors daily or only about half of our expectations. We understand that long wait times for certain rides caused by technical issues are the culprit. Nonetheless, we are assured that the technical issues will be ironed out. We also understand that GENM has hired some experienced theme park staff to operate GS better.

### ... but RWG operations recovering still

Proceeding to the rest of RWG, the labour shortage pervading Malaysia is precluding it from recovering to pre-Covid levels swiftly. Yet, RWG is buzzing once again post-Covid. Crucially, gaming traffic has returned after the Omicron wave in 1Q22 which we understand will set the stage for a better 2Q22 in terms of earnings. We are also encouraged that Indonesia has agreed to lift its ban on sending its citizens to Malaysia to work from 1 Aug 2022 which we hope will ease the labour shortage.

### Interim dividend to return?

Recall that after not announcing a traditional interim DPS in Aug 2021, GENM injected USD150m into Empire Resorts in Oct 2021. Given that GENM's earnings outlook is improving and it stated that it may not need to inject more equity into Empire Resorts, a return to GENM announcing an interim DPS when it reports 2Q22 results in late Aug 2022 is not unwarranted. For now, we maintain FY22E DPS of 9sen which comprises only a special DPS and does not impute any interim DPS.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	4,529	4,157	8,561	10,801	11,017
EBITDA	330	532	2,388	3,398	3,489
Core net profit	(1,445)	(915)	406	1,273	1,220
Core FDEPS (sen)	(25.6)	(16.2)	7.2	22.5	21.5
Core FDEPS growth(%)	nm	nm	nm	213.9	(4.2)
Net DPS (sen)	14.5	9.0	9.0	20.0	20.0
Core FD P/E (x)	nm	nm	40.8	13.0	13.6
P/BV (x)	1.0	1.2	1.2	1.2	1.2
Net dividend yield (%)	5.4	3.1	3.1	6.8	6.8
ROAE (%)	(13.6)	(6.6)	3.0	9.3	8.8
ROAA (%)	(4.7)	(3.1)	1.4	4.6	4.6
EV/EBITDA (x)	62.5	44.2	9.7	6.4	5.9
Net gearing (%) (incl perps)	53.5	69.0	65.3	54.0	45.0
Consensus net profit	-	-	678	1,241	1,450
MKE vs. Consensus (%)	-	-	(40.2)	2.6	(15.9)

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# BUY

Share Price	MYR 2.92
12m Price Target	MYR 3.27 (+15%)
Previous Price Target	MYR 3.30

### Company Description

Owns and operates Resorts World Genting, the only integrated resort in Malaysia. Also owns casinos in the UK, US and Bahamas.

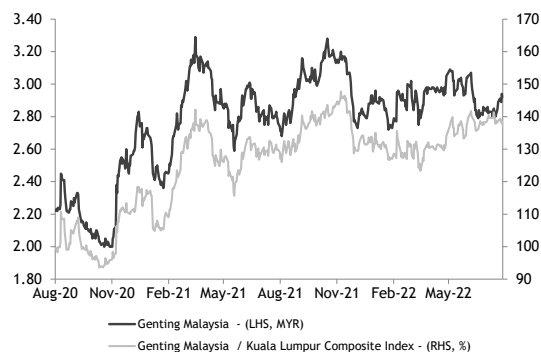
### Statistics

52w high/low (MYR)	3.28/2.68
3m avg turnover (USDm)	4.5
Free float (%)	47.3
Issued shares (m)	5,938
Market capitalisation	MYR17.3B USD3.9B

### Major shareholders:

Genting Bhd.	47.7%
Genting Malaysia Bhd.	4.6%
Great Eastern Life Assurance Co. Ltd.	3.4%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	3	(4)	5
Relative to index (%)	0	3	6

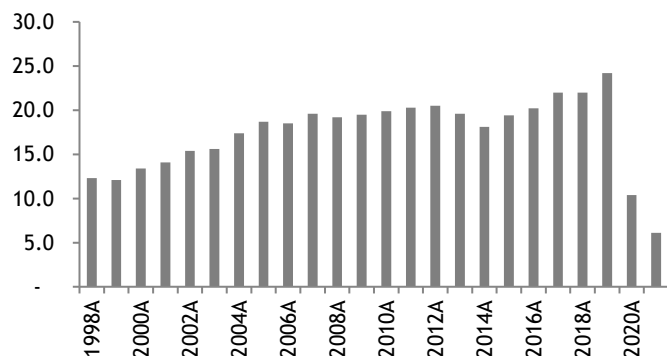
Source: FactSet

ESG@MAYBANK IBG  
Tear Sheet Insert

## Value Proposition

- Owns and operates Resorts World Genting (RWG), Genting United Kingdom (GENUK), Resorts World New York (RWNY) and Resorts World Bimini (RWB).
- RWG is ~80% of group earnings and resilient. RWG is expanding via the Genting Integrated Tourism Plan (GITP).
- GITP involves 1,536 hotel rooms, outdoor theme park, indoor theme park, mall, plaza and new cable car line.
- ROEs fell to <10% after 2013, dragged by start-up losses at RWB.
- ROE may remain below WACC due to the acquisition of 49% shareholding in Empire Resorts.

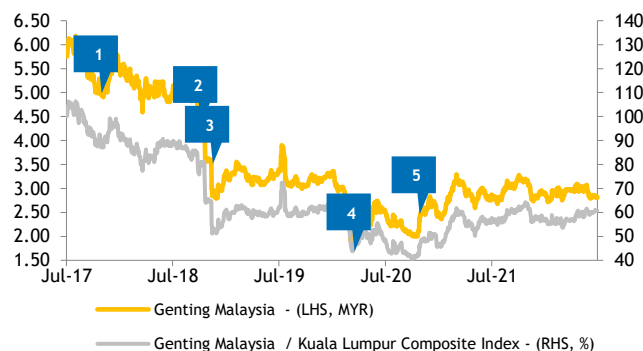
### RWG visitor arrivals (m)



Source: Company

## Price Drivers

### Historical share price trend



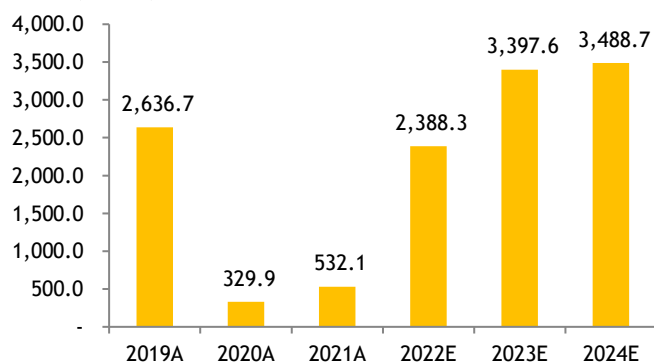
Source: Company, Maybank IBG Research

- 2Q17 and 3Q17 results were below expectations due to low VIP win rate at RWG.
- National Budget 2019 in Nov 2018 proposed for RWG casino duty rate to be hiked by 10ppts from 1 Jan 2019.
- Fox withdrew RWG's right to Fox-brand its outdoor theme park.
- COVID-19 pandemic spreads in Malaysia. RWG was shut from 18 Mar 2020 to 18 Jun 2020.
- Pfizer and AstraZeneca announced that they developed effective COVID-19 vaccines.

## Financial Metrics

- Key financial metric is EBITDA. Most casino operators are valued on EV/EBITDA basis.
- Forecast FY22E EBITDA to recover by 349% YoY as RWG operates on a full year basis (FY21A: 7 months).
- Forecast FY23E EBITDA to grow by 42% YoY as RWG's Genting SkyWorlds theme park ramps up.
- Forecast FY24E EBITDA to grow by 3% YoY as the COVID-19 pandemic fully subsides.
- We expect balance sheet to remain net debt as GENM has been more progressive in paying dividends.

### EBITDA (MYRm)



Source: Company, Maybank IBG Research

## Swing Factors

### Upside

- VIP win rate - if it is above theoretical levels, it can positively influence earnings.
- VIP: mass market mix - tilt towards mass market will expand margins due to less commissions and rebates.
- Higher visitor arrivals to RWG - the purpose of the GITP is to attract more high margin mass market gamblers.

### Downside

- Related party transactions (RPT) - GENM has a history of executing RPTs that do not favour minority shareholders.
- Regional expansion - new jurisdictions often require high capex commitments without guaranteeing returns.
- High foreign shareholding of 17% as at end-2Q22 poses downside risk to share price in a weak market.

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Risk Rating & Score <sup>1</sup>	27.7 (Medium)
Score Momentum <sup>2</sup>	+1.3
Last Updated	23 Dec 2021
Controversy Score <sup>3</sup> (Updated: 15 Jun 2021)	1- Governance Incidents - Corporate Governance

## Business Model & Industry Issues

- GENM's Resorts World Genting (RWG) has always been the 'cash cow' of the group. With the cash flows generated by RWG, GENM has attempted to expand beyond Malaysia.
- Resorts World New York City (RWNYC) is a successful green-field investment. That said, GENM has not been averse to employing related party transactions (RPT) to expand (e.g. acquisition of Genting UK (GENUK) and Empire Resorts).
- To be fair, not all RPTs were negative for minority shareholders. The acquisition of GENUK turned out to be more positive than we expected and we viewed the disposal of 17% of Genting Hong Kong (GENHK) positively.
- Yet, the recurrence of RPTs continues to raise eyebrows with the latest being the acquisition of 49% of loss generating Empire Resorts. On another note, GENM has been a lot more progressive with dividends.
- GENM also scores average in our proprietary scoring methodology (see Pg. 4) with an overall score of 51/100.

## Material E issues

- RWG sits at the peak of Mount Ulu Kali. Thus, it is not served by municipal or national sewerage companies
- Although RWG recently increased its gross floor area by ~50%, 94% of its ~10k acre virgin rainforest remains intact.
- RWG has 8 pumping stations which extract raw water from Sungai Cherok to 10 water treatment plants.
- RWG consumed a reduced 4.0m m<sup>3</sup> (-12% YoY) of water in 2021 due to it being shut for 5 months (2020: 3 months).
- Yet, water consumed/visitor grew to 0.57 m<sup>3</sup> (+58% YoY) in 2021.
- Invested in a new cable car system called Awana Skyway that can carry 3.6k pax/hour. It opened in 2016.
- Awana Skyway has not only reduced traffic congestion and pollution but also traffic accidents at RWG.
- RWG phased out plastic straws and replaced food boxes with biodegradable and compostable food containers.

## Material S issues

- Access to RWG casino is denied to persons below the age of 21 and Malaysian Muslims.
- Bank Negara Malaysia precludes RWG from extending credit to gamblers.
- RWG has a 24 hour Responsible Gaming Hotline and Self Exclusion Programme (SEP).
- GENUK and RWNYC have similar responsible gaming initiatives and SEPs.
- RWG promotes Request For Assistance programme to problem gamblers.
- In 2020, GENUK was awarded AML Team of the Year Award by Gambling Compliance Global Regulatory Awards.
- GENUK also accorded GamCare's Safer Gambling Standard (Level 3) by Safer Gambling Standard Great Britain.
- GENUK contributes 0.1% of gross gaming revenue (GGR) to responsible gaming causes.
- RWNYC is required to contribute 44% of GGR to the New York State education fund as a form of gaming tax.
- Women account for 40% of GENM's workforce. The ratio of total remuneration for women and men is equal at 1:1.
- RWG operates 11 residential staff complexes with 9,844 rooms that can accommodate 22,488 staff.

## Key G metrics and issues

- BOD comprises Deputy Chairman & Chief Executive, President, Deputy Chief Executive and 8 Independent Non-Executive Directors (INED).
- Tan Sri Lim Kok Thay (TSLKT), Deputy Chairman & Chief Executive and Mr. Lim Keong Hui, Deputy Chief Executive represent Genting Bhd.
- Mr. Lim Keong Hui, Deputy Chief Executive is a son of TSLKT, Deputy Chairman & Chief Executive.
- Madam Chong Kwai Ying, INED and Dato' Dr. Lee Bee Phang, INED are women directors.
- Directors still received remuneration of MYR56.9m (-24% YoY) in FY21 despite GENM incurring losses.
- Only one of the RWG key management personnel is a woman, the Chief Financial Officer.
- PricewaterhouseCoopers LLP is the independent auditor. They have been appointed for >10 years.
- GENM has a history of related party transactions. Last major related party transaction was in 2019.
- Then, GENM acquired 49% of Empire Resorts from Kien Huat Realty III, linked to TSLKT for MYR661.1m.
- Empire Resorts has been generating losses since opening in Feb 2018.
- In 2019, GENM acquired the super yacht, Equanimity from the Malaysian government.
- In 2016, GENM sold 17% of GENHK to Golden Hope, linked to TSLKT for USD415m.
- That said, GENHK was not declaring many dividends and its share price has fallen since the disposal.
- To be sure, GENM had invested >USD750m and impaired >MYR2.0b of its investment in GENHK since 1998.
- In 2010, GENM acquired GENUK from Genting Singapore for GBP340m.
- GENM acquired GENUK at valuation multiples that were higher than its own.
- That said, GENUK EBITDA grew from GBP30.2m in FY09 to a high of GBP50m in FY16.
- In 2008, GENM acquired 10% of Walker Digital Gaming from KH Digital, linked to TSLKT for USD69m.
- GENM's investment in Walker Digital Gaming has since been partially impaired.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative parameters (Score: 36)						
	Particulars	Unit	2019	2020	2021	LVS US (2021)
E	Scope 1 emissions	tCO2e	44,525	49,080*	40,058*	60,878
	Scope 2 emissions	tCO2e	196,149	218,061*	225,855*	547,990
	<b>Total</b>	<b>tCO2e</b>	<b>240,674</b>	<b>267,141*</b>	<b>265,913*</b>	<b>608,868</b>
	Scope 3 emissions	tCO2e	N/A	N/A	N/A	299,062
	<b>Total</b>	<b>tCO2e</b>	<b>240,674</b>	<b>267,141*</b>	<b>265,913*</b>	<b>907,930</b>
	Scope 1 & 2 emissions intensity - RWG	tCO2e/m2	0.09	0.07*	0.09*	0.14
	Energy consumption intensity - RWG	GJ/m2	0.53	0.51*	0.54*	1.02
	Water consumption intensity - RWG	m3/m2	3.29	2.54*	2.87*	0.37
S	% of women in workforce	%	39%	39%	40%	50%
	% of local suppliers - RWG	%	88%	90%	88%	77%
	Employee attrition rate	%	N/A	39.4%	27.4%	14.6%
	Road accidents per 10,000 vehicles - RWG	number	0.24	0.18	0.18	N/A
G	Board salary as % of reported net profit	%	7%	N/M	N/M	N/M
	Independent directors on the Board	%	70%	70%	73%	64%
	Female directors on the Board	%	10%	10%	18%	27%
	Distribution to shareholders	% of net profit	81%	N/M	N/M	0%
	Investment in loss generating related companies	MYRm	682.7	724.2	774.2	N/A

#### Qualitative Parameters (Score: 33)

- a) is there an ESG policy in place and whether there is a standalone ESG committee or is it part of a risk committee?  
**Yes.** *GENM has an ESG policy. It also has a Sustainability Steering Committee and Sustainability Working Committee (in order of hierarchy). The Sustainability Steering Committee reports to the Board Of Directors.*
- b) is the senior management salary linked to fulfilling ESG targets?  
**Yes.**
- c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?  
**Yes.**
- e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?  
**No.**
- f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?  
*Installing LED bulbs, upgrading water pumps, upgrading hot water heating systems (water heater and heat pump), upgrading compressor systems to reduce air leakages, installing rainwater harvesters, replacing single-use toiletry bottles in guest room showers with bigger and pump-topped bottles, installing recycling bins (guests who recycle can collect points that can be redeemed as theme park tickets) and recycle cooking oil.*
- g) Does carbon offset form part of the net zero/carbon neutrality target of the company?  
**No.**

#### Target (Score: 100)

Particulars	Target	Achieved
Reduce energy consumption by 1% p.a. till 2023 at RWG (2018 as base year)	3%	4%*
Install 4 rainwater harvesters at RWG by 2023	4	2

#### Impact

NA

#### Overall score: 51

As per our ESG matrix, Genting Malaysia (GENM MK) has an overall score of 51.

ESG score	Weights	Scores	Final Score
Quantitative	50%	36	18
Qualitative	25%	33	8
Target	25%	100	25
<b>Total</b>			<b>51</b>

As per our ESG assessment, GENM has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in capturing Scope 3 emissions. GENM's overall ESG score is 51, which makes its ESG rating average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

\* denotes annualised figures

## Genting SkyWorlds off to a slow start...

It has been more than a quarter since Malaysia reached the endemic stage of the Covid-19 pandemic on 1 Apr 2022. Thus, we thought it best to visit RWG and speak to RWG staff about its current state of operations. Pre-Covid, RWG contributed c.80% of group earnings.

Recall that Genting SkyWorlds (GS) soft opened on 8 Feb 2022, pricing tickets between MYR128 for children and seniors to MYR151 for adults. From 8 Feb 2022 to 31 Mar 2022, GS welcomed 2.6k visitors daily. Detailed below are some of our observations:-

- **Visitorship has only grown marginally QoQ** - From 1 Apr 2022 till today, GS welcomed slightly higher 3k-4k visitors daily or only about half of our expectations. Feedback that we received is that while children unanimously like GS, adults are often put off by long wait times for certain rides.
- **Technical issues will be ironed out** - GENM stated that while not untrue, the long wait times for certain rides will be reduced as technical issues are ironed out. It also cited that sister company, **Genting Singapore's (GENS SP, BUY, CP: SGD0.805, TP: SGD0.85)** Universal Studios Singapore took about a year to iron out its technical issues and ramp up after it opened in 1Q10.
- **Hiring more experienced theme park staff?** - We also understand that RWG has poached some experienced theme park staff from Sunway Lagoon, part of the **Sunway Group (SWB MK, HOLD, CP: MYR1.67, TP: MYR1.63)** to operate GS better.
- **More rides will be added** - 3 more rides will be added to GS this year, bringing the total number of rides to 18 by year end. GENM also stated that it introduced a 'rainy day guarantee' which allows for a free return within 12 months from a visit to GS marred by rain, which we corroborated has been much welcomed.
- **EBITDA positive since opening** - On its finances, GENM stated that GS has been EBITDA positive since opening. Going forward, its MYR3b capex will be depreciated over 20 years, translating into c.MYR150m depreciation p.a. While GS may not be EBIT positive, that has been our expectation all along.

## ... but RWG operations recovering still

Proceeding to the rest of RWG, we looked out for differences between pre- and post-Covid operations. RWG last reopened on 30 Sep 2021 after the Full Movement Control Orders was lifted. Detailed below are some of our observations:-

- **Gaming on an upswing** - traffic has returned after the Omicron wave in 1Q22. Non-members have been allowed to enter the casino since pre-Chinese New Year (1 Feb 2022) and social distancing requirements have been eased since Malaysia reached the endemic stage on 1 Apr 2022. We visited RWG on a weekday and the mass gaming floor was busy. The only legacy from the Covid-19 pandemic is the requirement to wear masks.

Reflective of the current labour shortage pervading Malaysia, there has been more emphasis on electronic gaming (slot machines, electronic table games, gaming via iPads). Some tables now even have 12 betting positions as opposed to the traditional 7 to 8. Bet sizes also do not seem to be lower than before despite current inflationary concerns.

- **Hotel recovery limited by labour** - despite having a total room inventory of c.10,000, the number of operational rooms at RWG only ticked up from 5,200 as at end-1Q22 to 5,500 currently. Cleaners who turnaround rooms are contracted but the contractors themselves are having difficulty sourcing for labour. Curiously, RWG has introduced a 'make your own bed' package to entice guests to turnaround their own room at a discounted hotel room rate ([link](#)).

Hotel rooms are often 'comp-ed' to gamblers to attract them to RWG. Naturally, we were concerned that fewer rooms mean fewer gamblers. Pre-Covid, c.75% of RWG's hotel rooms were 'comp-ed' to gamblers. That said, we understand that almost all 5,500 operational rooms at RWG currently are 'comp-ed' to gamblers. This will ease any dilution in gross gaming revenue (GGR) per gambler.

- **Foreign hotel guests recovering but not at pre-Covid levels yet** - Singaporean hotel guests (FY19: 19% of RWG hotel guests or 5% of RWG total visitor arrivals) are returning but not at pre-Covid levels just yet. Chinese hotel guests (FY19: 7% of RWG hotel guests or 2% of RWG total visitor arrivals) have, of course, not returned yet due to China's zero Covid policy.

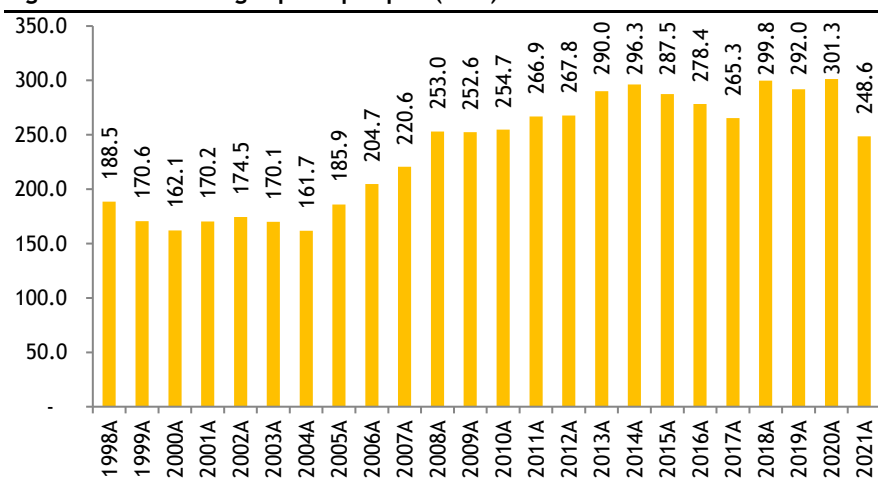
**Figure 1: RWG 2019 hotel guests by nationality**

	% of total	Quantity (m)
Malaysia	66%	4.6
Singapore	19%	1.3
China	7%	0.5
Indonesia	5%	0.4
India	1%	0.1
Others	2%	0.2

Source: Company

- **F&B and retail recovery limited by labour too** - it is immediately obvious that not all F&B and retail outlets have reopened. Some restaurants that used to offer all day dining no longer do. Again, operators blame the current labour shortage. Yet, our conversations with RWG staff reveal that F&B sales have recovered to c.2/3 of pre-Covid levels and retail rent (including turnover rent) has recovered to c.80% of pre-Covid levels.
- **Overall spending per pax flattish?** - our feel is that overall spending (i.e. gaming, hotel rooms, F&B and retail) per pax has not declined despite inflationary concerns. To be sure, RWG cautioned that overall spending per pax did not fall during the Asian Financial Crisis in 1998 but only fell a year later in 1999. This implies a one year lag between a recession and overall spending per pax. If a recession is short and shallow like the Global Financial Crisis in 2009, overall spending per pax may not even fall.

Figure 2: RWG average spend per pax (MYR)



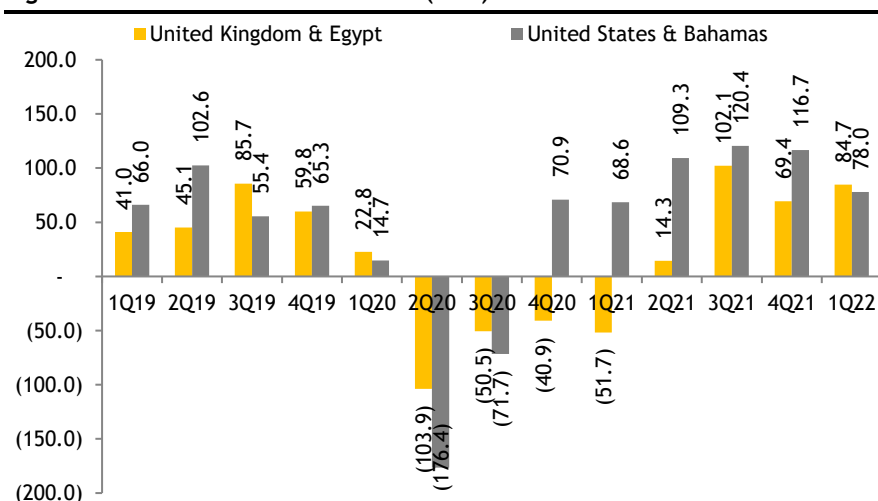
Source: Company, Maybank IBG Research

## Interim dividend to return?

No analysis of GENM would be truly complete without examining its international businesses which traditionally contributed c.20% to pre-Covid group earnings (ex-share of Empire Resorts' losses). Detailed below are some of our findings from speaking to GENM staff:-

- **International businesses recovering faster than RWG** - Encouragingly, its international businesses' earnings have recovered to pre-Covid levels thanks to a combination of revenues returning to or close to pre-Covid levels and fewer staff. Barring a full blown global recession, GENM expects its international businesses to be stable.

Figure 3: GENM international EBITDA (MYR)

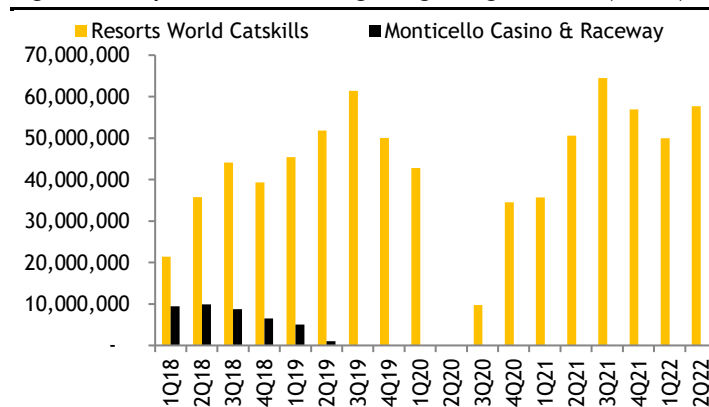


Source: Company

- **No more equity injection into Empire Resorts?** - Most positively, GENM stated that 49%-owned Empire Resorts (Empire) may not need any more equity injection from it going forward provided that there is no full blown global recession. Its 1H22 GGR stands at USD107.6m or up 25% YoY. Furthermore, its slot machine tax rate was cut to 30% from 39% from Apr 2021 onwards as a Covid-19 relief measure.

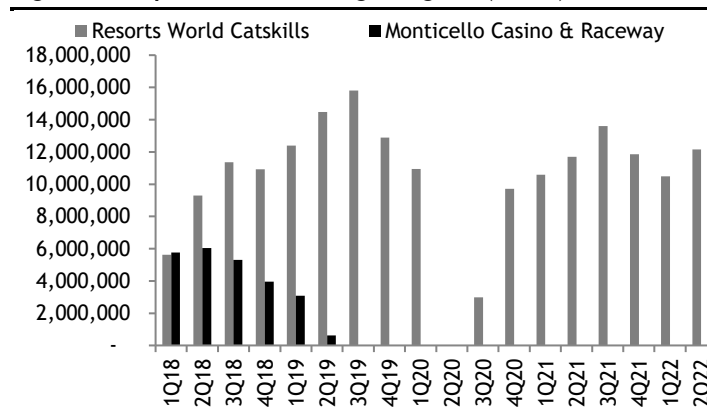
We deduce that GENM may not need to inject more equity into Empire if the latter keeps capex low. GENM stated that Empire has USD300m of debts which command 7.75% interest rate. Our 'back of the envelope' calculations reveal that future EBITDA can more than offset the interest expense of USD23.3m p.a. (USD300m X 7.75%) should capex be kept low. Thus, we gather that GENM's bold proclamation is not without merit.

**Figure 4: Empire Resorts total gross gaming revenue (USDm)**



Source: New York State Gaming Commission

**Figure 5: Empire Resorts total gaming tax (USDm)**



Source: New York State Gaming Commission

**Figure 6: Salient Empire Resorts financial statistics (USDm)**

	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	96.9	231.0	273.3	288.0	300.7
EBITDA	(31.6)	36.0	42.6	44.9	46.9
Pre-tax loss	(151.1)	(76.6)	(63.1)	(60.8)	(58.8)
Net loss	N/A	N/A	(63.1)	(60.8)	(58.8)
Equity injection from GENM	170.0	187.0	100.0	75.0	50.0

Source: Company (historical), Maybank IBG Research (forecasts)

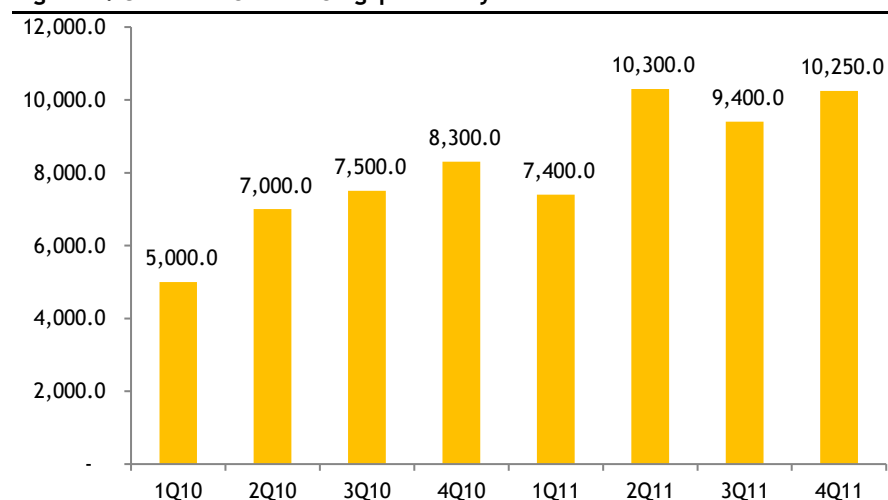
Recall that after not announcing a traditional interim DPS in Aug 2021, GENM injected USD150m into Empire in Oct 2021. This displeased many investors. Given that GENM's earnings outlook is improving and it stated that it may not need to inject more equity into Empire, a return to GENM announcing an interim DPS when it reports 2Q22 results in late Aug 2022 is not unwarranted. For now, we maintain FY22E DPS of 9sen which comprises only a special DPS and does not impute any interim DPS.

## Revise FY22E/FY23E/FY24E EPS by -30%/+7%/+7%

Considering the above, we revise FY22E/FY23E/FY24E EPS by -30%/+7%/+7%. Our rationale is detailed below:-

- **GS patrons** - we cut FY22E daily visitation to 3,800 from 8,000. Net impact of the above is to cut FY22E GS patrons by half to 1.3m. That said, we maintain FY23E and FY24E daily visitation at 9,000 as GS ramps up and irons out its technical issues. Perusing our old GENS notes, what GENM stated about the former's Universal Studios Singapore taking about a year to iron out its technical issues and ramp up appear true.



**Figure 7: Universal Studios Singapore daily visitation**


Source: GENM

- RWG visitor arrivals** - in FY19, RWG welcomed c.17m day trippers and c.7m hotel guests. Our previous FY22E RWG visitor arrivals of 21.0m were based on 17.5m day trippers and 3.5m hotel guests. The latter is only half of pre-Covid levels due to the aforementioned labour shortage. We now reduce the day trippers component by 1.0m to reflect the aforementioned fewer GS patronage. This reduces FY22E RWG visitor arrivals to 20.0m.

That said, we maintain FY23E and FY24E RWG visitor arrivals at 26.2m and 26.7m respectively. We expect the labour shortage pervading Malaysia to ease from next year onwards. Indonesia, a major source of foreign labour for Malaysia, has agreed to lift its ban on sending its citizens to Malaysia to work from 1 Aug 2022 ([link](#)). FY23E and FY24E RWG visitor arrivals are >2m higher than FY19 levels due to incremental visits driven by GS' opening.

- GS depreciation** - we previously assumed that GS will be depreciated over 10 years or at 10% p.a. Considering GENM's guidance, we now depreciate it over 20 years or at 5% p.a. FY22E GS depreciation of MYR137.5m reflects 11 months of depreciation (GS opened on 8 Feb 2022). While this has the effect of lifting FY23E and FY24E core net profit, FY23E and FY24E EBITDA are little changed.
- Equity injection into Empire** - considering GENM's guidance, we now zero-rise the amount of equity injection we previously forecasted that GENM will inject into Empire. According to GENM, the hitherto USD360m equity injection into Empire is sufficient to cover the latter's interest expense into the foreseeable future. Thus, Empire only needs to generate EBITDA to cover capex to stay liquid and refrain from calling on GENM for equity.
- RWG capex** - we raise FY22E RWG capex to MYR585m from MYR233.2m. While GENM stated that recurring capex for RWG should still be in the c.MYR300m region going forward, FY22E RWG capex will be higher due to release of retention sum to certain GS contractors. For FY23E and FY24E, we maintain RWG capex at c.MYR300m based on 4% of net revenue.

All things considered, FY22E core net profit is cut 30%. Although FY23E and FY24E core net profit are raised 7%, this is due to lower GS depreciation. FY23E and FY24E EBITDA are little changed. Again, we maintain FY22E DPS of 9sen which comprises only a special DPS and does not impute any interim DPS for now. We also maintain FY23E and FY24E DPS at 20sen each, which was the pre-Covid high in FY19.

Figure 8: Major assumptions and estimates

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revised</b>						
GS patrons (m)	-	-	-	1.3	3.3	3.3
RWG visitor arrivals (m)	24.2	10.4	6.1	20.0	26.2	26.7
GS depreciation (MYRm)	-	-	-	137.5	150.0	150.0
Equity injection into Empire (USDm)	-	173.0	187.0	-	-	-
RWG capex (MYRm)	1,124.1	511.5	556.0	585.0	298.9	304.3
EBITDA (MYRm)	2,636.7	329.9	532.1	2,388.3	3,397.6	3,488.7
Core net profit/(loss) (MYRm)	1,302.8	(1,444.6)	(915.1)	405.6	1,273.1	1,220.0
<b>Previous</b>						
GS patrons (m)	-	-	-	2.6	3.3	3.3
RWG visitor arrivals (m)	24.2	10.4	6.1	21.0	26.2	26.7
GS depreciation (MYRm)	-	-	-	300.0	300.0	300.0
Equity injection into Empire (USDm)	-	173.0	187.0	100.0	75.0	50.0
RWG capex (MYRm)	1,124.1	511.5	556.0	233.2	298.9	304.3
EBITDA (MYRm)	2,636.7	329.9	532.1	2,669.9	3,406.1	3,497.3
Core net profit/(loss) (MYRm)	1,302.8	(1,444.6)	(915.1)	577.5	1,191.3	1,136.6

Source: Company (historical), Maybank IBG Research (forecasts)

Valuation wise, we trim our DCF-based TP to MYR3.27 from MYR3.30. Notwithstanding the current 15% upside potential (including dividends), recall that we quantified that there could be another MYR0.53/sh of upside potential if Resorts World New York City is converted into a full casino ([link](#)). GENM believes that the New York State Gaming Commissions will release Requests For Proposal in late 3Q22 or early 4Q22.

Figure 9: GENM DCF-based TP

	Value MYRm	Value/sh MYR	Comments
Resorts World Genting	19,521.8	3.45	WACC: 11.8%, g: 2%
Resorts World New York City	3,213.2	0.57	40-year DCF @11.8%
Resorts World Bimini	-	-	Nil
Genting UK	764.8	0.14	WACC: 11.8%, g: 0%
Other investment securities	106.2	0.02	Cost
Malaysian property	464.6	0.08	Cost
Miami property	1,856.7	0.33	Cost
Equanimity	449.8	0.08	End-FY22E BVPS
Net cash	(7,898.3)	(1.40)	End-FY22E ex-lease liabilities
<b>Equity value</b>	<b>18,478.6</b>	<b>3.27</b>	

Source: Maybank IBG Research

## Appendix I

Methodology of our proprietary ESG scoring methodology.

We evaluate the ESG ratings based on quantitative, qualitative and ESG targets. We assign a score for each of these three parameters. The overall rating is based on the weighted average of the scores: quantitative (50%), qualitative (25%) and ESG target (25%).

For the quantitative, qualitative and ESG target, the sub-parameters are assigned a score - '0' for data not available, '+1' for improving trajectory, positive change, 'Yes', better than peers or a positive number if historical is not available and '-1' for declining trajectory, negative change, 'No', lower than peers or a negative number. The total of the scores of all the sub-parameters is divided by the total number of sub-parameters is the score of each of the three parameters.

The sub-parameters may be different for different industries depending on the key areas to monitor for each industry. A company should achieve a minimum score of 50 for an average ESG rating.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	nm	40.7	13.0	13.5
Core P/E (x)	nm	nm	40.7	13.0	13.5
Core FD P/E (x)	nm	nm	40.8	13.0	13.6
P/BV (x)	1.0	1.2	1.2	1.2	1.2
P/NTA (x)	1.4	1.7	1.7	1.7	1.7
Net dividend yield (%)	5.4	3.1	3.1	6.8	6.8
FCF yield (%)	nm	nm	9.7	17.9	15.8
EV/EBITDA (x)	62.5	44.2	9.7	6.4	5.9
EV/EBIT (x)	nm	nm	19.7	10.0	9.1

**INCOME STATEMENT (MYR m)**

Revenue	4,528.8	4,156.7	8,560.6	10,801.1	11,016.7
EBITDA	329.9	532.1	2,388.3	3,397.6	3,488.7
Depreciation	(1,118.7)	(1,106.3)	(1,216.8)	(1,229.3)	(1,229.3)
EBIT	(788.8)	(574.2)	1,171.6	2,168.4	2,259.5
Net interest income / (exp)	(248.4)	(357.6)	(486.9)	(408.7)	(338.9)
Associates & JV	(285.1)	(183.7)	(176.5)	(170.1)	(164.6)
Exceptionals	(815.2)	(32.2)	0.0	0.0	0.0
Pretax profit	(2,137.5)	(1,147.7)	508.1	1,589.6	1,756.0
Income tax	(224.0)	96.7	(174.7)	(329.8)	(490.3)
Minorities	97.7	104.2	72.3	13.3	(45.7)
Reported net profit	(2,263.8)	(946.8)	405.6	1,273.1	1,220.0
Core net profit	(1,444.6)	(915.1)	405.6	1,273.1	1,220.0

**BALANCE SHEET (MYR m)**

Cash & Short Term Investments	2,482.1	4,641.4	3,351.9	2,878.4	2,556.0
Accounts receivable	563.5	717.4	520.0	656.0	669.1
Inventory	121.4	126.6	101.4	128.0	130.5
Property, Plant & Equip (net)	16,052.4	16,007.9	15,532.7	14,759.2	13,991.6
Intangible assets	4,247.7	4,183.4	4,183.4	4,183.4	4,183.4
Investment in Associates & JVs	1,052.2	1,728.4	1,551.9	1,381.8	1,217.2
Other assets	3,767.8	3,005.2	3,005.2	3,005.2	3,005.2
<b>Total assets</b>	<b>28,287.1</b>	<b>30,410.3</b>	<b>28,246.4</b>	<b>26,992.0</b>	<b>25,753.1</b>
ST interest bearing debt	463.4	489.7	1,888.1	1,455.4	1,455.4
Accounts payable	2,437.2	2,483.0	2,365.9	2,837.8	2,885.5
LT interest bearing debt	9,775.0	13,296.7	10,008.6	8,553.2	7,097.7
Other liabilities	1,111.0	888.0	907.0	939.0	973.0
<b>Total Liabilities</b>	<b>13,786.5</b>	<b>17,157.7</b>	<b>15,169.2</b>	<b>13,785.7</b>	<b>12,411.8</b>
Shareholders Equity	14,911.8	13,783.8	13,680.6	13,823.0	13,912.4
Minority Interest	(411.2)	(531.2)	(603.5)	(616.7)	(571.0)
<b>Total shareholder equity</b>	<b>14,500.6</b>	<b>13,252.6</b>	<b>13,077.2</b>	<b>13,206.3</b>	<b>13,341.4</b>
<b>Total liabilities and equity</b>	<b>28,287.1</b>	<b>30,410.3</b>	<b>28,246.4</b>	<b>26,992.0</b>	<b>25,753.1</b>

**CASH FLOW (MYR m)**

Pretax profit	(2,137.5)	(1,147.7)	508.1	1,589.6	1,756.0
Depreciation & amortisation	1,118.7	1,106.3	1,216.8	1,229.3	1,229.3
Adj net interest (income)/exp	230.7	348.7	486.9	408.7	338.9
Change in working capital	(468.1)	(28.0)	105.5	309.3	32.1
Cash taxes paid	(81.8)	2.3	(156.4)	(297.2)	(456.5)
Other operating cash flow	856.8	189.4	176.5	170.1	164.6
Cash flow from operations	(481.2)	471.0	2,337.4	3,409.8	3,064.3
Capex	(1,070.5)	(864.8)	(741.5)	(455.8)	(461.7)
Free cash flow	(1,551.7)	(393.8)	1,595.9	2,954.0	2,602.6
Dividends paid	(1,130.0)	(480.3)	(508.8)	(1,130.6)	(1,130.6)
Equity raised / (purchased)	(30.1)	(21.3)	0.0	0.0	0.0
Change in Debt	(617.9)	3,248.9	(1,889.7)	(1,888.1)	(1,455.4)
Other invest/financing cash flow	(678.1)	(204.4)	(486.9)	(408.7)	(338.9)
Effect of exch rate changes	(15.7)	39.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(4,023.5)</b>	<b>2,188.1</b>	<b>(1,289.5)</b>	<b>(473.5)</b>	<b>(322.3)</b>

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	(56.5)	(8.2)	105.9	26.2	2.0
EBITDA growth	(87.5)	61.3	348.8	42.3	2.7
EBIT growth	nm	nm	nm	85.1	4.2
Pretax growth	nm	nm	nm	212.8	10.5
Reported net profit growth	nm	nm	nm	213.9	(4.2)
Core net profit growth	nm	nm	nm	213.9	(4.2)
<b>Profitability ratios (%)</b>					
EBITDA margin	7.3	12.8	27.9	31.5	31.7
EBIT margin	nm	nm	13.7	20.1	20.5
Pretax profit margin	nm	nm	5.9	14.7	15.9
Payout ratio	nm	nm	125.4	88.8	92.7
<b>DuPont analysis</b>					
Net profit margin (%)	nm	nm	4.7	11.8	11.1
Revenue/Assets (x)	0.2	0.1	0.3	0.4	0.4
Assets/Equity (x)	1.9	2.2	2.1	2.0	1.9
ROAE (%)	(13.6)	(6.6)	3.0	9.3	8.8
ROAA (%)	(4.7)	(3.1)	1.4	4.6	4.6
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(174.1)	(176.6)	(108.7)	(101.3)	(109.0)
Days receivable outstanding	47.5	55.5	26.0	19.6	21.7
Days inventory outstanding	10.5	12.3	6.6	5.6	6.2
Days payables outstanding	232.2	244.3	141.4	126.5	136.9
Dividend cover (x)	(2.8)	(1.9)	0.8	1.1	1.1
Current ratio (x)	1.3	1.8	0.9	0.8	0.8
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.1	1.8	1.9	2.0	2.1
Net gearing (%) (incl perps)	53.5	69.0	65.3	54.0	45.0
Net gearing (%) (excl. perps)	53.5	69.0	65.3	54.0	45.0
Net interest cover (x)	na	na	2.4	5.3	6.7
Debt/EBITDA (x)	nm	nm	5.0	2.9	2.5
Capex/revenue (%)	23.6	20.8	8.7	4.2	4.2
Net debt/ (net cash)	7,756.3	9,145.0	8,544.8	7,130.2	5,997.1

Source: Company; Maybank IBG Research

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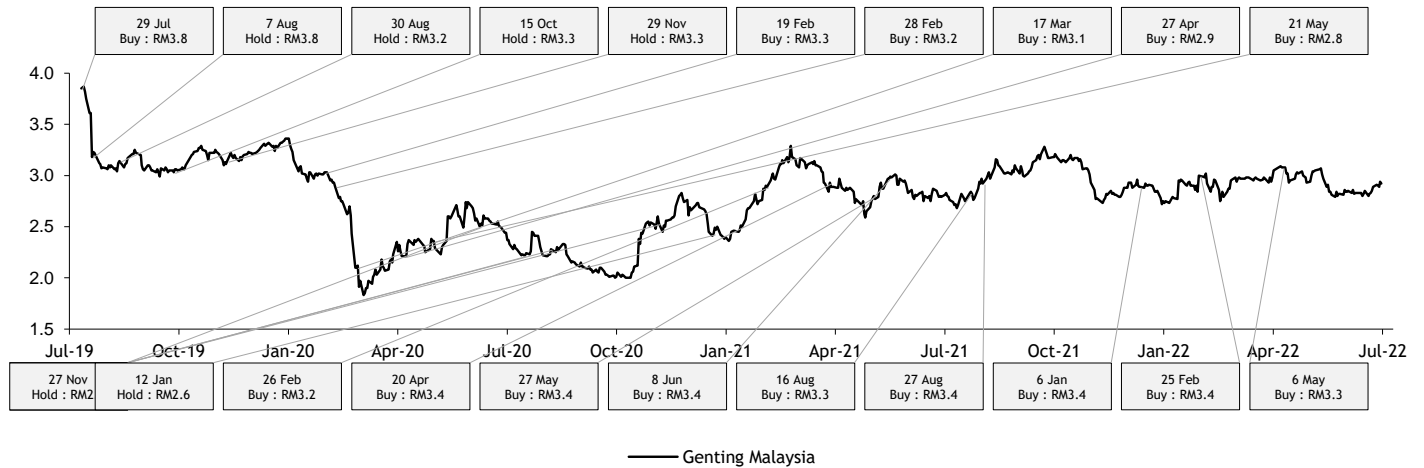
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## Historical recommendations and target price: Genting Malaysia (GENM MK)



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