

## Genting Singapore PLC – 3Q11

Phillip Securities Research Pte Ltd  
11 Nov 2011

**Exchange** Singapore Stock Exchange  
**Sector** Hotels & Motels  
**Reuters** GENS SI  
**Bloomberg** GENS SP  
**Poems** GIP SP

**HOLD**  
**(Maintained)**

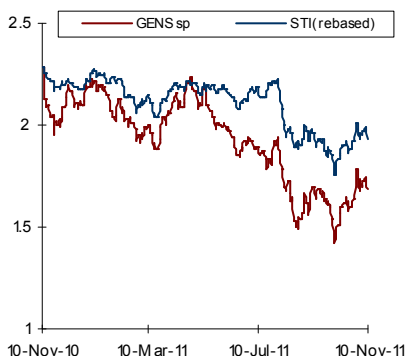
**Closing Price**  
SGD 1.69  
**Target Price**  
SGD 1.59 (-8%)

### Price

Last Price	<b>1.69</b>
52w k High (11/10/2010)	2.34
52w k Low (10/4/2011)	1.42
Shares Outstanding (mil)	12194
Market Cap (S\$ mil)	20546.89
Avg. Daily Turnover (mil)	129.82
Free float (%)	47.94
PE (X)	24.96
PB (X)	3.64

### Price performance %

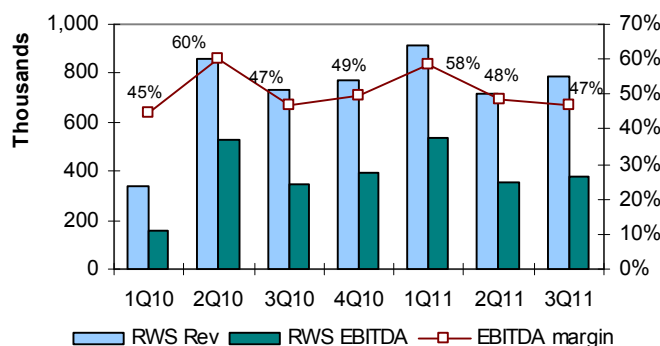
	1M	3M	6M
Absolute	7.7%	0.0%	-22.7%
Relative	3.2%	1.2%	-11.0%



- Genting reported revenue of \$802m, +10% q-q; +8% y-y.
- RWS revenue increased to \$788m, +10% q-q; +8 y-y
- Gaming revenue went up to \$660m, +13% q-q; +6% y-y.
- Non gaming rose to \$128m, -3% q-q; +21% y-y .
- Net profit reported was \$209.5m, -14% q-q; +15% y-y.
- 3Q11 earnings were lower due to impairments on trade receivables.
- Impairments on trade receivables increased >100% y-y.

9MFY11 results meet expectations after we revised full year estimates downwards upon sighting 2Q11 earnings. Revenue and net profits meet 75% and 76% of our revised forecast respectively. After stripping out S\$45.6m gains on AFS assets in 2Q11, Genting NPAT increased by 6% q-q from S\$197.3 m in 2Q11 to S\$209.5m in 3Q11.

**Fig 1. RWS Rev, EBITDA, Margin**



Source: Company, Phillip Securities Research

**Table 1. Breakdown in segment contributions**

\$'000	3Q11	3Q10	% y-y ch	2Q11	% q-q ch
Gaming rev	660,269	625,564	6%	583,865	13%
*USS rev	72,643	59,616	22%	77,796	-7%
*Hotel rev	33,530	21,229	58%	33,001	2%
*MICE, F&B, Retail	22,294	25,379	-12%	21,351	4%
Others	13,029	12,235	6%	12,712	2%
<b>Total rev</b>	<b>801,765</b>	<b>744,023</b>	<b>8%</b>	<b>728,725</b>	<b>10%</b>

Source: Company, Phillip Securities Research, \*estimates

Conso' Ending	Profits (S\$'000)	Basic EPS (SG cents)	DPS (SG cents)	BV (SG cents)	ROE (%)	P/E (X)	Yield (%)	P/BV (x)
12/08 A	(124,803)	-12.95	0	0.28	-4.6%	n.a	0	6.04
12/09 A	(277,564)	-0.02	0	0.35	-6.7%	n.a	0	4.78
12/10 A	657,204	0.05	0	0.42	12.9%	31.31	0	4.03
12/11 E	1,001,294	0.08	0	0.50	16.4%	20.58	0	3.37
12/12 E	1,184,300	0.10	0	0.60	16.2%	17.42	0	2.83

Major Shareholders (11 Nov 11)	%
1 Genting Berhad	52
2 Blackrock Fund	0.82
3 Vanguard Group	0.45

Source: Bloomberg

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MICA (P) 004/01/2011  
Ref No: SG2011\_0318

**Table 2. USS and Hotel statistics**

Non-gaming Statistics	4Q10	1Q11	2Q11	3Q11
USS visitorships	8,300	7,400	10,300	9,400
Spending per visitor (S\$)	85	88	83	84
Hotel Occupancy	79%	79%	88%	89%
ADR (S\$)	294	280	317	315

Source: Companies, Phillip Securities Research

### Gaming

RWS benefitted from higher win percentage of 3.1% in 3Q11 versus only 2.66% in 2Q11. It secured about 48% of the gaming market (MBS holds 52%). Mass market gaming statistics held steady. Management is hopeful that with 220 luxury rooms added by end of 2011, the new rooms will help to open up new markets. In fact, they mentioned targeting Middle East countries. For now, 80%-90% of their clientele are from Asia with significant percentage from mainlanders. When we take into perspective that visitations from Mainland comprise only 10%-15% of the total visitors to Singapore, then we can form the conclusion that most of them are here for the gaming.

If PRCs are a significant source of gaming revenue for the casinos in Singapore, a hard landing or significant slow growth in China will have negative impact on the gaming sector in Singapore. In fact, management opines that credit tightening in China will permeate through the various strata and result in lesser gaming activities and lower bets in Macau. This supports our view that a lower EV/EBITDA multiple for Genting is justified.

### Impairments on Trade receivables

Impairments increased from S\$23.5m to S\$57m in 3Q11. Management emphasized their conservatism and hence exercised prudence. We believe this is where junkets will be extremely useful - to buffer RWS from such write downs in future. Junkets will extend credit to the clients in exchange for commissions and hence, will bear the default instead of RWS. It is hopeful that junkets licenses will be approved in coming months, if not our modeling for FY12 will need to include higher provisions and impairments. Both items will lower earnings.

### Potential earnings catalysts

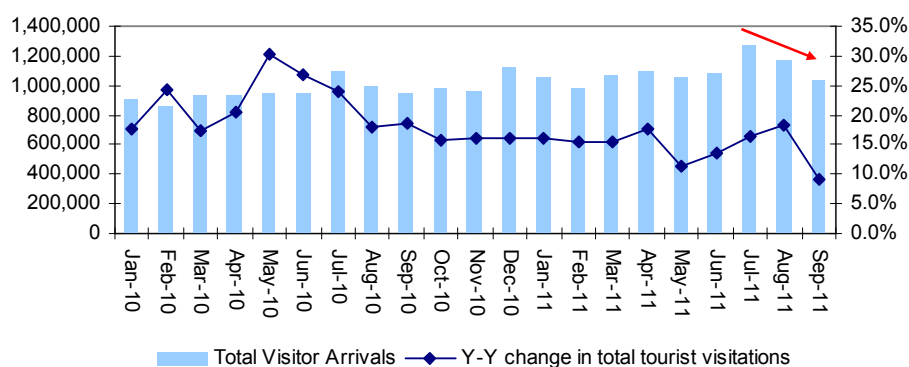
Other than increase in earnings from the opening of the west zone, RWS has no other earnings catalysts to boost valuations further. Management has interests in certain investments but for competitive reasons will not disclose until the deal is inked. Their eye is again on Japan but while clinching a deal in Japan will give a boost to share price, it is likely that Genting will need increased borrowings to finance this new project thereby delaying dividend payouts. Furthermore, Japan needs to legalise gaming first and that may take another 1-2 years. A new casino in Japan may take 5 years from now to materialize. Genting Singapore will not even have a bit role in US.

### Gentle Reminder: no dividends to be expected

Competitor LVS had announced the likelihood of dividends for 2012 but Genting will not be able to dish out any dividends as it is restricted by debt covenants. The most optimistic date which management guided will be in late 2013.

### Tourist arrivals tapering

**Fig 2. Jan 2010 – Sept 2011 Tourist arrivals**



Source:STB, Phillip Securities Research

## Financial Statements

Income Statement (mil)	2009	2010	2011E	2012E
Revenue	491.2	2,753.3	3,263.2	3,771.7
Cost of sales	-424.4	-1,374.3	-1,626.6	-1,781.4
Gross Revenue	66.8	1,379.0	1,636.6	1,990.3
Other income	7.9	6.6	4.0	4.0

Administrative exp	-136.0	-191.1	-238.9	-262.7
Selling & Distribution exp	-12.5	-55.6	-65.0	-65.0
FV gain/(loss) on derivative fin	-108.3	25.4	15.0	-108.3
FV gain/(loss) on quoted inves	-2.3	-0.7	-1.1	-2.3
Other operating expenses	-16.1	-35.5	-40.0	-30.0
Total expenses	-275.2	-319.1	-330.0	-468.3

EBIT	-200.5	1,066.6	1,310.6	1,525.9
Finance Costs	-56.2	-207.9	-132.6	-132.6
Share of results of jointly contr	-8.9	-0.3	0.0	0.0
EBT	-265.7	858.3	1,178.0	1,393.3
Taxation	-11.8	-201.1	-176.7	-209.0
Net profit	-277.6	657.2	1,001.3	1,184.3

Basic EPS (cents)	-0.02	0.05	0.08	0.10
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Cashflow Statements (SGD)	2009	2010	2011E	2012E
Operating cash flow	-69.4	1,411.9	1,480.3	1,918.9
Investing cash flow	-1,998.8	-658.4	-1,238.8	-568.9
Financing cash flow	3,825.6	102.4	-132.6	-132.6
Net cash inflow/(outflow)	1,757.4	855.9	108.9	1,217.4
Opening cash flow	1,008.0	2,767.7	3,621.1	3,730.0
Ending cash flow	2,767.7	3,621.1	3,730.0	4,947.4

Profitability Ratios	2009	2010	2011E	2012E
EBITDA margin	0%	52%	50%	51%
Net profit margin	-56.5%	23.9%	30.7%	31.4%
Debt to Equity	90.7%	68.8%	57.5%	48.2%
ROA	-3.1%	6.6%	9.0%	9.6%
ROE	-6.7%	12.9%	16.4%	16.2%
BVPS (cents)	0.35	0.42	0.50	0.60
PE	na	31.31	20.58	17.42
PB	4.78	4.03	3.37	2.83

Balance Sheet (SGD mil)	2009	2010	2011E	2012E
PPE	4,538.2	5,333.3	6,252.1	6,445.9
Interests in associate and jointly	46.3	53.2	53.2	53.2
Financial assets at fair value thr	2.1	1.2	1.2	1.2
Available for sale financial asse	5.9	4.7	4.7	4.7
Intangible assets	1,400.7	132.8	126.2	119.9
<b>Total NCA</b>	<b>5,993.4</b>	<b>5,540.6</b>	<b>6,438.2</b>	<b>6,625.7</b>

Inventories	13.5	52.6	57.8	52.6
Trade and other receivables	126.8	594.0	683.4	594.0
Tax recoverable	0.4	0.3	0.3	0.3
Financial assets at fair value thr	1.8	1.7	1.7	1.7
Available for sale financial asse	81.0	111.8	111.8	111.8
Restricted cash	73.0	65.5	65.5	65.5
Deposits, cash and bank balanc	2,767.7	3,621.1	3,730.0	4,947.4
<b>Total CA</b>	<b>3,064.2</b>	<b>4,447.0</b>	<b>4,650.5</b>	<b>5,773.2</b>
<b>Total Assets</b>	<b>9,057.6</b>	<b>9,987.6</b>	<b>11,088.7</b>	<b>12,398.9</b>

Trade and other payables	539.7	1,144.5	1,258.9	1,384.8
Short term borrowings	96.7	273.6	273.6	273.6
Finance leases	0.07	0.00	0.00	0.00
Derivative financial instruments	170.0	0.0	0.0	0.0
Income tax liabilities	4.3	7.70	7.70	7.70
<b>Total CL</b>	<b>810.9</b>	<b>1,425.8</b>	<b>1,540.3</b>	<b>1,666.2</b>

Long term borrowings	3,654.1	3,238.6	3,238.6	3,238.6
Derivative financial instruments	27.9	0.0	0.0	0.0
Retirement benefit liability	11.7	0.0	0.0	0.0
Other long term liability	75.5	21.9	21.9	21.9
Deferred taxation	341.8	191.2	176.6	176.6
Provision for retirement obligatio	1.5	2.5	2.5	2.5
<b>Total NCL</b>	<b>4,112.6</b>	<b>3,454.2</b>	<b>3,439.6</b>	<b>3,439.6</b>
<b>Total liabilities</b>	<b>4,923.4</b>	<b>4,880.0</b>	<b>4,979.8</b>	<b>5,105.7</b>

Share capital	5,207.5	5,727.4	5,727.4	5,727.4
Other reserves	-375.8	40.0	40.0	40.0
Accumulated profits/( losses)	-697.5	-659.8	341.5	1,525.8
Attributable to equity holders of	4,134.2	5,107.6	6,108.9	7,293.2
<b>Total equity</b>	<b>4,134.2</b>	<b>5,107.6</b>	<b>6,108.9</b>	<b>7,293.2</b>

Source: Company, Phillip Securities Research

## Ratings History

### Genting Singapore Limited - GIL

Rating	Date	Closing price (S\$)	Fair value (S\$)	Remarks
HOLD	11 Nov 2011	1.69	1.59	3Q11 results
HOLD	15 Aug 2011	1.73	1.59	2Q11 results
BUY	13 May 2011	2.10	2.36	1Q11 results
BUY	23 February 2011	1.98	2.36	4Q10 results
BUY	14 January 2011	2.19	2.74	Initiation

<b>Phillip Research Stock Selection Systems</b>	TRADING BUY	Share price may exceed 10% on the upside over the next 3 months, however longer-term outlook remains uncertain
	BUY	>15% upside from the current price
	HOLD	-10% to 15% from the current price
	SELL	>10% downside from the current price
	TRADING SELL	Share price may exceed 10% on the downside over the next 3 months, however longer-term outlook remains uncertain
	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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