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Genting hits 52-week high on Macau licence optimism

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SHARES of Genting Bhd hit a year's high last Thursday when it closed at RM11.30 after a steady rise of almost 10 per cent since the New Year.

According to analysts and traders, the share price has appreciated from RM10.40 at the beginning of the year, riding on speculation that it may bag a casino concession in Macau.

The counter hit a 52-week high when it closed 20 sen higher at RM11.30 last Thursday, but retreated to RM11.20 on Friday due to a broad-based selling pressure arising from the ringgit re-pegging concern.

Last month, the company announced that it had submitted a tender through its 57 per cent subsidiary Genting International Plc Group to be among the 21 contenders bidding for one of the three casino concessions.

"The bid is a high-profile one, and this has generated quite a bit of foreign interest in the counter," said an institutional trader.

He said although the stiff competition includes big names like Stanley Ho's Sociedade de Turismo e Diversoes de Macau and US-based casino operators of Mirage and Las Vegas, investors believe Genting has a fair shot with Macau-based Macau Star SA, a unit of Genting International.

Until Friday, Genting also saw its shares benefit from the buying of blue-chip counters. Previously, shares of Malaysia's biggest company had seen buying interest after a bullish sentiment that followed three months of steady rise.

The Kuala Lumpur Stock Exchange (KLSE) Composite Index (KLCI) went up 20.95 points, or 3 per cent, since the beginning of the year.

"We have seen strong interest in blue-chip shares, and investors like Genting as it is one of the more exciting counters," said an analyst at a local brokerage.

Last Friday, however, the KLSE shed 1.95 points, or 0.3 per cent, to 703.04 following the concern of the re-pegging of ringgit as the devaluation of yen has hurt the country's export competitiveness. Prime Minister Datuk Seri Dr Mahathir Mohamad was quoted as saying the RM3.80 peg may be revised if the fall of yen leads China to devalue its currency.

Analysts also said the potential purchase of Tenaga Nasional Bhd's 20 per cent stake in Genting Sanyen Power is a positive move. The company currently holds 39.1 per cent of the power plant.

"An increase on its shareholding in the power producer could increase Genting's profit by around 5 per cent," said another analyst. In the financial year 2000, Genting made a pre-tax profit of RM99.7 million through its stake in the power producer.

According to Multex's consensus of 24 brokerage, Genting's estimated earnings for 2001 is RM472.1 million, while its forecast for 2002 is RM646.9 million and for 2003, it is RM746.7 million.

Analysts are estimating Genting's fair value to be around RM11.90 per share. Its profit in its first nine months of 2001 is RM932.1 million compared with RM926.3 million a year before. It has a net tangible asset of RM8.03 per share.

Apart from its gaming activity, which makes up around 80 per cent of its operations, and power business, Genting's activities also cover plantations, paper and packaging, property and oil and gas.

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