

23 July 2018 | Company Visit Note

## Genting Plantations Berhad

### Visit to Johor Premium Outlets (JPO)

#### INVESTMENT HIGHLIGHTS

- Visited Johor Premium Outlets (JPO)
- Positive on JPO prospect
- Genting Simon profit contribution at 6.6% to GENP
- Earnings estimate maintained
- Maintain BUY with TP of RM11.00

**Visited Johor Premium Outlets (JPO).** We visited Johor Premium Outlets (JPO) which is a 50:50 joint venture (JV) between Genting Plantations (GENP) and Simon Property Group (SPG). The Company which owns JPO is called Genting Simon Sdn Bhd. Recall that JPO is Malaysia's first premium outlet and it opened its doors to the public on 11-December-2011. Following the success of Phase 1, JPO Phase 2 expansion was completed on 15-November-2013. It has more than 130 designers and brand name stores offering savings of up to 65% every day.

**Positive on JPO prospect.** In view of its high occupancy rate exceeding 90%, Genting Simon has decided to expand JPO. We gather that JPO Phase 3 will add another 40,000 to 50,000 sqft of NLA and the target completion date is by end of 2018. Overall, JPO sits on 45 acres of land and currently it has NLA of 269,000 sq. ft.

**Genting Simon profit contribution at 6.6% to GENP.** In FY17, Genting Simon contributed Profit Before Tax of RM30.3m (or 6.6% of GENP PBT). This is a significant improvement of 44% yoy. Note that Genting Simon PBT includes the profit from both JPO and Genting Highlands Premium Outlets.

**Earnings estimate maintained.** We maintain our FY18 CNI forecast of RM302m as the information that we gather has been factored in previously. We also maintain our FY19 CNI forecast of RM347m. Key assumptions are average CPO price of RM2400/RM2430 for FY18/FY19.

**Maintain BUY with TP of RM11.00.** Our TP is based on Sum Of Parts (Refer Page 2). We like the Company as we expect its FFB growth of 13% yoy to be the strongest among planters under our coverage. This is due to new contribution from recently acquired estate of 12,893 ha and 5000 ha coming to maturity in Indonesia. In 1HFY18, GENP FFB volume has grown by 12%yoy to 965,035 tonnes. 

**Maintain BUY**  
**Unchanged Target Price: RM11.00**

| RETURN STATS                 |                    |
|------------------------------|--------------------|
| Price (20 July 2018)         | RM9.40             |
| Target Price                 | RM11.00            |
| Expected Share Price Return  | +17.0%             |
| Expected Dividend Yield      | +2.2%              |
| <b>Expected Total Return</b> | <b>+19.2%</b>      |
| STOCK INFO                   |                    |
| KLCI                         | 1754.67            |
| Bursa / Bloomberg            | 2291 / GENP MK     |
| Board / Sector               | Main / Plantations |
| Syariah Compliant            | Yes                |
| Issued shares (mil)          | 804.86             |
| Market cap. (RM'm)           | 7,565.65           |
| Price over NA                | 1.78               |
| 52-wk price Range            | RM9.05 - RM10.7    |
| Beta (against KLCI)          | 0.62               |
| 3-mth Avg Daily Vol          | 0.37m              |
| 3-mth Avg Daily Value        | RM3.61m            |
| Major Shareholders           |                    |
| Genting Bhd                  | 50.57%             |
| EPF                          | 14.99%             |

## INVESTMENT HIGHLIGHTS

| FYE Dec         | FY15A | FY16A | FY17A | FY18F | FY19F |
|-----------------|-------|-------|-------|-------|-------|
| Revenue         | 1,375 | 1,480 | 1,804 | 1,729 | 1,947 |
| EBIT            | 276   | 483   | 501   | 384   | 418   |
| PBT             | 247   | 449   | 461   | 402   | 473   |
| Net Income      | 190   | 338   | 338   | 302   | 347   |
| Core Net Income | 210   | 271   | 336   | 302   | 347   |
| EPS (sen)       | 24.8  | 42.8  | 42.0  | 37.6  | 43.2  |
| Core EPS (sen)  | 27.5  | 34.4  | 41.8  | 37.6  | 43.2  |
| Net DPS (sen)   | 5.5   | 21.0  | 26.0  | 20.7  | 23.7  |
| Net Dvd Yield   | 0.6%  | 2.2%  | 2.8%  | 2.2%  | 2.5%  |
| Core PER        | 34.2  | 27.4  | 22.5  | 25.0  | 21.8  |
| NTA/share (RM)  | 5.31  | 5.38  | 5.35  | 5.52  | 5.72  |
| P/NTA           | 1.77  | 1.75  | 1.76  | 1.70  | 1.64  |
| ROE             | 4.5%  | 7.9%  | 7.8%  | 6.8%  | 7.5%  |
| ROA             | 3.7%  | 4.3%  | 4.0%  | 3.6%  | 4.1%  |

## Sum-of-Parts Valuation

| Divisions                  | Valuation            | Note   | Fair Value (RM 'm) |
|----------------------------|----------------------|--|--------------------|
| Plantation                 | 23.7x FY18E earnings | 23.7x is at 10% discount to big cap planters | 7,725              |
| Property                   | RNAV                 | Mainly land in Johor & Kedah                 | 1,109              |
| <b>Sum-Of-Parts (RM m)</b> |                      |  | <b>8,835</b>       |
| <b>No of shares (m)</b>    |                      |  | <b>803</b>         |
| <b>Target Price (RM)</b>   |                      |  | <b>11.00</b>       |

## DAILY PRICE CHART



Alan Lim, CFA  
 alan.lim@midf.com.my  
 03-2173 8464

Source: Bloomberg

## Pictures Of Johor Premium Outlets



Source: MIDF Research



Source: MIDF Research

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

|              |  |
|--------------|--|
| BUY          | Total return is expected to be >10% over the next 12 months.   |
| TRADING BUY  | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.  |
| NEUTRAL      | Total return is expected to be between -10% and +10% over the next 12 months.  |
| SELL         | Total return is expected to be <-10% over the next 12 months.  |
| TRADING SELL | Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

#### SECTOR RECOMMENDATIONS

|          |  |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months.   |
| NEUTRAL  | The sector is to perform in line with the overall market over the next 12 months.  |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |