

22 July 2024

# Genting Plantations

## Foray into Property Development in Jakarta

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GENP is venturing into property development in Jakarta, Indonesia, via the the acquisition of 375-acre land in Bogor, a major satellite city of Greater Jakarta, for IDR2,052b (RM593m). This could also signal GENP's second Premium Outlets in Greater Jakarta. We trim our FY25F earnings forecast by 3% to account for higher finance cost but maintain our TP of RM6.00 and MARKET PERFORM call.

GENP is venturing into property development in Jakarta, Indonesia, via the the acquisition of 152 ha or 355 acres of land with *Hak Guna Bangunan* (with an initial tenure of up to 2028-2053 with extensions of 20 years + 30 years) in Sentul City, Bogor—a major satellite city of Greater Jakarta—for IDR2,052b (RM593m) (see Exhibit 1). Sentul City is not new to GENP. Three years ago, GENP paid RM127m or RM5.7m/acre for a 9-ha commercially zoned land in Sentul City.

Bogor is surrounded by elevated highland resorts and towns, including an area known as “Puncak” and it is also historic, being a very old settlement with its Dutch colonial past. Located 60 km south of central Jakarta, Bogor is just 60-70 minutes drive away on one of the busiest toll roads (>0.5m vehicles per day) in Indonesia.

At an average price of IDR5.47b or RM1.58m per acre, we believe GENP is paying a fair price. A quick check on Indonesia-based property portals revealed that asking prices for larger land tracts (8 to 18 acres) in Sentul, Bogor range from IDR4.1b to IDR10.1b or RM1.18m to RM2.92 per acre. GENP will also be paying RM246m out of the RM593m consideration on a staggered basis over five years.

The acquisition will increase GENP's estimated end-FY25 net debt of RM1.23b (22% net gearing) to RM1.58b (29% net gearing) which is still quite contained and manageable.

We believe GENP is probably also laying the groundwork for another possible Premium Outlets in Greater Jakarta and the potential property demand uplift following such an opening. Recall, the first “Jakarta Premium Outlets” is nearing completion. Announced in mid-2023, Jakarta Premium Outlets is in the affluent upper middle-class suburb of Alam Sutera, 50-minute drive west of central Jakarta.

We believe Greater Jakarta can support 2-3 Premium Outlets type malls. Comprising central Jakarta and five other cities, Bogor, Depok, Tangerang and Bekasi, Greater Jakarta is also known as “Jabodetabek” (the first 2 or 3 letters of the six cities). It is spread over 6,800 km<sup>2</sup> (or 9x Singapore), home to 33m (vs 34m in Malaysia) people and generates USD400b to USD450b in annual GDP or between Malaysia and Singapore respective GDPs of USD400b and USD500b a year.

**Forecasts.** We trim our FY25F earnings forecast by 3% to account for higher finance cost, while property sales from Sentul City are unlikely to come in within our forecast period.

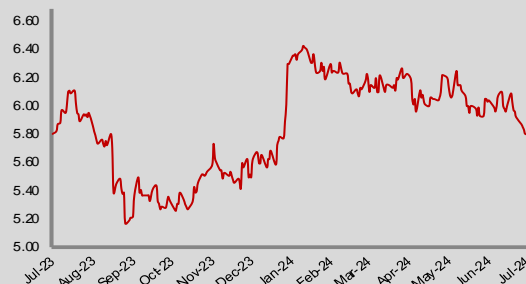
**Valuations.** However, we maintain our TP of RM6.00 based on 1.0x PBV which is in line with the plantation sector 1-2x PBV range. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 2). Maintain **MARKET PERFORM**.

**Risks to our call include:** (i) Western hostility towards palm oil on sustainability and bio-diversity issues, (ii) impact of weather and labour shortages on production, (iii) weak CPO and PK prices, and (iv) cost inflation particularly fertilisers.

# MARKET PERFORM ↔

Price : RM5.88  
Target Price : RM6.00 ↔

### Share Price Performan on ce



KLCI	1,636.55
YTD KLCI chg	12.5%
YTD stock price chg	5.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GENP MK EQUITY
Market Cap (RM m)	5,275.3
Shares Outstanding	897.2
52-week range (H)	6.39
52-week range (L)	5.04
3-mth avg. daily vol.	349,106
Free Float	19%
Beta	0.8

### Major Shareholders

Genting Bhd	54.4%
Employees Provident	13.4%
Kumpulan Wang Persaraan	7.5%

### Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	2,966.5	3,495.8	3,518.5
EBIT	456.4	568.7	578.2
PBT	384.1	457.2	463.8
<b>Net Profit (NP)</b>	<b>253.5</b>	<b>304.5</b>	<b>312.0</b>
<b>Core NP</b>	<b>251.7</b>	<b>304.5</b>	<b>315.2</b>
Consensus (CNP)	-	275	290
Earnings Revision	-	-	-3%
Core EPS (sen)	28.1	33.9	35.1
Core EPS Grwth (%)	-46.4	21.0	3.5
NDPS (sen)	21.0	18.0	18.0
NTA/Share (RM)	5.95	5.93	6.02
Core PER (x)	21.0	17.3	16.7
Price/NTA (x)	1.0	1.0	1.0
Net Gearing (x)	0.19	0.22	0.29
Dividend Yield (%)	3.6	3.1	3.1

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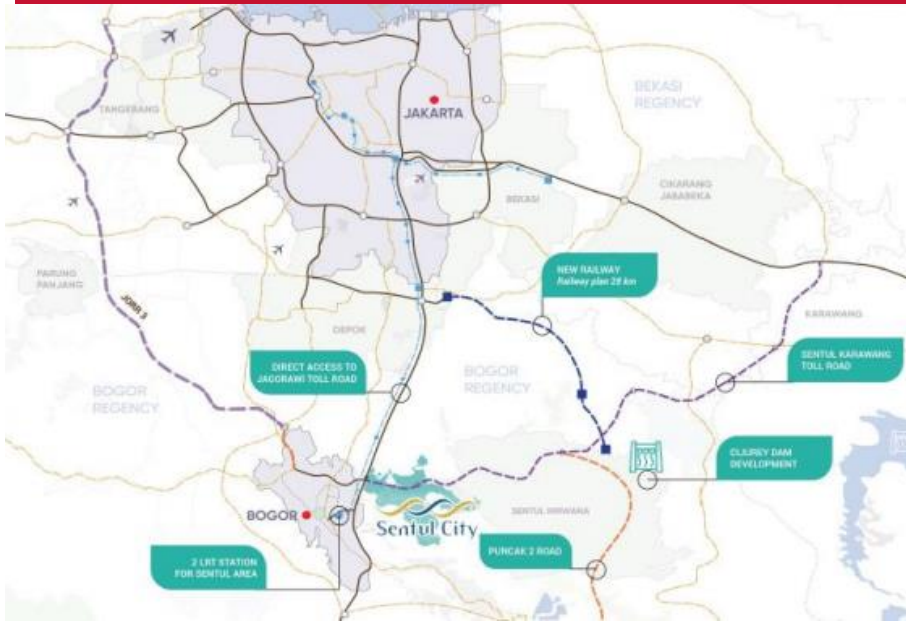
### Exhibit 1: Land Valuations

	Area		Price		Price/Acre	
	ha	acres	IDR b	RM m	IDR b	RM m
Land 1	80	197.6	1,764	509.8	8.93	2.58
Land 2	72	177.84	288	83.2	1.62	0.49
<b>Total</b>	<b>152</b>	<b>375.44</b>	<b>2,052</b>	<b>593.0</b>	<b>5.47#</b>	<b>1.58#</b>

#Average

Source: Company, Kenanga Research

### Exhibit 2: Sentul City within Greater Jakarta



Source: Company

### Exhibit 3: Connectivity of Sentul City



Source: Company

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### Peer Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>PLANTATION</b>																	
GENTING PLANTATIONS BHD	MP	5.88	6.00	2.0%	5,275.3	Y	12/2024	33.9	35.1	21.0%	3.5%	17.3	16.7	1.0	5.7%	21.0	3.6%
HAP SENG PLANTATIONS HOLDING	MP	1.75	2.00	14.3%	1,399.4	Y	12/2024	12.8	13.1	13.0%	2.8%	13.7	13.3	0.7	5.2%	8.0	4.6%
IOI CORP BHD	MP	3.85	3.80	-1.3%	23,884.2	Y	06/2024	18.9	21.2	-22.3%	12.0%	20.3	18.2	2.2	11.6%	11.0	2.9%
KUALA LUMPUR KEPONG BHD	MP	21.50	21.00	-2.3%	23,572.7	Y	09/2024	90.0	125.7	8.7%	39.7%	23.9	17.1	1.6	6.7%	50.0	2.3%
PPB GROUP BHD	OP	15.04	17.50	16.4%	21,395.9	Y	12/2024	111.1	132.5	38.1%	19.3%	13.5	11.4	0.7	5.6%	45.0	3.0%
SIME DARBY PLANTATION BHD	MP	4.50	4.00	-11.1%	31,120.7	Y	12/2024	16.1	18.9	25.9%	17.7%	28.0	23.8	1.7	6.2%	15.0	3.3%
TA ANN HOLDINGS BHD	MP	3.95	4.00	1.3%	1,739.8	Y	12/2024	40.9	43.5	3.5%	6.2%	9.7	9.1	1.0	10.0%	25.0	6.3%
TSH RESOURCES BHD	OP	1.23	1.30	5.7%	1,697.6	Y	12/2024	6.9	7.4	-1.8%	6.3%	17.8	16.7	0.8	9.2%	2.0	1.6%
UNITED MALACCA BHD	OP	5.17	6.00	16.1%	1,084.5	Y	04/2025	33.8	37.7	17.0%	11.4%	15.3	13.7	0.7	4.8%	12.0	2.3%
<b>Simple Average</b>					<b>111,170.3</b>					<b>9.5%</b>	<b>19.1%</b>	<b>19.9</b>	<b>16.7</b>	<b>1.2</b>	<b>7.2%</b>		<b>3.3%</b>

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	☆		
	<b>SPECIFIC</b>	Biodiversity Conservation	★	★	☆	
Sustainable Planting		★	★	★		
Guest Labour Welfare		★	★	★		
Supply Chain Auditing		★	★	★		
Occupational Health & Safety		★	★	★		
Waste Disposal & Pollution Control		★	★	☆		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
★ -10% discount to TP  
★★ -5% discount to TP  
★★★ TP unchanged  
★★★★ +5% premium to TP  
★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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