

Hong Kong

October 2, 2019 - 1:56 PM

ADD (no change)

Consensus ratings*: Buy 9 Hold 1 Sell 1

Current price:	HK\$12.26
Target price:	HK\$15.73
Previous target:	HK\$15.73
Up/downside:	28.3%
CGS-CIMB / Consensus:	21.5%
Reuters:	3918.HK
Bloomberg:	3918 HK
Market cap:	US\$6,787m
	HK\$53,221m
Average daily turnover:	US\$5.41m
	HK\$42.34m
Current shares o/s	4,341m
Free float:	34.0%

*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (US\$m)	495.0	593.6	689.9
Core EPS (US\$)	0.11	0.14	0.16
Core EPS Growth	26.7%	19.9%	16.2%
FD Core P/E (x)	13.71	11.44	9.84
Recurring ROE	30.7%	34.1%	37.5%
P/BV (x)	4.03	3.79	3.59
DPS (US\$)	0.069	0.082	0.096
Dividend Yield	4.38%	5.26%	6.11%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.5	27.6	49.5
Relative (%)	10.1	36.2	55.6

Major shareholders	% held
Dr. Chen Lip Keong	44.2
Fourth Star Finance	18.2
Cambodia Development Corp	3.7

Analyst(s)

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NagaCorp Ltd

Outperformance continues

- NagaCorp continued to deliver strong topline growth, with 16% yoy gross gaming revenue (GGR) growth in 3Q19.
- Maintain Add and SOP-based target price premised on 12.5x EV/EBITDA.

3Q operational data outperforms Macau again

- NagaCorp released a limited set of operational 3Q data. 3Q GGR was up 16% yoy due to a 49% yoy increase in mass buy-ins and a 30% increase in VIP rollings. A weaker VIP hold rate on a yoy basis had a negative impact on overall GGR.
- Net revenue (ex-commissions) grew 29% YTD, with mass buy-ins/EGM bill-ins/rollings up 38%/28%/35%, which we deem to be roughly in line with our full-year estimates.
- In 3Q, Naga once again outperformed Macau across all gaming metrics, with Macau GGR down 4% yoy; we estimate that VIP roll was likely down 20-25% yoy while mass GGR was up 9% yoy.

Fundamental growth drivers intact

- As we have stated in the past, we believe that Naga is relatively immune to the broader China/Hong Kong macro issues impacting Macau as it has a diversified customer base and does not rely extensively on Mainland Chinese customers. In addition, VIP continues to see a strong push as Macau junkets are aggressively seeking to diversify their operations from Macau. This is on top of Naga offering greater VIP junket commission incentives vs. Macau.
- China's Belt and Road Initiatives, coupled with increasing foreign direct investment into Cambodia continue to be a main driver for Cambodia visitation. According to Cambodia's Ministry of Tourism, business-related travel to Cambodia increased 152% yoy in 7M19. Furthermore, in 1H19, Cambodia saw a 49% yoy increase in investments, according to the Council for the Development of Cambodia.

Historical valuation discount to Macau narrowing

- YTD Naga's share price has risen 49% vs. +1% for Macau average and Hang Seng Index showing that Naga has decoupled away from general market sentiment.
- Over the past six years, Naga has traded at an average 42% discount vs. Macau but that has narrowed to 6% currently where Naga is trading at 9.6x EV/EBITDA on a 12M forward Bloomberg consensus basis.
- We maintain our target price based on SOP with a valuation multiple of 12.5x FY19F EV/EBITDA, in line with Macau's historical 6-year average.
- We expect Naga's valuation gap with Macau to continue to contract due to its superior growth metrics. Potential share price catalysts are stronger-than-expected earnings and investor gaming diversification away from Macau. Risks to our positive view are weaker-than-expected gaming growth from macro concerns.

Figure 1: Key quarterly metrics

USD'000	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
GGR	243,185	470,681	357,402	363,152	321,165	551,241	414,945
yoy	181%	57%	115%	-3%	32%	17%	16%
Mass buy in	263,769	309,995	313,867	350,616	344,399	411,864	467,890
yoy	56%	51%	64%	58%	31%	33%	49%
EGM bill in	515,375	527,196	560,529	611,538	665,803	675,527	708,799
yoy	24%	21%	21%	23%	29%	28%	26%
VIP rollings	5,644,059	11,195,576	8,194,813	10,624,084	8,186,962	14,993,423	10,687,334
yoy	51%	178%	153%	5%	45%	34%	30%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Sector comparisons

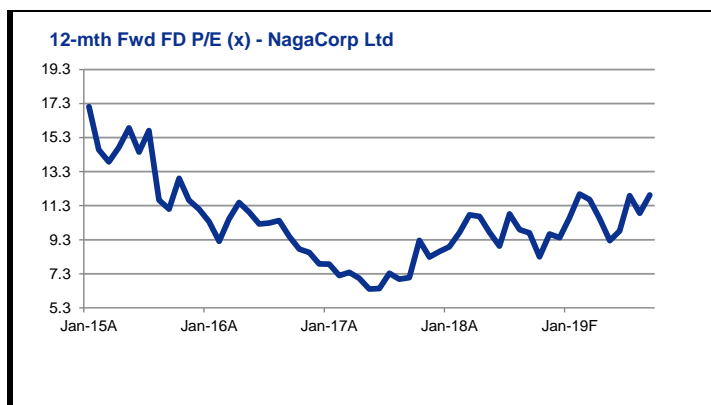
Company	Bloomberg		Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		2-year EPS CAGR (%)	P/BV (x)		EV/EBITDA (x)		ROE (%)		Yield (%)	
	Ticker	Recom.				FY19F	FY20F		FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Galaxy Entertainment	27 HK	ADD	48.75	60.23	26,936	16.5	16.6	-3%	3.0	2.7	12.7	12.6	19%	17%	1.8%	1.7%
Sands China	1928 HK	ADD	35.50	43.02	36,613	18.3	15.5	10%	8.1	7.7	14.1	12.4	45%	51%	5.6%	6.6%
MGM China Holdings	2282 HK	ADD	12.22	18.11	5,922	19.0	15.1	70%	4.2	3.6	9.7	8.0	25%	26%	2.6%	3.3%
Wynn Macau	1128 HK	ADD	15.30	18.23	10,140	14.6	14.1	-5%	37.4	28.5	10.4	9.9	298%	229%	6.1%	6.4%
SJM Holdings	880 HK	HOLD	7.45	8.07	5,382	14.3	16.2	-4%	1.5	1.5	13.1	11.4	11%	9%	3.5%	3.1%
HK listed Macau average						16.5	15.5	13%	10.8	8.8	12.0	10.9	79%	66%	3.9%	4.2%
Genting Bhd	GENT MK	ADD	5.73	7.90	5,262	10.4	9.9	-14%	0.6	0.5	4.5	3.8	5%	5%	2.1%	2.1%
Berjaya Sports Toto	BST MK	HOLD	2.65	2.62	851	14.7	14.7	0%	4.4	4.2	9.0	9.1	31%	29%	5.6%	6.0%
Genting Malaysia	GENM MK	HOLD	3.06	3.15	4,334	12.1	11.8	-14%	1.0	0.9	7.2	6.8	8%	8%	3.3%	3.6%
Malaysia average						12.4	12.2	-9%	2.0	1.9	6.9	6.6	15%	14%	3.7%	3.9%
Paradise	034230 KS	REDUCE	18,650	15,000	1,414	56.3	37.1	na	1.3	1.3	25.2	17.2	2%	3%	0.8%	1.3%
Grand Korea Leisure	114090 KS	ADD	21,450	28,500	1,107	14.9	11.4	21%	2.2	1.9	8.6	6.5	15%	18%	2.6%	3.7%
Kangwon Land	035250 KS	REDUCE	30,100	25,000	5,370	20.1	21.1	1%	1.7	1.7	7.0	6.4	9%	8%	3.3%	3.3%
Korea average						30.4	23.2	11%	1.7	1.6	13.6	10.1	9%	10%	2.2%	2.8%
NagaCorp Ltd	3918 HK	ADD	12.26	15.73	6,787	13.7	11.4	23%	4.0	3.8	9.9	8.6	31%	34%	4.4%	5.3%
Summit Ascent Holdings	102 HK	ADD	1.25	3.14	6,787	93.2	28.8	189%	1.1	1.1	4.3	2.9	1%	4%	0.0%	0.0%
Genting Singapore	GENS SP	ADD	0.89	1.00	7,737	16.2	16.6	-9%	1.3	1.3	6.3	6.6	8%	8%	3.9%	3.9%
Other average						41.0	19.0	68%	2.2	2.1	6.8	6.0	14%	15%	2.8%	3.1%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

BY THE NUMBERS

Profit & Loss				
(US\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	1,474.3	1,928.6	2,246.2	2,501.5
Gross Profit	673.5	887.2	1,033.3	1,150.7
Operating EBITDA	512.0	676.8	787.2	893.1
Depreciation And Amortisation	(93.0)	(78.5)	(78.5)	(78.5)
Operating EBIT	419.0	598.3	708.6	814.6
Financial Income/(Expense)	(16.2)	(23.7)	(23.0)	(22.4)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	(3.4)	(2.4)	(2.2)	(2.2)
Profit Before Tax (pre-EI)	399.4	572.2	683.4	789.9
Exceptional Items				
Pre-tax Profit	399.4	572.2	683.4	789.9
Taxation	(8.8)	(77.1)	(89.8)	(100.1)
Exceptional Income - post-tax				
Profit After Tax	390.6	495.0	593.6	689.9
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	390.6	495.0	593.6	689.9
Recurring Net Profit	390.6	495.0	593.6	689.9
Fully Diluted Recurring Net Profit	390.6	495.0	593.6	689.9

Cash Flow				
(US\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	512.0	676.8	787.2	893.1
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(26.7)	(12.8)	(8.6)	(6.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	3.1	0.0	0.0	0.0
Other Operating Cashflow	12.8	21.3	20.6	20.1
Net Interest (Paid)/Received	(16.2)	(23.7)	(23.0)	(22.4)
Tax Paid	(8.2)	(77.1)	(89.8)	(100.1)
Cashflow From Operations	476.7	584.5	686.3	783.7
Capex	(243.3)	(320.0)	(400.0)	(450.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(73.6)	4.3	5.0	5.6
Cash Flow From Investing	(316.9)	(315.7)	(395.0)	(444.4)
Debt Raised/(repaid)	288.8	0.0		
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(170.8)	(266.0)	(327.2)	(385.7)
Preferred Dividends				
Other Financing Cashflow	(14.1)	(14.1)	(14.1)	(14.1)
Cash Flow From Financing	104.0	(280.1)	(341.2)	(399.7)
Total Cash Generated	263.7	(11.3)	(49.9)	(60.4)
Free Cashflow To Equity	448.6	268.8	291.3	339.3
Free Cashflow To Firm	179.3	296.8	319.3	367.3



Balance Sheet				
(US\$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	393	382	332	271
Total Debtors	117	153	178	199
Inventories	2	3	3	3
Total Other Current Assets	0	0	0	0
Total Current Assets	512	538	513	474
Fixed Assets	1,302	1,448	1,601	1,754
Total Investments	0	0	0	0
Intangible Assets	59	57	54	51
Total Other Non-Current Assets	94	94	94	94
Total Non-current Assets	1,455	1,598	1,748	1,898
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	80	104	121	134
Other Current Liabilities	12	12	12	12
Total Current Liabilities	92	116	133	147
Total Long-term Debt	291	291	291	291
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	44	44	44	44
Total Non-current Liabilities	335	335	335	335
Total Provisions	0	0	0	0
Total Liabilities	427	451	468	482
Shareholders' Equity	1,540	1,684	1,793	1,889
Minority Interests				
Total Equity	1,540	1,684	1,793	1,889

Key Ratios				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	54.2%	30.8%	16.5%	11.4%
Operating EBITDA Growth	60.0%	32.2%	16.3%	13.5%
Operating EBITDA Margin	34.7%	35.1%	35.0%	35.7%
Net Cash Per Share (US\$)	0.023	0.021	0.009	(0.005)
BVPS (US\$)	0.35	0.39	0.41	0.44
Gross Interest Cover	21.52	21.37	25.31	29.09
Effective Tax Rate	2.2%	13.5%	13.1%	12.7%
Net Dividend Payout Ratio	60.0%	60.1%	60.1%	60.1%
Accounts Receivables Days	27.05	25.59	27.02	27.52
Inventory Days	0.88	0.83	0.87	0.89
Accounts Payables Days	35.93	32.13	33.86	34.48
ROIC (%)	31.5%	40.4%	43.3%	45.3%
ROCE (%)	26.3%	31.7%	35.2%	38.5%
Return On Average Assets	23.7%	25.3%	28.0%	30.8%

Key Drivers				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
VIP Chip Volume (% Change)	68.8%	30.0%	15.0%	10.0%
VIP Chip Win Percentage (%)	3.0%	3.0%	3.0%	3.0%
Mass mkt chip drop (% chg.)	57.2%	30.0%	24.0%	17.0%
Mass mkt chip win (%-tage)	19.0%	19.0%	19.0%	19.0%
Slot Handle (% Change)	22.2%	30.0%	15.0%	20.9%
Slot Hold Percentage (%)	8.8%	8.8%	8.8%	7.9%
Net Win Per Slot (% Change)	5.0%	5.0%	5.0%	5.0%
Net Win Per Table (% Change)	35.0%	3.8%	16.6%	11.3%
No. Of Slots	2,000	2,000	2,000	2,000
No. Of Tables	479	600	600	600

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
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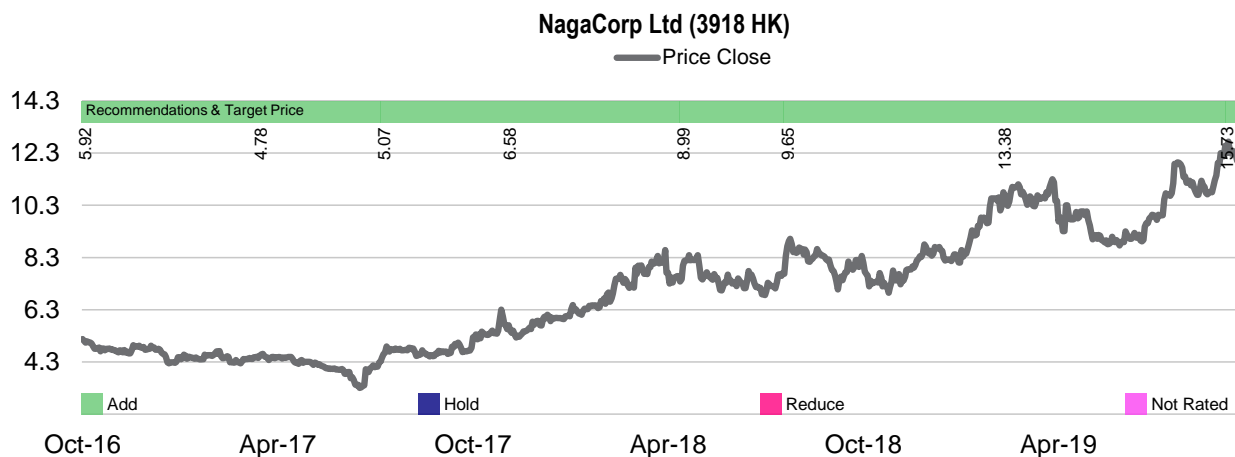
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	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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