

September 6, 2021 08:05 AM GMT

NagaCorp | Asia Pacific

Casino Opening in 4Q21 could be a Catalyst. Upgrade to OW

✔ Stock Rating | ◉ Industry View | © Price Target
Overweight | In-Line | HK\$7.30

High vaccination rate could help casino to reopen in 4Q21 and drive positive FCFE, similar to 2H20. Upgrade to OW on valuation.

WHAT'S CHANGED	NagaCorp (3918.HK)	
	From	To
Rating	Equal-weight	Overweight
Price Target	HK\$7.00	HK\$7.30

Reopening could be in sight: Given the high vaccination rate (99% of the adult population being fully vaccinated as cited by [Khmer Times](#)) and weaker economy due to lockdown, we are hopeful for business/ school reopening sometime in 4Q21. Based on the public data, Cambodia is on track to reach 80% population fully vaccinated by October at the current pace ([Exhibit 2](#)). Cambodia could adopt a "COVID resilience" policy similar to Singapore rather than a "COVID-Zero" policy, in our view.

FCFE breakeven is possible even without international revenue: In 2H20 and the first two months of 1Q21, Naga generated VIP volume and Mass market revenue at 55% and 63%, respectively, of 2019 levels when international visitation was only at 3% of 2019. We estimate Naga to have made positive FCFE during these periods, enabled by cost rationalization (workforce -22% vs. end-2020) and delayed capex. In 4Q21, we expect Naga to generate gross revenue of US\$280m (64% of 4Q19) and EBITDA (post gaming tax) of US\$81m (50% of 4Q19).

Valuation looks cheap considering eventual recovery: We are assuming part of the international revenue (excluding Chinese) to come back starting 2H22 (unchanged). GGR could reach 70%/80% of 2019 levels in 2022e/23e. On that basis, the stock is trading at 10% and 12% FCFE yield on 2022e and 2023e, respectively, which looks attractive to us vs. regional peers.

What's changed: We revise down 2021e EBITDA by 48% for prolonged business closure. Our estimates for 2022 and 2023 EBITDA are also down marginally (by 4% and 8%, respectively) as some local demand could be replaced when international demand comes back. However, our PT goes up from HK\$7.00 to HK\$7.30 on lower maintenance capex. Naga started to book for Gaming Tax (4% VIP; 7% Mass) since 1H21.

Key downside risks: (1) prolonged business closure, (2) spike in hospitalizations and fatalities post reopening, leading to another closure, (3) weaker local demand.

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NagaCorp (3918.HK, 3918 HK)

ASEAN Gaming / Hong Kong

Stock Rating	Overweight
Industry View	In-Line
Price target	HK\$7.30
Shr price, close (Sep 3, 2021)	HK\$5.74
52-Week Range	HK\$11.18-5.15
Up/downside to price target (%)	27
Sh out, dil, curr (mn)	4,341
Mkt cap, curr (mn)	US\$3,207
Avg daily trading value (mn)	HK\$31

Fiscal Year Ending	12/20	12/21e	12/22e	12/23e
ModelWare EPS (US\$)	0.02	(0.02)	0.06	0.09
Prior ModelWare EPS (US\$)	-	(0.02)	0.07	0.09
EPS (US\$)§	0.02	(0.02)	0.07	0.10
Revenue, net (US\$ mn)	879	413	1,210	1,414
EBITDA (US\$ mn)	261	57	403	499
ModelWare net inc (US\$ mn)	102	(88)	274	372
Curr P/E, for consensus	31.3	NM	11.7	8.6
P/BV	3.4	2.2	1.8	1.7
RNOA (%)	7.2	(2.0)	12.4	15.4
ROE (%)	5.7	(5.3)	18.4	21.4
EV/EBITDA**	22.7	64.1	8.8	7.6
Div yld (%)	1.7	0.0	5.1	7.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Thomson Reuters Estimates

** = Based on consensus methodology

e = Morgan Stanley Research estimates

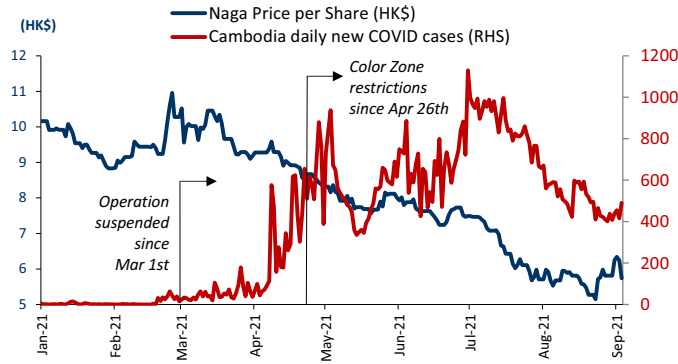
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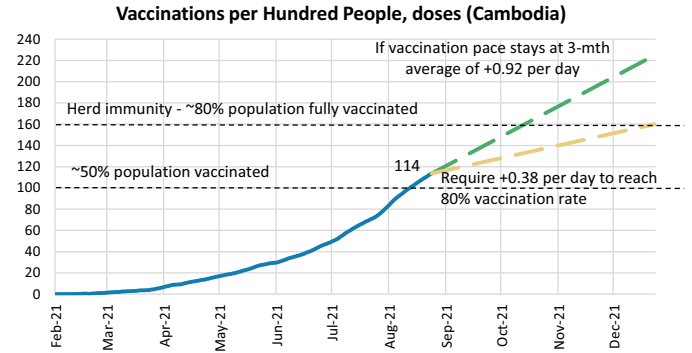
Key Charts

Exhibit 1: Recent stock fall on COVID spike in Phnom Penh and other provinces



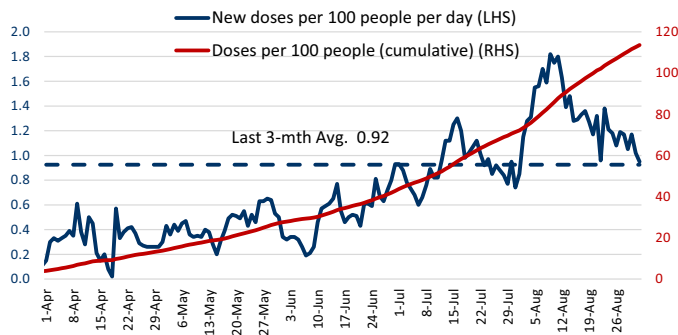
Source: Refinitiv (market prices data as of Sept 3, 2021), CEIC (COVID data as of Sept 2, 2021), Morgan Stanley Research

Exhibit 2: Cambodia could reach 80% population fully vaccinated by October if vaccination pace stays at last 3-mth average



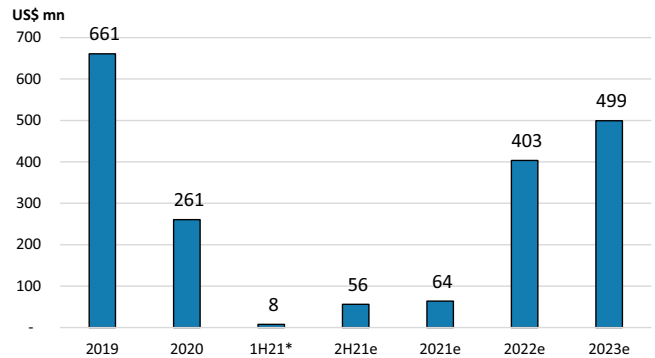
Source: CEIC as of Sept 1, 2021, Morgan Stanley Research estimates

Exhibit 3: Cambodia vaccination pace since Apr 1, 2021



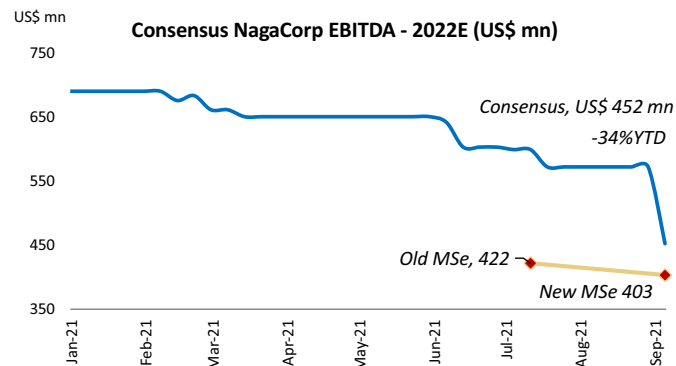
Source: CEIC as of Sept 1, 2021, Morgan Stanley Research

Exhibit 4: NagaCorp EBITDA forecasts (US\$ mn) - We assume Gaming Tax to be above Gross Profit



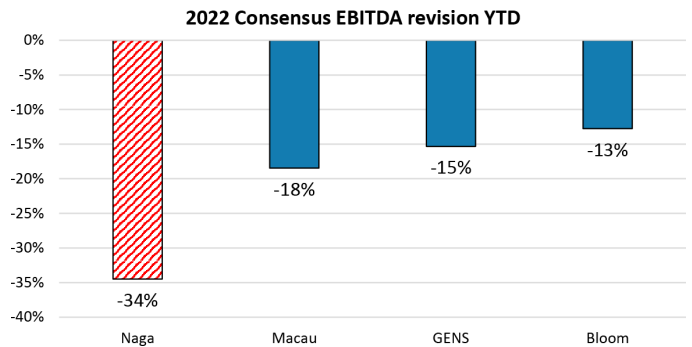
Note: * 1H21 is adjusted by deducting US\$7m gaming tax (4% on VIP; 7% on Mass) which was reported as part of Income Tax (below EBIT) by the company.
Source: Company data, Morgan Stanley Research (e) estimates

Exhibit 5: We are 30% below Consensus on 2022e EBITDA



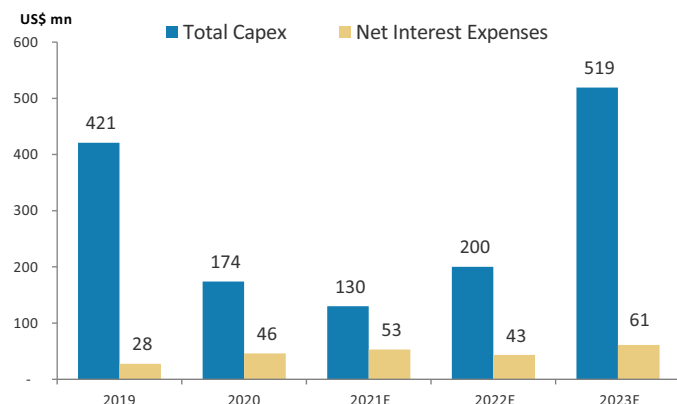
Source: Refinitiv as of Sept 3, 2021, Morgan Stanley Research (e) estimates

Exhibit 6: Naga saw the most negative revision on 2022 consensus EBITDA YTD vs. regional peers



Source: Refinitiv as of Sept 3, 2021, Morgan Stanley Research (e) estimates

Exhibit 7: Naga's Total Capex and Net Interest Expenses 2019-2023E
(US\$ mn)



Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 8: Asia Gaming Comps Table

3-Sep-21	Current Price	MS Rating	Mkt Cap (US\$ m)	6M Avg Vol. (m)	EV/EBITDA			FCFE Yield			Div Yield		2021 YTD Perf.	2021 YTD Vs. Country Index
					2019	2022E	2023E	2019	2022E	2023E	2019	2023E		
Macau Total (ex Studio)			76,733		9.2x	13.1x	9.6x	9.6%	6.5%	9.8%	3.6%	4.7%	(23%)	(18%)
ASEAN														
Genting Singapore	0.78	UW	7,028	18	5.0x	7.7x	5.7x	9.9%	6.4%	8.1%	5.1%	3.8%	(8%)	(17%)
NagaCorp	5.7	OW	3,207	4	4.8x	8.9x	7.2x	17.2%	10.1%	12.1%	11.4%	6.9%	(44%)	(39%)
Bloomberry	6.3	OW	1,370	1	5.0x	8.3x	5.5x	17.0%	10.2%	19.9%	6.4%	5.0%	(23%)	(20%)
ASEAN Total			11,605		4.9x	8.0x	5.9x	12.8%	7.9%	10.6%	7.7%	5.3%	(24%)	(19%)

Source: Refinitiv (market prices data as of Sept 3, 2021), Morgan Stanley Research (E) estimates

Price Target and Market Valuation

We keep our valuation methodology unchanged – 2022e FCFE with 8.0% target yield. Our price target moves up from HK\$7.00 to HK\$7.30 as we expect maintenance capex could remain low. We estimate Naga to have spent US\$5mn maintenance capex in 1H21 only.

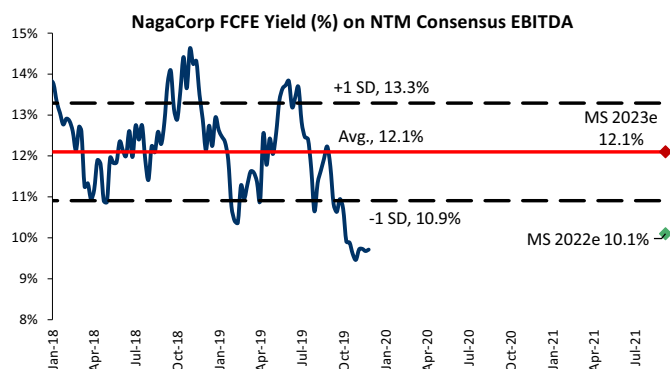
Exhibit 9: Naga FCFE Valuation Summary

FCFE Valuation (Primary Valuation Methodology)

US\$ m	2019	2020	2021E	2022E	2023E
Company EBITDA	661	261	57	403	499
Less: Income tax	(30)	(30)	(10)	(10)	(10)
Less: Maintenance Capex	(50)	(84)	(10)	(25)	(40)
Less: Net Interest Expense (w/o capitalized interests)	(28)	(46)	(53)	(43)	(61)
FCFE	553	101	(16)	325	388
<i>Target FCFE Yield</i>					<i>8.0%</i>
Equity Value					4,064
Number of shares (mn)					4,341
Price Target (HK\$)					7.30
<i>Upside/downside</i>					<i>27%</i>

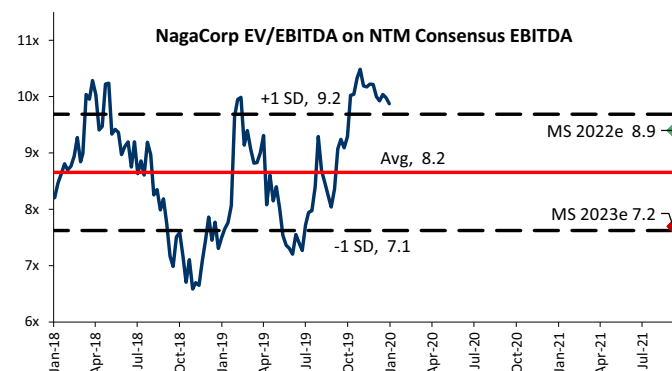
Source: Refinitiv as of Sept 3, 2021, Company data, Morgan Stanley Research (E) estimates

Exhibit 10: Naga is over 1SD more expensive than historical average on 2022e FCFE yield despite the recent fall in stock price...



Source: Refinitiv as of Sept 3, 2021, Morgan Stanley Research (e) estimates

Exhibit 11: ...and similarly in terms of EV/EBITDA on our 2022e



Source: Refinitiv as of Sept 3, 2021, Morgan Stanley Research (e) estimates

What's Changed

For our 2021 estimates, we lower our EBITDA and Net Income estimates by 48% and 19% to US\$57m (-78% YOY) and -US\$88m, respectively, for prolonged business closure. We expect business reopening in 4Q21 and Naga to make recurring EBITDA of US\$56 mn in 2H21 (+311% HOH, 16% of 2H19).

2022/23e EBITDA goes down 4%/8% while 2022/23e Net Income falls 5%/8%. This is because we expect part of the local demand could be replaced as international demand comes back.

Exhibit 12: Morgan Stanley Research estimates: New vs. Old

US\$ mn			New MSe			Last Published			Variance		
	2019A	2020A	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Gross Revenue	1,755	879	413	1,210	1,414	436	1,134	1,458	(5%)	7%	(3%)
Corporate EBITDA	661	261	57	403	499	110	422	544	(48%)	(4%)	(8%)
Net Income	521	102	(88)	274	372	(74)	288	403	19%	(5%)	(8%)
EPS (US cents)	12.01	2.36	(2.02)	6.31	8.58	(1.69)	6.63	9.28	19%	(5%)	(8%)
Dividend payout ratio	71%	92%	0%	60%	60%	0%	60%	60%	0 ppts	(0) ppts	0 ppts
DPS (US cents)	8.48	2.17	-	3.79	5.15	-	3.98	5.57	(5%)	(5%)	(8%)

Source: Company data, Morgan Stanley Research (E) estimates

Compared with consensus, we are 37% and 11% lower for 2021e and 2022e EBITDA, respectively.

Exhibit 13: Morgan Stanley Research estimates vs. Consensus

US\$ mn			MSe			Consensus			Variance		
	2019A	2020A	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Gross Revenue	1,755	879	413	1,210	1,414	377	1,173	1,496	9%	3%	(6%)
Corporate EBITDA	661	261	57	403	499	91	452	605	(37%)	(11%)	(17%)
Net Income	521	102	(88)	274	372	(73)	285	428	20%	(4%)	(13%)
EPS (US cents)	12.01	2.36	(2.02)	6.31	8.58	(1.65)	6.58	9.75	22%	(4%)	(12%)
Dividend payout ratio	71%	92%	0%	60%	60%	0%	57%	65%	0 ppts	3 ppts	(5) ppts
DPS (US cents)	8.48	2.17	-	3.79	5.15	-	3.74	6.38		1%	(19%)

Source: Refinitiv as of Sept 3, 2021, company data, Morgan Stanley Research (E) estimates

Operational Forecasts Summary

Exhibit 14: Operational Summary (Yearly)

Operation (US\$ mn)	2019	2020	2021E	2022E	2023E
Gross Revenue	1,755	879	413	1,210	1,414
VIP Revenue	1,243	613	273	779	896
Mass Revenue	318	174	92	277	319
EGM Revenue	158	82	46	129	161
GGR	1,719	870	410	1,185	1,376
Non-Gaming Revenue	36	9	3	24	38
As a % to 2019					
Gross Revenue		50%	24%	69%	81%
VIP Revenue		49%	22%	63%	72%
Mass Revenue		55%	29%	87%	100%
EGM Revenue		52%	29%	81%	102%
GGR		51%	24%	69%	80%
Non-Gaming Revenue		25%	9%	67%	105%
% of total GGR					
VIP Revenue	72%	70%	67%	66%	65%
Mass Revenue	19%	20%	22%	23%	23%
EGM Revenue	9%	9%	11%	11%	12%
Gross Margin					
Total	48%	49%	46%	47%	49%
VIP	28%	27%	23%	23%	24%
Mass	99%	99%	91%	92%	92%
EGM	98%	98%	91%	91%	91%
Gaming	47%	48%	46%	46%	48%
Non-Gaming	83%	82%	83%	83%	83%
P&L					
Opex (incl Rebates)	(1,095)	(618)	(335)	(747)	(845)
EBITDA (calculated)	661	261	57	403	499
- YOY	32%	-61%	-78%	605%	24%
EBITDA margin (Gross)	37.6%	29.7%	13.9%	33.4%	35.3%
EBITDA/table/day	3,596	1,354	293	2,066	2,556
Profit before taxation	552	132	(78)	284	382
Income tax	(30)	(30)	(10)	(10)	(10)
PAT	521	102	(88)	274	372
EPS	12.01	2.36	(2.02)	6.31	8.58
DPS	8.48	2.17	-	3.79	5.15
Dividend payout ratio	71%	92%	0%	60%	60%

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 15: Operational Summary (Half-Yearly)

US\$ mn	1H19	2H19	1H20	2H20	1H21	2H21E	% to 2H19
VIP revenue	650	593	271	342	81	192	32%
Mass revenue	146	172	68	106	30	62	36%
EGM revenue (Naga share)	76	82	33	50	19	27	33%
GGR	872	847	372	498	129	280	33%
Non-gaming revenue	19	17	5	4	1	2	12%
Gross revenue	892	864	378	501	130	282	33%
Cost of sales	(483)	(425)	(204)	(248)	(56)	(160)	38%
Non-gaming	16	14	5	3	1	2	13%
Gross Profit	408	439	174	254	75	123	28%
Staff costs (excl. one-off)	(48)	(47)	(40)	(39)	(33)	(30)	65%
Other opex (SG&A)	(39)	(52)	(47)	(40)	(24)	(36)	69%
EBITDA (recurring)	321	340	86	174	18	56	17%
<i>EBITDA margin (Gross)</i>	36.0%	39.4%	22.8%	34.8%	13.6%	19.9%	
D&A	(50)	(50)	(49)	(50)	(55)	(48)	96%
EBIT	270	291	37	124	(37)	8	3%
Interest Expense	(17)	(3)	(5)	(28)	(22)	(16)	555%
Profit before tax	260	287	35	97	(66)	(6)	(2%)
Income tax	(15)	(15)	(14)	(16)	(5)	(5)	33%
Net income	245	272	21	81	(71)	(11)	(4%)
Diluted EPS (US\$ cents)	5.65	6.26	0.48	1.87	(1.78)	(0.24)	(4%)
DPS (US\$ cents)	3.39	5.09	0.29	1.88	-	-	0%
<i>Dividend payout ratio</i>	0.36	81%	61%	100%	0%	0%	

Source: Company data, Morgan Stanley Research (E) estimates

Exhibit 16: Operational Summary (Quarterly)

US\$ mn	3Q20	4Q20	1Q21	2Q21	3Q21E	4Q21E
Gaming operations						
GGR	238	260	127	-	-	280
VIP revenue	166	176	81	-	-	192
VIP roll	6,234	6,684	2,906	-	-	7,006
- % to 2019	58%	52%	53%			55%
Win rate	2.67%	2.63%	2.77%	NM		2.74%
Mass revenue	48	58	30	-	-	62
- % to 2019	55%	68%	65%			73%
Mass drop	270	359	202	-	-	353
Mass hold rate	17.6%	16.2%	14.7%	NM		17.5%
EGM revenue	24	26	17	-	-	27
- % to 2019	59%	63%	74%			65%
EGM bills-in	456	473	298	-	-	487
EGM hold rate	5.3%	5.4%	5.7%	NM		5.5%
Total mass and slot revenue	71	84	47	-	-	88

Source: Company data, Morgan Stanley Research (E) estimates

Financial Summary

Exhibit 17: NagaCorp Financial Summary

For the years ending December 31											
Income Statement						Balance Sheet					
US\$ million	2019A	2020A	2021E	2022E	2023E	US\$ million	2019A	2020A	2021E	2022E	2023E
Gross Revenue	1,755	879	413	1,210	1,414	Fixed Assets	1,595	1,674	1,726	1,852	2,318
VIP Revenue	1,243	613	273	779	896	Intangible Assets	156	158	155	153	150
Mass Revenue	318	174	92	277	319	Others	140	144	144	144	144
EGM Revenue	158	82	46	129	161	Non-Current Assets	1,891	1,976	2,025	2,149	2,612
Non-Gaming Revenue	36	9	3	24	38	Debtors	127	120	83	121	120
Gaming tax (4% of VIP; 7% of Mass)	-	-	(21)	(60)	(69)	Cash and deposits	327	452	120	248	189
Cost of sales	(909)	(452)	(202)	(580)	(657)	Current Assets	456	574	205	370	311
Gross profit	846	427	191	570	687	Creditors	159	148	97	133	138
VIP	347	167	63	178	216	Others	16	318	20	20	20
Mass	316	172	84	255	294	Current Liabilities	175	467	117	153	158
EGM	155	81	41	117	146	Senior notes	295	337	537	537	737
Non-Gaming	30	8	3	20	31	Lease liabilities	49	56	56	56	56
Administrative expenses	(61)	(61)	(56)	(59)	(61)	Others	40	33	33	33	33
Other operating expenses	(84)	(79)	(78)	(83)	(100)	Non-Current Liabilities	384	426	626	626	826
EBITDA	661	261	57	403	499	Share Capital	54	54	54	54	54
Depreciation	(96)	(97)	(100)	(103)	(103)	Reserves	1,734	1,602	1,433	1,685	1,885
Amortization of license	(3)	(3)	(3)	(3)	(3)	Shareholders' Equity	1,788	1,656	1,487	1,739	1,940
EBIT	561	161	(45)	297	393	Ratios	2019A	2020A	2021E	2022E	2023E
Other revenue (mainly Rental)	7	4	5	7	7	Gross Profit Margin (%)	48%	49%	46%	47%	49%
Net interest expenses	(16)	(32)	(38)	(20)	(18)	- VIP	28%	27%	23%	23%	24%
Profit before tax	552	132	(78)	284	382	- Mass	99%	99%	91%	92%	92%
Income Tax	(30)	(30)	(10)	(10)	(10)	- EGM	98%	98%	91%	91%	91%
Profit after tax	521	102	(88)	274	372	- Non-gaming	83%	82%	83%	83%	83%
Basic EPS (US\$ cents)	12.01	2.36	(2.02)	6.31	8.58	EBITDA Margin (%)	38%	30%	14%	33%	35%
DPS (US\$ cents)	8.48	2.17	-	3.79	5.15	Dividend Payout Ratio (total)	71%	92%	0%	60%	60%
Cash Flow Statement	2019A	2020A	2021E	2022E	2023E	GGR Growth	20%	-49%	-53%	189%	16%
Profit before Tax	552	132	(78)	284	382	VIP Growth	16%	-51%	-56%	186%	15%
Depreciation & Amortization	100	100	103	106	106	Mass Growth	35%	-45%	-47%	203%	15%
Other non-cash adjustments	(11)	6	28	10	8	EGM Growth	22%	-48%	-45%	182%	25%
Changes In Working Capital	50	(24)	(14)	(1)	4	EBITDA Growth	32%	-61%	-78%	605%	24%
Operating cash flows	690	213	38	399	499	Net Profit Growth	33%	-80%	-186%	-412%	36%
Capex (incl. capitalized int.)	(432)	(162)	(152)	(230)	(569)	Operating Data					
Others	8	43	0	0	1	VIP Tables (avg)	337	349	349	349	349
Investing cash flows	(424)	(119)	(152)	(230)	(568)	Mass Tables (avg)	167	177	186	186	186
Dividends Paid	(273)	(233)	(82)	(22)	(172)	EGM Machines (avg)	2,000	2,100	2,200	2,200	2,200
Others	-	-	-	-	-	VIP win/table/Day (US\$)	10,106	4,799	2,140	6,117	7,034
Financing cash flows	(309)	70	(218)	(42)	10	Mass win/table/Day (US\$)	5,238	2,698	1,349	4,085	4,698
Change in Cash	(43)	164	(332)	128	(59)	EGM win/unit/Day (US\$)	333	160	85	240	300
Ending cash	273	438	106	234	174	Visitors to Cambodia (m)	6.6	1.3	0.3	4.6	6.7

Source: Company data, Morgan Stanley Research (E) estimates

Risk Reward – NagaCorp (3918.HK)

Moat from Exclusive License till 2045 Intact; Robust Local Demand

PRICE TARGET HK\$7.30

Our price target of HK\$7.30 is our base case scenario value. We apply a target FCFE yield of 8.0% to our 2022 estimate. The target yield is higher than Macau peers' average of 7.0%, but lower than the company's long-term average of 13% since 2012 in view of the company's leading position in a growing market, stable dividend, tax profile and Naga 2 ramp-up.



Source: Thomson Reuters, Morgan Stanley Research

RISK REWARD CHART



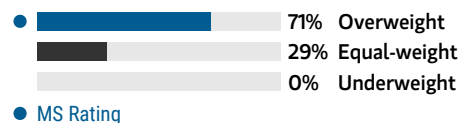
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Thomson Reuters, Morgan Stanley Research

OVERWEIGHT THESIS

- Chinese demand may not come back early due to China extending outbound travel restrictions for at least till 2H22 and China's crackdown on overseas gambling.
- VIP is risky and more volatile. It still contributed 39% of gross profit in 2020 (70% of gross revenue), and we find it negative for valuation.
- Capacity expansion at Naga 2 has been successful and should continue to ramp post-COVID (late-2022).
- Naga has better license terms/monopoly status, lower taxes and lower labor costs compared to Macau gaming companies.

Consensus Rating Distribution



Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

Pricing Power: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

HK\$10.00

7.0% FCFE yield 2022e

Rebound in overall economy. Faster recovery from COVID. China's crackdown eases. VIP revenue recovers to 29%/84%/101% of 2019 level in 2021e/22e/23e (49% in 2020). Mass revenue growth recovers to 35%/92%/111% of 2019 level in 2021e/22e/23e (55% in 2020).

BASE CASE

HK\$7.30

8.0% FCFE yield 2022e

VIP revenue recovers to 22%/63%/72% of 2019 level in 2021e/22e/23e (49% in 2020). Mass revenue growth recovers to 29%/87%/100% of 2019 level in 2021e/22e/23e (55% in 2020).

BEAR CASE

HK\$4.00

9.0% FCFE yield 2022e

Downturn in overall economy. Slower recovery from COVID. China's crackdown continues. VIP revenue recovers to 17%/39%/63% of 2019 level in 2021e/22e/23e (49% in 2020). Mass revenue growth recovers to 30%/69%/90% of 2019 level in 2021e/22e/23e (55% in 2020).

Risk Reward – NagaCorp (3918.HK)

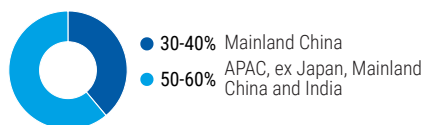
KEY EARNINGS INPUTS

Drivers	2020	2021e	2022e	2023e
Company VIP Revenue Growth (%)	(51)	(56)	186	15
Company Mass & Slot Revenue Growth (%)	(46)	(47)	196	18
Corporate EBITDA margin (Gross) (%)	30	14	33	35

INVESTMENT DRIVERS

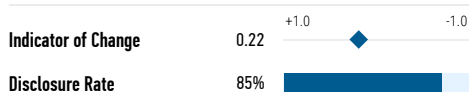
- Lifting of travel restrictions between Cambodia and China/Malaysia/Singapore.
- Recovery pace back to pre-COVID level.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

SUSTAINABILITY & ESG



RISKS TO PT/RATING

RISKS TO UPSIDE

- Earlier-than-expected business resumption
- Faster-than-expected Cambodia easing travel restrictions
- Strong demand by local expats observed in 2H20 and first two months of 2021 could sustain

RISKS TO DOWNSIDE

- Delay in Naga3 and Russia projects
- Prolonged business suspension and Cambodia's travel restrictions
- China's crackdown on overseas gambling
- Indebtedness continues to rise, hurting FCFE

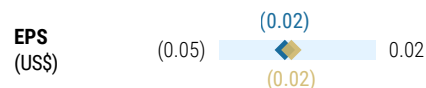
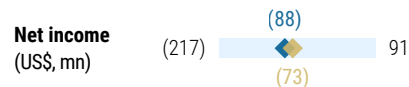
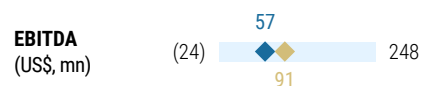
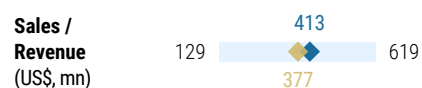
OWNERSHIP POSITIONING

Inst. Owners, % Active 73.8%

Source: Thomson Reuters, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2021e



◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

Valuation Methodology and Risks

Bloomberry Resorts Corporation (BLOOM.PS)

Our price target of PP7.0 is our base case scenario value, derived by applying a target FCFE yield of 9.0% to our 2022e FCFE. Our target FCFE yield of 9.0% is the historical average since 2017 after all four concessionaires started operating. The target yield is higher than those of ASEAN peers such as Singapore (7.2%) and Naga (8.0%) due to lower liquidity and more competition.

Risks to Upside

- Better-than-expected cost control
- Easing of Manila community quarantine order
- Faster-than-expected rollout of vaccines in Philippines
- Faster ramping and more details of PIGO

Risks to Downside

- Deterioration in Covid-19 situation
- Government policy against gaming
- Further China crackdown on capital outflows
- Market share risk from Okada, RWM and potential new operator Waterfront

Genting Singapore PLC (GENS.SI)

S\$0.70: base case scenario value. We apply a target yield of 7.2% to our 2022 FCFE forecast. This is based on the long-term average since 2012, which we think is appropriate because we see risk of negative earnings estimate revisions.

Risks to Upside

- Market share gain from MBS
- Positive progress on bid for Japanese gaming license
- Earlier than expected border reopening with/international travel to Singapore
- Further extension of Singapore government Job Support Scheme

Risks to Downside

- Increase in provisions
- Saturated market
- Market share losses
- Lack of success in Japanese gaming license bid
- Competition from ASEAN countries

- Upcoming capex for expansion

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(as of August 31, 2021)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1500	43%	414	48%	28%	666	44%
Equal-weight/Hold	1492	43%	376	43%	25%	670	44%
Not-Rated/Hold	1	0%	0	0%	0%	0	0%
Underweight/Sell	513	15%	80	9%	16%	191	13%
TOTAL	3,506		870			1527	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Bloomberry Resorts Corporation (BLOOM.PS) - As of 9/5/21 in PHP
Industry : ASEAN Gaming



Stock Rating History: 9/1/16 : 0/I; 6/18/17 : 0/A; 3/26/18 : 0/A; 8/19/21 : 0/I

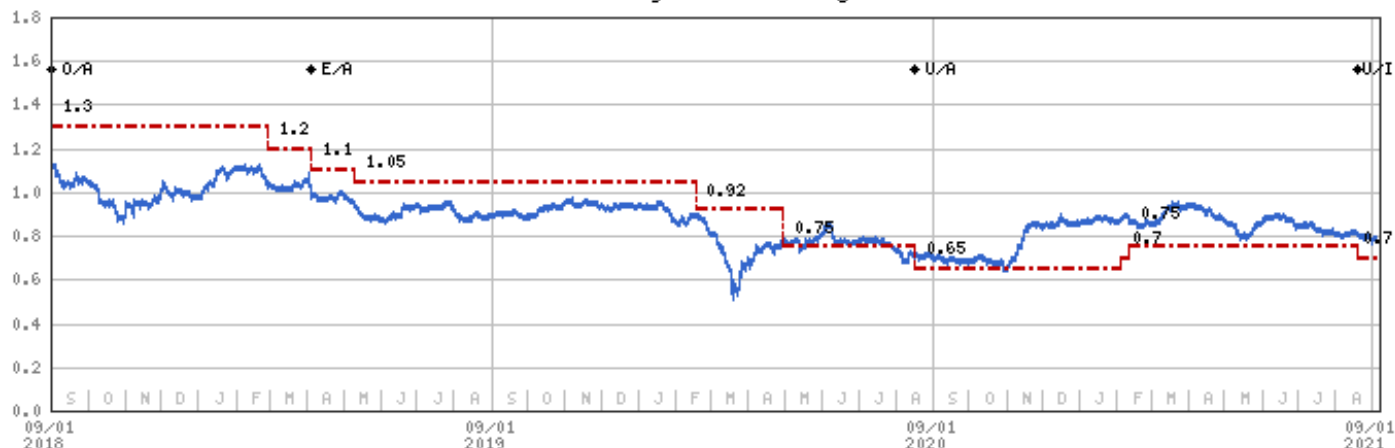
Price Target History: 8/15/16 : 7; 3/24/17 : 8.3; 4/20/17 : 10; 5/16/17 : 12; 6/18/17 : 13.5; 8/11/17 : 13; 1/4/18 : 12.5; 3/26/18 : 16; 4/9/18 : 14.5; 5/9/18 : 14; 12/5/18 : 11.5; 5/14/19 : 13.5; 11/28/19 : 13; 3/9/20 : 10.5; 5/13/20 : 7.2; 7/30/20 : 8; 3/11/21 : 9; 7/21/21 : 7

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Genting Singapore PLC (GENS.SI) - As of 9/5/21 in SGD
Industry : ASEAN Gaming



Stock Rating History: 9/1/16 : U/I; 11/4/16 : E/I; 5/15/17 : 0/I; 6/18/17 : 0/A; 2/26/18 : E/A; 4/12/18 : 0/A; 4/4/19 : E/A; 8/17/20 : U/A; 8/19/21 : U/I

Price Target History: 8/15/16 : 0.68; 11/4/16 : 0.78; 2/27/17 : 1.05; 5/15/17 : 1.25; 11/7/17 : 1.4; 2/26/18 : 1.3; 4/12/18 : 1.4; 5/14/18 : 1.5; 8/8/18 : 1.3; 2/28/19 : 1.2; 4/4/19 : 1.1; 5/10/19 : 1.05; 2/17/20 : 0.92; 4/29/20 : 0.75; 8/17/20 : 0.65; 2/4/21 : 0.7; 2/11/21 : 0.75; 8/19/21 : 0.7

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
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 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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NagaCorp (3918.HK) - As of 9/5/21 in HKD
Industry : ASEAN Gaming



Stock Rating History: 9/1/16 : NA/I; 6/18/17 : NA/A; 3/6/18 : O/A; 4/4/18 : E/A; 7/25/18 : O/A; 4/3/19 : NA/A; 7/21/19 : NA/A; 9/23/19 : O/A; 7/13/21 : E/A; 8/19/21 : E/I

Price Target History: 2/3/16 : NA; 3/6/18 : 8.2; 4/4/18 : 8.5; 5/21/18 : 8.1; 7/25/18 : 9.5; 2/14/19 : 11.5; 4/3/19 : NA; 9/23/19 : 14; 2/12/20 : 15; 4/7/20 : 10; 8/25/20 : 11; 7/13/21 : 7

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: ASEAN Gaming

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/03/2021)
Praveen K Choudhary		
Bloomberry Resorts Corporation (BLOOM.PS)	O (03/26/2018)	PP6.27
Genting Singapore PLC (GENS.SI)	U (08/17/2020)	S\$0.78
NagaCorp (3918.HK)	O (09/06/2021)	HK\$5.74

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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