

Genting Singapore PLC

Clarity on impact of potential catalysts needed

Bloomberg | Reuters | POEMS
GENS SP | GENS SI | GIP
Industry: Casino Operations

Phillip Securities Research Pte Ltd

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Report type: Quarterly Results

Company Overview

Genting Singapore PLC is best known for its flagship project Resorts World Sentosa, a S\$6.6 billion integrated resort in Singapore. The Company develops and manages the resort and operates the casinos.

- 2Q13 NPAT S\$140.2 million, EBITDA S\$322.5 million
- Clarity on combined impact of various potential catalysts required before adjustments to forecast are made
- Maintain "Neutral", based on 13X EV/EBITDA, with new TP of S\$1.37, due to a lack of clear rerating catalyst.

What is the news?

Genting Singapore (GENS) reported net profit attributable to shareholders of S\$140.2 million, an increase of 1.3% y-y, and 21.0% q-q. Revenue was marginally higher y-y due to contributions from Marine Life Park and other non-gaming revenue. This mitigated the lower gaming revenue. VIP rolling volume was approximately 30% higher y-y, but win rates were down to 2.50% from 3.13%.

Income Statement				
(Extract)	2Q12	2Q13	y-y (%)	Comments
(S\$m)				
Gaming rev	562.3	548.6	-2.4%	VIP vol up y-y but win rate low
Non-Gaming rev	134.0	158.8	18.5%	Contributions from MLP
Other revenue	6.0	0.6	-90.6%	
Total Revenue	702.2	707.9	0.8%	
EBITDA	306.3	322.5	5.3%	Lower expenses
EBIT	211.7	216.5	2.3%	Higher depreciation
Net Income	138.5	140.2	1.3%	Marginal beat

Source: Company, PSR

How do we view this?

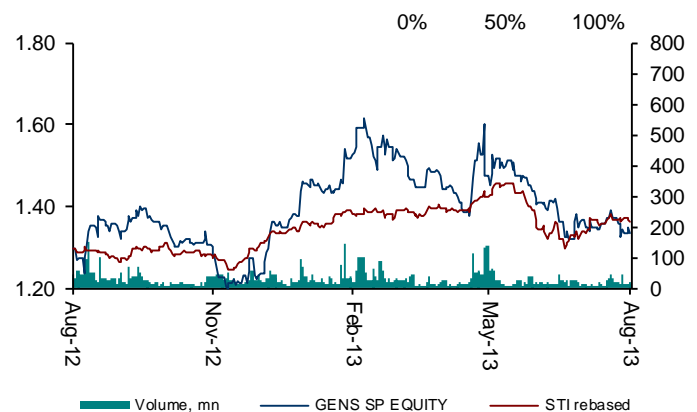
VIP rolling volume was significantly higher y-y, which was a positive. Y-y and q-q growth in the higher margin Mass market was however guided to be only marginally higher (low single digit). Potential catalyst may however have to wait. Catalyst includes 1) Higher number of mass market players once the 550-room Jurong hotel is completed in mid 2015. 2) Higher premium mass market players from successful revamped marketing efforts, such as offering rebates on airfares 3) Significantly lower staff expenses from reduced staff headcounts improving net profits, potentially in 1Q14 or 2Q14. 4) Participation in another attractive/ profitable Asian leisure, to leverage on their team of capable and experienced management, in the coming 6 to 12 months. More clarity on potential combined impact from these rerating catalysts would however be required before significant adjustments to our forecast are made.

Investment Actions?

We factor in 2Q13 earnings of weaker win rate and lower expenses. Based on an unchanged EV/EBITDA multiple of 13X, we obtained a new TP of S\$1.37, and maintain our "Neutral" rating due to a lack of clear rerating catalyst.

Genting Singapore PLC

Rating	3	Neutral
- Previous Rating	3	Neutral
Target Price (SGD)	1.37	
- Previous Target Price (SGD)	1.40	
Closing Price (SGD)	1.34	
Expected Capital Gains (%)	2.9%	
Expected Dividend Yield (%)	0.7%	
Expected Total Return (%)	3.7%	
Raw Beta (Past 2yrs w weekly data)	1.41	
Market Cap. (USD mn / SGD mn)	12872 / 16321	
Enterprise Value (USD mn / SGD mn)	12896 / 16352	
3M Average Daily T/O (mn)	18.4	
52 week range (SGD)	1.18 - 1.64	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Genting BHD	52.0
2. Vanguard Group	0.9
3. Blackrock	0.8

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (SGD mn)	3,223	2,951	2,931	3,282
Net Profit, adj. (SGD mn)	1,029	616	549	677
EPS, adj. (Cents)	8.44	5.05	4.49	5.53
P/E (X), adj.	15.8	26.5	29.7	24.1
BVPS (cents)	50.29	73.18	77.31	81.74
P/B (X)	2.7	1.8	1.7	1.6
DPS (Cents)	1.00	1.00	1.00	1.00
Div. Yield (%)	0.7%	0.7%	0.7%	0.7%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

EV/EBITDA

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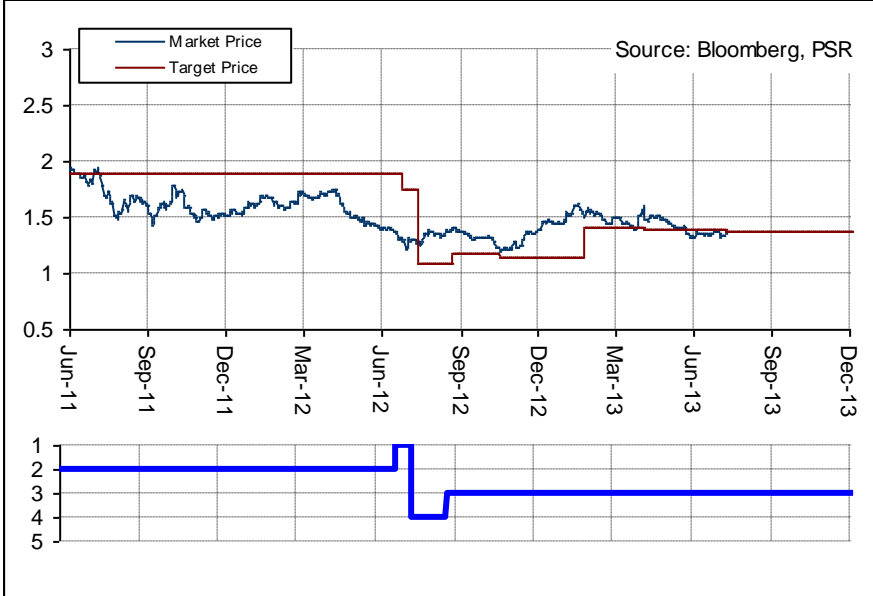
FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	23.0	15.8	26.5	29.7	24.1
P/B (X)	3.2	2.7	1.8	1.7	1.6
EV/EBITDA (X), adj.	12.6	10.0	12.7	13.1	11.6
Dividend Yield (%)	0.0%	0.7%	0.7%	0.7%	0.7%
Per share data (Cents)					
EPS, reported	0.31	8.40	4.81	4.49	5.53
EPS, adj.	5.79	8.44	5.05	4.49	5.53
DPS	0.00	1.00	1.00	1.00	1.00
BVPS	41.93	50.29	73.18	77.31	81.74
Growth & Margins (%)					
Growth					
Revenue	NM	18.0%	-8.4%	-0.7%	12.0%
EBITDA	NM	26.6%	-21.6%	-2.5%	12.9%
EBIT	NM	24.5%	-32.1%	-6.7%	20.3%
Net Income, adj.	NM	1107.8%	-40.2%	-10.9%	23.4%
Margins					
EBITDA margin	47.3%	50.8%	43.5%	42.7%	43.0%
EBIT margin	38.7%	40.8%	30.3%	28.4%	30.6%
Net Profit Margin	24.0%	31.4%	23.0%	22.7%	24.2%
Key Ratios					
ROE (%)	0.7%	18.2%	7.8%	6.0%	7.0%
ROA (%)	0.4%	9.9%	5.0%	4.2%	5.0%
Net Debt/(Cash)	(174)	(269)	(1,804)	(1,980)	(2,803)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Income Statement (SGD mn)					
Revenue	2,732	3,223	2,951	2,931	3,282
EBITDA	1,293	1,637	1,284	1,251	1,412
Depreciation & Amortisation	(236)	(321)	(390)	(418)	(409)
EBIT	1,056	1,316	894	834	1,003
Net Finance (Expense)/Income	(202)	(82)	(33)	(33)	(33)
Associates & JVs	(0)	(1)	4	3	0
Profit Before Tax	854	1,232	865	803	970
Taxation	(200)	(221)	(187)	(137)	(175)
Profit After Tax	654	1,011	678	667	795
Non-controlling interest	(0)	4	2	0	0
Holdings of Perpetuals	0	0	(93)	(118)	(118)
Discontinued operations	(616)	9	0	0	0
Net Income, reported	38	1,024	588	549	677
Net Income, adj.	85	1,029	616	549	677

Source: PSR

FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	5,333	6,230	6,198	6,002	5,738
Intangibles	133	119	104	140	119
Associates & JVs	53	67	69	72	72
Investments	6	3	346	780	780
Others	15	13	13	13	14
Total non-current assets	5,541	6,432	6,730	7,006	6,723
Inventories	53	46	54	53	53
Accounts Receivables	594	722	959	956	1,070
Investments	114	0	700	858	858
Cash	3,687	3,421	4,512	4,448	5,271
Others	0	0	0	0	0
Total current assets	4,447	4,189	6,225	6,316	7,253
Total Assets	9,988	10,621	12,956	13,322	13,976
Short term loans	274	446	484	504	504
Accounts Payables	1,144	896	759	821	919
Others	8	59	209	209	209
Total current liabilities	1,426	1,401	1,452	1,534	1,632
Long term loans	3,239	2,707	2,224	1,964	1,964
Deferred tax liabilities	191	355	333	333	333
Others	24	23	9	34	34
Total non-current liabilities	3,454	3,084	2,567	2,332	2,332
Non-controlling interest	0	2	0	0	0
Shareholder Equity	5,108	6,133	8,937	9,456	10,013
Cashflow Statements (SGD mn)					
CFO					
PAT	38	1,020	678	667	795
Adjustments	1,466	749	770	424	617
Cash from ops before WC changes	1,504	1,769	1,448	1,091	1,412
WC changes	(97)	(334)	(386)	66	(18)
Cash generated from ops	1,407	1,435	1,062	1,156	1,395
Taxes paid, net	(1)	(8)	(54)	(137)	(175)
Interest received	6	18	28	34	34
Others	0	(0)	(0)	0	0
Cashflow from ops	1,412	1,444	1,036	1,054	1,254
CFI					
CAPEX, net	(1,305)	(1,325)	(631)	(370)	(125)
Dividend income received	2	2	24	0	0
Others	645	133	(918)	(201)	0
Cashflow from investments	(658)	(1,190)	(1,525)	(571)	(125)
CFF					
Share issuance	3	1	1	1	1
Draw down from bank borrowings	900	3,500	0	0	0
Interest paid	(164)	(67)	(54)	(67)	(67)
Repayment of borrowings and transaction cos	(566)	(3,884)	(478)	(246)	0
Dividends paid	0	0	(122)	(122)	(122)
Issue of Perpetuals	0	0	2,293	0	0
Perpetuals distribution paid	0	0	(59)	(118)	(118)
Others	(71)	(127)	(1)	0	0
Cashflow from financing	102	(578)	1,581	(552)	(306)
Net change in cash	856	(324)	1,091	(69)	823
Effects of exchange rates	(2)	(4)	(1)	0	0
CCE, end	3,621	3,294	4,384	4,314	5,137

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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