Genting M'sia earmarks cash for Aqueduct project

▶ GENTING BHD	2009	2010F	2011F	2012F
REVENUE (RM mil)	8,893.6	15,566.0	17,173.5	19,054.7
NET PROFIT (RM mil)	1,464.7	2,157.1	2,246.7	2,440.7
EPS (sen)	39.4	58.0	60.4	65.6
P/E (x)	19.9	13.5	13.0	12.0

▶ **Recommendation: Hold**

Target Price: RM7.67

By ECMLibra Investment Research (Aug 10)

Sterling 2Q10 for GENS

FOR 2Q10, RWS (Resorts World at Sentosa) may record almost S$700 million (RM1.63 billion) in GGR (gross gaming revenue) (based on SGD7.6 million daily GGR) and some S$250 million in Ebitda (assuming blended gaming Ebitda margin of 37.5%).

We understand that its market leadership was due to Marina Bay Sands starting off operations with a lower average VIP rebate of 1.1% which it has since raised to 1.3% in late May to match RWS'.

Aqueduct Bid

Although we are still uneasy over the £425.9 million (RM2.1 billion) acquisition of Genting UK (GENUK) by 49%-owned Genting Malaysia (GENM) from GENS, we like the Aqueduct bid.

GENM proposed to expend another US$25 million (RM78.9 million) to add 500 VLTs and develop three hotels and accompanying facilities for another US$650 million.

This comforts us as GENM is effectively earmarking all its remaining net cash for constructive purposes rather than related party transactions.

Revises Call to 'Hold'

Our revised earnings reflect a larger Singaporean GGR of SG$4.6 billion where RWS' market share will ease to 50% by 4Q10 and earning accretion from the Aqueduct bid.

Utilising a higher indicative GENS TP of SG$1.27 (SG$1.11 previously) and GENM TP of RM2.95 (RM2.48 previously), our RNAV per share is raised from RM8.81 to RM9.83.

We now ascribe the lower historical average discount of 22% (33% previously) due to reduced chance of RPTs going forward to arrive at a revised TP of RM7.67 (RM5.90 previously).