

February 20, 2024 09:00 PM GMT

NagaCorp | Asia Pacific

## Missing the Former Glory

## WHAT'S CHANGED

	From	To
NagaCorp (3918.HK)		
Rating	Overweight	Equal-weight
Price Target	HK\$5.50	HK\$3.25
ASEAN Gaming		
Industry View	Attractive	In-Line

We think growth prospects for NagaCorp remain murky. Earnings recovery in 1Q24 could stay muted.

**Downgrading NagaCorp to EW following Valuation and Estimate Changes:** We cut our price target 40%, to HK\$3.25, by raising our target yield to 16.0% (2.5 SD higher than the 2018-2019 average) and cutting 2024e EBITDA 37%.

**Within ASEAN Gaming – industry view now In-Line – we prefer Bloomberg (OW) > GENS (OW) > NagaCorp (EW).**

## Why downgrade NagaCorp now?

**(1) More consensus estimate cuts to come:** NagaCorp's 4Q23 results missed sell-side consensus. Admittedly, it could be dated, but we think consensus will drop more (Exhibit 7). The Street expects 37% growth in 2024 vs. the 4Q23A annualized run rate. We are 23% below consensus for 2024e EBITDA (implies 5% growth on 4Q23 run rate).

**(2) Growth prospects remain murky:** As shown in Exhibit 2, Chinese visitation, holiday travelers' visitation, and Phnom Penh airport arrivals remained stagnant or even declined in 4Q23. We expect earnings recovery in 1Q24 to be muted as well at US\$86mn EBITDA (+7% QoQ, 69% of 1Q19's level). NagaCorp used to be a growth stock in Asian gaming. More concrete plans from management on how to accelerate growth and/or signs of meaningful visitation improvement are needed to turn positive on the stock.

**(3) More regional competition:** China has started visa-free arrangements with other ASEAN countries (Thailand, Malaysia, Singapore). We think Cambodia/Phnom Penh lacks non-gaming amenities and infrastructure and has higher perceived travel risks among Chinese leisure travelers.

## Why not UW?

**(1) Valuation support:** Even on our reduced estimates, 2024e P/E is 7.7x and EV/EBITDA is 5.4x when earnings and EBITDA growth could be 25% YoY and 15% YoY (but still <50% of pre-Covid levels). We think this offers some buffer.

**(2) Dividend upside:** We think dividends could resume after the US\$472mn bond issue is repaid in July 2024. The company pushed NagaCorp 3 completion out to 2029 and is generating positive cash flows. We expect 2024e DPS of US\$1.5 cents from a 30% payout ratio; yield = 3.9%.

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## NagaCorp (3918.HK, 3918 HK)

## ASEAN Gaming | Hong Kong

Stock Rating	Equal-weight
Industry View	In-Line
Price target	HK\$3.25
Shr price, close (Feb 20, 2024)	HK\$3.22
52-Week Range	HK\$6.83-2.52
Up/downside to price target (%)	1
Sh out, dil, curr (mn)	4,423
Mkt cap, curr (mn)	US\$1,821
Avg daily trading value (mn)	HK\$7

Fiscal Year Ending	12/23	12/24e	12/25e	12/26e
ModelWare EPS (US\$)	0.04	0.05	0.07	0.07
Prior ModelWare EPS (US\$)	0.04	0.09	0.11	-
EPS (US\$)§	0.04	0.07	0.08	-
Revenue, net (US\$ mn)	533	590	694	775
EBITDA (US\$ mn)	293	336	398	442
ModelWare net inc (US\$ mn)	178	222	288	310
Curr P/E, for consensus	10.2	8.2	6.3	5.9
P/BV	0.9	0.8	0.7	0.6
RNOA (%)	7.3	8.9	11.1	10.7
ROE (%)	9.6	10.9	12.9	12.0
EV/EBITDA**	6.4	5.1	4.1	4.0
Div yld (%)	0.0	3.7	6.3	8.5

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

§ = Consensus data is provided by Refinitiv Estimates

\*\* = Based on consensus methodology

e = Morgan Stanley Research estimates

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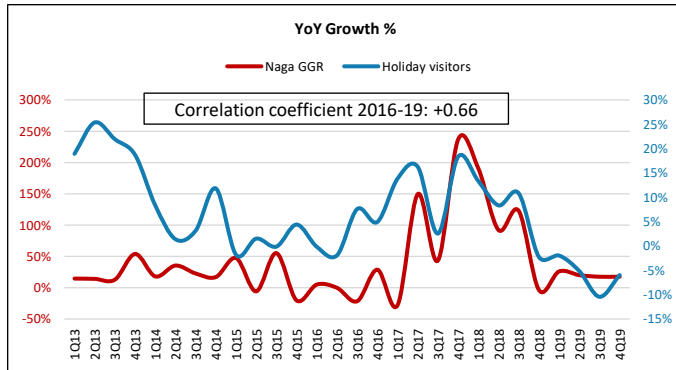
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# Key Charts

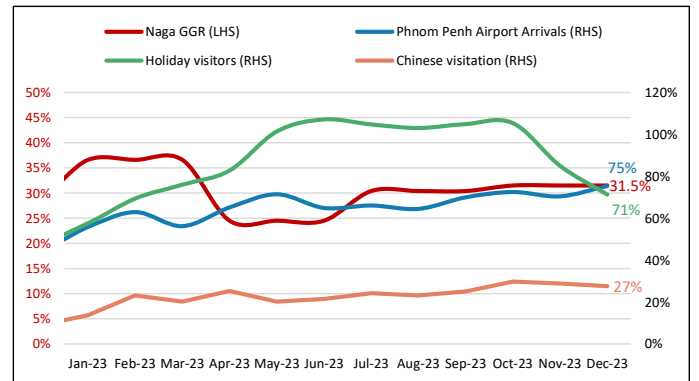
## (A) Visitation recovery remains slow

**Exhibit 1:** Historically, NagaCorp's GGR correlates positively with the number of holiday visitors to Cambodia (business travelers have no correlation)



Source: CEIC, Morgan Stanley Research

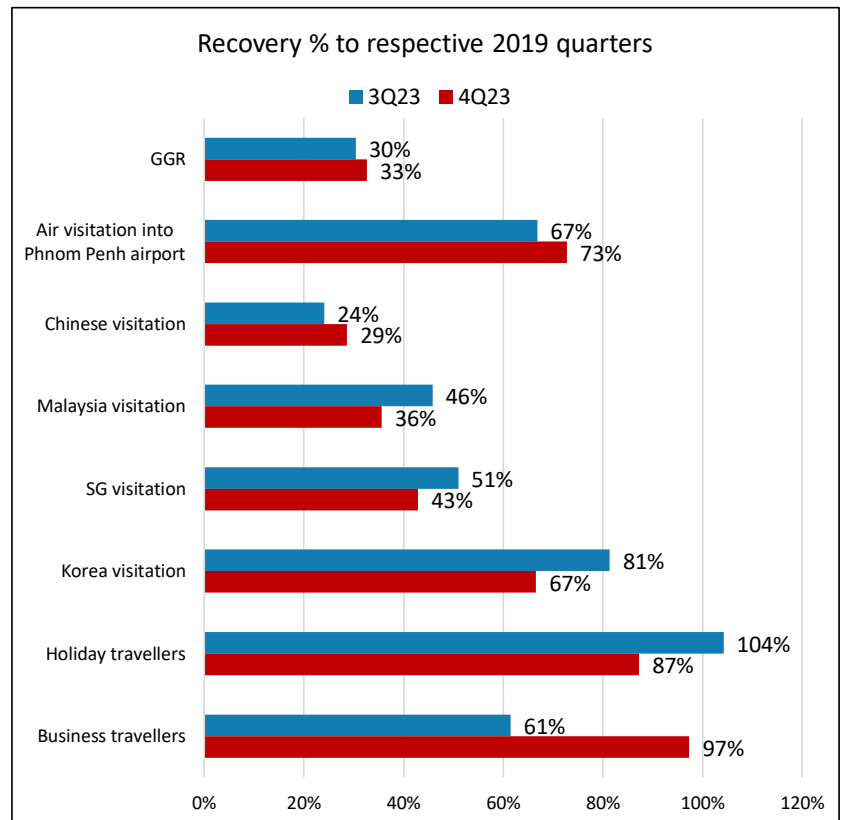
**Exhibit 2:** There's been some tapering off of the number of holiday visitors and Phnom Penh airport arrivals from 4Q23



Source: CEIC, Morgan Stanley Research

### Exhibit 3:

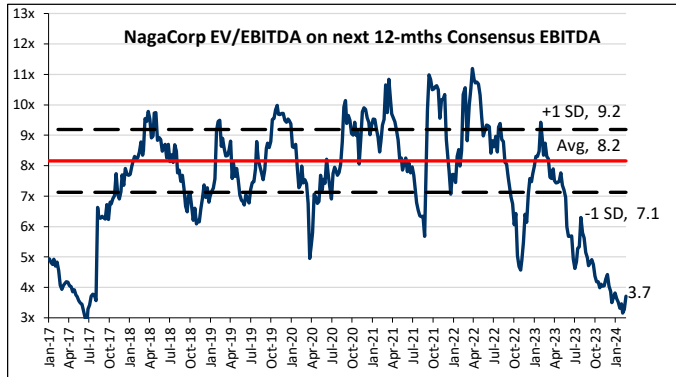
Cambodia – visitation recovery percentage of 2019 levels by type: recovery is still not fast enough



Source: CEIC, Morgan Stanley Research

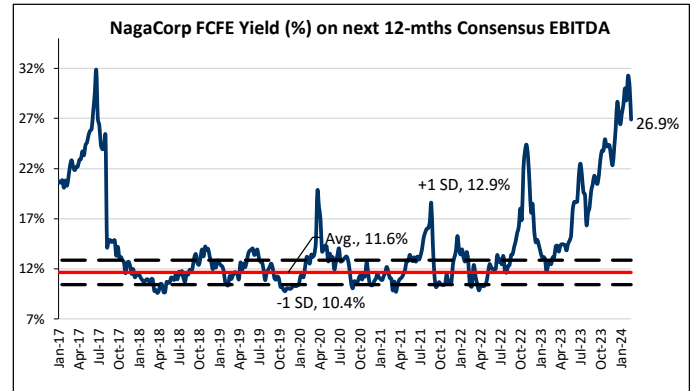
## (B) Valuation support

**Exhibit 4:** EV/EBITDA is 5.4x on our 2024 estimate, more than 2.5 SD cheaper than the average since 2018



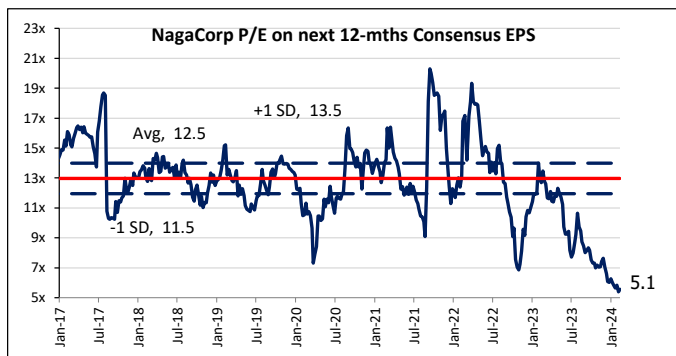
Source: Refinitiv as of Feb 19, 2024, Morgan Stanley Research

**Exhibit 5:** Similarly, in terms of FCFE, yield is 17.5% on our 2024 estimate, vs. the average since 2018 of 11.6%



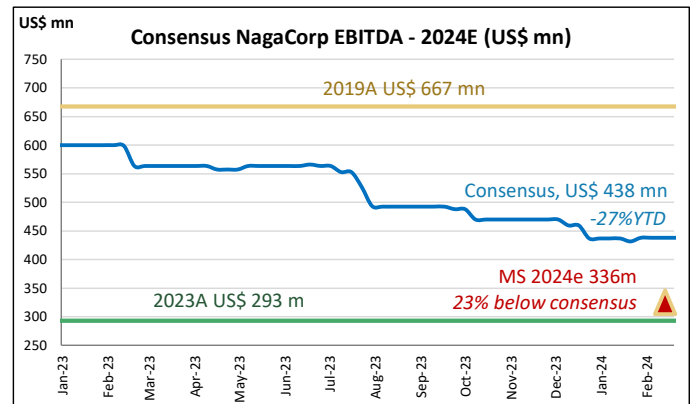
Source: Refinitiv as of Feb 19, 2024, Morgan Stanley Research

**Exhibit 6:** P/E is now 7.7x on our 2024 estimate



Source: Refinitiv as of Feb 19, 2024, Morgan Stanley Research

**Exhibit 7:** We think consensus estimates could drop more: consensus 2024e implies 37% YoY growth on 4Q23's run rate



Source: Refinitiv as of Feb 19, 2024, Morgan Stanley Research (e) estimates

**Exhibit 8:**

### ASEAN Gaming Comps Table

19-Feb-24	Closing Price	MS	Mkt Cap	EV	6M Avg Vol.	EV/EBITDA (Latest Net Debt)				FCFE Yield			Div Yield	Latest Net Debt/EBITDA Latest Qtr EBITDA	2024 YTD Perf.	2024 YTD Vs. Country Index
						2019	2023E	2024E	Consensus 2024E	2019	2023E	2024E				
Macau (ex Studio)	LOC\$	Attractive	66,122	86,574		9.7x	14.1x	10.4x	10.0x	11.1%	6.1%	9.5%	0.4%	3.1x	4%	9%
<b>ASEAN</b>																
Genting Singapore	1.06	OW	9,526	7,050	17	8.2x	9.5x	8.4x	7.9x	7.3%	6.4%	7.1%	3.8%	(2.5x)	6%	7%
Bloomberry	11.4	OW	2,329	3,350	2	8.9x	9.3x	8.6x	8.3x	10.0%	8.2%	9.0%	1.6%	3.3x	16%	11%
NagaCorp	3.01	EW	1,702	1,877	1	2.9x	6.2x	5.4x	4.1x	33.2%	14.2%	17.5%	3.9%	0.3x	(2%)	3%
<b>ASEAN Total</b>		<b>Inline</b>	<b>13,557</b>	<b>12,277</b>		<b>6.7x</b>	<b>9.8x</b>	<b>8.7x</b>	<b>7.1x</b>	<b>11.0%</b>	<b>7.7%</b>	<b>8.7%</b>	<b>3.1%</b>	<b>(0.8x)</b>	<b>5%</b>	<b>10%</b>

Source: Refinitiv as of February 19, 2024, Morgan Stanley Research (E) estimates

# Valuation and Estimate Changes

## (1) Valuation – cutting price target 40%

**Our new price target of HK\$3.25 (was HK\$5.5) offers just 8% upside:** The cut reflects:

- Increased target FCFE yield to 16.0% from 13.0%:** The target FCFE yield is 2.5 SD higher than the historical average of 11.6% (2018-2019) to reflect the less visible growth prospects and higher rate environment.
- A 37% cut in our 2024e EBITDA estimate, to 50% of 2019's level (+15% YoY):** We build in a slower GGR recovery.

These are partly compensated by the removal of 10% discount for time value because we are now in 2024, and lower maintenance capex, as guided by management.

**Valuation methodology:** We peg our valuation to 2024e FCFE. We use recurring FCFE as the basis for our valuation across our Asian gaming coverage because we think this metric best reflects recurring cash flow generation for these companies.

**Exhibit 9:** NagaCorp – FCFE valuation summary

US\$ m	2019	2020	2021	2022	2023	2024E	2025E	2026E	
<b>Company EBITDA</b>	<b>667</b>	<b>264</b>	<b>16</b>	<b>244</b>	<b>293</b>	<b>336</b>	<b>398</b>	<b>442</b>	
Less: Income tax	(30)	(30)	(6)	(0)	(0)	(0)	(0)	(0)	
Less: Maintenance Capex	(45)	(53)	(7)	(18)	(14)	(10)	(20)	(20)	
Less: Net Interest Expense (w/o capitalized interests)	(28)	(46)	(52)	(43)	(37)	(27)	(12)	(15)	
<b>FCFE</b>	<b>565</b>	<b>135</b>	<b>(49)</b>	<b>184</b>	<b>242</b>	<b>298</b>	<b>366</b>	<b>407</b>	
Target FCFE Yield							16.0%		
<b>Equity Value</b>							<b>1,865</b>		
Number of shares (mn)							4,423		
<b>Price Target (HK\$)</b>							<b>3.25</b>		
Upside/downside							8%		
<b>Net Debt (Cash) as of end-2023</b>							<b>103</b>		

Source: Refinitiv (as of Feb 19, 2024), Morgan Stanley Research (E) estimates

### Bull and bear case values:

- Our new bear case value is HK\$2.05** (32% downside from the current share price, 41% below the previous value of HK\$3.5). This is because:
  - We use a higher target FCFE yield of 19.0% (vs. the historical average of 11.6%, previously 15.0%). This is the highest FCFE yield at which the stock traded around mid-2020 (COVID) and in late 2021 (when China tightened controls on junkets).
  - We assume flattish/slightly lower GGR YoY in 2024e – VIP GGR at 14% of 2019's level (previously 40%, 2023A 14%), mass table GGR at 63% of 2019 (previously 75%, 2023A 66%), and EGM GGR at 77% of 2019 (previously 90%, 2023A 81%).

- **Our new bull case value is HK\$4.45** (48% upside to current share price, 48% below the previous value of HK\$8.5). This is because:
  - We use a slightly higher target FCFE yield of 12.0% (40bps higher than the historical average, and 100bps higher than previously) to reflect the higher rate environment.
  - We assume slower revenue recovery in 2024e – VIP GGR at 20% of 2019's level (previously 70%, 2023A 14%), mass table GGR at 79% of 2019 (previously 115%, 2023A 66%), and EGM GGR at 101% of 2019 (previously 125%, 2023A 81%).

Please see the [Risk Reward module](#) for details.

**Exhibit 10:** NagaCorp – bull, base, and bear case values

	Bull	Base	Bear
Equity Value (US\$ mn)	2,553	1,865	1,176
Enterprise Value (US\$ mn)	2,657	1,968	1,280
Equity value per share (HK\$)	4.45	3.25	2.05
Upside/downside	48%	8%	-32%

Source: Refinitiv (as of Feb 19, 2024), Morgan Stanley Research (E) estimates

## (2) Cutting estimates

**2024 estimates:** We lower our 2024 EBITDA estimate 37% because we expect a much slower recovery in 2024 GGR (-44% vs. previously, at 33% of 2019's level and +11% YoY). This leads our 2024 EPS estimate to be 43% lower. Our 2024 DPS estimate is also 43% lower – we assume the same payout ratio of 30%. This translates into 3.2% dividend yield.

**2025 estimates:** We lower our 2025 EBITDA estimate 34% because we expect a much slower recovery in 2025 GGR (-47% vs. previously, at 39% of 2019's level). This leads our 2025 EPS estimate to be 39% lower. Our 2025 DPS estimate is 51% lower – we reduce our payout ratio assumption from 50% to 40%, in addition to cutting our EPS estimate. This translates into 6.6% dividend yield.

**We introduce 2026 estimates:** We expect 2026e GGR and EBITDA to be at 43% and 66% of 2019's level.

**Exhibit 11:** Morgan Stanley Research estimates: new vs. old

**Vs. Published**

US\$ mn	2019A		New MSe			Last Published		Variance	
	2019A	2023A	2024E	2025E	2026E	2024E	2025E	2024E	2025E
VIP Revenue	1,243	178	203	247	288	474	677	(57%)	(63%)
Mass Revenue	318	210	239	267	284	357	380	(33%)	(30%)
EGM Revenue	158	127	129	153	170	192	201	(32%)	(24%)
<b>GGR</b>	<b>1,719</b>	<b>515</b>	<b>572</b>	<b>667</b>	<b>742</b>	<b>1,022</b>	<b>1,258</b>	<b>(44%)</b>	<b>(47%)</b>
Gross Revenue	1,755	502	556	655	731	1,009	1,234	(45%)	(47%)
<b>Corporate EBITDA</b>	<b>667</b>	<b>293</b>	<b>336</b>	<b>398</b>	<b>442</b>	<b>529</b>	<b>602</b>	<b>(37%)</b>	<b>(34%)</b>
Net Income	521	178	222	288	310	390	471	(43%)	(39%)
<b>EPS (US cents)</b>	<b>12.01</b>	<b>4.02</b>	<b>5.01</b>	<b>6.52</b>	<b>7.00</b>	<b>8.83</b>	<b>10.64</b>	<b>(43%)</b>	<b>(39%)</b>
Dividend payout ratio	0%	0%	30%	40%	50%	30%	50%	0 ppts	(10) ppts
<b>DPS (US cents)</b>	<b>-</b>	<b>-</b>	<b>1.50</b>	<b>2.61</b>	<b>3.50</b>	<b>2.65</b>	<b>5.32</b>	<b>(43%)</b>	<b>(51%)</b>

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

## We are now below consensus

We are 23% and 19% below consensus for 2024e and 2025e EBITDA, respectively.

### Exhibit 12: Morgan Stanley Research estimates vs. consensus

#### Vs. Consensus

US\$ mn	2019A	2023A	MSe			Consensus		Variance	
			2024E	2025E	2026E	2024E	2025E	2024E	2025E
Gross Revenue	1,755	533	590	694	775	805	914	(27%)	(24%)
<b>Corporate EBITDA</b>	<b>667</b>	<b>293</b>	<b>336</b>	<b>398</b>	<b>442</b>	<b>438</b>	<b>489</b>	<b>(23%)</b>	<b>(19%)</b>
Net Income	521	178	222	288	310	301	347	(26%)	(17%)
<b>EPS (US cents)</b>	<b>12.01</b>	<b>4.02</b>	<b>5.01</b>	<b>6.52</b>	<b>7.00</b>	<b>6.75</b>	<b>7.83</b>	<b>(26%)</b>	<b>(17%)</b>
Dividend payout ratio	0%	0%	30%	40%	50%	40%	58%	(10) pts	(18) pts
<b>DPS (US cents)</b>	-	-	<b>1.50</b>	<b>2.61</b>	<b>3.50</b>	<b>2.67</b>	<b>4.58</b>	<b>(44%)</b>	<b>(43%)</b>

Source: Refinitiv (as of February 19, 2024), Morgan Stanley Research (E) estimates

# 4Q23/2023 Results Summary

**Exhibit 13:** NagaCorp 4Q23, 2H23 and 2023 results summary

US\$ mn	Quarterly			QoQ	% to 4Q19	Interim			HoH	% to 2H19	Annual			YoY	% to 2019
	4Q19	3Q23	4Q23A			2H19	1H23	2H23A			2019	2022	2023A		
<b>GGR</b>	431	127	136	7%	32%	847	252	262	4%	31%	1,719	446	515	15%	30%
VIP	305	42	46	9%	15%	593	89	88	(1%)	15%	1,243	118	178	51%	14%
Mass table	85	55	57	4%	67%	172	98	112	14%	65%	318	204	210	3%	66%
EGM	41	29	33	12%	81%	82	65	62	(4%)	76%	158	124	127	2%	81%
<b>Gross Profit</b>	208	107	113	6%	55%	438	203	219	8%	50%	846	376	422	12%	50%
Margin	47.3%	81.5%	80.3%	(1.3%)	32.9%	50.7%	77.1%	81.0%	3.9%	30.3%	48.2%	81.6%	79.1%	(2.5%)	30.9%
Opex (ex taxes and rebates)	(45)	(35)	(34)	(4%)	75%	(96)	(62)	(68)	9%	71%	(181)	(139)	(130)	(6%)	72%
<b>EBITDA</b>	162	72	80	11%	49%	342	143	152	6%	45%	672	245	295	20%	44%
Margin on gross revenue	36.9%	54.9%	56.5%	1.6%	19.6%	39.6%	54.5%	56.3%	1.9%	16.7%	38.3%	53.3%	55.4%	2.1%	17.1%
<b>Net Profit (est. for qtr.)</b>	129	43	52	21%	40%	274	83	95	14%	35%	521	107	178	66%	34%
DPS (cents)						5.09	-	-			8.48	1.48	-		
Payout ratio						81%	0%	0%			71%	61%	0%		
<b>Cambodia visitation recovery % to 2019:</b>															
Holiday travellers		104%	73%	(31%)			79%	93%	14%			35%	86%	51%	
Phnom Penh Airport arrivals		67%	73%	6%			62%	70%	7%			29%	66%	36%	
Total Chinese arrivals		24%	29%	5%			21%	26%	5%			4%	23%	19%	

Source: Company data, Morgan Stanley Research

# Financial Summary

## Exhibit 14: NagaCorp – Financial Summary

For the years ending December 31								
Income Statement								
US\$ million	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
<b>Gross Revenue</b>	<b>1,755</b>	<b>879</b>	<b>226</b>	<b>461</b>	<b>533</b>	<b>590</b>	<b>694</b>	<b>775</b>
VIP Revenue	1,243	613	113	118	178	203	247	288
Mass Table Revenue	318	174	66	204	210	239	267	284
EGM Revenue	158	82	44	124	127	129	153	170
Non-Gaming Revenue	36	9	2	15	18	19	28	32
Gaming tax (4% of VIP; 7% of Mass)	-	-	(12)	(25)	(31)	(34)	(39)	(43)
Cost of sales	(909)	(452)	(70)	(60)	(80)	(89)	(115)	(138)
<b>Gross profit</b>	<b>846</b>	<b>427</b>	<b>144</b>	<b>376</b>	<b>422</b>	<b>467</b>	<b>540</b>	<b>593</b>
VIP	347	167	41	70	107	124	144	162
Mass table	314	172	60	179	192	219	244	261
EGM	156	81	41	114	107	109	129	143
Non-Gaming	30	8	2	12	15	16	23	27
Administrative expenses	(61)	(61)	(64)	(52)	(44)	(50)	(55)	(55)
Other operating expenses	(84)	(79)	(69)	(84)	(81)	(76)	(76)	(80)
<b>EBITDA</b>	<b>667</b>	<b>264</b>	<b>16</b>	<b>244</b>	<b>293</b>	<b>336</b>	<b>398</b>	<b>442</b>
Depreciation	(96)	(97)	(116)	(111)	(94)	(98)	(104)	(123)
Amortization of license	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
<b>EBIT</b>	<b>568</b>	<b>164</b>	<b>(104)</b>	<b>131</b>	<b>196</b>	<b>235</b>	<b>292</b>	<b>316</b>
Other revenue (mainly Rental)	7	4	5	8	4	4	4	4
Net interest expenses	(16)	(32)	(37)	(23)	(18)	(13)	(3)	(6)
<b>Profit before tax</b>	<b>552</b>	<b>132</b>	<b>(140)</b>	<b>107</b>	<b>178</b>	<b>222</b>	<b>289</b>	<b>310</b>
Income tax	(30)	(30)	(6)	(0)	(0)	(0)	(0)	(0)
<b>Profit after tax</b>	<b>521</b>	<b>102</b>	<b>(147)</b>	<b>107</b>	<b>178</b>	<b>222</b>	<b>288</b>	<b>310</b>
<b>Basic EPS (US\$ cents)</b>	<b>12.01</b>	<b>2.36</b>	<b>(3.39)</b>	<b>2.42</b>	<b>4.02</b>	<b>5.01</b>	<b>6.52</b>	<b>7.00</b>
<b>DPS (US\$ cents)</b>	<b>8.48</b>	<b>2.17</b>	<b>-</b>	<b>1.48</b>	<b>-</b>	<b>1.50</b>	<b>2.61</b>	<b>3.50</b>
Cash Flow Statement								
US\$ million	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
<b>Profit before Tax</b>	<b>552</b>	<b>132</b>	<b>(140)</b>	<b>107</b>	<b>178</b>	<b>222</b>	<b>289</b>	<b>310</b>
Depreciation & Amortization	100	100	119	114	98	100	106	126
Other non-cash adjustments	(11)	6	35	17	18	13	3	6
Changes in Working Capital	50	(24)	22	69	(51)	(39)	(55)	(2)
<b>Operating cash flows</b>	<b>690</b>	<b>213</b>	<b>36</b>	<b>307</b>	<b>243</b>	<b>297</b>	<b>343</b>	<b>439</b>
Capex (incl. capitalized int.)	(432)	(162)	(150)	(128)	(31)	(25)	(170)	(420)
Others	8	43	5	4	8	1	1	1
<b>Investing cash flows</b>	<b>(424)</b>	<b>(119)</b>	<b>(145)</b>	<b>(124)</b>	<b>(23)</b>	<b>(24)</b>	<b>(169)</b>	<b>(419)</b>
Dividends Paid	(273)	(233)	(82)	-	(33)	(91)	(135)	(135)
Debt issuance/(repayment)	-	335	(97)	(73)	6	(391)	-	20
Interest paid	(28)	(28)	(43)	(44)	(21)	(14)	(4)	(7)
<b>Financing cash flows</b>	<b>(309)</b>	<b>70</b>	<b>(226)</b>	<b>(129)</b>	<b>(25)</b>	<b>(438)</b>	<b>(95)</b>	<b>(122)</b>
<b>Change in Cash</b>	<b>(43)</b>	<b>164</b>	<b>(335)</b>	<b>53</b>	<b>195</b>	<b>(166)</b>	<b>79</b>	<b>(102)</b>
<b>Ending cash</b>	<b>273</b>	<b>438</b>	<b>102</b>	<b>156</b>	<b>348</b>	<b>182</b>	<b>261</b>	<b>159</b>
Balance Sheet								
US\$ million	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
<b>Fixed Assets</b>	<b>1,595</b>	<b>1,674</b>	<b>1,932</b>	<b>2,070</b>	<b>2,016</b>	<b>1,959</b>	<b>2,175</b>	<b>2,872</b>
Intangible Assets	156	158	154	146	137	135	132	129
Others	140	144	148	144	188	188	188	188
<b>Non-Current Assets</b>	<b>1,891</b>	<b>1,976</b>	<b>2,234</b>	<b>2,360</b>	<b>2,341</b>	<b>2,281</b>	<b>2,495</b>	<b>3,189</b>
Debtors	127	120	67	42	40	45	53	59
Restricted bank & fixed deposits	53	14	22	19	19	19	19	19
Cash and cash equivalents	273	438	103	156	348	182	261	159
<b>Current Assets</b>	<b>456</b>	<b>574</b>	<b>194</b>	<b>230</b>	<b>410</b>	<b>246</b>	<b>333</b>	<b>237</b>
Creditors	159	148	124	177	169	133	86	90
Others	16	318	27	21	484	13	13	13
<b>Current Liabilities</b>	<b>175</b>	<b>467</b>	<b>151</b>	<b>199</b>	<b>653</b>	<b>146</b>	<b>99</b>	<b>103</b>
Senior notes	295	337	543	469	-	80	80	100
Lease liabilities	49	56	57	54	50	50	50	50
Others	40	33	26	19	23	23	23	23
<b>Non-Current Liabilities</b>	<b>384</b>	<b>426</b>	<b>626</b>	<b>542</b>	<b>73</b>	<b>153</b>	<b>153</b>	<b>173</b>
Share Capital	54	54	54	55	55	55	55	55
Reserves	1,734	1,602	1,595	1,795	1,969	2,173	2,520	3,095
<b>Shareholders' Equity</b>	<b>1,788</b>	<b>1,656</b>	<b>1,650</b>	<b>1,849</b>	<b>2,025</b>	<b>2,228</b>	<b>2,576</b>	<b>3,150</b>
Ratios								
	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
<b>Net debt/ LTM EBITDA</b>	<b>(0.05)x</b>	<b>(0.4)x</b>	<b>26.8 x</b>	<b>1.2 x</b>	<b>(1.25)x</b>	<b>(0.4)x</b>	<b>(0.5)x</b>	<b>(0.2)x</b>
<b>Gross Profit Margin (%)</b>	<b>48%</b>	<b>49%</b>	<b>64%</b>	<b>82%</b>	<b>79%</b>	<b>79%</b>	<b>78%</b>	<b>77%</b>
- VIP	28%	27%	36%	59%	60%	61%	58%	56%
- Mass	99%	99%	90%	88%	92%	92%	92%	92%
- EGM	99%	98%	94%	92%	84%	84%	84%	84%
- Non-gaming	83%	82%	79%	83%	84%	84%	84%	84%
<b>EBITDA Margin (%)</b>	<b>38%</b>	<b>30%</b>	<b>7%</b>	<b>53%</b>	<b>55%</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>
<b>Dividend Payout Ratio (total)</b>	<b>71%</b>	<b>92%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>
<b>GGR (% to 2019)</b>	<b>51%</b>	<b>13%</b>	<b>26%</b>	<b>30%</b>	<b>33%</b>	<b>39%</b>	<b>43%</b>	<b>43%</b>
VIP	49%	9%	9%	14%	16%	20%	23%	
Mass	55%	21%	64%	66%	75%	84%	89%	
EGM	52%	28%	79%	81%	82%	97%	107%	
<b>EBITDA (% to 2019)</b>	<b>40%</b>	<b>2%</b>	<b>37%</b>	<b>44%</b>	<b>50%</b>	<b>60%</b>	<b>66%</b>	
<b>Net Profit (% to 2019)</b>	<b>20%</b>	<b>-28%</b>	<b>21%</b>	<b>34%</b>	<b>43%</b>	<b>55%</b>	<b>59%</b>	
Operating Data								
	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
VIP Tables (avg)	337	349	349	349	349	349	349	349
Mass Tables (avg)	167	177	186	186	186	186	186	186
EGM Machines (avg)	2,000	2,100	2,200	2,200	2,200	2,200	2,200	2,200
VIP win/table/Day (US\$)	10,106	4,799	887	924	1,396	1,592	1,940	2,263
Mass win/table/Day (US\$)	5,238	2,698	979	3,002	3,089	3,509	3,928	4,190
EGM win/unit/Day (US\$)	333	160	76	216	230	233	276	306
Visitors to Cambodia (m)	6.6	1.3	0.2	2.3	5.5	6.0	6.3	6.5
- % to 2019		19%	3%	34%	82%	91%	95%	98%

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



## Risk Reward – NagaCorp (3918.HK)

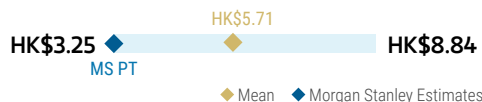
Murky growth prospects; depressed valuation offers some buffer

### PRICE TARGET HK\$3.25

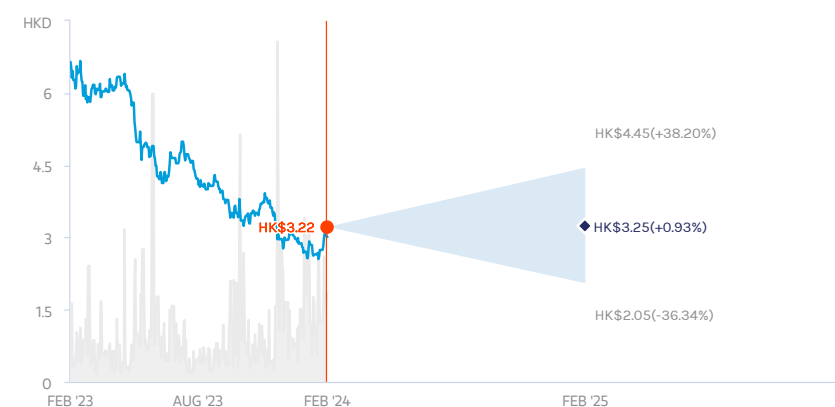
We apply a target FCFE yield of 16.0% to our 2024 estimate. The target FCFE yield is 2.5 SD higher than the historical average of 11.6% (2018-2019) to reflect the less visible growth prospects and higher rate environment.

#### Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



### RISK REWARD CHART



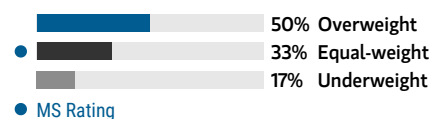
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

### EQUAL-WEIGHT THESIS

- Even though we think the refinancing overhang is mostly removed, the lack of growth prospects makes it hard for investors to get interested in this stock when the Hang Seng Index is also doing badly.
- We are hopeful that management will give plans to reignite growth, in particular in the VIP segment.
- Valuation is depressed, in our view, at just 5.4x EV/EBITDA, 17.4% FCFE yield, and 7.7x P/E based on our 2024 estimates, which are 23% below consensus.

#### Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

#### Risk Reward Themes

Contrarian: *Negative*  
Pricing Power: *Positive*

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

#### BULL CASE

HK\$4.45

12.0% FCFE yield 2024e

**Faster recovery in 2024:** As a percentage of 2019 levels, revenue recovers in 2024e to 20% for VIP; 79% for mass; and 101% for slot (2023A: 14%, 66%, and 81%)..

#### BASE CASE

HK\$3.25

15.0% FCFE yield 2024e

**Base case recovery in 2024:** As a percentage of 2019 levels, VIP, mass, and slot revenues recover in 2024e to 16% for VIP; 75% for mass; and 82% for slot (2023A: 14%, 66%, and 81%).

#### BEAR CASE

HK\$2.05

19.0% FCFE yield 2024e

**Distressed level of valuation yield:** We use a higher target FCFE yield of 19.0% (vs. the historical average of 11.6%). This is the highest FCFE yield at which stock had traded around mid-2020 (COVID) and in late 2021 (when China tightened controls on junkets).

**Slower recovery in 2024:** As a percentage of 2019 levels, revenue recovers in 2024e to 14% for VIP; 63% for mass; and 77% for slot (2023A: 14%, 66%, and 81%)..

## Risk Reward – NagaCorp (3918.HK)

### KEY EARNINGS INPUTS

Drivers	2023	2024e	2025e	2026e
Company VIP Revenue Growth (%)	51	14	22	17
Company Mass & Slot Revenue Growth (%)	3	9	14	8
Corporate EBITDA margin (Gross) (%)	55	57	57	57

### CATALYST CALENDAR

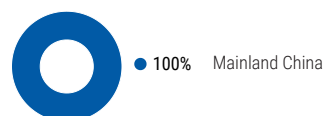
Date	Event
19 Apr 2024 - 23 Apr 2024	Nagacorp Ltd Annual Shareholders Meeting
17 Jul 2024 - 22 Jul 2024	Half Year 2024 Nagacorp Ltd Earnings Release

Source: Refinitiv, Morgan Stanley

### INVESTMENT DRIVERS

- GGR recovery
- Cost discipline to improve cash flows

### GLOBAL REVENUE EXPOSURE



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

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Faster-than-expected GGR recovery
- Removal of the refinancing overhang
- Management outlining feasible plans to reignite growth in various segments, particularly VIP segment

#### RISKS TO DOWNSIDE

- Slower-than-expected demand recovery
- More severe regional competition
- Slowing Chinese FDI into Cambodia
- Extended refinancing overhang

### OWNERSHIP POSITIONING

Inst. Owners, % Active 71.1%

Source: Refinitiv, Morgan Stanley Research

### MS ESTIMATES VS. CONSENSUS

FY Dec 2024e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

## Valuation Methodology and Risks

### **Bloomberry Resorts Corporation (BLOOM.PS)**

Base case scenario value, derived by applying a target FCFE yield of 8.5% on the average of 2024e and 2025e FCFE with 10% discount for time value. We view 8.5% as appropriate now because Bloomberry's business volume is already back to pre-Covid levels. Margin expansion should also help valuation, but gearing is also higher than pre-Covid levels.

#### **Risks to Upside**

- Better-than-expected Solaire North ramp
- Intact market share leadership in Entertainment City
- Improving fund flows
- Bottoming consensus earnings estimate revisions

#### **Risks to Downside**

- Market share risk in Entertainment City
- Cannibalization between Solaire EC and Solaire North
- Slower ramp of Solaire North

### **Genting Singapore PLC (GENS.SI)**

Base case scenario value. We apply a target yield of 7.0% to our 2024e FCFE. Our target yield is based on the long-term average since 2012. This represents post-Covid normalized earnings, and we are now more confident on the growth prospects of the SG gaming market.

#### **Risks to Upside**

- Market share gain
- Chinese gambling demand comes back earlier than expected
- Structural growth in SG market
- Dividend increase

#### **Risks to Downside**

- Local demand tapering off
- Market share loss
- Competition from other gaming markets

## Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options\\_Probabilities\\_Exhibit\\_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR\\_Themes\\_Exhibit\\_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG\\_Exhibit\\_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG\\_Sustainable\\_Solutions\\_External\\_Link.pdf](#)
5. View explanation of HERS methodology - [ESG\\_HERS\\_External\\_Link.pdf](#)

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### Global Stock Ratings Distribution

(as of January 31, 2024)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

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	1423	38%	284	42%	20%	621	39%
Equal-weight/Hold	1692	45%	322	48%	19%	720	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	630	17%	70	10%	11%	236	15%
Total	3,748		676			1578	

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.

Equal-weight (E). The stock's total return is expected to be in line with 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.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to 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.

Underweight (U). The stock's total return is expected to be below 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.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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

Bloomberry Resorts Corporation (BLOOM.PS) - As of 2/19/24 in PHP  
Industry : ASEAN Gaming



Stock Rating History: 2/1/19 : 0/A; 8/19/21 : 0/I; 4/11/22 : 0/I; 4/19/22 : 0/A

Price Target History: 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; 4/11/22 : 8.5; 5/25/22 : 9; 8/17/22 : 10; 3/7/23 : 13; 8/10/23 : 14; 1/31/24 : 15

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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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Genting Singapore Ltd (GENS.SI) - As of 2/19/24 in SGD  
Industry : ASEAN Gaming



Stock Rating History: 2/1/19 : 0/A; 4/4/19 : E/A; 8/17/20 : U/A; 8/19/21 : U/I; 2/23/22 : E/I; 4/19/22 : E/A; 1/30/23 : 0/A

Price Target History: 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; 2/23/22 : 0.8; 7/26/22 : 0.9; 8/16/22 : 0.85; 1/30/23 : 1.15; 8/16/23 : 1.05; 11/27/23 : 1.1

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)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

NagaCorp (3918.HK) - As of 2/19/24 in HKD  
Industry : ASEAN Gaming



Stock Rating History: 2/1/19 : 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; 9/6/21 : O/I; 4/19/22 : O/A

Price Target History: 7/25/18 : 9.41; 2/14/19 : 11.39; 4/3/19 : NA; 7/21/19 : NA; 9/23/19 : 13.87; 2/12/20 : 14.86; 4/7/20 : 9.91; 8/25/20 : 10.9; 7/13/21 : 6.94; 9/6/21 : 7.23; 2/28/22 : 8.42; 7/22/22 : 8.92; 11/2/22 : 5.45; 7/6/23 : 5.5

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)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

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### INDUSTRY COVERAGE: ASEAN Gaming

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/20/2024)
<b>Gareth Leung, CFA</b>		
Bloomberry Resorts Corporation (BLOOM.PS)	O (04/11/2022)	PP11.44
NagaCorp (3918.HK)	E (02/20/2024)	HK\$3.22
<b>Praveen K Choudhary</b>		
Genting Singapore Ltd (GENS.SI)	O (01/30/2023)	S\$1.06

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\* Historical prices are not split adjusted.