COMPANY UPDATE

Genting (GENT MK)

TauRx's Positive Discovery A Potential Wild Card

TauRx's convincing 24-month Phase 3 clinical trial data for its Alzheimer's HMTM drug may be the missing puzzle piece for regulatory approval, and could eventually unlock deep value in GENT's investment. On hindsight, the procedure for HTMTM securing approval and commercial rollout may be lengthy. That said, even without the TauRx factor, GENT trades at a cheap valuation with plenty of re-rating catalysts, Maintain BUY with a higher target price of RM6.13 as we partially impute TauRx's option value.

WHAT'S NEW

- **TauRx releases positive data for Its Alzheimer's drugs**. Genting Bhd's (GENT) 20.3%-owned TauRx Pharmaceuticals (TauRx), which had been undertaking research to treat Alzheimer's disease, presented the 24-month data from its Phase 3 LUCIDITY trial of hydromethylthionine mesylate (HMTM) at the AD/PD™ 2024 Alzheimer's & Parkinson's Diseases Conference in Portugal last Friday. Key findings from the study are:
  - New 24-month data shows sustained benefits of HMTM across the disease spectrum from early to moderate dementia.
  - HMTM 16 mg/day produced a 95% reduction in change in blood concentration of neurofilament light chain (NfL) relative to the control group (p=0.0291). NfL in blood provides a measure of progression of neurodegeneration in the brain.
  - Participants at the early stage of AD receiving HMTM 16 mg/day showed significantly less progression of symptoms to the dementia stage of the disease than that of the control group.
  - The new data shows that HMTM's benefit can be maintained over 24 months and highlights the importance of starting HMTM treatment early in the disease process.
- **HMTM's two-year data from its Phase 3 trial are encouraging.** The data shows strong evidence of statistically significant differences in cognitive and functional outcomes, which support the benefits of HMTM. With the combination of a strong safety profile and accessibility offered by an orally administered drug, HMTM holds potential to be the first oral, anti-tau therapy requiring minimal testing and treatment monitoring for the treatment of Alzheimer's disease.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	22,384	27,119	29,448	31,127	33,363
EBITDA	6,690	8,551	9,225	9,779	10,036
Operating profit	2,966	4,615	5,829	6,441	6,752
Net profit (rep./act.)	(906)	638	1,830	2,161	2,311
Net profit (adj.)	(906)	638	1,830	2,161	2,311
EPS (sen)	(23.4)	16.5	47.2	55.7	59.6
PE (x)	n.m.	30.1	10.5	8.9	8.3
P/B (x)	0.6	0.6	0.6	0.6	0.5
EV/EBITDA (x)	8.5	6.6	6.1	5.8	5.6
Dividend yield (%)	3.1	3.0	4.3	4.4	4.8
Net margin (%)	(4.0)	2.4	6.2	6.9	6.9
Net debt/(cash) to equity (%)	54.5	49.4	42.6	34.6	26.7
Interest cover (x)	4.5	8.2	8.8	9.4	9.6
ROE (%)	n.a.	1.9	5.5	6.5	6.6
Consensus net profit	-	-	1,681	1,908	2,211
UOBKH/Consensus (x)	-	-	1.09	1.13	1.05

Source: Genting Berhad, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY
(Maintained)

Share Price	RM5.02
Target Price	RM6.13
Upside	+22.1%
(Previous TP	*RM5.78)*

COMPANY DESCRIPTION

Holding company of casino and other leisure assets

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	GENT MK
Shares issued (m):	3,850.6
Market cap (RMm):	19,060.4
Market cap (US$m):	4,069.7
3-mth avg daily t'over (US$m):	6.9

Price Performance (%)

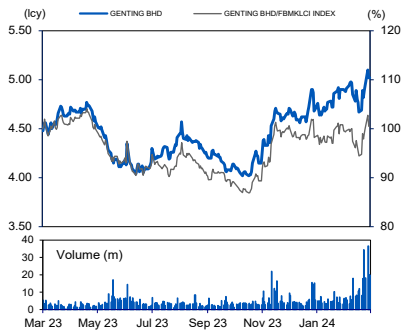
52-week high/low RM4.98/RM4.02

1mth	3mth	6mth	1yr	YTD
2.9	7.6	15.1	6.0	7.1

Major Shareholders	%
Kien Huat Realty	42.8
HSBC Nominees Asing Sdn Bhd	6.8
Vanguard Group	1.6

FY24 NAV/Share (RM)	8.39
FY24 Net Debt/Share (RM)	3.57

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **A deja vu or a significant breakthrough?** To recall, TauRx first came onto investors' radar back in 2016. Back then, Taurx's Alzheimer's drug (LMTX) failed to meet its "co-primary endpoints" and reported discouraging outcome in its first large-scale study. This was due to the drug's loss of efficacy when used in combination with other marketed Alzheimer's drugs, with only 15% of its subjects showing benefit and thus failing to achieve significance. This time round, TauRx's HMTM data is more promising as its efficacy is proven through comparison with other Alzheimer's trials in similar patient populations.
- **A step closer to regulatory approval, despite technical impossibility of a true placebo.** TauRx's management is confident on this set of trial data, and has initiated regulatory engagement in the UK and the US for the approval and commercialisation of the HMTM product, with other territories following suit later. Nevertheless, we reiterate that the application for approval in various countries may be a lengthy procedure with unclear timelines. Various regulators also have an option to reject the submission despite LUCIDITY trial data showing superior efficacy and safety of HMTM.
  - **For the US,** a New Drug Application (NDA) will be submitted to the Food and Drug Administration (FDA) to review. Normally, the FDA is allotted 10 months to review new drugs, while under priority review, that time is shortened to six months.
  - **For the UK,** we expect TauRx to seek approval via the Innovative Licencing and Access Pathway (ILAP). Recall that in 2022, TauRx received an innovation passport from the UK's regulatory agency MHRA.The Innovation Passport is the first stage of the Innovative Licensing and Access Pathway (ILAP). After attending an ILAP meeting within 4-6 weeks of application, opinion will be received within another four weeks.
  - **For other regions,** we understand that TauRx's subsidiary – Poredeen Limited – has appointed and given ICB Medical the exclusive rights to manage the importation and logistics for the HMTM drugs in Hong Kong and Macau, where qualified prescribing doctors can request HMTM drugs on behalf of eligible patients. However, HMTM drugs are not commercially sold there yet. Poredeen will also be meeting and submitting data packages to other drug regulators in more territories, including China.
- **TauRx is a wild card for GENT, if commercialisation materialises.** If TauRx secures approval from key regulators and its HMTM drugs are commercially rolled out, the group may be re-looking at an IPO. To recall, TauRx was initially eyeing a Nasdaq IPO in 2017 (with a potential valuation of US$15b), according to Wall Street Journal in Dec 15. If so, we acknowledge that GENT's 20.3% stake in TauRx could be translated to RM3.54/share (e.RM4.50/US$1) or c.71% of its current market cap.
- **Downside fairly limited if TauRx remains in limbo or does not work out.** Even without the TauRx factor, GENT's investment merits remain appealing as the group is on track to chart above pre-pandemic earnings dynamic in 2024-25, based on the booming tourism scene and plenty of event catalysts from subsidiaries GENM and GENS. Furthermore, as GENT's valuations remain significantly below pre-pandemic levels with undervalued financial matrixes, the group may not encounter a steep selldown in a scenario that TauRx disappoints.

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

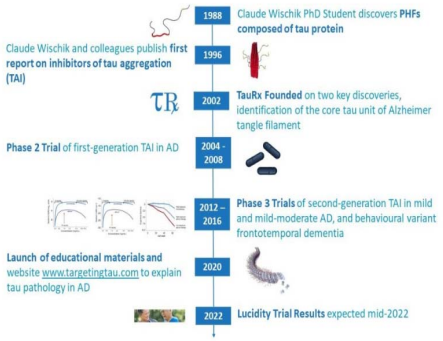
- **As TauRx is approaching a new milestone with potential commercialisation in future,** we now impute a 10% option value of TauRx's initial IPO valuations of US$15b into our target price, which translates into 35 sen/share. We deem this reasonable as TauRx is submitting HMTM for regulatory approval soon.
- **Maintain BUY with higher target price of RM6.13 (from RM5.78),** which implies 6.5x 2024F EV/EBITDA and 0.7x 2024F P/B. In a blue-sky scenario, target price will be RM9.32 if we fully factor in TauRx's potential monetisation value.

BACKGROUND OF TAURX

- A clinical stage pharmaceutical company focusing on the development of novel treatments and diagnostics for Alzheimer's disease and other neurodegenerative diseases.
- It is a spin-off company from the University of Aberdeen, Scotland. TauRx was established in 2002 by Professor Claude M Wischik and the late Dr K.M. Seng.
- Professor Claude M Wischik is the scientist who discovered that the neurofibrillary tangles seen in Alzheimer's disease are made of sub-units of the tau protein. He and his team have devoted nearly 30 years to investigating the structure and role of tau tangles in the development of Alzheimer's.
- Shareholders include GENT, Temasek Holdings, the Development Bank of Singapore, the Dundee Corporation of Canada and the founders' families and staff.
- TauRx's commercial headquarters is based in Singapore and its research base is in Aberdeen, Scotland.

Source: TauRx

HISTORY OF TAURX



Source: TauRx

GENT'S SOTP VALUATION

Asset	Stake	Basis	(RMm)
Genting Singapore	52.8%	TP	22,264
Genting Malaysia	49.3%	TP	10,250
Genting Plantations	50.7%	TP	2,363
Management fees		DCF	5,969
Power		EV/MW	4,245
O&G		PE	927
RWLV		DCF	7,087
Other investments and net cash			(12,103)
RNAV			40,904
Holding co discount (%)			45%
Discounted RNAV			22,404
Fully-diluted shares (m)			3,876
Discounted RNAV per share			5.78
10% TauRx option value at US$15b valuation			0.35
Target price (RM)			6.13

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	27,119	29,448	31,127	33,363
EBITDA	8,551	9,225	9,779	10,036
Deprec. & amort.	3,936	3,397	3,338	3,284
EBIT	4,615	5,829	6,441	6,752
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	(77)	(77)	(77)	(77)
Net interest income/(expense)	(1,043)	(1,043)	(1,043)	(1,043)
Pre-tax profit	3,276	4,410	5,023	5,335
Tax	(1,300)	(1,235)	(1,406)	(1,494)
Minorities	(1,338)	(1,345)	(1,456)	(1,530)
Net profit	638	1,830	2,161	2,311
Net profit (adj.)	638	1,830	2,161	2,311

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	49,755	48,858	48,020	47,236
Other LT assets	26,308	26,308	26,308	26,308
Cash/ST investment	22,221	25,124	27,205	29,435
Other current assets	7,111	6,838	7,088	7,444
Total assets	107,055	108,112	111,517	115,232
ST debt	2,767	2,767	2,767	2,767
Other current liabilities	7,494	8,591	9,020	9,591
LT debt	36,201	36,201	36,201	36,201
Other LT liabilities	4,242	4,242	4,242	4,242
Shareholders' equity	33,899	32,514	34,035	35,648
Minority interest	22,453	23,798	25,253	26,784
Total liabilities & equity	107,055	108,112	111,517	115,232

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	7,521	9,721	8,914	9,121
Pre-tax profit	3,276	4,410	5,023	5,335
Tax	(1,300)	(1,235)	(1,406)	(1,494)
Deprec. & amort.	3,936	3,397	3,338	3,284
Associates	0	0	0	0
Working capital changes	(754)	1,370	179	215
Other operating cashflows	2,362	1,780	1,780	1,781
Investing	(1,357)	(1,166)	(1,166)	(1,166)
Capex (growth)	(2,692)	(2,500)	(2,500)	(2,500)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	1,334	1,334	1,334	1,334
Financing	(5,605)	(5,653)	(5,667)	(5,726)
Dividend payments	(578)	(625)	(640)	(698)
Issue of shares	0	0	0	0
Proceeds from borrowings	5,338	5,338	5,338	5,338
Loan repayment	(6,975)	(6,975)	(6,975)	(6,975)
Others/interest paid	(3,390)	(3,390)	(3,390)	(3,390)
Net cash inflow (outflow)	558	2,903	2,081	2,230
Beginning cash & cash equivalent	21,663	22,221	25,124	27,205
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	22,221	25,124	27,205	29,435

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	31.5	31.3	31.4	30.1
Pre-tax margin	12.1	15.0	16.1	16.0
Net margin	2.4	6.2	6.9	6.9
ROA	0.6	1.7	2.0	2.0
ROE	1.9	5.5	6.5	6.6
Growth				
Turnover	21.2	8.6	5.7	7.2
EBITDA	27.8	7.9	6.0	2.6
Pre-tax profit	397.3	34.6	13.9	6.2
Net profit	n.a.	186.7	18.1	7.0
Net profit (adj.)	n.a.	186.7	18.1	7.0
EPS	n.a.	186.7	18.1	7.0
Leverage				
Debt to total capital	40.9	40.9	39.7	38.4
Debt to equity	115.0	119.8	114.5	109.3
Net debt/(cash) to equity	49.4	42.6	34.6	26.7
Interest cover (x)	8.2	8.8	9.4	9.6

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