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COMPANY ALERT

Genting Bhd

Buys 16.7% stake in Landmarks

Corporate Activity

Buy

Reuters:GENT.KL Exchange:KLS Ticker:GENT

Price (MYR)	24.80
Price target (MYR)	26.40
52-week range (MYR)	25.75 - 19.10
Market cap (USDm)	4,762
Shares outstanding (m)	704.6
Daily volume (USDm)	1.41
Net debt/equity (%)	-16.5
Book value/share (MYR)	14.31
Price/book (x)	1.7

FYE 12/31	2005A	2006E	2007E
Sales (MYRm)	5,454	6,381	7,133
Net Profit (MYRm)	1,246.9	1,240.7	1,373.3
EPS (MYR)	1.77	1.76	1.95
PER (x)	11.0	14.1	12.7
Yield (net) (%)	1.1	0.9	1.0

Genting buys 16.7% stake in Landmarks for RM160m cash. Genting Bhd has confirmed the acquisition of Landmarks (LMK, RM1.90, Hold, TP RM1.68) for RM2.00/share. This makes Genting the second largest shareholder after North Symphony, which owns 18.6%. The acquisition's price tag represents a 13.8% discount to our RM2.32 RNAV or 13.2x 07E PER.

Buys undervalued assets with option to enter Indo resort/gaming venture? There are operational synergies like hotels/resorts and power operations between Genting and Landmarks. We believe the acquisition gives Genting access to some undervalued assets with an option to participate if the mooted North Symphony (via close associate Mr Mark Wee) gaming resort project in Bintan, Indonesia takes off. Elsewhere, we believe Landmarks is still keen to unlock asset values. Assuming that Landmarks divests three prized assets, i.e. Sungwei Wang Plaza, a 27% holding in Shangri-La and 20% holding in TTPC (a 650MW IPP which Genting may be interested in owning directly), we estimate it could raise RM1.084bn (or RM666m after paring down associated debt) cash and a very clean net cash balance sheet to gear up for potential new projects.

Maintain BUY. We believe there is value to be extracted from the Landmark acquisition and Indonesia venture (which we reiterate is unconfirmed at this stage) could be a bonus if it materialises. The share price is now under the 10% total return upside required for a Buy recommendation; this is due to volatility in the last one month during which time the share price has been range bound between RM23.00 and 25.30/share.

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All prices are those at the end of the previous trading session unless otherwise indicated.

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