

16 October 2015 | Corporate Update

Genting Plantations Berhad

First venture into KL property development

INVESTMENT HIGHLIGHTS

- **Buying land in Jalan Segambut KL from Genting Malaysia**
- **Partially lease back to Genting Malaysia**
- **Fair valuation of RM173 per sqft**
- **Neutral on the deal**
- **Maintain NEUTRAL with Target Price of RM10.20**

Buying land in Jalan Segambut KL from Genting Malaysia.

Genting Plantations Berhad (GENP) announced that it has entered into a conditional sale and purchase agreement with Genting Malaysia Berhad (GENM) to acquire 2 parcels of adjoining leasehold land measuring 380,902 sqft for RM65.8m. We gather that the land is located at Jalan Segambut, KL and has a 99 years leasehold title with 59 years left. Buildings erected on the land include a single storey office building, store, workshop, and parking yard/garage. The deal is a Related Party Transaction (RPT) as both GENP and GENM have Genting Berhad as their major shareholder. Expected completion date is 1Q2016.

Partially lease back to Genting Malaysia. Post the transfer of the land title, GENP will lease out 100,500 square feet comprising office, storage and depot to GENM for RM750,000 monthly for 2 years. After that, there will be a further term of 1 year subject to the request from GENM.

Fair valuation of RM173 per sqft. We believe that the valuation is fair as it is close to the range of RM160 to RM170 asking price for the surrounding area. The slight premium for this deal may be due to the buildings erected on the land as well as the rental secured in the first 2 years.

Neutral on the deal. We are Neutral on the deal as we expect less than 1% positive earnings impact in FY16. GENP's balance sheet impact is also minimal as we expect net gearing to increase to only 0.04x (from 0.03x currently). Overall, GENP property division contributed 28% at the EBIT level with plantation still commanding the majority 72% of earnings contribution.

Maintain NEUTRAL
Unchanged Target Price (TP):
RM10.20

RETURN STATS	
Price (15 Oct 2015)	RM10.34
Target Price	RM10.20
Expected Share Price Return	-1.4%
Expected Dividend Yield	+0.9%
Expected Total Return	-0.5%
STOCK INFO	
KLCI	1713.25
Bursa / Bloomberg	2291 / GENP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	777.56
Par Value (RM)	0.50
Market cap. (RM'm)	8039.99
Price over NA	2.01
52-wk price Range	RM8.52 - RM11.10
Beta (against KLCI)	0.97
3-mth Avg Daily Vol	0.38m
3-mth Avg Daily Value	RM3.79m
Major Shareholders (%)	
GENTING BHD	52.46%
EPF	14.46%
KWAP	5.22%

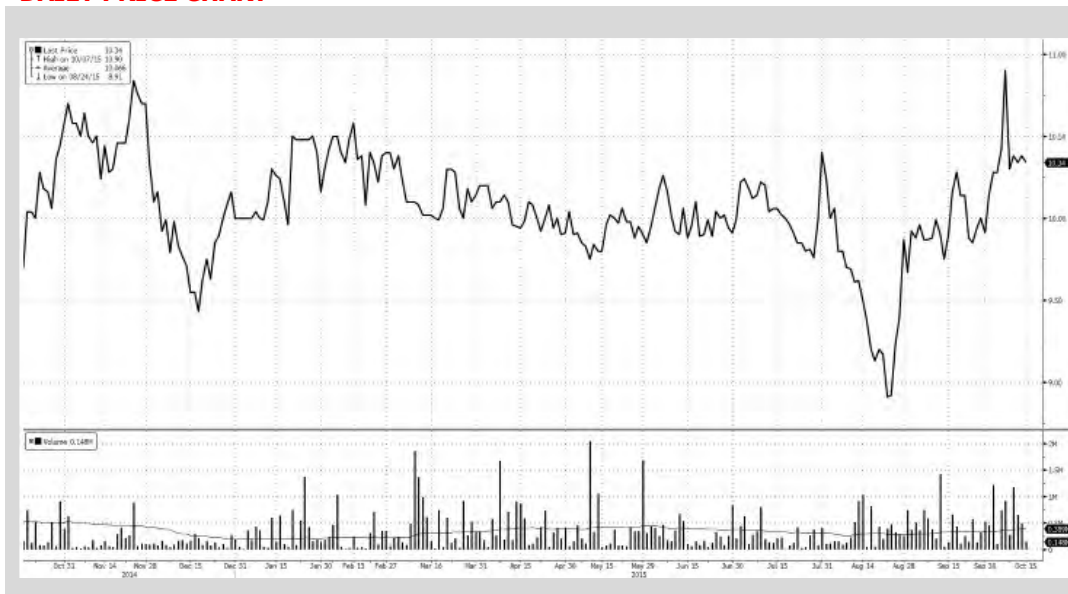
INVESTMENT STATISTICS

FYE Dec	FY12A	FY13A	FY14A	FY15F	FY16F
Revenue	1,233	1,384	1,643	1,420	1,589
Core EBIT	395	287	513	350	391
Core PBT	404	300	520	391	432
Net Income	327	228	377	284	316
Core Net Income	329	330	382	284	316
EPS (sen)	43.1	30.0	49.3	37.1	41.3
Core EPS (sen)	43.4	43.5	50.0	37.1	41.3
Net DPS (sen)	9.4	35.8	10.0	9.3	10.3
Net Dvd Yield	0.9%	3.5%	1.0%	0.9%	1.0%
Core PER	23.4	23.3	20.3	27.3	24.5
NTA/share (RM)	4.28	4.30	4.89	4.92	5.23
P/NTA	2.37	2.36	2.07	2.06	1.94
Core ROE	9.6%	6.6%	9.7%	7.2%	7.6%
Core ROA	6.9%	4.7%	6.7%	5.4%	5.7%

Source: Company, MIDF Research Estimate

Maintain NEUTRAL with Target Price of RM10.20. Both FY15 and FY16 earnings are unchanged due to minimal impact of incremental earnings of RM3.0m against GENP's group estimated net profit of RM316m. Our Target Price is based on Sum-Of-Parts with plantation division valued at 23.1x FY16 PE. The 23.1x is based on the lower valuation between IOICORP and KLK.

DAILY PRICE CHART



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

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
 (Bank Pelaburan)
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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.