

02 July 2013

Genting Malaysia

Launching Resorts World Bimini

OUTPERFORM ↔

Price: RM4.00
Target Price: RM4.39 ↔
News

- Genting Malaysia Bhd (GENM) announced yesterday that it had launched the *Resort World Bimini* (RWB) in the Bahamas and a brand new *Bimini SuperFast* cruise ship that will sail the round-trip between Miami and Bimini twice daily.
- The RWB is a partnership project between GENM and the resort developer, RAV Bahamas Ltd. The resort is located less than 50 nautical miles or two hours away from Miami.
- The German-built ship is a 32,000-ton cruise ship which features gaming onboard with six restaurants and bars as well as the largest party deck in Florida.

Comments

- An online search reveals that RWB has 15 tables, 153 slot machines, sports book and sports bar. The resort also features more than 250 townhouses and villas, five F&B venues and the largest marina in the Bahamas.
- The cost of the resort is unknown but the luxury boutique casino will cost c.USD24m. It was also reported that the group is making an investment of USD100m in the ship and a jet aircraft to provide daily sea and air transportation between Miami and Bimini.
- Although the investment is relatively small (assuming USD124m) as GENM's total assets are at RM17.6b (@ Mar-13), this venture provides a good avenue to bring visitors from Miami to Bimini since it is the nearest to Miami among the Bahamas islands.
- This also offers an alternative to Miami since the outcome of the liberalisation of casino license in the Florida State is still unclear.
- Overall, we are neutral on the venture as the earnings impact to GENM is unlikely to be significant.

Outlook

- It is still too early to gauge the earnings accretion to the group.
- GENM's 2Q13 earnings should be seasonally weaker than 1Q13 as the latter has the boost of the CNY festival.

Forecast

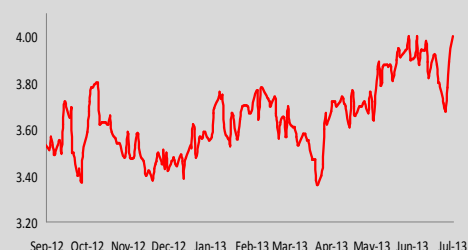
- No changes to our FY13-FY15 estimates

Rating
Maintain OUTPERFORM
Valuation

- Our price target is maintained at RM4.39/SOP share.

Risks

- Unfavourable luck factor.

Share Price Performance


KLCI	1775.14
YTD KLCI chg	5.1%
YTD stock price chg	12.7%

Stock Information

Bloomberg Ticker	GENM MK Equity
Market Cap (RM m)	22,687.7
Issued shares	5,671.9
52-week range (H)	4.01
52-week range (L)	3.28
3-mth avg daily vol:	4,691,702
Free Float	42%
Beta	1.2

Major Shareholders

KIEN HUAT REALTY SDN	39.6%
HARBOR CAPITAL ADVIS	3.5%
VANGUARD GROUP INC	2.9%

Summary Earnings Table

FY Dec (RM m)	2013E	2014E	2015E
Turnover	8319.5	8487.6	8661.4
EBIT	1855.4	2017.2	2044.2
PBT	1897.7	2078.7	2138.1
Net Profit (NP)	1613.0	1559.0	1603.5
Core Net Profit	1613.0	1559.0	1603.5
Consensus (NP)	1686.8	1763.8	1852.8
Earnings Revision	-	-	-
EPS (sen)	27.2	26.3	27.1
EPS growth (%)	-17.6	1.1	-1.4
DPS (sen)	6.8	6.8	6.8
BV/Share (RM)	2.2	2.4	2.7
NTA/Share (RM)	1.6	1.8	2.0
PER (x)	14.7	15.2	14.8
PBV (x)	1.8	1.6	1.5
Price/NTA (x)	2.6	2.3	2.0
Net Gearing (x)	N. Cash	N. Cash	N. Cash
Dividend Yield (%)	1.7	1.7	1.7

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Valuation

(RM m)	EBITDA CY14E	Value	RM/share	Valuation Basic
RWG	2,081.5	17,484.6	2.94	8.4x CY14 EV/EBITDA
Genting HK		1,973.6	0.33	Market value @ 18.44% stake
Genting UK	201.1	1,351.1	0.23	6.7x CY14 EV/EBITDA
RWNY	234.1	1,572.9	0.26	6.7x CY14 EV/EBITDA
Wisma Genting		261.8	0.04	FY12 book value
Net Cash/(Debt)		3,405.6	0.57	
		26,049.5	4.39	
No of shares		5,938.0		
SOP value per share		RM4.39		

Source: Kenanga Research

Sector Comparisons

Company	Fx	Price	PER (x)			Est. Div. Yld. (%)	His. ROE (%)	His. P/BV (x)	NP Growth (%)		Target Price	Rating
			CY12	CY13	CY14				CY13	CY14		
Malaysia Gaming												
BJToto	RM	4.37	15.2	16.1	17.0	5.4	74.1	12.5	-5.5	-5.0	4.02	UP
MPHB	RM	3.62	15.3	14.0	14.1	4.6	10.2	1.5	9.0	-0.3	4.37	OP
Genting	RM	10.38	14.6	17.9	15.3	0.6	13.4	1.8	-17.8	17.0	12.28	OP
Genting Malaysia	RM	4.00	14.4	14.7	15.2	1.7	13.1	1.7	-2.1	-3.3	4.39	OP
Simple Average			14.9	15.7	15.4							
International												
Genting	RM	10.38	14.6	17.9	15.3	0.6	13.4	1.8	-17.8	17.0	12.28	OP
Genting Malaysia	RM	4.00	14.4	14.7	15.2	1.7	13.1	1.7	-2.1	-3.3	4.39	OP
Genting Singapore	SGD	1.36	24.4	24.0	20.2	0.0	18.2	1.1	2.0	18.6	NR	NR
Galaxy	HKD	38.00	21.7	17.9	14.8	0.0	25.7	27.4	21.5	20.3	NR	NR
Melco Crown	USD	23.01	30.6	25.8	17.9	0.0	10.8	1.4	18.2	44.4	NR	NR
SJM	HKD	18.86	15.5	14.1	12.7	0.6	35.0	14.8	10.4	10.3	NR	NR
Sands China	HKD	36.55	30.7	19.3	15.6	9.7	22.9	16.8	59.2	23.6	NR	NR
Wynn Macau	HKD	21.00	15.3	14.1	12.8	2.2	142.2	66.3	8.8	9.7	NR	NR
Simple Average			20.9	18.5	15.6							

Source: Bloomberg/Kenanga Research

Income Statement

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Revenue	6657	7893	8319	8488	8661
EBITDA	2221	2551	2390	2577	2628
Depreciation	-366	-517	-535	-559	-584
Operating Profit	1855	2035	1855	2017	2044
Other Income	74	66	81	92	114
Interest Exp	-32	-41	-39	-31	-20
Associate	-5	1	0	0	0
Exceptional Items	9	-245	0	0	0
PBT	1901	1817	1898	2079	2138
Taxation	-473	-415	-285	-520	-535
Minority Interest	0	0	0	0	0
Net Profit	1428	1403	1613	1559	1604
Core Net Profit	1419	1647	1613	1559	1604

Balance Sheet

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Fixed Assets	4982	5385	5301	5192	5058
Intangible Assets	4332	4108	4105	4105	4105
Other FA	3467	2867	2866	2866	2866
Inventories	76	77	97	97	99
Receivables	549	396	379	387	395
Other CA	958	807	850	867	884
Cash	2143	3224	3219	4329	5314
Total Assets	16507	16863	16817	17842	18721
Payables	1592	1472	1522	1545	1577
ST Borrowings	829	217	217	217	217
Other ST Liability	195	183	184	184	184
LT Borrowings	971	895	678	461	44
Other LT Liability	993	940	930	930	930
Minorities Int.	0	0	0	0	0
Net Assets	11927	13157	13286	14505	15769
Share Capital	592	594	594	594	594
Reserves	11334	12563	12692	13911	15175
Equity	11927	13157	13286	14505	15769

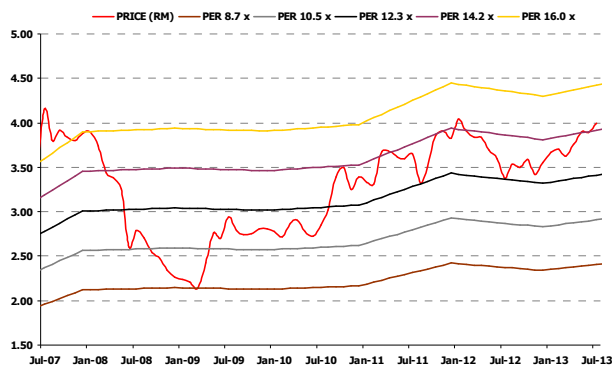
Cashflow Statement

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Operating CF	2125	1896	2075	2408	2484
Investing CF	-3136	-448	-650	-650	-650
Financing CF	287	-367	-631	-632	-832
Change In Cash	-723	1081	794	1126	1002
Free CF	-1010	1448	1425	1758	1834
Capex	516	635	450	450	450

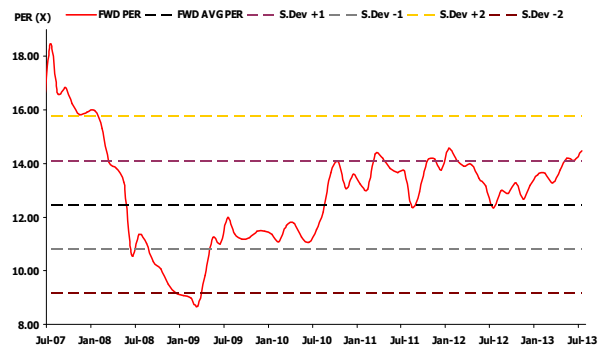
Financial Data & Ratios

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Growth					
Turnover (%)	24.8	18.6	5.4	2.0	2.0
EBITDA (%)	9.4	14.9	-6.3	7.8	2.0
Operating Profit (%)	5.2	9.7	-8.8	8.7	1.3
PBT (%)	9.8	-4.4	4.4	9.5	2.9
Net Profit (%)	2.4	16.0	-2.1	-3.3	2.9
Core Net Profit (%)	23.8	-7.5	-17.6	1.1	-1.4
Profitability (%)					
EBITDA Margin	33.4	32.3	28.7	30.4	30.3
Operating Margin	27.9	25.8	22.3	23.8	23.6
PBT Margin	28.6	23.0	22.8	24.5	24.7
Net Margin	21.4	17.8	19.4	18.4	18.5
Core Net Margin	21.3	20.9	19.4	18.4	18.5
Effective Tax Rate	24.9	22.8	15.0	25.0	25.0
ROA	9.0	10.1	9.8	9.2	8.9
ROE	12.0	13.1	12.2	11.2	10.6
DuPont Analysis					
Net Margin (%)	21.4	17.8	19.4	18.4	18.5
Assets Turnover (x)	0.40	0.47	0.49	0.48	0.46
Leverage Factor (x)	1.38	1.28	1.27	1.23	1.19
ROE (%)	12.0	10.7	12.1	10.7	10.2
Leverage					
Debt/Asset (x)	0.11	0.07	0.05	0.04	0.01
Debt/Equity (x)	0.15	0.08	0.07	0.05	0.02
Net Cash/(Debt)	1182	2812	3066	4410	5829
Net Debt/Equity (x)	-0.10	-0.21	-0.23	-0.30	-0.37
Valuations					
EPS (sen)	24.0	27.8	27.2	26.3	27.1
NDPS (sen)	6.5	6.6	6.8	6.8	6.8
BV (RM)	2.0	2.2	2.2	2.4	2.7
NTA (RM)	1.3	1.5	1.6	1.8	2.0
PER	16.7	14.4	14.7	15.2	14.8
Net Dividend Yield	1.6	1.7	1.7	1.7	1.7
PBV	1.99	1.81	1.79	1.64	1.51
P/NTA	3.12	2.62	2.59	2.28	2.04
EV/EBITDA	9.2	6.8	8.7	7.5	6.8

Source: Kenanga Research

Fwd PER Band

Source: Bloomberg, Kenanga Research

Fwd PER Standard Deviation

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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