

Malaysia
HOLD (no change)

Consensus ratings*: Buy 5 Hold 9 Sell 6

Current price:	RM3.04
Target price:	RM3.25
Previous target:	RM3.25
Up/downside:	7.0%
CGS-CIMB / Consensus:	-3.3%
Reuters:	GENM.KL
Bloomberg:	GENM MK
Market cap:	US\$4,156m
	RM17,187m
Average daily turnover:	US\$22.06m
	RM92.13m
Current shares o/s:	5,938m
Free float:	50.7%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.7	-39.1	-46.2
Relative (%)	4.2	-32.4	-38.8

Major shareholders	% held
Genting Berhad	49.3

Analyst(s)

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Genting Malaysia

Awaiting court hearing date

- Genting Malaysia met with some 40 institutional investors at our annual Malaysia Corporate Day on Friday.
- The company is still waiting for a court hearing date for its US\$1bn law suit against Disney and 21st Century Fox.
- The stock remains a Hold. We await more clarity on the possible opening dates for the new outdoor theme park.

Highlights from Malaysia Corporate Day

We hosted Genting Malaysia's (GM) management at our annual Malaysia Corporate Day on Friday, where they met close to 40 fund managers and buy-side analysts. Management was represented by James Koh, Senior VP, Yeoh Ru Hann, Assistant VP and Audrey Ng, Assistant Manager. Most of the investors' questions were focused on the development on the new outdoor theme park (NOTP).

Awaiting court hearing date for lawsuit

GM said it could not update investors on the possible opening date of the NOTP, indicating that it is still waiting for a court hearing date for the lawsuit against Walt Disney Co and 21st Century Fox Inc in which GM is claiming more than US\$1bn (RM4.14bn) in damages. The company said construction of the NOTP is more than 95% completed, but it would not be opened until after the lawsuit is settled.

NOTP was supposed to open at end-2016

In 2013, GM had intended to invest just US\$150m (RM620m) in the NOTP and complete construction by end-2016. However, GM later decided to build a larger NOTP, which led to delays in the opening of the theme park. GM has so far invested US\$750m (RM3.1bn) in the NOTP. Before the lawsuit against Disney and 21st Century Fox Inc, GM was supposed to open the NOTP in mid-2019.

Cost cutting initiatives in 2019F

With the rise of casino tax of 10% pt from 1 Jan 2019 onwards, we understand GM is looking at some cost cutting initiatives which include reducing the incentives and rewards for major casino customers. However, we believe this would likely to happen gradually as GM would not want to lose its major casino customers. As for staffing, GM has around 14,500 staff currently and we understand the company does not intend to increase staff costs until the NOTP opening date has been set.

Remains a Hold

We maintain our EPS forecasts and our RM3.25 TP, based on its RNAV and the stock remains a Hold. Upside risks include the opening of the NOTP this year, while downside risks include the NOTP failing to open in 2019. Long-term charts show strong support for the stock at RM2.85 and RM2.20.

Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	8,932	9,494	10,073	10,667	11,182
Operating EBITDA (RMm)	2,433	2,207	2,461	2,446	2,622
Net Profit (RMm)	2,880	1,160	1,598	1,485	1,521
Core EPS (RM)	0.26	0.24	0.27	0.25	0.26
Core EPS Growth	9.6%	(9.0%)	13.3%	(7.1%)	2.4%
FD Core P/E (x)	11.65	12.80	11.30	12.16	11.87
DPS (RM)	0.17	0.17	0.10	0.10	0.11
Dividend Yield	5.43%	5.59%	3.29%	3.29%	3.62%
EV/EBITDA (x)	6.33	7.63	7.18	7.66	7.62
P/FCFE (x)	11.61	3.67	21.86	23.96	22.67
Net Gearing	(2.7%)	4.7%	8.8%	14.4%	21.1%
P/BV (x)	0.91	0.93	0.92	0.92	0.94
ROE	7.95%	7.18%	8.20%	7.58%	7.85%
% Change In Core EPS Estimates			0.000%	0.000%	(0.167%)
CIMB/consensus EPS (x)			0.97	1.24	1.16

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Awaiting court hearing date

Other highlights from meeting

Renewal management fee with Genting due this year➤

GM indicated the renewal management fee agreement with casino license holder Genting (GENT MK, Add) is due in 2019F. However, as it is a related party agreement (RPT), GM and Genting would need shareholders' approval to revise Genting's management fee, which we think Genting's shareholders are unlikely to approve. We estimate GM currently pays Genting 3% of its gaming revenue annually as management fee to operate the casino in Genting Highlands.

10,500 hotel rooms at the Highlands➤

GM has 7 hotels and 10,500 rooms in the Highlands. 9M18 average room rate (ARR) was RM105/room, up 17% yoy and average occupancy rate was a high 97%, with around 80% occupied by its major casino customers, of which most of the hotel rooms are sold for free to its major casino customers.

Indoor theme park opened in Dec 2018➤

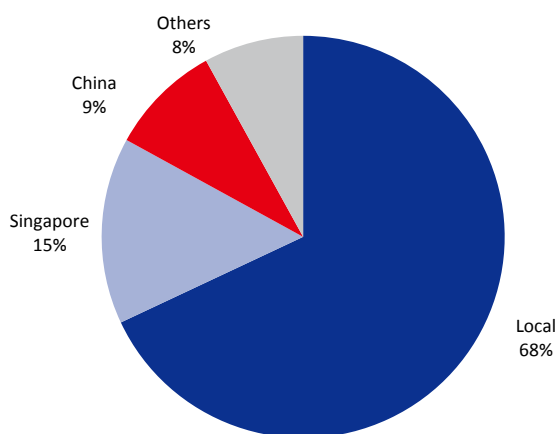
The indoor theme park opened in Dec 2018 and visitor arrivals have been strong as Dec is seasonally a strong month due to the school holidays. 13 out of the 22 rides were already operating and all the 22 rides should open by Chinese New Year 2019 (Feb 5/6).

Higher tourist arrivals in 9M2018➤

GM indicated higher tourist arrivals in 2018. 9M18 tourist arrivals was 19.2m and 4Q18 is usually the strongest quarter of the year and the company is looking at 7.2m-7.5m tourist arrivals in 4Q18. Assuming 7.2m tourist arrivals in 4Q18, 2018 tourist arrivals would be 26.4m, up 19% yoy.

Tourists from Singapore and China made up the largest number of foreign guests at the Highlands hotels in 9M2018, accounting for 24% of total hotel guests at the highlands. Total hotel guests from Singapore dropped 1% pt from 16% in 2017 to 15% in 9M2018, mainly due to Malaysia's General Elections which were held in May 2018.

Figure 1: Breakdown of hotel guests at the Highland hotels in 9M2018 (%)



SOURCES: CIMB RESEARCH, COMPANY REPORTS

Invested RM7.5bn in GITP so far ▶

GM has so far invested RM7.5bn for the Genting Integrated Tourism Plan (GITP) compared to the total budget of RM10.4bn. In 2019F, the company is not building any new hotel rooms and would be focusing on raising the average room rates (ARR). ARR in 9M2018 was at RM105/room, up 17% yoy and the company believes there is potential to raise its ARR even higher this year.

Growing its US gaming operations▶

GM is investing US\$400m (RM1.7bn) in Resorts World New York City (RWNYC) operations, which includes a 400-room hotel, expected to be ready by 2020F. RWNYC has 6,000 gaming machines currently and is looking to add another 500 gaming machines by year-end. GM indicated that the Bahamas operational losses narrowed in 9M18 compared to 9M17. As such, 9M18 US and Bahamas EBITDA was up 10% yoy at RM213.8m.

Foreign shareholding has fallen in the past two months ▶

GM's foreign shareholdings have declined from 35% in Nov 2018 to around 32% currently, which is not a surprise as GM was hit by a slew of bad news in Nov 2018. In early-Nov 2018, the government announced a 10% pt hike (from 25% to 35%) in casino tax in the Budget 2019, while at end-Nov, GM announced that it was suing Walt Disney Co and 21st Century Fox Inc for more than US\$1bn (RM4.14bn) in damages over the NOTP. GM accused both parties of abandoning a contract related to the planned construction of the first Century Fox theme park. GM said "seller's remorse" induced Fox, with Disney's help, to breach the 2013 contract between GM and Fox Entertainment Group to licence intellectual property for Fox World. At the peak in 2015, GM's foreign shareholding was at 41%.

Figure 2: Genting Malaysia RNAV/share

	Method	Exchange rate (RM/US\$)	Target EV/EBITDA	2019 EBITDA	Value RMm
Malaysia	EV/EBITDA		6.0	1,953.0	11,718.0
US	EV/EBITDA		6.0	260.0	1,560.0
UK	EV/EBITDA		6.0	221.0	1,326.0
Genting HK sale					1,826.0
Miami Land		4.3			2,150.0
Total RNAV					18,580.0
Fully-diluted RNAV/share (incl. ESOS)					3.25

SOURCES: CIMB

TECHNICAL ANALYSIS

Major resistance at RM3.45▶

GM's weekly chart shows that prices broke the resistance trendline three weeks back and so did the weekly RSI, which is usually medium-term positive for the stock. However, the stock faces two resistance trendlines at RM3.20 and RM3.45. The monthly chart also shows a major resistance at the RM3.45 levels and unless the stock breaks the RM3.45 levels, we expect the stock to trade within the RM2.85-3.45 levels over the next few months. A break below the last low at RM2.76 would be negative for the stock.

Figure 3: Genting Malaysia's monthly chart (RM3.04)

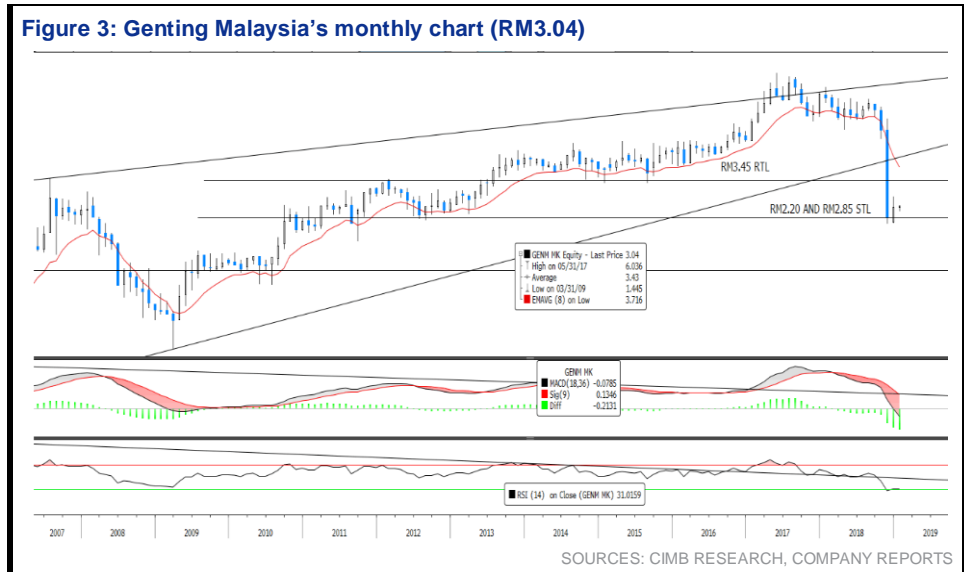
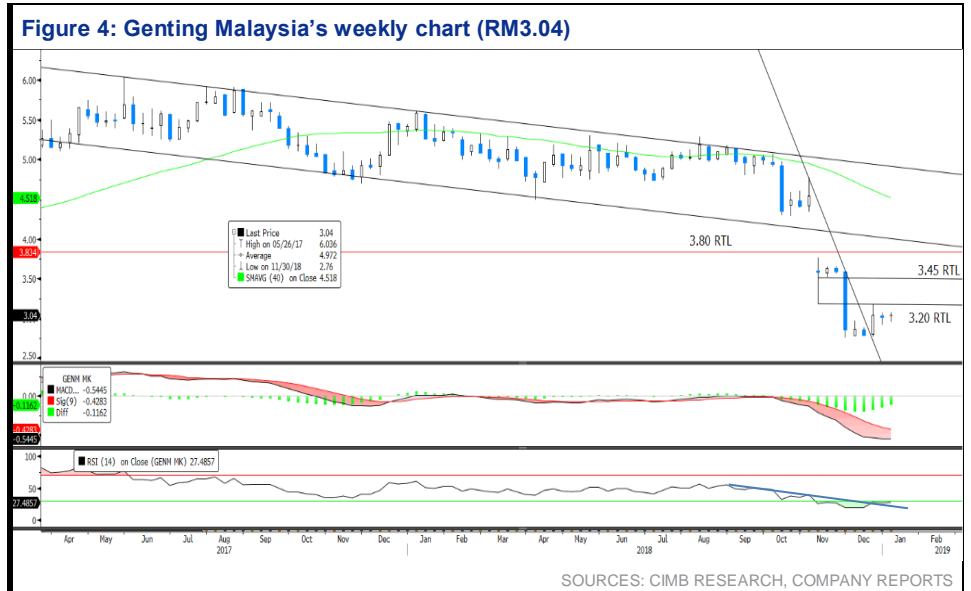
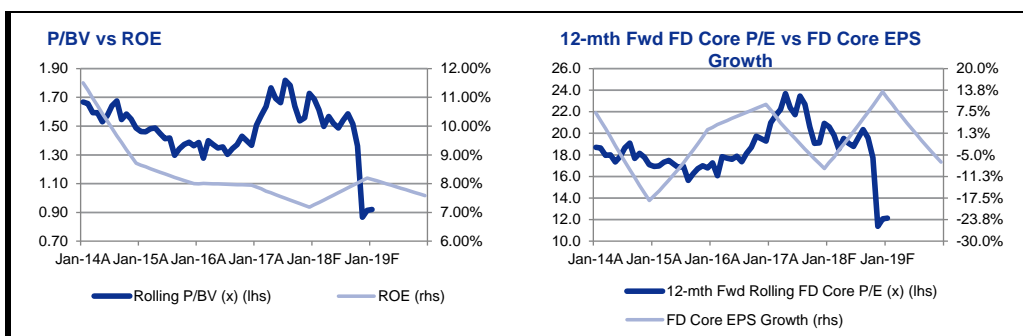


Figure 4: Genting Malaysia's weekly chart (RM3.04)



BY THE NUMBERS



Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	8,932	9,494	10,073	10,667	11,182
Gross Profit	8,932	9,494	10,073	10,667	11,182
Operating EBITDA	2,433	2,207	2,461	2,446	2,622
Depreciation And Amortisation	(801)	(940)	(843)	(921)	(998)
Operating EBIT	1,632	1,267	1,618	1,526	1,623
Financial Income/(Expense)	165	189	158	117	62
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	1,293	(139)	0	0	0
Profit Before Tax (pre-EI)	3,091	1,318	1,776	1,643	1,685
Exceptional Items					
Pre-tax Profit	3,091	1,318	1,776	1,643	1,685
Taxation	(290)	(247)	(266)	(246)	(253)
Exceptional Income - post-tax					
Profit After Tax	2,801	1,071	1,509	1,396	1,432
Minority Interests	79	89	89	89	89
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,880	1,160	1,598	1,485	1,521
Recurring Net Profit	1,549	1,410	1,598	1,485	1,521
Fully Diluted Recurring Net Profit	1,549	1,410	1,598	1,485	1,521

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	2,433	2,207	2,461	2,446	2,622
Cash Flow from Inv. & Assoc.					
Change In Working Capital	788	16	194	196	181
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	63	0	0	0	0
Net Interest (Paid)/Received	165	218	158	117	62
Tax Paid	(290)	(247)	(266)	(246)	(253)
Cashflow From Operations	3,159	2,194	2,546	2,513	2,611
Capex	(3,117)	(2,659)	(2,000)	(2,000)	(2,000)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	1,811	378	296	255	199
Cash Flow From Investing	(1,307)	(2,281)	(1,704)	(1,745)	(1,801)
Debt Raised/(repaid)	(298)	5,010	(15)	(15)	(14)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(325)	(991)	(1,323)	(1,588)	(1,853)
Preferred Dividends					
Other Financing Cashflow	(901)	(2,593)	(332)	(334)	(318)
Cash Flow From Financing	(1,525)	1,426	(1,670)	(1,937)	(2,185)
Total Cash Generated	328	1,339	(829)	(1,169)	(1,375)
Free Cashflow To Equity	1,554	4,923	826	753	796
Free Cashflow To Firm	1,923	(0)	979	906	948

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	4,856	5,997	5,166	4,086	2,840
Total Debtors	567	684	726	769	806
Inventories	98	112	118	125	131
Total Other Current Assets	608	267	267	267	267
Total Current Assets	6,129	7,059	6,277	5,247	4,044
Fixed Assets	12,159	13,835	15,060	16,140	17,141
Total Investments	4,386	4,235	4,235	4,235	4,235
Intangible Assets	5,036	4,654	4,654	4,654	4,654
Total Other Non-Current Assets	185	185	385	395	405
Total Non-current Assets	21,765	22,909	24,334	25,424	26,435
Short-term Debt	1,103	309	294	279	265
Current Portion of Long-Term Debt					
Total Creditors	2,739	2,665	2,827	2,994	3,138
Other Current Liabilities	190	278	480	480	480
Total Current Liabilities	4,032	3,252	3,601	3,753	3,884
Total Long-term Debt	3,223	6,591	6,591	6,591	6,591
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	220	267	267	267	267
Total Non-current Liabilities	3,444	6,858	6,858	6,858	6,858
Total Provisions	674	716	716	716	716
Total Liabilities	8,149	10,826	11,176	11,328	11,458
Shareholders' Equity	19,911	19,357	19,631	19,528	19,196
Minority Interests	(165)	(193)	(193)	(193)	(193)
Total Equity	19,745	19,163	19,438	19,335	19,003

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	6.38%	6.29%	6.11%	5.89%	4.83%
Operating EBITDA Growth	0.0%	(9.3%)	11.5%	(0.6%)	7.2%
Operating EBITDA Margin	27.2%	23.3%	24.4%	22.9%	23.4%
Net Cash Per Share (RM)	0.09	(0.15)	(0.29)	(0.47)	(0.68)
BVPS (RM)	3.35	3.26	3.31	3.29	3.23
Gross Interest Cover	23.18	11.03	11.72	11.08	11.81
Effective Tax Rate	9.4%	18.8%	15.0%	15.0%	15.0%
Net Dividend Payout Ratio	23%	54%	71%	92%	104%
Accounts Receivables Days	37.08	24.05	25.55	25.57	25.77
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	8.11%	6.05%	7.23%	6.39%	6.45%
ROCE (%)	7.60%	6.10%	7.11%	6.60%	6.81%
Return On Average Assets	10.7%	4.1%	5.5%	5.1%	5.4%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
VIP Chip Volume (% Change)	N/A	N/A	N/A	N/A	N/A
VIP Chip Win Percentage (%)	N/A	N/A	N/A	N/A	N/A
Mass mkt chip drop (% chg.)	N/A	N/A	N/A	N/A	N/A
Mass mkt chip win (%-tage)	N/A	N/A	N/A	N/A	N/A
Slot Handle (% Change)	N/A	N/A	N/A	N/A	N/A
Slot Hold Percentage (%)	N/A	N/A	N/A	N/A	N/A
Net Win Per Slot (% Change)	N/A	N/A	N/A	N/A	N/A
Net Win Per Table (% Change)	N/A	N/A	N/A	N/A	N/A
No. Of Slots	3,000	4,000	4,000	4,000	4,000
No. Of Tables	550	700	700	700	700

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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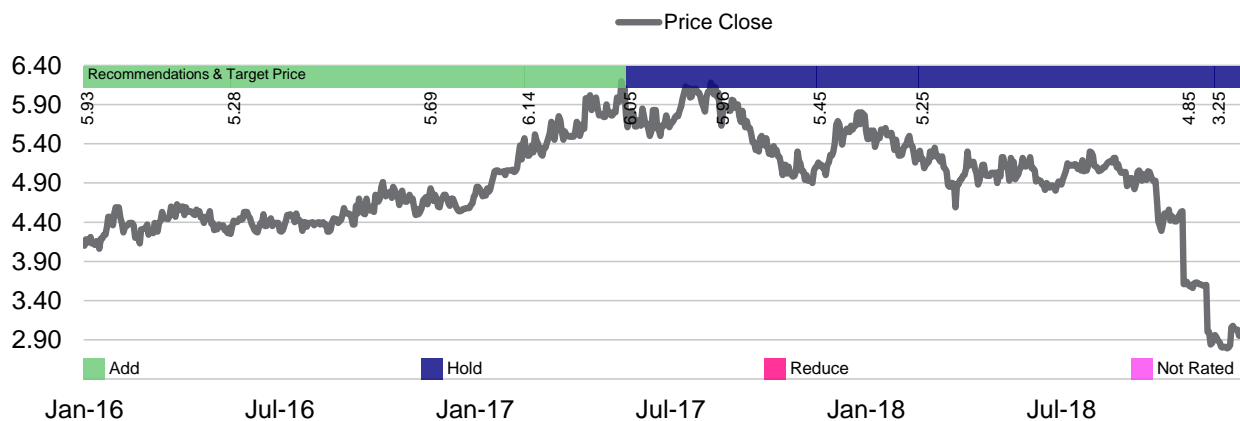
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)

Genting Malaysia (GENM MK)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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Stock Ratings

Definition:	
Add	The stock’s total return is expected to exceed 10% over the next 12 months.
Hold	The stock’s total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock’s total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:	
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:	
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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