KENANGA RESEARCH

Results Note

25 February 2010

HOLD
RM6.18

Target Price: RM5.92

Genting Plantation

In line

Stock data

Market cap (RMm):	4,684.6
Issued shares (m):	758.0
52-week range:	RM3.92-RM6.49
3-mth avg daily volume:	1,105,012 shrs
Bloomberg code:	GENP MK
YTD price chg:	-1.0%
YTD KLCI chg:	-0.2%
Est. free float:	31.3%
Major shareholders:	
Genting Bhd:	*54.6%*
EPF:	*14.1%*

KLCI	FBM70	FBM100	Syariah	Hijrah
No	No	Yes	Yes	Yes

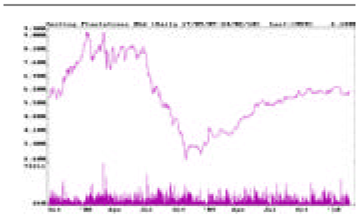
Consensus

FYE 31 Dec	2010E	2011E
Net profit (RMm):	315.1	341.9
EPS (sen):	42.1	45.4

Forecast revision

FYE 31 Dec	2010E	2011E
Prev. net profit (RMm):	210.7	263.3
Revision (%):	+4.4%	+2.0%
New net profit (RMm):	220.0	268.5

Share price chart



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- **FY09 results marginally better than forecast.** While FY09 revenue of RM755m was 3% higher than our forecast, it was however 2% lower than consensus. 12M09 net profit of RM236m was 7% ahead of our expectation but only 3% ahead of consensus. For the year, revenue slumped 27% with net profit dipping 37% due to lower palm product prices and lower FFB production. For the year, FFB production was down 6% to 1.153m tonnes (FY08 : 1.23m tonnes) while average CPO fetched tumbled 21% to RM2,236 (FY08 : RM2,822).
- **QoQ, revenue jumped 23%** underpinned by plantation (+23%) supported by higher FFB production and property (+23%). Based on disclosure, FFB production surged 21% to 357,828 tonnes (3Q09 :296,163 tonnes).
- **FY09 cost of CPO production rose 8% to RM1,031** (FY08 : RM958 / tonne) as per tele-conversation. This is much lower than our forecast of RM1,134 / tonne. Going forward, management guides for lower production cost at circa RM1,000 given lower fertilizer costs and better yield. 1H10 fertiliser requirements have been locked-in with a 10% - 12% discount as compared to FY09 levels.
- **Capex should increase to RM380m** (FY09: RM252m) with the bulk (RM300m) to be utlised for Indonesian planting followed by RM65m earmarked for the Malaysian plantations.
- **Planting should also increase** with management guiding 20,000 hectares depending on weather and the social environment. While management had guided similar planting in 2009 with the actual planting coming in at circa 11,214 hectares, FY10 should however turn out to be a more aggressive year compared to 2009.
- **No forward sales** until and unless management sees too many speculative interest in the CPO market. They remained comfortable with the current RM2,500 – RM2,600 levels with a positive bias. Officially guides an average of RM2,300 for the year.
- Weather pattern in Malaysia has been warmer than expected while Indonesia is comfortable. Flash floods were encountered in Sabah during the start of the year but have receded with February hitting a dry spell with only less than 70mm rainfall. Management said should the dry spell (less than 80mm) for another 3 months or so, tree stress will have a bearing on yield some 6 – 9 months down the road.
- **Final dividend of 5.25sen less 25% tax declared** bringing total FY09 DPS to 9sen less 25% tax which is in line with our expectations.
- **Tweaking our numbers** slightly with FY10 net profit raised by 5% factoring lower production costs. Maintain **HOLD** with **new TP of RM5.92 based on 16x FY10F** (from RM5.68 previously on 16x multiple).

Results Highlights

FYE 31 Dec (RMm)	4Q08	1Q09	2Q09	3Q09	4Q09	QoQ %	YoY%	12M09	12M08	YoY%
Revenue	154.4	133.4	186.0	195.7	240.6	22.9%	55.8%	755.6	1,036.0	-27.1%
EBIT	43.7	47.3	75.1	79.9	94.3	18.0%	115.7%	296.5	480.1	-38.2%
Pretax Profit	43.3	47.8	76.8	81.1	96.2	18.6%	122.2%	301.9	482.9	-37.5%
Taxation	(6.9)	(10.9)	(17.2)	(18.6)	(17.2)			(64.0)	(105.7)	
MI	(0.5)	(0.0)	(0.5)	(1.2)	(0.6)			(2.3)	(4.0)	
Net Profit	35.9	36.9	59.1	61.3	78.4	27.8%	118.3%	235.7	373.3	-36.9%
EPS (sen)	4.7	4.9	7.8	8.1	10.3			31.1	49.3	
EBIT %	28.3%	35.5%	40.4%	40.8%	39.2%			39.2%	46.3%	
PBT %	28.0%	35.8%	41.3%	41.4%	40.0%			40.0%	46.6%	
Tax %	-15.9%	-22.8%	-22.4%	-22.9%	-17.9%			-21.2%	-21.9%	
CPO (RM / mt)	1,633	1,862	2,515	2,279	2,236			2,236	2,822	
Palm Kernel (RM / mt)	839	832	1,162	1,101	1,126			1,063	1,595	

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Segmental breakdown

Segmental Rev:	4Q08	1Q09	2Q09	3Q09	4Q09	QoQ %	YoY%	12M09	12M08	YoY%
Plantation	138.2	115.9	166.2	176.4	216.8	22.9%	56.9%	675.4	936.5	-27.9%
Property	16.2	17.4	19.7	19.3	23.7	23.0%	46.5%	80.2	99.5	-19.4%
Group Rev	**154.4**	**133.4**	**186.0**	**195.7**	**240.6**	**22.9%**	**55.8%**	**755.6**	**1,036.0**	**-27.1%**
Segment Profit :										
Plantation	40.4	43.8	69.2	79.1	92.8	17.3%	129.8%	285.0	454.7	-37.3%
Property	0.1	1.8	2.0	1.1	1.9	72.1%	1790.0%	6.8	12.4	-45.2%
Others	(1.7)	(1.5)	1.4	(2.8)	8.7	406.3%	609.9%	(5.7)	15.8	-136.3%
Group Op Profit	**38.8**	**44.1**	**72.6**	**77.4**	**103.4**			**286.1**	**482.9**	**-40.8%**

Earnings Estimates

FYE 31 Dec (RMm)	2007A	2008A	2009A	2010F	2011F
Revenue	*906.3*	*1,035.9*	*755.6*	*829.0*	*896.9*
EBITDA	459.0	479.3	306.6	368.4	416.2
EBITDA %	50.6%	46.3%	40.6%	44.4%	46.4%
Depreciation	23.7	20.8	20.6	21.5	22.2
EBIT	435.3	458.5	286.0	346.9	394.0
EBIT%	48.0%	44.3%	37.9%	41.8%	43.9%
PBT	*451.2*	*482.9*	*301.9*	*365.9*	*418.0*
PBT %	49.8%	46.6%	40.0%	44.1%	46.6%
Tax	(103.1)	(105.7)	(64.0)	(80.5)	(104.5)
Tax %	-22.9%	-21.9%	-21.2%	22.0%	25.0%
MI	(4.0)	(4.0)	(2.3)	(2.9)	(3.1)
Net Profit	**344.1**	**373.3**	**235.6**	**282.5**	**310.4**
Net %	38.0%	36.0%	31.2%	34.1%	34.6%
EPS (sen)	45.4	49.3	31.1	37.3	41.0
Gross DPS (sen)	14.0	10.0	9.0	10.4	11.1
EPS Growth	101.0%	8.5%	-36.9%	19.9%	9.9%
PER(x)	13.6	12.5	19.9	16.6	15.1
EV/EBITDA(x)	9.1	8.7	13.3	10.4	8.5
CFS (sen)	46.3	37.9	37.2	36.6	40.5
P/CFS (x)	13.3	16.3	16.6	16.9	15.3
Gross DPS	14.0	10.0	9.0	10.4	11.1
Div Yield %	2.3%	1.6%	1.5%	1.7%	1.8%

Published and printed by:
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