



# Genting Group

## Overview of Genting's Gaming Businesses

Analyst: Edmund Tham



Source: RW Sentosa website

These companies are - **Genting Bhd**, its subsidiaries **Genting Malaysia Bhd**, **Genting Plantations Bhd** and **Genting Singapore PLC** as well as its affiliate, **Genting Hong Kong Ltd**. These public companies and their subsidiaries and affiliates are involved in various businesses, including leisure & hospitality, power generation, oil palm plantation, property development, biotechnology and oil & gas. Collectively, these companies have over 58,000 employees, 4,500 hectares of prime resort land and about 133,000 hectares of plantation land.

## OVERVIEW

Genting Group, founded by the late Lim Goh Tong, is one of the most well known and respected group of companies in Malaysia. Its business segments include gaming/leisure/hospitality, oil and gas, plantation, properties and power generation. For this report, we would be looking at Genting's gaming businesses in Malaysia, Singapore and also elsewhere. Genting's gaming businesses are currently parked under Genting Bhd, Genting Malaysia Bhd or Genting Singapore PLC.

## GAMING BUSINESSES

### GENTING BHD (GENTING/3182)

Genting Bhd, its subsidiaries and affiliates operating under the "Genting" name, is recognised as one of Asia's leading and best managed multinationals. There are currently 5 public companies listed in 3 jurisdictions that operate under the "Genting" name.

The leisure & hospitality business operates using various brand names including "Resorts World", "Maxims", "Crockfords", "Awana", "Star Cruises" and "Norwegian Cruise Line". In addition to "Premium Outlets", Genting companies have tie-ups with Universal Studios, Hard Rock Hotel and other renowned international brands.

### GENTING MALAYSIA BHD (GENM/4715)

(f.k.a. Resorts World Bhd)

Genting Malaysia (GENM) is one of the leading leisure and hospitality corporations in the world. GENM owns and operates **Resorts World Genting** ("RWG"), a premier leisure and entertainment hill resort located about 51km or around 45 minutes drive from Kuala Lumpur, Malaysia. RWG has 10,000 rooms spread across 6 hotels, theme parks with over 60 fun rides and entertainment attractions, 170 dining and retail outlets, international shows and business convention facilities. RWG was voted the World Leading Casino Resort (2005, 2007, 2008 and 2009) and Asia's Leading Casino Resort for 5 successive years (2005-2009) by World Travel Awards.



Genting Malaysia is also the owner and operator of the **Awana hotel chain** with 3 hotels in prime holiday locations in Malaysia i.e. Awana Genting, Awana Kijal Golf, Beach & Spa Resort in Terengganu and Awana Porto Malai in Langkawi. In 1998, Genting Malaysia undertook an equity investment in **Genting Hong Kong Ltd** (formerly known as Star Cruises Ltd), the leading cruise operator in the Asia Pacific. Genting Hong Kong is about 76.0%-owned by Lim Kok Thay and Genting Group.

#### **“Gaming operations in the US and UK”**

Recently at an EGM, Genting Malaysia’s shareholders approved the acquisition of **“UK casino operations”** from Genting Singapore PLC. The acquisition involves a cash consideration of £351.5 million. The divestment was devised to allow Genting Singapore to focus on developing its integrated resort (Resorts World Sentosa).

Meanwhile, The New York State Division of Lottery had in August 2010 given its recommendation for GENM’s indirect wholly-owned subsidiary, **Genting New York LLC**, to be selected as the developer and operator of a video lottery facility at the Aqueduct Racetrack in New York City, USA. In September 2010, the Office of the New York State Comptroller announced its approval as well.

Genting New York is required to payment of US\$380 million as the upfront licensing fee to the State of New York. The license is for a duration of 30 years and the construction of the “Resorts World New York” project will commence as soon as practicable, with the opening of the preliminary phase expected by Spring 2011.

**Resorts World New York (RWNY)** will contain 4500 electronic slot machines (“video lottery terminals”). RWNY will also include a grand entrance featuring a 3-storey atrium with a spectacular water show, enclosed skyway pedestrian bridge linking to the New York mass transit system, 450-seat two-storey festive casual dining promenade, 2 high-end restaurants, a sports bar restaurant, and lounge and parking facilities for 7000 cars including a 2200 car garage.

### **GENTING SINGAPORE PLC** **(Genting SP/G13 on SGX - Singapore Exchange)**

(f.k.a. Genting International PLC)

Genting Singapore PLC (GSPLC) is a leading integrated resorts development specialist with over 20 years of international gaming expertise and global experience in developing, operating and marketing internationally acclaimed casinos and integrated resorts in different parts of the world, including Australia, the Americas, Malaysia, the Philippines and the UK.

GSPLC is a subsidiary of Genting Bhd and was incorporated in 1984 to invest in leisure and gaming-related businesses outside Malaysia. GSPLC is listed on the Main Board of the Singapore Exchange Securities Trading Ltd (“Singapore Exchange”). GSPLC’s principal activities are - development and operation of integrated resort, casino operations, international sales and marketing services and also IT application-related services.

#### **“Resorts World Sentosa (RWS)”**

Resorts World Sentosa (RWS), one of the world’s most extensive and expensive integrated resorts at S\$6.6 billion, was built in a record time of under 3 years. Resorts World Sentosa soft-launched its 4 hotels and its shopping and dining strip “FestiveWalk” in January 2010.

RWS opened its casino in February 2010, together with the Resorts World Convention Centre, which includes its Compass Ballroom, 26 function rooms and 1,600-seat Festive Grand theatre and also opened Southeast Asia’s first and only “Universal Studios Singapore” in March 2010.

Supporting the attractions are a 3,500-lot car park facility, restaurants, luxury retail stores, entertainment and public attractions that include Emmy-award winner Jeremy Railton’s “Lake of Dreams” and “Chamber of Treasures”. In 2011, RWS will open the world’s largest Marine Life Park, its Maritime Xperiential Museum, a destination spa and 2 remaining hotels with a total of 500 rooms in its Phase-2 (West Zone) development.



## RWS PERFORMANCE

After the commencement of operations of Resorts World Sentosa (RWS), Singapore's first Integrated Resort ("Singapore IR") in the first quarter of 2010, all major business segments within the Singapore IR continued to grow and strengthen. RWS' sales and marketing efforts gained more responses in its primary geographical and segmental markets as it executed its strategies well.

Singapore IR recorded revenue of S\$860.8 million and EBITDA of S\$503.5 million for the second quarter of 2010 with EBITDA margin of 58%. This came at the back of RWS' higher-than-industry-average win percentage in the premium players market. Universal Studio Singapore increased its daily maximum capacity to about 8,000 visitors with an average visitor-spending of S\$84. RWS hotels' occupancy was about 70% with an average room rate of S\$263. Despite of the subsequent opening of Marina Bay Sands, RWS' performance is still resilient.

## CONCLUSION

In recent months, the shares of Genting Bhd, Genting Malaysia Bhd and Genting Singapore PLC have all surged in terms of their market prices. From the price charts, Genting Singapore PLC had surged up most followed by Genting Bhd and thirdly Genting Malaysia Bhd. We believe that this case of investor bullishness is mainly due to the euphoria and excitement over the opening and subsequent progress of the integrated resort – Resorts World Sentosa (RWS).

### **“Which Genting is the better bet?”**

From the following table we can observe that only Genting Singapore PLC offers investors a direct exposure to RW Sentosa, while Genting Bhd offers an indirect exposure to RW Sentosa. Should some investors find RW Genting or RW New York more appealing, then Genting Malaysia would be the preferred stock. Genting Bhd is not considered a “pure” gaming stock as only 81.8% of its 1H/2010 revenue is derived from gaming/leisure/hospitality.

### **EXPOSURE TO LEISURE / HOSPITALITY\***

Company	Exposure to Leisure/ Hospitality (L/H)	L/H exposure as % of 1H/2010 revenue
Genting Malaysia Bhd	RW Genting, Awana, RW New York, Genting Hong Kong, UK casino operations	98.4%
Genting Singapore PLC	RW Sentosa	99.9%
Genting Bhd	All of the above	81.8%

*\*including gaming/casino, hotels, resorts, theme parks, cruises*

*^note that Genting Group's "UK casino operations" have been acquired by Genting Malaysia Bhd from Genting Singapore PLC recently*

Genting Bhd and Genting Malaysia do not currently present high dividend yields, while Genting Singapore has yet to pay dividends. As such, we should look at their possible further price appreciation. According to market consensus, Genting Bhd and Genting Singapore has further price upside while Genting Malaysia has already reached its consensus target price.

If we annualize Genting Singapore PLC's strong 2Q/2010 earnings, we would obtain a P/E of 16.0 times. Its 1Q/2010 earnings were distorted by a sizeable impairment charge for its UK casino operations. Meanwhile, annualizing Genting Bhd and Genting Malaysia Bhd's 1H/2010 earnings, we would obtain a P/E of 20.2 times and 17.4 times, respectively. Given that Genting Singapore's integrated resort is still expected to grow strongly in terms of its resort attractions and hence earnings - we opine that Genting Singapore would continue to be the favoured stock among investors.

### **“Genting Singapore still appears to be the better bet among the 3”**



## **APPENDIX**

### **REVENUE BREAKDOWN**

#### **GENTING/3182**

<b>Business segment</b>	<b>1H/2010 revenue (RM'm)</b>	<b>% of total revenue</b>
Total Leisure & Hospitality*	5889.7	81.8
->Malaysia	2530.8	35.2
->S'pore	2830.4	39.3
->UK/Others	528.5	7.3
Power	755.7	10.5
Plantation	397.8	5.5
Oil&Gas	61.1	0.8
Property	53.2	0.7
Investments/etc	41.3	0.6
<b>Total</b>	<b>7198.8</b>	<b>100.0</b>

\*Casino/online gaming operations, hotels, theme parks, cruise

#### **GENM/4715**

<b>Business segment</b>	<b>1H/2010 revenue (RM'm)</b>	<b>% of total revenue</b>
Leisure & hospitality*	2531.2	98.4
Property	11.5	0.5
Others	29.0	1.1
<b>Total</b>	<b>2571.7</b>	<b>100.0</b>

\*Casino operations, hotels, theme parks, resorts, cruise

#### **GENTING SP/G13**

<b>Business segment</b>	<b>1H/2010 revenue (S\$m)</b>	<b>% of total revenue</b>
Total Leisure & Hospitality*	1438.2	99.9
->S'pore	1195.7	83.1
->UK	218.8	15.2
->Others	23.7	1.6
Investments	1.5	0.1
<b>Total</b>	<b>1439.7</b>	<b>100.0</b>

\*Casino/online gaming operations, hotels, theme parks

\*Currently, 1S\$=RM2.37 (in recent months mostly in the RM2.30-RM2.37 range)

## Financial Ratios

Stock Name	GENTING	GENM	GENTING SP
Stock Code	3182	4715	G13
Currency	(RM)	(RM)	(SGD)
Mkt.cap (mil)	39312.2	20865.1	25447.8
Mkt.price	10.60	3.53	2.09
No.of shares (mil)	3708.7	5910.8	12176
YTD change (%)	44.1	25.6	60.0
High	10.64	3.72	2.18
Low	6.20	2.46	0.84
Cons. TP	11.69	3.21	2.16
Upside to cons.TP (%)	10.3	-9.1	3.3
FY10 EPS (ann)	0.53	0.20	0.13
P/E (x)	20.2	17.4	16.0
FY10 EPS (cons)	0.58	0.22	0.06
P/E (x)	18.3	16.0	33.2
FY11 EPS (cons)	0.69	0.2	0.09
P/E (x)	15.4	15.3	24.0
FY10 BV/share (cons)	4.37	1.91	0.41
P/BV (x)	2.4	1.8	5.1
FY11 BV/share (cons)	4.98	2.06	0.49
P/BV (x)	2.1	1.7	4.3
FY10 DPS (cons)	0.088	0.068	0.001
Div Yield (%)	0.8	1.9	0.0
FY11 DPS (cons)	0.099	0.071	0.002
Div Yield (%)	0.9	2.0	0.1
FY10 ROE (cons) (%)	13.1	12.4	15.2
FY11 ROE (cons) (%)	15.3	11.7	19.2
Main S/holder	Lim family	Genting Bhd	Genting Bhd
Controlling stake (%)	39.5	47.3	51.7

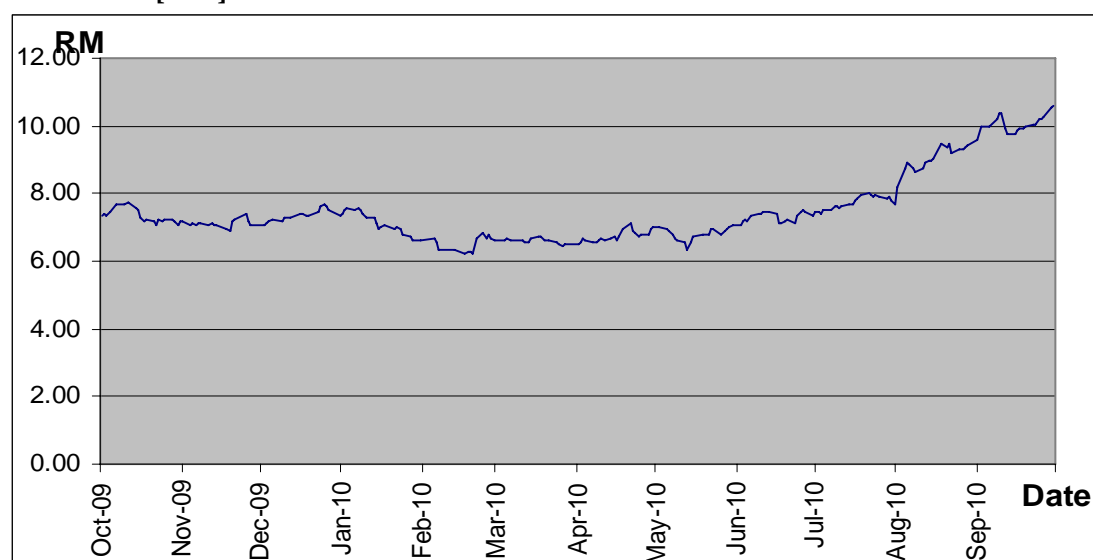
Source: Bloomberg

\*ann=annualized; cons=market consensus estimate; YTD: KLCI +16.8, STI +9.0%

## CHARTS

GENTING [3182]

RM10.60

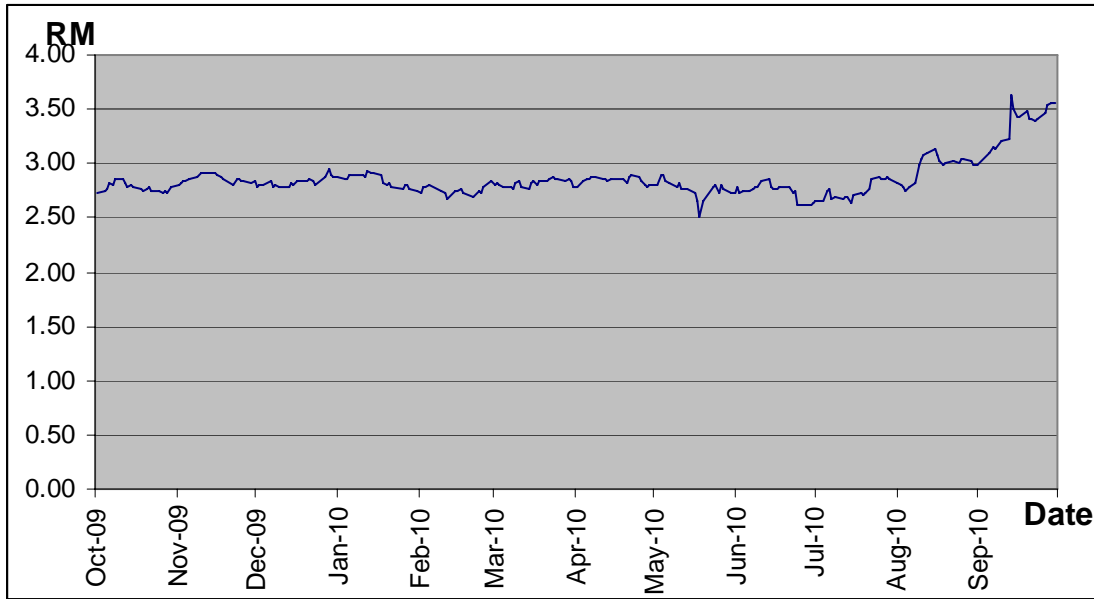


Source: Bloomberg



**GENM [4715]**

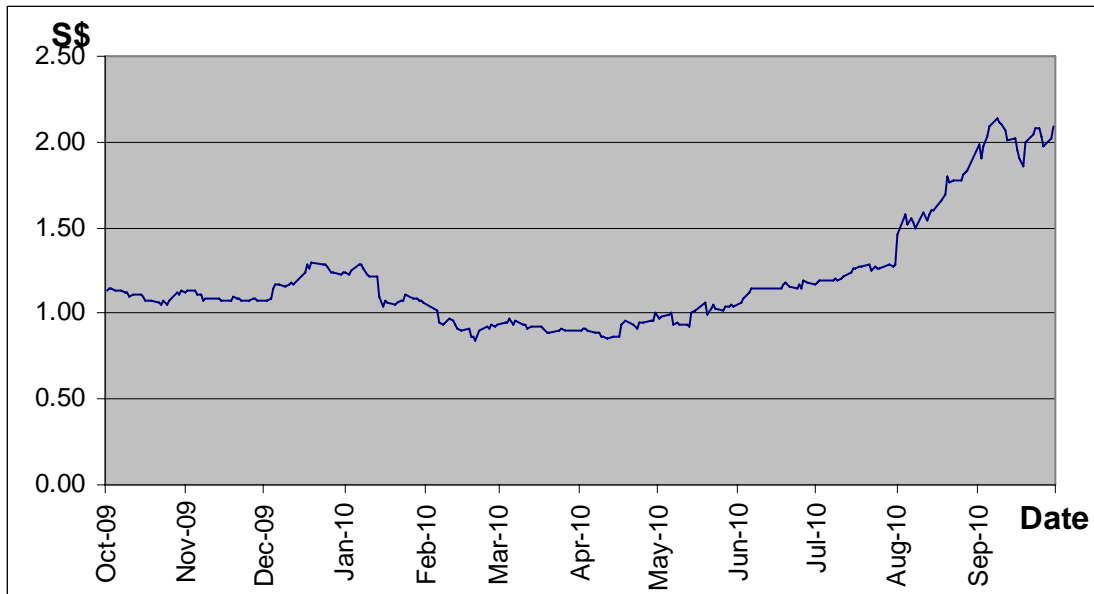
**RM3.53**



Source: Bloomberg

**GENTING SP [G13]**

**S\$2.09**



Source: Bloomberg