KDN: PP 10744/04/2010

midf RESEARCH

Equity Beat

25 February 2010

FY09 Results Review

Genting Plantations Berhad

Look forward to better years ahead

NEUTRAL
Target Price: RM6.00

- **Genting Plant registered FY09 net earnings of RM235.7m or equivalent to 92% of our estimate. The shortfall was mainly due to the lower than expected CPO selling price in 4Q09 of RM2,236/mt as compared to market price of RM2,318/mt.**
- **The plantation segment recorded lower performance due to weaker CPO selling price and a decline in FFB output. Property division was impacted by the still soft property market.**
- **Genting Plant is undertaking a big expansion program in Indonesia which will only begin to bear significant fruits from 2012 onwards. In the interim, its plantation output growth is expected to remain modest. We are maintaining our Neutral recommendation on the stock with a target price of RM6.00, based on FY10 earnings of 14.6x, a 30% premium to its peers.**

STOCK INFO

Price (24 Feb 10)	RM6.18	KLCI	1,270.78
Issued shares (mil)	758.0	Bursa / Bloomberg	2291/ASP MK
Par Value (RM)	0.50	Board / Sector	Main/ Plantation
Market cap. (RM'm)	4,684.6	Syariah Compliant	Yes
Price over NTA	2.34		
52-wk price Range	RM3.92–RM6.49	Major Shareholders	
Beta (against KLCI)	1.41	Genting Berhad	54.70%
3-mth Avg Daily Vol	1.22m	EPF	15.51%
3-mth Avg Daily Value	RM6.70m	Lembaga Tabung Haji	5.05%

Lower revenue and earnings figures are attributable to weaker FFB output and CPO selling prices. Genting Plant reported its FY09 results with lower revenue of RM755.6 million, down 27% from the previous year. Earnings for FY09 also declined 37% from a year earlier to RM235.7 million. The weaker results in FY09 were mainly due to a 6% year-on-year decline in the production of FFB and softer CPO selling prices. The average CPO selling price achieved in FY09 was 21% lower at RM2,236/mt compared with RM2,822/mt in FY08.

Slower property development activities in FY09 and may remain flat in FY10. Contribution from the Property segment was also lower in FY09, down 45% from the previous year to RM6.8 million due to the softer property market engendered by the less than favourable economic conditions. Genting Plant does not planned big new launches in FY10 but mainly aims to complete the selling down of its existing inventories. The total property development revenue for FY10 hence may remain flat.

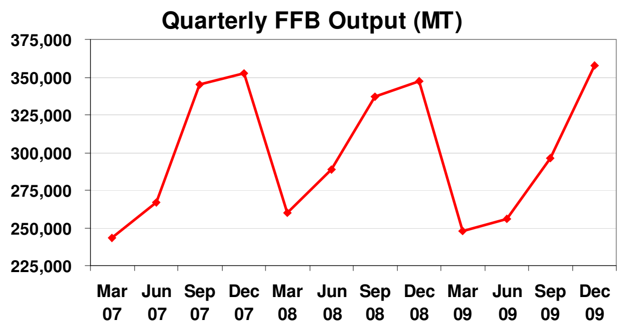
Future growth is pinned on ambitious expansion in Indonesia. Genting Plant took a strategic decision to expand its plantation operations into the land-abundant Indonesia and is currently developing more than 67,000 hectares in Kalimantan through various joint ventures. With this ambitious expansion program, it now has a total available landbank of around 133,000 hectares (with additional 65,000 hectares at various stages of regulatory approval process). Genting Plant is committing around RM1.1 billion for plantation development activities and is speeding up its

FYE 31 Dec	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	1,036.0	755.6	862.8	958.0
EBIT (RM'm)	463.7	301.4	408.6	451.4
Pretax Profit (RM'm)	482.9	301.4	408.6	451.4
Net Profit (RM'm)	373.3	235.7	311.5	344.1
EPS (sen)	49.2	31.1	41.1	45.4
EPS growth (%)	7.9%	-36.9%	32.2%	10.5%
PER(x)	12.5	19.9	15.0	13.6
Net Dividend (sen)	11.7	6.9	11.1	11.4
Net Dividend Yield (%)	1.9%	1.1%	1.8%	1.8%

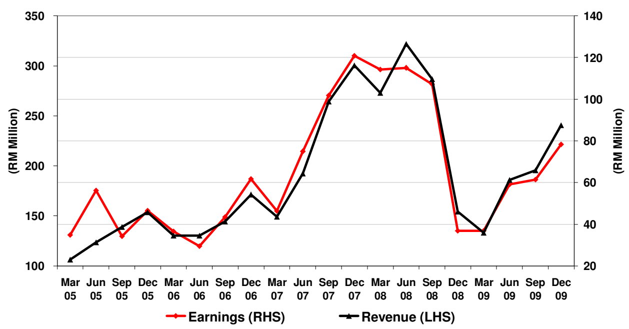
Source: Company, Forecasts by MIDFR

Indonesian planting efforts with a target of between 15,000-20,000 hectares each year in 2010 and beyond. By 2013, it envisages that its total planted areas in Indonesia to be as big as or even larger than its Malaysian estates. With hitherto clean balance sheet and a strong parent company, we have little doubt that the planned capital expenditures will materialize.

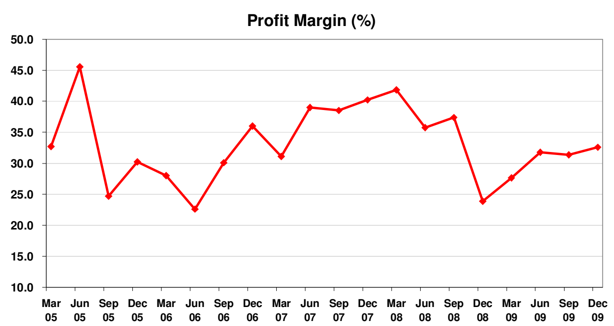
Maintain Neutral rating with a target price of RM6.00. Genting Plant's big expansion plans in Kalimantan, Indonesia will only begin to bear significant fruits from 2012 onwards. In the interim, its plantation output is not expected to show any significant jump from the previous years' figures. We are maintaining our Neutral recommendation on the stock with a target price of RM6.00, based on FY10 earnings of 14.6x, a 30% premium to the consensus forward PER of other mid-size (i.e. market cap of between RM1-10 billion) plantation companies. The 30% premium is justified given the long-term growth potential of Genting Plant.



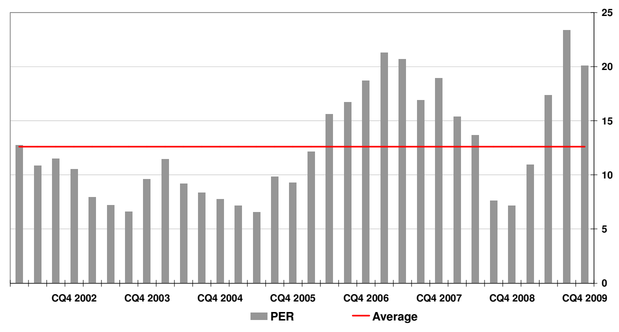
FFB output rose by 3%yoy in 4Q09.



Revenue and earnings staged strong sequential rise in 4Q09 – helped by 21% higher FFB output.



Profit margin remained at normal levels of between 30-40%.



Historical average PER of 13x.

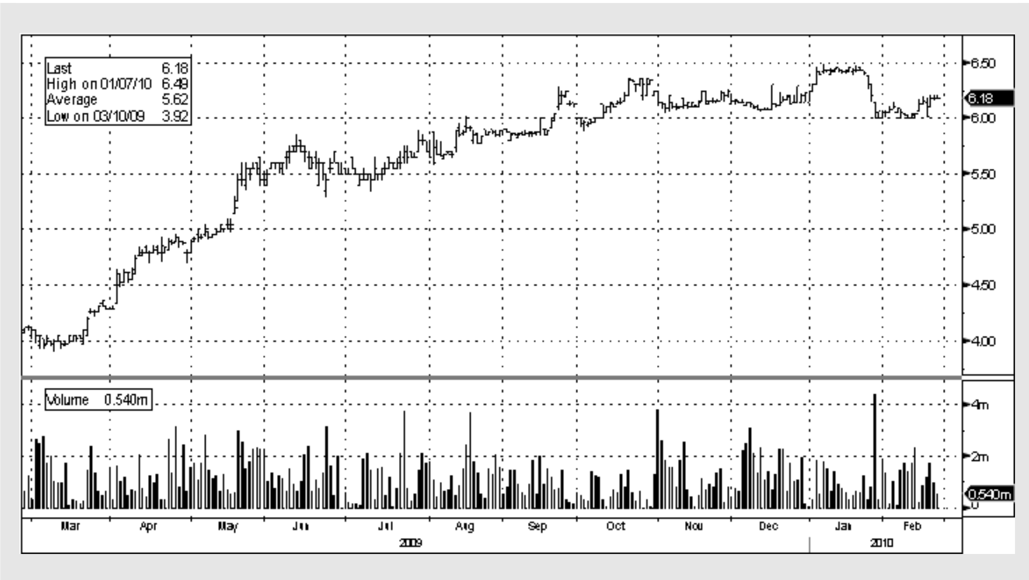
Genting Plantations: FY09 RESULTS SUMMARY

	Quarterly Results			Cumulative		Comments
FYE Dec (RM m)	**4Q09**	***%YoY***	***%QoQ***	**FY09**	***%YoY***	
Revenue	240.6	*55.8%*	*22.9%*	755.6	*-27.1%*	Lower CPO selling price and decline in the production of FFB
Cost of sales	-116.8	*43.6%*	*22.5%*	-375.1	*-20.8%*	
Gross profit	123.8	*69.5%*	*23.4%*	380.5	*-32.4%*	
Other income	6.0	*-21.7%*	*-11.0%*	24.6	*-12.4%*	
Other expenses	-35.5	*-4.1%*	*30.6%*	-108.6	*-1.6%*	
Operating profit	94.3	*115.8%*	*18.0%*	296.5	*-38.2%*	As above
Pre-tax profit	96.2	*122.3%*	*18.6%*	301.4	*-37.6%*	
Tax	-17.2	*151.1%*	*-7.3%*	-64.0	*-39.5%*	
Net Profit	78.4	*112.6%*	*27.7%*	235.7	*-36.9%*	As above
EPS (sen)	10.3	*112.3%*	*27.7%*	31.1	*-36.9%*	
		+/- ppts	***+/- ppts***		***+/- ppts***	
Op margin (%)	39.2%	*10.9*	*-1.6*	39.2%	*-7.1*	
Tax rate (%)	17.9%	*2.1*	*-5.0*	21.2%	*-0.7*	
Segmental						
Revenue:						
Plantation	216.8	*56.9%*	*22.9%*	675.4	*-27.9%*	Lower CPO selling price and decline in FFB output
Property	23.7	*46.7%*	*23.0%*	80.2	*-19.4%*	Soft property market
Operating Profit:						
Plantation	92.8	*129.6%*	*17.2%*	285.0	*-37.8%*	Lower CPO selling price and decline in FFB output
Property	1.9	*2292.4%*	*72.1%*	6.8	*-45.3%*	Soft property market
Operating Margin:		***+/- ppts***	***+/- ppts***		***+/- ppts***	
Plantation	42.8%	*13.5*	*-2.1*	42.2%	*-6.7*	
Property	8.0%	*7.5*	*2.3*	8.5%	*-4.0*	
(Continued)						

Plantation Stats:						
CPO GENP (RM/MT)	2,236	*36.9%*	*-1.9%*	2,236	*-20.8%*	
CPO Market (RM/MT)	2,318	*44.5%*	*3.4%*	2,257	*-20.7%*	
FFB production (MT)	357,828	*3.1%*	*20.8%*	1,158,460	*-6.1%*	

Source: Company, MIDFR

DAILY PRICE CHART



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BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* 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 *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.