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COMPANY ALERT

Genting Bhd

Regional expansion

Company Announcement

Buy

Reuters:GENT.KL Exchange:KLS Ticker:GENT

Price (MYR)	25.25
Price target (MYR)	29.00
52-week range (MYR)	25.75 - 14.51
Market cap (USDm)	4,825
Shares outstanding (m)	704.6
Net debt/equity (%)	-15.7
Book value/share (MYR)	14.31
Price/book (x)	1.8

FYE 12/31	2005A	2006E	2007E
Sales (MYRm)	5,454	6,383	7,130
Net Profit (MYRm)	1,246.9	1,241.6	1,450.0
EPS (MYR)	1.77	1.76	2.06
PER (x)	11.0	14.3	12.3
Yield (net) (%)	1.1	0.9	1.0

Genting's subsidiary, Genting International's (GIL SP S\$0.365, NR) offer for **Stanley Leisure (SLY LN 860.5p, NR)** has gone unconditional after it received further acceptances of 25.3% and raised its stake to 69.4% on Friday (including options). This is a positive development because it removes uncertainty relating to a potential price war for Stanley. The acquisition is also positive for Genting, especially in the longer term as it provides the group with a stronger foothold into the deregulating UK market and expands its reach internationally. Immediately, this acquisition should be earnings accretive to the tune of 3.2% in FY07E, assuming full acceptance.

Singapore Sentosa IR bid closes tomorrow. Harrah's (HET US) and **Keppel Land (KPLD SP)** has dropped out of the running for the Singapore IR project, citing the projects' high costs. We do not think the withdrawal of Harrah's in any way improves GIL/Star Cruises's bid for Sentosa as its strongest competitor has always been Kerzner/Capital Land. We continue to see GIL/Star Cruises consortium to be the front runner given its plan to build a US\$1.0bn Universal Studio in-door theme park, if successful. Our preliminary estimates show that Sentosa IR could add RM2.15/share to Genting's valuation and enhance FY2010 net profit by 21%.

Maintain BUY on Genting, and 12-month target price is RM29.00. We remain positive on Genting, especially its long term story given the unprecedented growth opportunities in the region. Though discount to SOTP valuation has narrowed to less than 10% now vs historical 20%, the stock is still cheap, trading at 4.3x 08 EV/Ebitda vs Asian peers of 8x. Key risks include overpaying for new acquisition, failure to win Singapore IR and a sharp domestic economic downturn.

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

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