

Genting

(RM6.78 GENT MK)

Buy

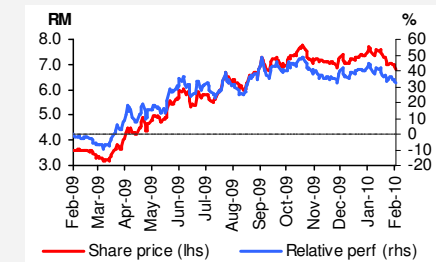
Target Price: RM7.50

It's show time

GAMING

- RWS casino to open before Chinese New Year**
 On 6 Feb 2010, the Casino Regulatory Authority of Singapore announced that it awarded Resorts World at Sentosa (RWS) its casino license. We understand that RWS will open its doors to casino patrons today. To open a week before Chinese New Year (CNY) will allow RWS to capture the higher margin mass market CNY volumes.
- First mover advantage in mass market segment...**
 With Marina Bay Sands (MBS) slated to open between April and June, RWS will take the lion's share of the Singaporean gaming market which we value at SGD4bn. With two to four months lead time, avid Singaporean gamblers will opt to pay the annual levy of SGD2,000 rather than pay SGD100 per 24 hour visit and commit themselves to gambling at RWS.
- ... and VIP segment too**
 According to Singaporean junket regulations, junket operators have to apply for one license per casino. Junket operators would have already anticipated that RWS will open before MBS and would have applied for their license at RWS first (3 to 4 months processing time). Therefore, RWS will have a first mover advantage over MBS in the VIP segment too.
- Reprieve for Genting Malaysia**
 With these first mover advantages, RWS is able to help contain cannibalization on sister casino, Resorts World at Genting (RWG), by cross selling before MBS opens. We understand that the purpose of establishing the Simon Chelsea Premium Outlets and potentially hotels and theme parks in Johor is to direct RWS-RWG Malaysian patrons away from MBS.
- Ride the momentum, upgrade to Buy**
 We leave our earnings estimates unchanged and maintain our RM7.50 TP based on 20% discount to RNAV/share of RM9.33. As Genting's share price has depreciated recently, we upgrade our call from Hold to Buy as our TP implies 11% upside potential. We believe that Genting will trade closer to its RNAV/share on the euphoria of RWS opening ahead of MBS. Also, with the opening of RWS behind them, management can concentrate of expanding via M&As from hereon onwards.

Share Price Chart



Source: Bloomberg

Price Performance

Price (RM)	6.78		
52-week Range (RM)	3.18 – 7.74		
Avg Daily Volume ('000)	4,894.5		
	1M	3M	6M
Absolute (%)	-11.9	-5.7	8.0
Relative (%)	-8.8	-3.7	2.8

Key Data

Market Cap (RM m)	25,119.4
Issued Shares (m)	3,705.0

Major Shareholders

	%
Kien Huat Realty	32.2

Balance Sheet Highlights (RM m)

(@ 31.12.2009) (performance indicator's annualised)

Total Assets	44,353.3
Total Liabilities	20,170.4
Total Debt (Gross)	16,906.6
Shareholders' Equity	13,386.0
Return on Assets (%)	4.1
Return on Equity (%)	11.8
Net Cash / Share (RM)	Net debt
Debt/Equity (x)	1.3
Interest Cover (x)	12.9

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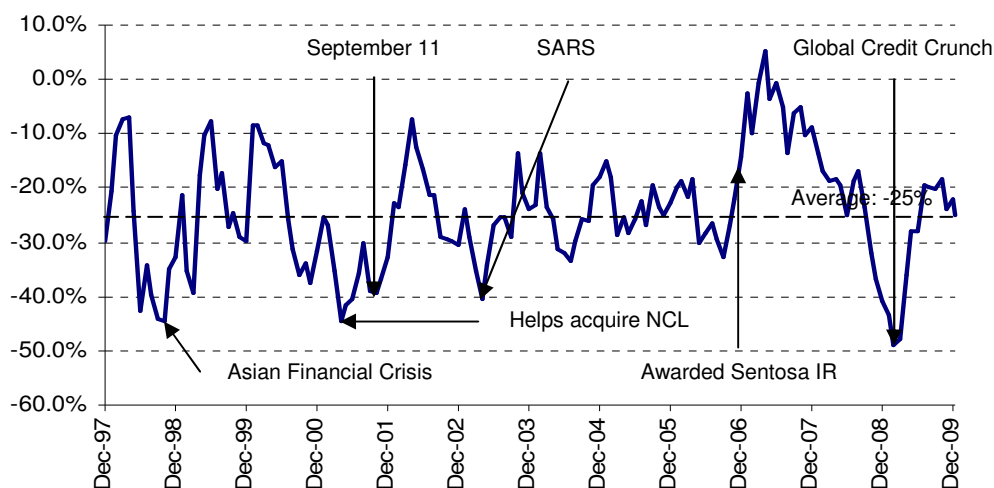
FYE 31 Dec	2007	2008	2009F	2010F	2011F
Revenue	8,483.8	9,082.5	9,139.7	15,050.9	15,812.3
EBITDA	3,733.1	3,488.5	3,111.5	5,643.0	5,905.0
Adj net Profit	1,486.7	1,189.8	1,530.1	1,844.8	1,956.2
EPS (sen)	40.0	32.0	41.1	49.6	52.6
ECM / Consensus (%)			139.7	114.7	98.3
EPS growth (%)	-1.7	-20.0	28.6	20.6	6.0
P/E (x)	17.0	21.2	16.5	13.7	12.9
DPS (sen)	27.4	5.3	5.3	6.8	7.5
Dividend yield (%)	4.0	0.8	0.8	1.0	1.1
BVPS (RM)	3.32	3.35	3.60	4.03	4.48
P/BV (x)	2.0	2.0	1.9	1.7	1.5

Figure 1 : RNAV/share calculation (RM)

	Share price/ Target price RM	No. of shares m	stake %	Market value RM m	Comments
Genting Malaysia	2.88	5,905.2	46.9%	7,983.1	14x 2011F PE
Genting Singapore	2.83	12,109.4	52.0%	17,832.7	SGD1.18, end-10 DCF
Genting Plantations	6.70	758.0	54.6%	2,774.9	13x 2011F PE
Landmarks	1.22	480.7	30.3%	177.7	Last price
Licensing & management fees				5,146.2	End-10 DCF
Oil & Gas				561.1	End-10 BV
Power				2,993.5	USD0.6m EV/MW
Net cash/(debt) at Genting level				<u>(2,766.8)</u>	
RNAV				<u>34,702.4</u>	
FD no. of shares (m)				3,719.5	
RNAV/share (RM)				9.33	
Discount				20%	
TP (RM)				7.50	

Source: ECM Libra

Figure 2 : Historical (discount)/premium to RNAV/share



Source: ECM Libra

GENTING

FINANCIAL SUMMARY

Price Date: 05 February 2010

Balance Sheet

FY 31 Dec (RM m)	2007A	2008A	2009F	2010F	2011F
PPE	11,661.8	13,666.7	23,756.6	24,923.4	25,073.1
Other investments	7,517.9	5,650.7	6,125.5	6,199.8	6,274.1
Inventories	311.4	376.1	378.5	623.2	654.8
Receivables	710.8	951.8	957.8	1,577.3	1,657.0
Other assets	664.8	502.1	502.1	502.1	502.1
Deposit, bank and cash	9,312.2	9,303.3	12,632.9	13,898.1	14,472.2
Total Assets	30,178.9	30,450.7	44,353.3	47,723.9	48,633.4
LT borrowings	4,029.4	5,414.3	16,464.3	15,219.2	13,449.4
ST borrowings	1,292.7	442.3	442.3	442.3	442.3
Payables	1,369.1	1,512.2	1,629.6	2,543.2	2,678.2
Other liabilities	1,950.4	1,668.5	1,634.2	1,694.0	1,710.1
Liabilities	8,641.6	9,037.3	20,170.4	19,898.7	18,280.0
Share capital	370.4	370.4	370.4	370.4	370.4
Reserves	11,984.6	12,071.6	13,015.6	14,610.4	16,288.8
Shareholders' equity	12,355.0	12,442.0	13,386.0	14,980.8	16,659.2
Minority interest	9,182.3	8,971.4	10,796.9	12,844.4	13,694.2
Total Equity	21,537.3	21,413.4	24,182.9	27,825.2	30,353.4
Total Equity and Liabilities	30,178.9	30,450.7	44,353.3	47,723.9	48,633.4

Cash Flow Statement

FY 31 Dec (RM m)	2007A	2008A	2009F	2010F	2011F
Pretax profit	3,394.5	1,734.8	2,335.3	3,977.0	4,214.3
Depreciation & amortisation	603.0	641.2	660.1	1,133.2	1,200.2
Change in working capital	(171.5)	(286.3)	109.0	49.4	23.7
Net interest received / (paid)	106.0	53.9	190.4	607.1	564.8
Tax paid	(678.8)	(862.8)	(683.1)	(768.0)	(859.8)
Others	(409.1)	1,237.3	(74.3)	(74.3)	(74.3)
Operating Cash Flow	2,844.1	2,518.1	2,537.4	4,924.4	5,068.9
Capex	(2,881.2)	(2,719.7)	(10,750.0)	(2,300.0)	(1,350.0)
Others	1,212.1	96.4	(292.8)	114.2	121.1
Investing Cash Flow	(1,669.1)	(2,623.3)	(11,042.8)	(2,185.8)	(1,228.9)
Issuance of shares	(457.5)	(184.8)	-	-	-
Changes in borrowings	(115.3)	937.0	11,050.0	-	(1,769.8)
Dividend paid	(991.6)	(199.8)	(194.5)	(250.0)	(277.8)
Others	1,844.8	(719.4)	979.4	(1,223.3)	(1,218.2)
Financing Cash Flow	280.4	(167.0)	11,834.9	(1,473.3)	(3,265.8)
Net cash flow	1,455.4	(272.2)	3,329.6	1,265.3	574.1
Forex	(70.3)	263.3	-	-	-
Beginning cash	7,927.1	9,312.2	9,303.3	12,632.9	13,898.1
Ending cash	9,312.2	9,303.3	12,632.9	13,898.1	14,472.2

Income Statement

FY 31 Dec (RM m)	2007A	2008A	2009F	2010F	2011F
Revenue	8,483.8	9,082.5	9,139.7	15,050.9	15,812.3
EBITDA	3,733.1	3,488.5	3,111.5	5,643.0	5,905.0
Depreciation & amortisation	(603.0)	(641.2)	(660.1)	(1,133.2)	(1,200.2)
Net interest income	(106.0)	(53.9)	(190.4)	(607.1)	(564.8)
Share of associates	(20.9)	74.3	74.3	74.3	74.3
Exceptional items	391.3	(1,132.9)	-	-	-
Pretax profit	3,394.5	1,734.8	2,335.3	3,977.0	4,214.3
Taxation	(662.2)	(751.4)	(648.8)	(827.8)	(875.9)
Minority interest	(573.4)	(414.1)	(548.0)	(1,304.4)	(1,382.2)
Discontinued operations	(170.0)	-	-	-	-
Net profit	1,988.9	569.3	1,138.5	1,844.8	1,956.2
Adj net profit	1,486.7	1,189.8	1,530.1	1,844.8	1,956.2

Key Statistics & Ratios

FY 31 Dec	2007A	2008A	2009F	2010F	2011F
Growth					
Revenue	32.2%	7.1%	0.6%	64.7%	5.1%
EBITDA	12.1%	-6.6%	-10.8%	81.4%	4.6%
Pretax profit	25.5%	-48.9%	34.6%	70.3%	6.0%
Net profit	32.2%	-71.4%	100.0%	62.0%	6.0%
Adj EPS	-1.7%	-20.0%	28.6%	20.6%	6.0%
Profitability					
EBITDA margin	44.0%	38.4%	34.0%	37.5%	37.3%
Net profit margin	23.4%	6.3%	12.5%	12.3%	12.4%
Effective tax rate	19.5%	43.3%	27.8%	20.8%	20.8%
Return on assets	5.1%	3.9%	4.1%	4.0%	4.1%
Return on equity	12.6%	9.6%	11.8%	13.0%	12.4%
Leverage					
Total debt / total assets (x)	0.2	0.2	0.4	0.3	0.3
Total debt / equity (x)	0.4	0.5	1.3	1.0	0.8
Net debt / equity (x)	Cash	Cash	0.3	0.1	(0.0)
Valuation					
Adj EPS (Sen)	40.0	32.0	41.1	49.6	52.6
P/E (x)	17.0	21.2	16.5	13.7	12.9
EV/EBITDA (x)	5.7	6.2	9.5	4.8	4.2
Net DPS (sen)	27.4	5.3	5.3	6.8	7.5
Net dividend yield	4.0%	0.8%	0.8%	1.0%	1.1%
BV per share (RM)	3.32	3.35	3.60	4.03	4.48
P/BV(x)	2.0	2.0	1.9	1.7	1.5

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

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Published & printed by:

For ECM Libra Capital Sdn Bhd (579116-A) (PP 13693/04/2010(023879))

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