

Genting Bhd (GENT MK)

TauRx - could it really be worth USD15b, as guided?

Maintain BUY call and MYR5.96 TP for now

Ahead of 20%-owned TauRx announcing more details of its recent Phase 3 trial results later today, we try to derive an indicative valuation for it. In our opinion, TauRx is worth \geq USD1.1b and there are grounds for it to be worth \leq USD15b if its Alzheimer's drug (i.e. HMTM) is effective and commercialised. Under a 'blue sky' scenario, we postulate that GENT shares could be worth as much as MYR8.84 each. Our estimates, BUY call and MYR5.96 SOP-based TP are maintained for now.

TauRx worth at least USD1.1b, in our view...

We studied 6 pharmaceutical companies which are also developing but do not have already approved Alzheimer's drugs. The more advanced an Alzheimer's drug is in research and development (R&D) the higher the market capitalisation, as exemplified by **Cassava Sciences (SAVA US, CP: USD28.90, Not Rated)** whose Simufilam is at Phase 3. Cassava Sciences has a market capitalisation of USD1.1b. Given that TauRx's HMTM is also at Phase 3, we believe that it should command a similar valuation.

... but will it surge to USD15b as previously guided?

We also studied the share price trend of **Biogen (BIIB US, CP: USD197.87, Not Rated)** which developed a controversial Alzheimer's drug known as Aduhelm. We estimate that the market implicitly valued Aduhelm at between USD19.4b and USD33.6b. Perhaps TauRx co-founder and Executive Chairman Professor Claude Wischik's much publicised plan to list TauRx with a USD15b valuation on the NASDAQ if Phase 3 trials are successful, as reported back in Dec 2015, are not so outlandish after all.

Could GENT shares eventually be worth MYR8.84?

Under a 'blue sky' scenario where TauRx is valued at USD15b and its shares are distributed to GENT shareholders, we postulate that our GENT SOP-based TP may rise to as high as MYR8.84. Nevertheless, we maintain our MYR5.96 SOP-based TP pending more details on TauRx's recent Phase 3 trial results. Our focus in this particular report is to articulate sensitivities with regards what impact TauRx may have on GENT's valuation should HMTM be effective and subsequently commercialised.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	11,564	13,530	22,925	27,010	27,127
EBITDA	2,903	3,798	7,161	9,625	9,662
Core net profit	(403)	(1,176)	489	1,973	2,036
Core EPS (sen)	(10.5)	(30.5)	12.7	51.2	52.9
Core EPS growth (%)	nm	nm	nm	303.5	3.2
Net DPS (sen)	15.0	11.0	15.0	20.0	20.0
Core P/E (x)	nm	nm	42.1	10.4	10.1
P/BV (x)	0.5	0.6	0.6	0.6	0.6
Net dividend yield (%)	3.4	2.4	2.8	3.7	3.7
ROAE (%)	(3.0)	(4.2)	1.5	6.1	6.1
ROAA (%)	(0.4)	(1.2)	0.5	1.9	2.0
EV/EBITDA (x)	17.2	16.3	8.9	6.5	6.5
Net gearing (%) (incl perps)	18.6	33.1	30.7	28.3	26.6
Consensus net profit	-	-	956	1,643	1,805
MKE vs. Consensus (%)	-	-	(48.9)	20.1	12.8

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BUY

Share Price	MYR 5.34
12m Price Target	MYR 5.96 (+15%)
Previous Price Target	MYR 5.96

Company Description

Genting Bhd. engages in the leisure and hospitality, oil palm plantations, property development, biotechnology, and oil and gas businesses.

Statistics

52w high/low (MYR)	5.34/4.31
3m avg turnover (USDm)	7.8
Free float (%)	54.2
Issued shares (m)	3,877
Market capitalisation	MYR20.7B USD4.7B

Major shareholders:

Lim Family	44.5%
The Vanguard Group, Inc.	1.8%
Brandes Investment Partners LP	0.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	16	21	3
Relative to index (%)	18	23	7

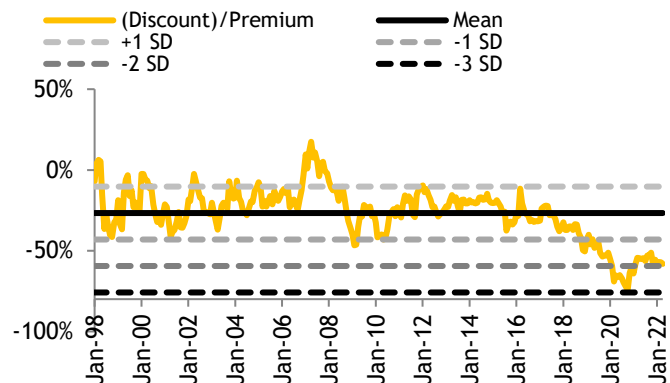
Source: FactSet

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Tear Sheet Insert

Value Proposition

- Largest casino conglomerate in South East Asia with interests in power, plantations, property and oil & gas.
- Via 49%-owned Genting Malaysia (GENM) and 53%-owned Genting Singapore (GENS), operates Resorts World Genting (RWG) and Resorts World Sentosa (RWS).
- ROEs have fallen from >10% pre FY12 to <10% in FY18 due to RWS being pressured by the weak Chinese economy.
- Requires better performance from major subsidiaries to drive reversion to mean discount to SOP/sh.
- GENM expanding RWG via Genting Integrated Tourism Plan (GITP). RWG is Malaysian centric and especially resilient.

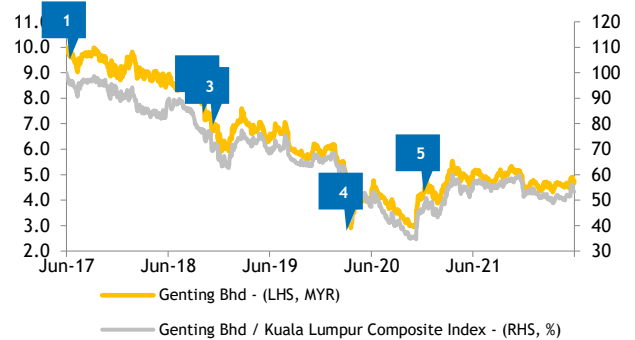
GENT historical (discount)/premium to SOP/sh valuation



Source: Company, Maybank IBG Research, Bloomberg

Price Drivers

Historical share price trend



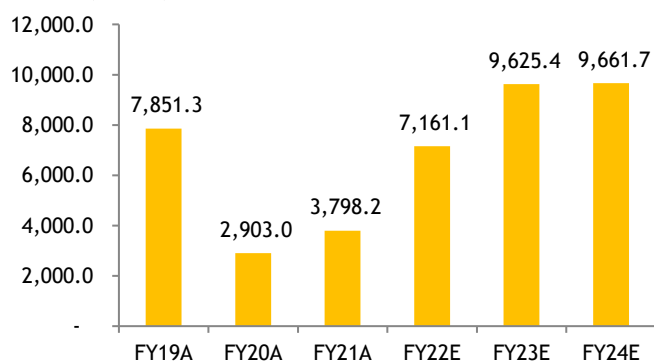
Source: Company, Maybank IBG Research

1. Investors enthused by opening of new properties at RWG, driven by the GITP
2. National Budget 2019 in Nov 2018 proposed for RWG casino duty rate to be hiked by 10ppts from 1 Jan 2019.
3. Fox withdrew RWG's right to Fox-brand its outdoor theme park.
4. COVID-19 outbreak. To date, there are 4.5m cases in Malaysia and 1.3m cases in Singapore.
5. Pfizer, Moderna and AstraZeneca announced that they have developed effective COVID-19 vaccines.

Financial Metrics

- Key financial metric is EBITDA. Most casino operators are valued on EV/EBITDA basis.
- Forecast FY22E EBITDA to rebound 89% YoY as RWG operates on a full year basis and more VIPs return to RWS.
- Forecast FY23E EBITDA to grow by a more gradual 34% YoY as more visitors return to RWS and RWG post-COVID-19.
- Forecast FY24E EBITDA to be flattish YoY as operation normalise by then.
- We expect balance sheet to remain net debt as GENT has been more progressive in paying dividends.

EBITDA (MYRm)



Source: Company (historical), Maybank IBG Research (forecasts)

Swing Factors

Upside

- VIP volume and win rate - these tend to be volatile and can greatly influence earnings.
- VIP/mass market mix tilt towards mass market will expand margins due to less commissions and rebates.
- Higher visitor arrivals to RWG as the purpose of the GITP is to attract more high margin mass market gamblers.

Downside

- Bad debts - Chinese account for most of GENS and GENUK VIPs but gambling debts are not enforceable in China.
- CPO and oil prices - plantations and oil & gas contribute <10% to EBITDA but CPO and oil prices can impact GENT group earnings nonetheless.
- Regional expansion - new jurisdictions often require high capex commitments without guaranteeing returns.

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Risk Rating & Score ¹	27.7 (Medium)
Score Momentum ²	+1.7
Last Updated	23 Dec 2021
Controversy Score ³ (Updated: 24 Nov 2021)	3 - Operations Incidents - Land Use and Biodiversity

Business Model & Industry Issues

- In our view, it is business as usual for Resorts World Genting (RWG) but GENS' Resorts World Sentosa (RWS) operates in the most highly regulated casino jurisdiction in the world which puts it at a disadvantage vis-à-vis its regional competitors.
- GENP will likely have to redirect its efforts to raising palm oil yields rather than growing its land bank due to anti-palm oil campaigns. It will also need to focus on achieving group-wide Roundtable on Sustainable Palm Oil (RSPO) certification.
- Genting Energy's net capacity will likely be still fossil fuel focused due to the abundance of coal in Indonesia. That said, GENP and Genting Energy are addressing environmental issues via certifications and technology.
- Main risk to GENT's profitability and ESG credentials continues to be the recurrence of RPTs by GENM with the latest being the acquisition of 49% of loss generating Empire Resorts and increasingly stricter regulations being imposed on RWS.
- Curiously, GENT is also an active investor in life sciences (GT Diagnostics, TauRx, DNAe, Celularity). We view these investments as 'call options' that could pay off handsomely.

Material E issues

- Although RWG recently increased its gross floor area by ~50%, 94% of its ~10k acre virgin rainforest remains intact.
- RWG phased out plastic straws and replaced food boxes with biodegradable and compostable food containers.
- RWS houses 2.9 ha of protected secondary forest and >100,000 marine animals in the S.E.A. Aquarium.
- RWS phased out plastic straws/bottles in 2018/2019, saving 3m straws and 6.7m plastic bottles p.a.
- Only 5% of Genting Energy's net capacity of 1,872MW is fuelled by renewable sources (i.e. Jangi wind farm).
- Latest 55%-owned 660MW coal-fired Banten power plant is more fuel efficient due to supercritical boiler technology.
- GENP has had a 'zero burning policy' with regards to developing oil palm plantation land since the 1990s.
- GENP is formulating a 'No Deforestation, No Peat and No Exploitation' policy to be implemented in the near future.
- Currently, 19 of 32 estates, 7 of 12 mills, 1 refinery and 2 biodiesel plant owned by GENP are RSPO certified.

Material S issues

- Bank Negara Malaysia precludes RWG from extending credit to gamblers.
- GENUK accorded GamCare's Safer Gambling Standard (Level 3) by Safer Gambling Standard Great Britain.
- SCPR gamblers required to pay entry levies of SGD150 per 24 hours/SGD3,000 p.a. to enter RWS casino.
- Problem gambling at RWS regulated by the National Council on Problem Gambling.
- RWS is the first casino in Asia Pacific to receive RG Check accreditation from the Responsible Gambling Council.
- In Dec 2018, RWS attained RG Check reaccreditation and achieved the highest score amongst >150 venues.
- GENT employed ~47k people globally in 2021. The male to female employee ratio was 67%:33%.
- GENT actively invests in life sciences and sponsors the Dementia Care Centre at University of Malaya.

Key G metrics and issues

- BOD comprises Chairman & Chief Executive, Deputy Chief Executive, President & Chief Operating Officer and 5 Independent Non-Executive Directors (INED).
- Tan Sri Lim Kok Thay (TSLKT), Chairman & Chief Executive and Mr. Lim Keong Hui, Deputy Chief Executive represent the Lim family.
- Mr. Lim Keong Hui, Deputy Chief Executive is a son of TSLKT, Chairman & Chief Executive.
- Madam Koid Swee Lian, INED is the sole woman director on the BOD.
- FY21 directors' remuneration still substantial at MYR122m (-31% YoY) even though GENT generated a loss in FY21.
- 2 key management personnel are women, the Chief Financial Officer and Senior Vice President - Legal.
- PricewaterhouseCoopers LLP is the independent auditor. They have been appointed for >10 years.
- GENM has a history of RPTs. The last major RPT was in 2019.
- Then, GENM acquired 49% of Empire Resorts from Kien Huat Realty III, linked to TSLKT for MYR661.1m.
- Empire Resorts has been generating losses since opening in Feb 2018.
- In 2016, GENM sold 17% of GENHK to Golden Hope, linked to TSLKT for USD415m.
- GENM had invested >USD750m and impaired >MYR2.0b of its investment in GENHK since 1998.
- In 2008, GENM acquired 10% of Walker Digital Gaming from KH Digital, linked to TSLKT for USD69m.
- RWS occasionally fined by the Casino Regulatory Authority. They were for minor infractions, in our view.
- Most fines were for SCPRs entering/remaining in the casino without valid casino entry levies
- RWS governed by the Casino Control Act (CCA) which contains anti money laundering regulations.
- CCA does not permit Macau style junkets which have often been accused of money laundering.
- RWS also developed and employs a Prevention Of Money Laundering and Terrorism Financing Framework.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

TauRx worth at least USD1.1b, in our view...

Recall in our previous report, we tried to quantify the impact TauRx may have on GENT earnings if its hydromethylthionine mesylate (HMTM) drug is effective in slowing the progression of Alzheimer's ([link](#)). The Alzheimer's drug market is not easy to quantify as many drugs, especially Aricept, are generically produced but we understand that it is easily worth USD3.0b (MYR13.2b) p.a. HMTM commercialization is a couple of years away even if effective but we believe that it can corner 100% of the Alzheimer's drug market as existing drugs do not even slow the decline in Alzheimer's patients. They merely treat symptoms.

If TauRx generates 6% net margin (Eisai FY3/22 net margin), we estimate that TauRx could earn c.MYR800m p.a. and contribute c.MYR160m to GENT. If it generates 27% net profit margin (Pfizer FY21 net margin), we estimate that TauRx could earn a whopping MYR3.6b and contribute c.MYR700m to GENT. We chose **Eisai (4523 JP, CP: JPY5,283, Not Rated)** and **Pfizer (PFE US, CP: USD53.55, Not Rated)** as benchmarks because the former created the hitherto most popular Alzheimer's drug, Aricept while the latter co-markets Aricept with Eisai.

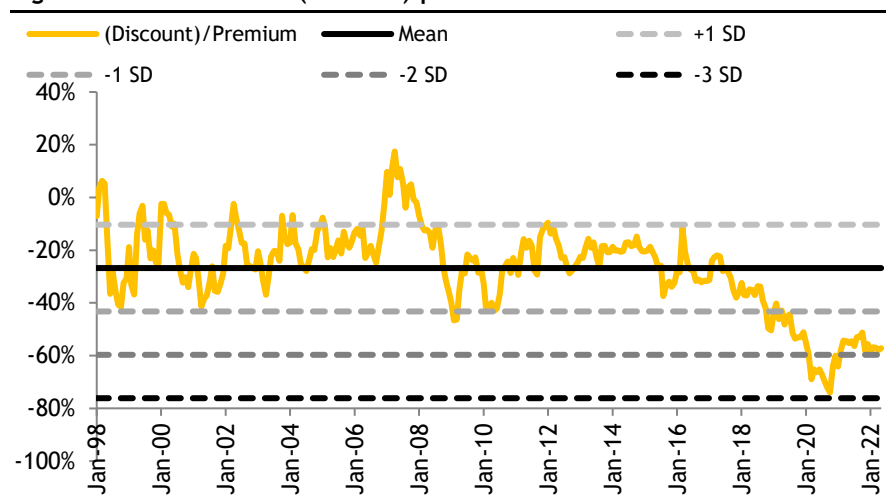
Figure 1: Key Eisai and Pfizer financial statistics

	Eisai FY3/22 JPYb	Pfizer FY21 USDb
Revenue	756.2	81.3
EBIT	53.8	24.3
Net interest expense	0.7	N/A
Pretax profit	54.5	24.3
Income tax	(8.7)	(1.9)
Discontinued operations	0.0	(0.4)
Minorities	2.2	0.0
Net profit	48.0	22.0

Source: Eisai, Pfizer

While some investors we communicated with were appreciative of our effort to quantify the impact TauRx may have on GENT earnings, they also asked if we could give an indicative valuation for TauRx. In our previous report, we narrowed the discount to SOP/sh that we ascribe to GENT to 50% (-1.5 SD to long term mean discount to SOP/sh) from 55% to raise our TP to MYR5.96 from MYR5.37. The 5% discount is worth MYR2.3b (USD523m) and if we gross it up utilising GENT's 20% shareholding in TauRx, we are implicitly valuing TauRx at USD2.6b. This assumes no holding company discount on GENT's 20% shareholding in TauRx.

Figure 2: GENT historical (discount)/premium to SOP/sh valuation



Source: Company, Maybank IBG Research, Bloomberg

Figure 3: GENT SOP-based valuation

	Forex	TP/CP MYR	Shares M	Stake %	Value MYRm	Value/sh MYR
	A	B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
Licensing & management fees			DCF at 10.5%		7,024.6	1.82
Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
SOP					45,932.6	11.93
(50% discount)						(5.96)
TP						5.96

Source: Maybank IBG Research

Curiously, the aforementioned USD2.6b valuation is very close to the USD2.5b valuation that TauRx ascribed to itself back in Mar 2018 ([link](#)). To be fair, **Dundee Corporation (DC/A CN, CP: CAD1.46, Not Rated)** which owns 4% of TauRx values it at a more conservative USD949m (USD35.1m/3.7% shareholding) ([link](#)). Unfortunately, Dundee is the only TauRx shareholder which furnishes any, albeit very little, public information on it.

Notwithstanding, we studied 6 'small-ish' pharmaceutical companies which are also developing but do not have already approved Alzheimer's drugs to try and get an indicative valuation for TauRx. They are Prothena, Cassava, Vaxxinity, AC Immune, Annovis and Alzinova. To be clear, they are all developing drugs for other diseases (save for Cassava which is focusing solely on developing drugs for Alzheimer's) but developing drugs for Alzheimer's is a key objective for them.

For the purpose of this study, we exclude 'large-ish' pharmaceutical companies which offer multiple existing drugs for other diseases but are also developing drugs for Alzheimer's such as Eli Lilly (LLY US, CP: USD307.42, Not Rated) (i.e. Donanemab) and Roche (ROG SW, CP: CHF317.85, Not Rated) (i.e. Gantenerumab). This is because it would be difficult to separate the value of one of drug from the other.

Figure 4: Selected listed pharmaceutical companies developing Alzheimer's drugs

	Ticker	Mkt cap @ 3 Jun 2022 USDm	FY21 revenue USDm	FY21 net profit/(loss) USDm	Alzheimer's research drug	Phase of trials
Prothena	PRTA US	1,250.0	200.6	67.0	PRX005 PRX012	Phase 1 Phase 1
Cassava Sciences	SAVA US	1,100.0	-	-32.4	Simufilam	Phase 3
Vaxxinity	VAXX US	603.5	0.1	-137.2	UB-311 Tau	Phase 2 Pre-clinical
AC Immune	ACIU US	278.2	-	-80.1	ACI-35.030 Semorinemab Morphomer PI-2620 Crenezumab ACI-24 in Down Syndrome	Phase 1 Phase 2 Pre-clinical Phase 2 Phase 2 Phase 1
Annovis Bio	ANVS US	80.3	-	-14.5	ANVS401	Phase 2
Alzinova	ALZ SS	8.2	-	-0.8	ALZ 101 ALZ 201	Phase 1 Pre-clinical

Source: Prothena, Cassava, Vaxxinity, AC Immune, Annovis, Alzinova

Studying Fig. 4, all of them are loss generating save for Prothena which derives revenue from collaborating with Roche and selling its research on a drug for heart disease to **Novo Nordisk (NOVOB DC, CP: DKK801.60, Not Rated)**. As Prothena generated a profit in FY21, it follows that its market capitalisation is the largest at USD1.25b even though research and development of its Alzheimer's drugs are only at Phase 1. From our analysis of the other 5 companies, 2 observations become immediately clear:-

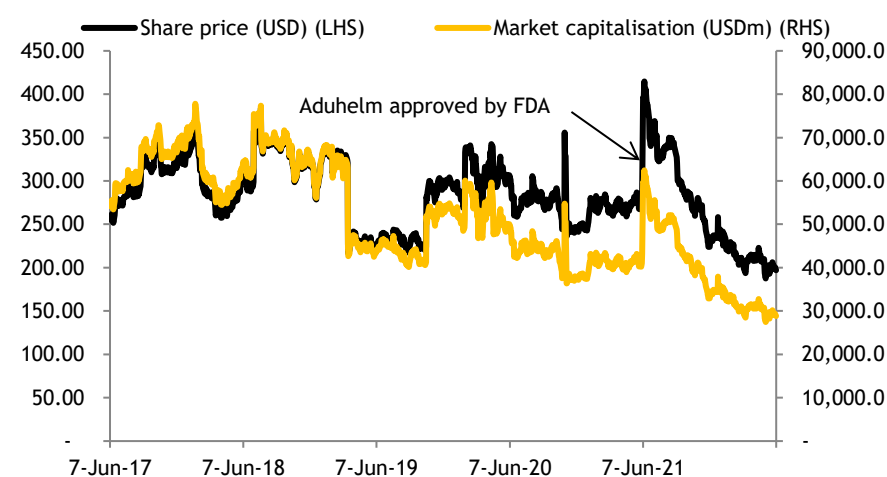
- i. Higher number of Alzheimer's drugs in research and development does not necessarily lead to a higher market capitalisation as exemplified by AC Immune; but
- ii. The more advanced an Alzheimer's drug is in research and development, the higher the market capitalisation as exemplified by Cassava Sciences' Simufilam which is at Phase 3.

In hindsight, the second observation makes sense given that Alzheimer's drugs that have progressed to Phase 3 are more likely to be commercially viable than those in Phase 2 or 1. **Recall that TauRx has already completed Phase 3 trials. Thus, we conclude that TauRx is worth at least as much as Cassava Sciences at USD1.1b.**

... but will it surge to USD15b as previously guided?

At this point, investors must be wondering if our implicit valuation of TauRx of USD2.6b is overly bullish. We would like to posit that it is not. On 7 Jun 2021, a 'medium-ish' pharmaceutical company called **Biogen (BIIB US, CP: USD197.87, Not Rated)** had its Alzheimer's drug called Aducanumab, sold under the brand name Aduhelm, approved by the United States Food & Drug Administration (FDA). It was hailed a breakthrough as it was the first Alzheimer's drug to be approved by the FDA in nearly 20 years. Memantine, sold under the brand name Namenda, was approved way back in 2003.

The approval of Aduhelm caused Biogen's share price to surge from USD286.14 on 4 Jun 2021 to a record high of USD414.71 on 10 Jun 2021. We believe that the uptrend in Biogen's share price then implicitly valued Aduhelm at USD19.4b (Biogen market capitalisation as at 10 Jun 2021 of USD62.4b less Biogen market capitalisation as at 4 Jun 2021 of USD43.1b). Aduhelm is administered intravenously. It is approved only for patients with mild cognitive impairment and mild dementia due to Alzheimer's. Aduhelm reduces brain beta amyloid, a protein that is thought to be a key part of the Alzheimer disease pathway. However, the benefits on daily functioning, thinking or memory are not clear, while side effects include brain swelling and bleeding.

Figure 5: Historical share price and market capitalisation of Biogen


Source: Bloomberg

To say that the FDA's decision to approve Aduhelm was controversial is an understatement, in our view. 3 FDA advisers resigned in protest of the FDA's decision to approve Aduhelm. The Office of Inspector General, United States Department of Health and Human Services has even been asked to investigate interactions between Biogen and FDA officials prior to Aduhelm's approval. To add insult to injury, Aduhelm was initially priced at USD56,000 for a year of treatment but was later halved after concerns were raised as to the cost for the public healthcare system in the United States (i.e. Medicare).

Unsurprisingly, the European Medicines Agency rejected Aduhelm's application for medical use in Europe on 17 Dec 2021. In the 9 months up to 31 Mar 2022, Aduhelm generated only USD5.8m in sales for Biogen when it was once touted to be a 'blockbuster' drug (i.e. drug that generates >USD1b in sales p.a.). This debacle caused Biogen to dismantle its American sales platform and the departure of its Chief Executive Officer, Michel Vounatsos. As a result, Biogen's market capitalisation has halved over the last twelve months.

Curiously, we believe that the downtrend in Biogen's share price implicitly valued Aduhelm at an even larger USD33.6b (Biogen market capitalisation as at 10 Jun 2021 of USD62.4b less current Biogen market capitalisation of USD28.9b). With the implicit valuation of Aduhelm ranging from USD19.4b to USD33.6b, perhaps TauRx co-founder and Executive Chairman Professor Claude Wischik's much publicised plan to list TauRx with a valuation of USD15b on the NASDAQ if Phase 3 trials are successful, as reported back in Dec 2015, are not so outlandish after all.

Could GENT shares eventually be worth MYR8.84?

We next postulate what impact TauRx's valuation could have on GENT's valuation at increments of USD5b up to USD15b for the former. To be more detailed, we devise 2 scenarios:-

- i. ascribe 55% discount to GENT's other SOP valuation AND its proportionate share of TauRx's valuation (i.e. previous discount to SOP/sh we ascribed to GENT before the recent news on TauRx broke); and
- ii. ascribe 55% discount to GENT's other SOP valuation BUT 0% discount to GENT's proportionate share of TauRx's valuation. GENT shareholders will likely want to realise TauRx's full value by having its shares distributed to the former rather than subjecting it to a holding company discount.

Under the first scenario, our GENT TP may range from MYR5.88 to MYR6.93 (Fig. 6 to 8). Obviously, the holding company discount to SOP/sh is a major dampener to value creation for GENT shareholders.

Figure 6: GENT SOP-based valuation if TauRx valued at USD5b - Scenario 1

	Forex	TP/CP MYR	Shares M	Stake %	Value MYRm	Value/sh MYR
	A	B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
Licensing & management fees			DCF at 10.5%		7,024.6	1.82
Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
TauRx			20.3% of USD5b		4,455.9	1.16
SOP					50,388.45	13.08
(55% discount)						(7.19)
TP						5.88

Source: Maybank IBG Research

Figure 7: GENT SOP-based valuation if TauRx valued at USD10b - Scenario 1

	Forex	TP/CP MYR	Shares M	Stake %	Value MYRm	Value/sh MYR
	A	B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
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Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
TauRx			20.3% of USD10b		8,911.7	2.31
SOP					54,844.3	14.23
(55% discount)						(7.83)
TP						6.41

Source: Maybank IBG Research

Figure 8: GENT SOP-based valuation if TauRx valued at USD15b - Scenario 1

	Forex	TP/CP MYR	Shares M	Stake %	Value MYRm	Value/sh MYR
	A	B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
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Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
TauRx			20.3% of USD15b		13,367.6	3.47
SOP					59,300.2	15.39
(55% discount)						(8.47)
TP						6.93

Source: Maybank IBG Research

Under the second scenario, our GENT TP may range from a higher MYR6.52 to MYR8.84 (Fig. 9 to 11). Obviously, this is the better way to create value for GENT shareholders (i.e. distribute TauRx shares to GENT shareholders if HMTM is effective and commercialised).

Figure 9: GENT SOP-based valuation if TauRx valued at USD5b - Scenario 2

	Forex	TP/CP	Shares	Stake	Value	Value/sh
	A	MYR	M	%	MYRm	MYR
		B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
Licensing & management fees			DCF at 10.5%		7,024.6	1.82
Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
SOP					45,932.6	11.92
(55% discount)					(25,262.9)	(6.56)
TauRx			20.3% of USD5b		4,455.9	1.16
TP					25,125.5	6.52

Source: Maybank IBG Research

Figure 10: GENT SOP-based valuation if TauRx valued at USD10b - Scenario 2

	Forex	TP/CP	Shares	Stake	Value	Value/sh
	A	MYR	M	%	MYRm	MYR
		B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
Licensing & management fees			DCF at 10.5%		7,024.6	1.82
Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
SOP					45,932.6	11.92
(55% discount)					(25,262.9)	(6.56)
TauRx			20.3% of USD10b		8,911.7	2.31
TP					29,581.4	7.68

Source: Maybank IBG Research

Figure 11: GENT SOP-based valuation if TauRx valued at USD15b - Scenario 2

	Forex	TP/CP MYR	Shares M	Stake %	Value MYRm	Value/sh MYR
	A	B	C	D	E=AXBXCXD	
Genting Malaysia	1.00	3.30	5,653.2	49.5%	9,234.5	2.40
Genting Singapore	3.00	0.83	12,064.8	52.7%	15,831.8	4.11
Genting Plantations	1.00	8.40	897.2	55.4%	4,175.2	1.08
Landmarks	1.00	0.24	671.5	21.7%	35.0	0.01
Licensing & management fees			DCF at 10.5%		7,024.6	1.82
Oil & Gas			End-FY22E BV		3,094.8	0.80
Power			EV/MW of USD0.5m		3,117.3	0.81
PT Lestari Banten			Capitalised cost		1,612.8	0.42
Net cash/(debt) at GENT level			End-FY22E		(16,019.9)	(4.16)
Resorts World Las Vegas			Capitalised cost		17,826.5	4.63
SOP					45,932.6	11.92
(55% discount)					(25,262.9)	(6.56)
TauRx			20.3% of USD15b		13,367.6	3.47
TP					34,037.2	8.84

Source: Maybank IBG Research

Notwithstanding the above, we maintain our earnings estimates and MYR5.96 SOP-based TP (Fig. 3) for now pending more details on TauRx's recent Phase 3 trial results. The purpose of this report is solely to postulate what impact TauRx may have on GENT's valuation should its Alzheimer's drug, HMTM be effective and commercialised. To be sure, more details could be revealed as soon as today 12:45 p.m. to 1:45 p.m. London time at the 35th Global Conference of Alzheimer's Disease International.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	nm	nm	42.1	10.4	10.1
Core P/E (x)	nm	nm	42.1	10.4	10.1
P/BV (x)	0.5	0.6	0.6	0.6	0.6
P/NTA (x)	0.6	0.7	0.8	0.7	0.7
Net dividend yield (%)	3.4	2.4	2.8	3.7	3.7
FCF yield (%)	nm	nm	21.3	22.4	19.5
EV/EBITDA (x)	17.2	16.3	8.9	6.5	6.5
EV/EBIT (x)	104.5	59.8	16.7	10.1	10.0
INCOME STATEMENT (MYR m)					
Revenue	11,564.1	13,529.5	22,925.3	27,010.1	27,127.4
EBITDA	2,903.0	3,798.2	7,161.1	9,625.4	9,661.7
Depreciation	(2,426.1)	(2,764.3)	(3,374.0)	(3,381.4)	(3,388.9)
EBIT	476.9	1,033.9	3,787.1	6,244.0	6,272.7
Net interest income / (exp)	(680.3)	(1,101.3)	(1,417.4)	(1,312.3)	(1,184.5)
Associates & JV	(89.3)	(335.7)	(21.0)	(14.5)	(9.0)
Exceptionals	(1,233.8)	(567.7)	0.0	0.0	0.0
Pretax profit	(1,526.5)	(970.8)	2,348.7	4,917.2	5,079.2
Income tax	(547.5)	(442.3)	(902.7)	(1,187.7)	(1,336.4)
Minorities	1,049.8	43.4	(957.1)	(1,756.7)	(1,706.4)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(1,024.2)	(1,369.7)	489.0	1,972.8	2,036.4
Core net profit	(403.4)	(1,176.0)	489.0	1,972.8	2,036.4
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	26,619.9	23,147.0	21,468.3	19,972.0	16,442.4
Accounts receivable	2,014.3	2,582.9	3,415.3	2,891.1	2,903.7
Inventory	580.5	656.5	912.7	848.0	851.7
Property, Plant & Equip (net)	45,084.3	49,403.8	49,497.4	50,545.7	51,608.0
Intangible assets	5,188.6	5,028.5	5,028.5	5,028.5	5,028.5
Investment in Associates & JVs	3,365.3	3,896.2	4,289.8	4,586.2	4,784.5
Other assets	16,788.1	17,733.2	17,733.2	17,733.2	17,733.2
Total assets	99,641.0	102,448.1	102,345.2	101,604.8	99,352.0
ST interest bearing debt	1,624.3	2,900.8	2,357.4	4,030.2	4,030.2
Accounts payable	4,952.0	5,212.8	7,513.2	7,258.5	7,292.4
LT interest bearing debt	35,143.1	37,837.8	35,480.4	31,450.2	27,419.9
Other liabilities	3,395.0	3,338.0	3,719.0	3,983.0	4,106.0
Total Liabilities	45,114.6	49,289.5	49,070.2	46,722.1	42,849.0
Shareholders Equity	32,965.4	31,794.1	31,705.5	32,908.2	34,174.4
Minority Interest	21,561.0	21,364.5	21,569.5	21,974.5	22,328.5
Total shareholder equity	54,526.4	53,158.6	53,275.0	54,882.7	56,503.0
Total liabilities and equity	99,641.0	102,448.1	102,345.2	101,604.8	99,352.0
CASH FLOW (MYR m)					
Pretax profit	(1,526.5)	(970.8)	2,348.7	4,917.2	5,079.2
Depreciation & amortisation	2,426.1	2,764.3	3,374.0	3,381.4	3,388.9
Adj net interest (income)/exp	680.3	1,101.3	1,417.4	1,312.3	1,184.5
Change in working capital	(562.8)	167.2	1,211.8	334.2	17.6
Cash taxes paid	(779.4)	(539.9)	(521.5)	(923.7)	(1,213.1)
Other operating cash flow	823.1	490.7	21.0	14.5	9.0
Cash flow from operations	1,060.8	3,012.8	7,851.4	9,035.8	8,466.2
Capex	(7,084.9)	(6,101.8)	(3,467.6)	(4,429.7)	(4,451.3)
Free cash flow	(6,024.1)	(3,089.0)	4,383.8	4,606.1	4,014.9
Dividends paid	(847.1)	(327.3)	(577.6)	(770.1)	(770.1)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	4,396.3	2,871.5	(2,900.8)	(2,357.4)	(4,030.2)
Other invest/financing cash flow	(1,127.9)	(3,444.9)	(2,584.1)	(2,975.0)	(2,744.2)
Effect of exch rate changes	(705.1)	597.3	0.0	0.0	0.0
Net cash flow	(4,307.9)	(3,392.4)	(1,678.7)	(1,496.3)	(3,529.6)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(46.5)	17.0	69.4	17.8	0.4
EBITDA growth	(63.0)	30.8	88.5	34.4	0.4
EBIT growth	(90.9)	116.8	266.3	64.9	0.5
Pretax growth	nm	nm	nm	109.4	3.3
Reported net profit growth	nm	nm	nm	303.5	3.2
Core net profit growth	nm	nm	nm	303.5	3.2
Profitability ratios (%)					
EBITDA margin	25.1	28.1	31.2	35.6	35.6
EBIT margin	4.1	7.6	16.5	23.1	23.1
Pretax profit margin	nm	nm	10.2	18.2	18.7
Payout ratio	nm	nm	118.1	39.0	37.8
DuPont analysis					
Net profit margin (%)	nm	nm	2.1	7.3	7.5
Revenue/Assets (x)	0.1	0.1	0.2	0.3	0.3
Assets/Equity (x)	3.0	3.2	3.2	3.1	2.9
ROAE (%)	(3.0)	(4.2)	1.5	6.1	6.1
ROAA (%)	(0.4)	(1.2)	0.5	1.9	2.0
Liquidity & Efficiency					
Cash conversion cycle	(128.9)	(104.0)	(80.3)	(92.7)	(94.0)
Days receivable outstanding	67.4	61.2	47.1	42.0	38.5
Days inventory outstanding	26.1	22.9	17.9	18.2	17.5
Days payables outstanding	222.4	188.0	145.3	152.9	150.0
Dividend cover (x)	(1.8)	(3.2)	0.8	2.6	2.6
Current ratio (x)	4.4	3.1	2.5	2.0	1.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.1	2.1	2.2	2.3
Net gearing (%) (incl perps)	18.6	33.1	30.7	28.3	26.6
Net gearing (%) (excl. perps)	18.6	33.1	30.7	28.3	26.6
Net interest cover (x)	0.7	0.9	2.7	4.8	5.3
Debt/EBITDA (x)	12.7	10.7	5.3	3.7	3.3
Capex/revenue (%)	61.3	45.1	15.1	16.4	16.4
Net debt/ (net cash)	10,147.5	17,591.6	16,369.5	15,508.4	15,007.8

Source: Company; Maybank IBG Research

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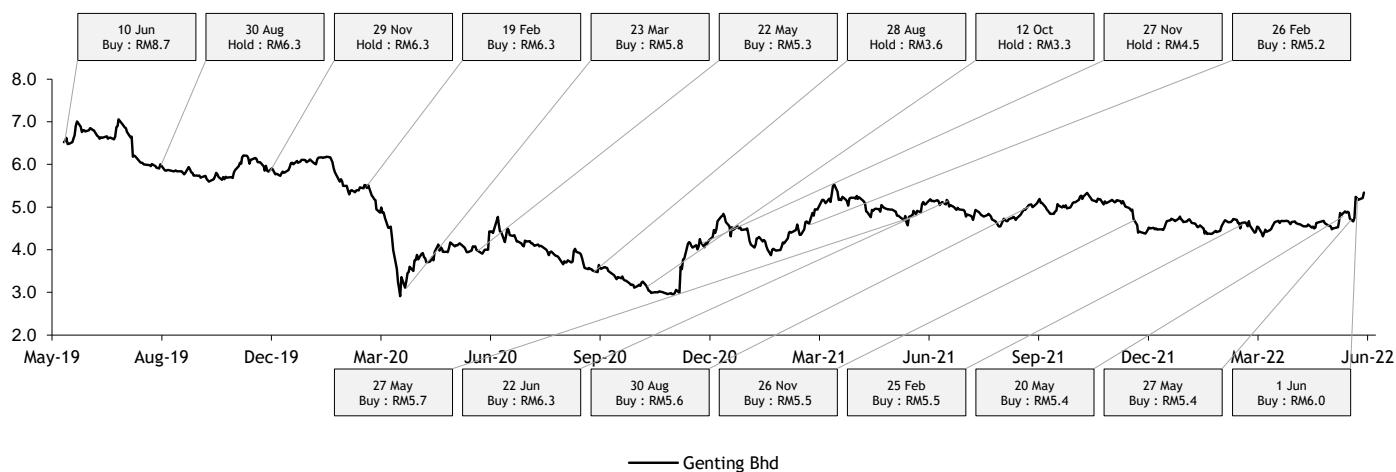
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