

# Upside potential for Genting's shares

► **Recommendation: Buy**  
**Target Price: RM11.74**  
 By ECMLibra Investment  
 Research (Sept 30)

**Sequentially Weaker 3Q**  
 WE gather the pull back in Genting Bhd's (GENT) share price from the high of RM10.41 was on the realisation that Resorts World at Sentosa (RWS) 3QFY10 daily run rate was weaker QoQ.

We forewarned that the 2QFY10 daily run rate, which we estimated at S\$10m (RM23.47m) to S\$11m, was due to above theoretical win rate which we quantified at some 3.5% (theoretical: S\$9m).

VIP volumes peaked in July and troughed in August due

► GENTING BHD				
	2009	2010F	2011F	2012F
<b>REVENUE (RM mil)</b>	8,893.6	17,582.2	19,965.0	22,023.7
<b>NET PROFIT (RM mil)</b>	1,464.7	2,573.1	2,924.8	3,141.5
<b>EPS (sen)</b>	39.4	69.2	78.6	84.5
<b>PER (x)</b>	25.1	14.3	12.6	11.7

to the ghost month before recovering in the run up to Singapore Fl.

We understand 3QFY10 daily run rate is still hovering at S\$9m at near theoretical win rate of 2.7% despite a stronger Marina Bay Sands.

## Higher Estimates

We had expected RWS's daily run rate to ease to S\$7.2m by

4QFY10 on its market share easing to 50%.

Going by our channel checks, RWS's daily run rate will likely stay at c.S\$9m, implying the Singaporean gaming market has grown above S\$14.5m (annualised: S\$5.3bn) without hurting RWS.

Thus, our indicative TP for Genting Singapore plc (GENS) is raised from S\$1.49 on 15x

FY11 EV/EBITDA to S\$1.91 on end-FY10 DCF (WACC: 10.3%).

Our new valuation basis is based on the Singaporean gaming market or at least RWS's daily run rate approaching steady state.

## Riding Upside Potential

We upgrade GENT from 'Hold' to 'Buy'. Following our

revised indicative TP for GENS, we revise our TP for GENT from RM8.83 (22% discount to RM11.32 RNAV/share) to RM11.74 (10% discount to RM13.05 RNAV/share).

On average, GENT trades at a 22% discount to RNAV/share.

That said, during liquidity driven rallies and period of earnings outperformance, the discount can narrow to as low as 3%.

Our valuation is thus not overtly demanding.

We prefer GENT to Genting Malaysia Bhd (GENM) where any potential increase in Malaysian casino tax will have a diluted <1% impact to earnings (GENM: 2%).

## Re-rating Catalysts

According to channel checks, the introduction of junkets will expand the Singaporean gaming market by 10%.

While margins may be thinner (junket rates typically 20bps to 30bps higher than rebate rates), the incremental earnings will be welcomed.

We also understand GENM is lobbying for table games at the Aqueduct where Elite Baccarat, product of GENM's 10% owned Walker Digital Gaming, may make its overseas debut.

Both GENM and GENS are expected to be net cash by year end (GENM: RM2.7bn, GENS: S\$703.2m), paving the way for more M&As.