

## Nagacorp: Emerging casino operator in Asia

**Recommendation: STRONG BUY (initiating coverage)** **Asia Gaming**

Price	HK\$2.27	Year to Net profit	EPS	EPS	P/E	P/B	EV/EBITDA	Yield	ROE	ROCE	N. Gear.	
Target price	HK\$3.49 (+53.7%)	Dec	US\$m	US\$	Δ %	x	x	x	%	%	%	
12 mth range	HK\$0.99-2.90	05A	24.9	0.019		15.2	28.4	21.6	5.7	117.1	117.2	Cash
Market cap.	US\$603.9m	06A	32.6	0.021	10.4	13.7	2.6	16.6	5.9	25.4	25.4	Cash
Daily t/o, 3 mth	US\$0.89m	07F	41.6	0.020	(5.5)	14.5	2.5	12.9	4.1	17.2	17.2	Cash
Free float %	26.8%	08F	50.2	0.024	20.8	12.0	2.2	10.5	5.0	19.5	19.5	Cash
Ticker	3918.HK/3918 HK	09F	61.5	0.030	22.4	9.8	2.0	8.6	6.1	21.7	21.7	Cash

Relative to Hang Seng Index (1 mth, 3 mth, 12 mth): +1.4%, -27.3%, -19.8%

Actual price changes (1 mth, 3 mth, 12 mth): -1.3%, -2.2%, +20.7%

Consensus EPS (07F-08F): HK\$0.02, HK\$0.025

### Key points:

- Exclusive rights to operate casinos within a 200.0km radius of Phnom Penh until 2035.
- Earnings CAGR projected at 23.5% between FY12/06A and FY12/09F, after reaching 26.6% in FY12/03A-FY12/06A.
- Capacity expansion to drive growth.
- Competitive cost structure.
- Generous dividend policy - 50.0% of net earnings.
- Strong and diversified shareholder base.
- Trading at a deep discount to its global peers.

**Investment summary:** Founded in 1995 and listed on HKEX in October 2006, Nagacorp is the only casino operator in Phnom Penh, the capital of Cambodia. Benefiting from the country's booming tourism, its prime location and monopoly status, the company's net profit increased at a CAGR of 26.6% between FY12/03A and FY12/06A and we expect a 23.5% CAGR between FY12/06A and FY12/09F driven by its capacity expansion, new revenue sources and competitive cost structure. At P/E of 14.5x for FY12/07F and 12.0x for FY12/08F, the company is trading at a deep discount to the global gaming sector. Based on a 50.0% discount to the sector's average two-year forward P/E, we arrive at our target price of HK\$3.49, offering a potential upside of 53.7%.

**Chart 1: NagaWorld**



Source: Company

**Chart 2: Gaming hall in NagaWorld**



Source: Company

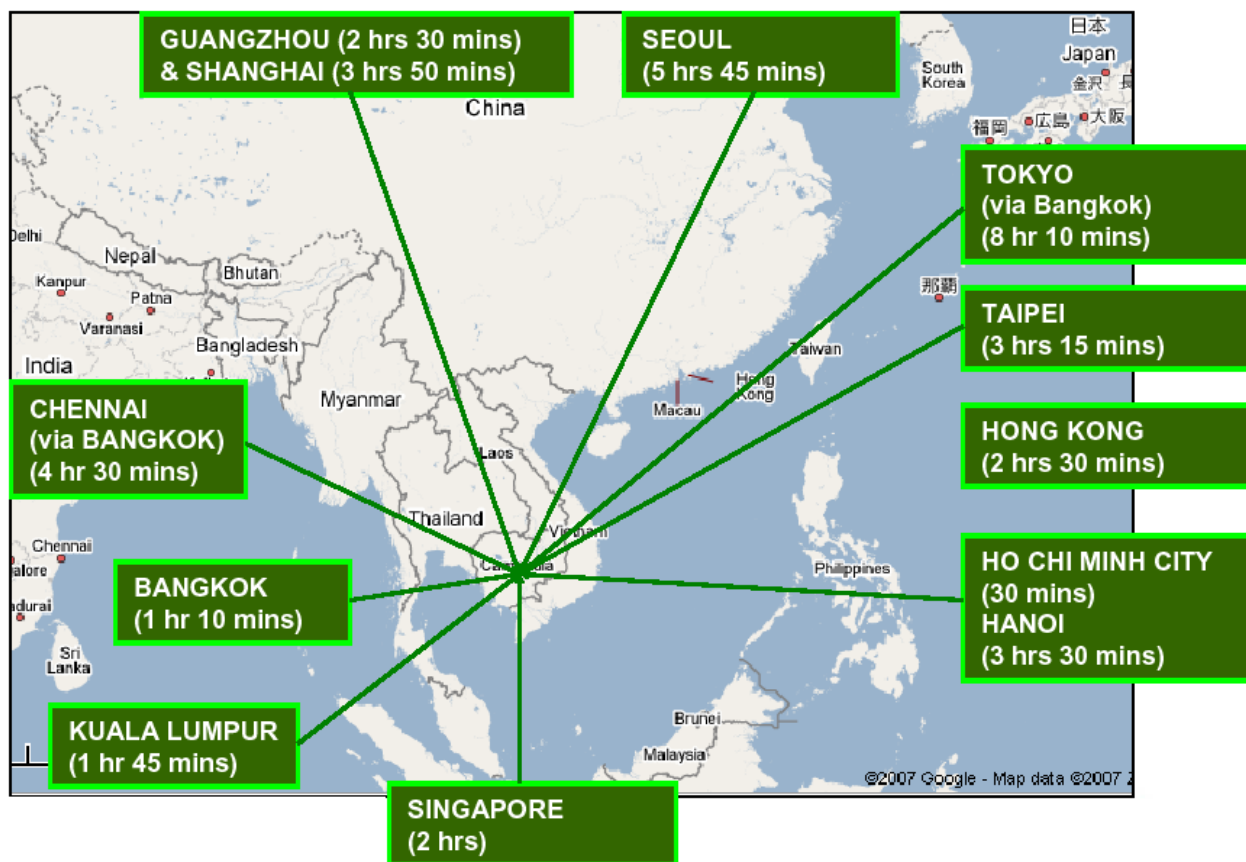
**Monopoly in Phnom Penh.** The group obtained a 70-year casino license in 1995 and exclusive rights to operate casinos within a 200.0km radius of Phnom Penh until 2035. Given its relatively light fixed asset investment and long concession term, DD&A charges are expected to be low. The government has also granted the company a

monopoly on table gaming in Phnom Penh.

**Central location.** The company's entertainment and hotel complex, NagaWorld, is located in Phnom Penh, about 30.0min away from the Phnom Penh International Airport. It is situated on a wide landscaped boulevard next to one of the city's landmarks, the Hue Sen Garden, and near the riverfront entertainment and dining area of the Sisowath Quay, where the Royal Palace and the Silver Pagoda are located. With a population of about 1.0m, Phnom Penh is a political and commercial hub lying at the confluence of Cambodia's major rivers Mekong and Bassac. Its international airport is one of the country's major entrance points for international tourists.

**Accessible by 3.0b people.** A population of about 3.0b lives within a five-hour flight radius of Phnom Penh, in countries such as Singapore and Malaysia in the south, China in the north and Thailand and Vietnam across the border. The area is home to Southeast Asia's three licensed gaming destinations, Pagcor in the Philippines, Genting in Malaysia and the group's NagaWorld in Cambodia. The gaming market in the Southeast Asia covers a population of 550.0m. Neighboring Thailand and Vietnam are the major markets of Cambodia's gaming industry. The two countries have the aggregate population of about 150.0m and a combined GDP of US\$267.3b, according to the IMF.

**Chart 3: Distance between Phnom Penh and major markets of NagaWorld**



Source: Company

**Thorough IPO preparation.** Unlike most of gaming companies listed in Hong Kong via reverse takeovers, Nagacorp floated new shares on the HKEX in October 2006 after undertaking substantial due diligence work. It first planned to list in Singapore but in September 2003, the Monetary Authority of Singapore (MAS) refused to register its prospectus stating that its operations were not subject to a fully developed and implemented legal and supervisory framework for the regulation of casinos and prevention of money laundering. The MAS also believed that the company lacked an established track record of independent audits to control money laundering. In June 2004, Cambodia became a full member of the Asia/Pacific Group on Money Laundering (APG). The company asked Hill & Associates to review its internal controls and government laws and regulations related to anti-money laundering and anti-terrorist financing in 2004 and 2005. Currently, KPMG is its auditor.

**Proven track record.** Between FY12/03A and FY12/06A, the company's revenue and net profit increased at a 3-year CAGR of 15.7% and 26.6%, respectively. In 1H FY12/07A, its revenue grew 54.4% and net profit 14.7%, thanks to higher contributions from STG (specialised tour group, equivalent to Macau's VIP) floor tables and public floor tables, as well as capacity expansion. In the period, the number of STG floor tables and public floor tables at NagaWorld increased by 81.8% HoH and 100.0%, respectively. The number of visits by STG players

increased 37.1% YoY to 9,192. The average check-in amount per STG player rose 15.1% YoY to US\$25,424.0, implying that the quality of STG customers is rising. Future growth drivers will include capacity expansion, an increase in the check-in amount of STG players, higher contributions from the hospitality division and the gaming machine division. The company's competitive cost structure should enhance profitability going forward.

**Table 1: Operating statistics**

Year to Dec	2003A	2004A	2005A	2006A	1H 2007A
Number of STG floor tables	20	22	22	22	40
Number of public floor tables	23	22	22	22	44
Number of gaming machines	110	115	211	211	211
STG: Number of visits by players	9,093.0	13,962.0	14,052.0	13,115.0	9,192.0
STG: Average check-in amounts per player's visit (US\$)	16,056.0	14,561.0	15,777.0	22,900.0	25,424.0

Source: Company

**STG - major revenue source.** In 1H FY12/07A, the STG division generated 68.8% of total revenue, public floor division 28.7%, gaming machine division 2.3% and F&B division 0.1%. Going forward, STG will remain its major revenue contributor. STG operators, also known as junket organisers, visit NagaWorld and participate in the group's STG programmes. In return, they are entitled to commission, calculated as 1.6% on the rolling. Also, NagaWorld provides freebies to STGs customers, such as free accommodation, F&B and air ticket rebates (subject to achieving a pre-determined amount of rolling during their casino visit). The minimum check-in amount of US\$5,000.0 per person is required to qualify for STG. The company has developed long-term commercial relationships with more than 40 operators from Singapore, Malaysia and Thailand. The division registered a CAGR of 34.5% in revenue between FY12/03A and FY12/06A, from US\$21.6m to US\$52.6m. Meanwhile, the number of visits by STG players increased from 9,093 in FY12/03A to 13,115.0 in FY12/06A. In 1H FY12/07A, the division revenue surged 91.0% to US\$44.6m, just slightly below its full-year revenue in FY12/06A. The numbers of STG customers' visits are expected to increase as the company expands its STG floors and the number of operators. The average check-in amount is also expected to increase on the strong regional economy (Indo-China and Asia/Pacific). Assuming the overall win rate stays constant at 17.5% of rolling (about 5.0x of the check-in amount), higher average check-in amounts will boost the division's revenue. Nevertheless, the STG division has the highest cost base among all divisions, as it has to incur commission payments to operators and bear costs related to freebies provided to customers.

**Table 2 : Assumptions and projections for STG division**

Year to Dec	2006A	2007F	2008F	2009F	2010F
Number of STG floor tables	22	92	92	196	196
STG: Number of visits by players	13,115.0	18,384.0	21,921.6	24,538.9	28,208.7
STG: Average check-in amounts per player's visit (US\$)	22,900.0	25,424.0	24,176.0	24,176.0	24,176.0
Revenue (US\$m)	52.6	81.8	92.7	103.8	119.3
Growth (%)	49.3	55.4	13.4	11.9	15.0
Gross profit	19.5	29.7	20.1	18.5	24.4
GP (%)	37%	36%	22%	18%	20%

Source: SBI E2-Capital, the company

**Capacity expansion to drive growth.** The group's flagship NagaWorld was designed by the world renowned architects, Wimberly, Allison, Tong & Goo, who worked on several of famous landmarks in Las Vegas such as the Venetian Resort Hotel Casino, Palace Tower at Caesar's Palace and Mansion at MGM Grand, and other tourists attractions such as the Palace of the Lost City in Sun City, South Africa, Disney's Grand Floridian Beach Resort & Spa in Florida, USA and the Grand Hyatt in Bali, Indonesia. With the total GFA (gross floor area) of 103,261.0 m<sup>2</sup>, NagaWorld consists of two sections, the entertainment wing and hotel wing. The 8-storey entertainment wing (GFA of 21,597.0 m<sup>2</sup>, only five storeys in operation currently) houses gaming facilities, restaurants and a food court, spa and karaoke lounge. The 14-storey hotel wing (GFA of 81,664.0 m<sup>2</sup>) currently operates only two storeys. The remaining floors are still under decoration and should be open by 2009. The group plans to renovate the Hun Sen Garden, one of Phnom Penh's tourist attractions in front of the NagaWorld to increase the attractiveness of its complex. We expect its revenue to increase along with the capacity expansion.



**Table 3: Capacity of NagaWorld**

	Current	2007F	2008F	2009F	2010F
Number of STG tables	60	92	92	196	196
Number of public floor tables	44	84	84	104	104
Number of gaming machine stations	211	600	600	600	600
Number of hotel rooms	217	508	508	700	700

Source: SBI E2-Capital, the company

**Cost-free gaming stations.** The company rents out designated areas in NagaWorld to gaming machine operators. In March and December 2005, it entered into two agreements with Best Merit Assets Limited (BMA), under which BMA provides and maintains gaming machines and receives proceeds generated by them after making payments to the group. The company also has similar arrangements with another gaming operator. This allows it to avoid costs related to the operation and maintenance of slot machines and gives it an option to share revenue. Under the agreement with BMA, between July 2009 and June 2012, the company can either get 60.0% of profit from BMA's gaming machine stations or a guaranteed monthly income of US\$275,000.0. Between July 2012 and June 2015, it can get 70.0% from BMA's gaming machines or US\$300,000.0 in guaranteed monthly income.

**Chart 4: Gaming machines area in NagaWorld**

Source: Company

**Chart 5: Gaming machines area in NagaWorld**

Source: Company

**Table 4: Projected revenue from gaming machine stations**

US\$m	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F
Revenue	1.5	11.9	12.7	12.8	12.8	13.8	14.7	14.7	12.9

Source: SBI E2-Capital

**Hospitality - new revenue source.** We expect NagaWorld to have 217 hotel rooms by end-2007. Currently NagaWorld gives free accommodation to STG clients and treats revenue generated by the hotel as part of the COGS of the STG division. We expect the hotel wing to become a revenue and earnings source, going forward, as it can attract more customers to the entertainment wing. Until recently, accommodation options in Cambodia have been very limited. In 2006, the country had 351 hotels and 742 guesthouses, providing 17,914 hotel rooms and 9,166 guest rooms. According to the Ministry of Tourism, the number of arrivals increased at a six-year CAGR of 24.1% while the number of hotels rose at an estimated six-year CAGR of 6.5% in the period. As such, we expect the company to benefit from the relatively tight supply of hotel rooms. In our model, we assume an occupancy rate of 80.0% between FY12/08F and FY12/10F and the average room rate of US\$120.0/night. The site of NagaWorld is also set to benefit from the booming property market in Phnom Penh as foreign investment increases and the political and social environment stabilizes. Sites next to NagaWorld are reportedly fetching about US\$2,300.0/m<sup>2</sup>, putting the value of the whole NagaWorld at US\$237.5m, 137.5% higher than the projected total investment cost.

**Competitive cost structure.** Staff costs reached US\$7.5m in FY12/06A (978 employees) and US\$5.8m (1,564 employees) in 1H FY12/07A, implying the average monthly salary of about US\$639.1 and US\$618.1, respectively. We estimated that during the periods, each employee contributed US\$7,277.8 and US\$6,899.8 per month in revenue to the group. Macau's gaming industry reported a median monthly income of US\$1,485.2 in 2Q 2007, 140.1% higher than the average monthly salary of Nagagroup. The total investment cost of NagaWorld is estimated at US\$100.0m, of which, US\$90.0m had been incurred. Based on the straight-line depreciation method and a useful life of 50 years, the annual depreciation is estimated at less than US\$1.0m. We estimate the annual amortization charge of the company's 70-year term concession (casino license premium and extended exclusive premium) at US\$3.5m. Thus, total non-cash DD&A charges are projected at below US\$4.5m per annum. The company's payback period will be short given the low investment costs. In contrast, operators in

Macau have to spend substantial amounts to stay competitive (Galaxy StarWorld – US\$320.5m, Wynn Macau-US\$1.1b and Grand Lisboa US\$384.6b). The terms of their concessions are 20-22 years, which means that they have relatively little time to recoup their investment.

**Generous dividend payout policy.** As of the end of 1H FY12/07A, the group was in a net cash position of US\$63.9m. Since most of the capital expenditure for NagaWorld has been incurred, we expect budgeted capital expenditure to be low, at US\$4.0m in FY12/07F, US\$4.0m in FY12/08F and US\$1.0m in FY12/09F. Most of the budgeted capex will be spent on the expansion of NagaWorld and maintenance. Since the casino is a cash generating operation, we expect the company to report strong free cash flow of US\$40.6m in FY12/07F, US\$48.5m in FY12/08F and US\$63.1m in FY12/09F. The company's dividend policy is generous at 50.0% of the net earnings.

**Strong earnings growth.** We expect the company's revenue to increase at a CAGR of 31.8% between FY12/06A and FY12/09F, on the back of its capacity expansion, an increase in STG visits and revenue from the gaming machine station division and hotel division. The company's bottom should increase at a three-year CAGR of 23.5%. We project that, on average, the STG division will generate 57.0% of total revenue between FY12/07F and FY12/09F, public floor division 29.0%, gaming machine station division 5.0% and hotel division 9.0%. Their respective gross profit margins are estimated at 36.3% (lowest because of its high cost base), 94.2%, 100.0% and 75.0%. The blended margin expected to shrink from 59.6% in FY12/06A to 51.9% in FY12/09F as contributions from the STG division increase.

**Attractive valuation.** At P/E of 14.5x for FY12/07F and 12.0x for FY12/08F, the counter is trading at a substantial discount to its peer group's one-year P/E of 59.7x and two-year forward P/E of 37.3x. In our view, Nagacorp is one of the best gaming companies listed on the HKEX, given its proven track record, good earnings quality (in terms of free cash flow), expected strong earnings growth and generous dividend policy. It is the only gaming company that went public in Hong Kong via an IPO, implying substantial due diligence work. Nevertheless, since the investment community is not familiar with Cambodia, investors tend to value the company at a discount to its global peers. After all, Cambodia is an emerging market and its infrastructure and legal framework are less developed than those in mature markets such as Macau and Las Vegas. Besides, the company's accounts are denominated in the US dollar and a weak dollar will undermine its earnings. But as the HK dollar is pegged to the Greenback, forex risks are measurable. The gaming sector is risky in nature and highly sensitive to the economic cycle. To reflect the inherent risks, we adopt a 50.0% discount to the sector's average two-year forward P/E of 37.3x to arrive at our target price of HK\$3.49. With potential upside of 53.7%, we initiate coverage with a STRONG BUY recommendation.

**Table 5: Peer group comparison**

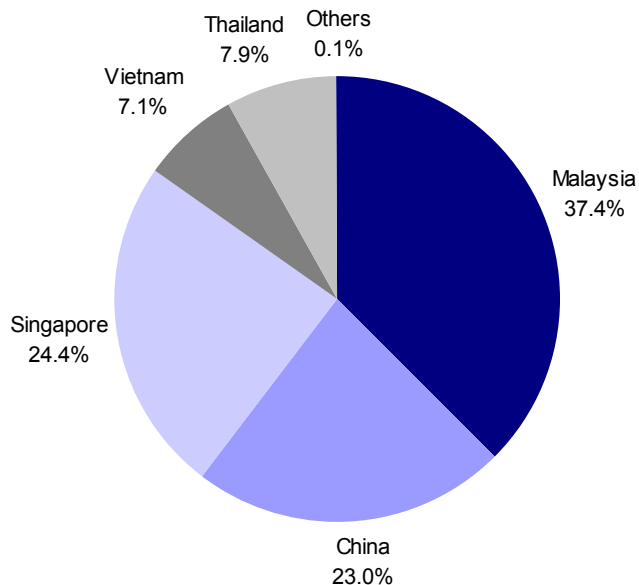
Company name	Ticker	Year End	Currency	Price	Market Cap (US\$m)	P/E (x)	
						1-yr forward	2-yr forward
Melco International Development	200 HK	Dec	HKD	12.5	1,972.4	51.4	79.6
Ameristar Casinos Inc	ASCA US	Dec	USD	30.3	1,731.6	23.3	21.9
Boyd Gaming Corp	BYD US	Dec	USD	38.1	3,339.6	21.4	19.8
Century Casinos Inc	CNTY US	Dec	USD	6.6	155.7	24.9	19.8
Las Vegas Sands Corp	LVS US	Dec	USD	113.7	40,387.5	102.9	49.9
MGM Mirage	MGM US	Dec	USD	88.0	26,345.4	37.8	31.5
Riviera Holdings Corp	RIV US	Dec	USD	27.2	338.6	32.0	16.7
Wynn Resorts Ltd	WYNN US	Dec	USD	130.8	14,948.5	46.3	39.6
Paradise Co Ltd	034230 KS	Dec	KRW	3,270.0	324.5	16.8	17.2
Kangwon Land Inc	035250 KS	Dec	KRW	24,350.0	5,684.7	15.3	15.5
Resorts World Bhd	RNB MK	Dec	MYR	3.7	6,424.1	18.5	16.5
Gold Reef Resorts Ltd	GDF SJ	Dec	ZAr	3,320.0	1,456.0	22.9	17.8
Sun International Ltd	SUI SJ	Jun	ZAr	14,375.0	2,277.7	17.8	14.2
Sky City Entertainment Group Ltd	SKC NZ	Jun	NZD	5.3	1,872.2	22.2	20.0
<i>Average</i>						59.7	37.3

Source: Bloomberg

**Targeting the right customers.** In contrast to Macau casinos, which are mainly focused on China and Hong Kong, NagaWorld's client base is well diversified, protecting it from the effects of economical cycle changes in a single country. In our view, the gaming market can be divided into three segments: V.I.P., mid-tier high roller, and occasional visitor. The number of V.I.P. customers is limited but their bet size is the highest. The minimum bet in most of Macau's V.I.P. gaming rooms is HK\$0.5m-2.0m. Mid-tier high rollers are hardcore and frequent gamblers. Occasional visitors are mainly tourists. Casinos in Macau set very high V.I.P. admission standards and

thus force mid-tier high rollers to gamble in public concourses and receive second-best services. Also, other than theme park-style casinos, Macau does not offer many tourist attractions. NagaWorld's STG admission standards are US\$5,000.0-60,000.0, which should appeal to mid-tier high rollers in the Asia Pacific region. Cambodia's tourism industry is booming. As the capital's only casino, NagaWorld itself is a tourist attraction. We expect its hotel/casino to become even more popular, especially after the renovation of Hue Sen Garden.

**Chart 2: 1H FY12/07A STG customer breakdown**



Source: Company

**Strong and diversified shareholder base.** The company's founder and CEO, Tan Sri Dr. Chen, owns about 67.0% while institutional investors collectively hold 22.7%.

**Risk factors.** 1) Currency risks – the company's accounts are USD-denominated. 2) Revenue affected by the win rate. 3) Reliance on STG operators. 4) Competition from other casinos in the Asia/Pacific region. 5) Potential regulatory changes by the Cambodian government. 6) Money laundering. 7) Risks of investing in Cambodia. 8) Low liquidity.

**Overview of Cambodia.** In its credit opinion report issued in May 2007, Moody's Investors Service said the country's outlook is stable. It assigned B1/NP rating to its foreign currency debt and B3/NP rating to foreign currency bank deposits. Positive factors include Cambodia's high GDP growth rate, ASEAN, AFTA and WTO membership, sizable foreign direct investment and booming tourism industry, substantial support from official aid programs and sizable oil and gas reserves. Concerns include its small revenue base and narrow export base, high dollarization, low international income and savings and government transparency. The Political and Economic Risk Consultancy (PERC) assigned an overall risk rating of 5.32 to Cambodia (maximum risk is 10, minimum 0), implying a moderate investment risk.

**Management profile.** Founder and CEO **Tan Sri Dr Chen**, aged 59, has about 28 years of managerial, corporate and business experience. He is the controlling shareholder and president and CEO of Karambunai Corp, a tourism company in Sabah, East Malaysia, FACB Industries Incorporated Bhd, a stainless steel pipes and fittings manufacturer and Petaling Tin Bhd, a property developer. The three are listed on the main board of the Bursa Malaysia Securities Bhd. Tan Sri Dr Chen was also the chief executive officer of Composite Technology Research Malaysia Sdn Bhd (1995-2002), owned by the Malaysian Government and responsible for the development of the Malaysian aerospace industry. Tan Sri Dr Chen's company, Resourceful Petroleum Ltd, has teamed up with PTTEP International Ltd of Thailand, Singapore Petroleum Company Ltd of Singapore and Cooper Energy Ltd of Australia to extract oil and gas in the Gulf of Siam. Tan Sri Dr Chen graduated from the University of Malaya with an MBBS in 1973. In recognition of his various economic services to Malaysia, Tan Sri Dr Chen has been conferred with various titles and awards including Darjah Indera Mahkota Pahang (which carries the title "Dato"), Darjah Sultan Salahuddin Aziz (which carries the title "Datuk") and Panglima Setia Mahkota (which carries the title "Tan Sri".) Tan Sri Dr Chen was appointed as an economic advisor to Samdech Hun Sen, Prime Minister of the Cambodian Government in June 2001.

**Mr. David Martin Hodson**, a British citizen, aged 64, joined the group as an executive director and chairman of the AML Oversight Committee in Feb 2005. His responsibilities include enhancing the group's AML Strategy, Development and Compliance Programme. He is chairman of the AML Oversight Committee.

Mr. Hodson has been a member of the Hong Kong Police for 37 years, spending most of his career in criminal investigation. During this period he served in the Narcotics Bureau (1972-1977) overseeing investigations and operations (1975-1977). He was then appointed director of studies at the Detective Training School. In 1978-1979 he was in the Special Crimes Bureau. He served as Head, Interpol Hong Kong, in 1979-1983 and developed relationships with overseas law enforcement agencies. He commanded the Criminal Intelligence Bureau in 1987-1988. In 1989-1992, he was head of the Narcotics Bureau responsible for enforcing the Drug Trafficking (Recovery of Proceeds) Ordinance, Hong Kong's first legislation creating the offence of "money laundering" in relation to drug trafficking. Subsequently he was responsible for representing the Commissioner at the Law Reform Commission and representing the police at various meetings of the Executive and Legislative Council. He held the post of Assistant Commissioner — Crime from 1994 to 1997. On his retirement, he was appointed as consultant to the Hong Kong Police (1997 to 1999). He was a founding member of OXFAM Hong Kong in 1988 and remains a member of the Council of Management. He was appointed as the first Hon. Director of the Centre for Criminology, University of Hong Kong (May 1999 to March 2004) and the centre's Honorary Fellow for life. He was appointed a Visiting Professor at the Chinese People's Public Security University, Beijing, in March 2001. In 1976 he received a "Special Award of Honour" for his outstanding contribution to narcotic enforcement by the International Narcotic Enforcement Officer's Association. He was honored by HM The Queen in 1985 for Meritorious Service and in 1995 for Distinguished Service.

P & L (US\$m)	05A	06A	07F	08F	09F
<b>Year to Dec</b>					
Turnover	64.3	85.4	123.0	166.9	195.6
% chg		32.9	44.0	35.7	17.2
Gross profit	39.7	50.9	68.2	87.6	101.6
EBITDA	27.9	36.5	46.7	57.8	70.1
Depre./amort.	(1.6)	(3.9)	(3.9)	(4.2)	(4.4)
EBIT	26.3	32.6	42.8	53.6	65.7
Net int. income/(exp.)	-	1.6	1.4	1.8	2.3
Exceptionals	-	-	-	-	-
Associates	-	-	-	-	-
Jointly-controlled entit.	-	-	-	-	-
Pre-tax profit	26.3	34.1	44.2	55.4	68.0
Tax	(1.4)	(1.5)	(2.6)	(5.2)	(6.5)
Minority interests	-	-	-	-	-
Net profit	24.9	32.6	41.6	50.2	61.5
% chg		30.8	27.4	20.8	22.4
Dividends	(20.7)	(28.0)	(24.9)	(30.1)	(36.9)
Retained earnings	4.2	4.6	16.6	20.1	24.6
EPS (US\$) - Basic	0.019	0.021	0.020	0.024	0.030
EPS (US\$) - F.D.	0.019	0.021	0.020	0.024	0.030
DPS (US\$)	0.017	0.017	0.012	0.015	0.018
No. sh.s o/s (m) - W.A.	1,297.7	1,541.0	2,075.0	2,075.0	2,075.0
No. sh.s o/s (m) - Y.E.	1,240.0	2,075.0	2,075.0	2,075.0	2,075.0
No. sh.s o/s (m) - F.D.	1,297.7	1,541.0	2,075.0	2,075.0	2,075.0
<b>Margins (%)</b>					
Gross	61.8	59.6	55.5	52.5	51.9
EBITDA	43.5	42.7	38.0	34.6	35.8
EBIT	40.9	38.1	34.8	32.1	33.6
Pre-tax	40.9	40.0	35.9	33.2	34.8
Net	38.8	38.2	33.8	30.1	31.4
<b>Balance Sheet (US\$m)</b>					
<b>Year to Dec</b>					
Fixed assets	34.2	46.9	50.5	53.8	53.9
Intangible assets	105.2	101.7	98.2	94.7	91.2
Other LT assets	0.7	0.7	0.7	0.7	0.6
Cash	0.7	78.3	97.7	119.4	152.6
Accounts receivable	9.4	12.1	18.0	24.5	28.7
Other receivables	-	-	-	-	-
Inventories	0.0	0.0	0.0	0.0	0.0
Due from related co.s	-	-	-	-	-
Other current assets	-	8.3	-	-	-
Total assets	150.2	248.0	265.1	293.0	327.0
Accounts payable	(124.0)	(10.0)	(15.2)	(19.7)	(22.9)
Other payable	-	-	-	-	-
Tax payable	(2.8)	(0.0)	(1.5)	(2.6)	(5.2)
Due to related co.s	-	-	-	-	-
ST debts	(0.0)	(0.0)	(0.0)	-	-
Other current liab.	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
LT debts	0.0	0.0	0.0	0.0	-
Other LT liabilities	-	-	-	-	-
Total liabilities	(128.9)	(12.1)	(18.8)	(24.4)	(30.2)
Share capital	15.5	25.9	25.9	25.9	25.9
Reserves	5.8	210.0	220.3	242.6	270.9
Shareholders' funds	21.3	235.9	246.2	268.6	296.8
Minority interest	-	-	-	-	-
Total	21.3	235.9	246.2	268.6	296.8
Capital employed	21.3	235.9	246.2	268.5	296.8
Net (debt)/cash	0.7	78.3	97.7	119.4	152.6
<b>Cash Flow (US\$m)</b>					
<b>Year to Dec</b>					
EBIT	26.3	32.6	42.8	53.6	65.7
Depre./amort.	1.6	3.9	3.9	4.2	4.4
Net int. paid	-	(1.6)	(1.4)	(1.8)	(2.3)
Tax paid	(0.2)	(4.3)	(0.0)	(1.5)	(2.6)
Dividends received	-	-	-	-	-
Gross cashflow	27.7	30.6	45.2	54.4	65.1
Chgs. in working cap.	(2.6)	(124.6)	(0.7)	(2.0)	(1.0)
Operating cashflow	25.0	(94.0)	44.6	52.5	64.1
Capex	(3.7)	(13.1)	(4.0)	(4.0)	(1.0)
Free cashflow	21.3	(107.1)	40.6	48.5	63.1
Dividends paid	(6.7)	(3.7)	(24.0)	(30.5)	(34.5)
Net distribution to MI	-	-	-	-	-
Investments	-	-	-	-	-
Disposals	0.0	0.0	-	-	-
New shares	-	199.9	-	-	-
Others	(15.7)	(11.5)	2.8	3.7	4.7
Net cashflow	(1.1)	77.6	19.4	21.6	33.2
Net (debt)/cash - Beg.	1.7	0.7	78.3	97.7	119.4
Net (debt)/cash - End.	0.7	78.3	97.7	119.4	152.6
<b>Interim Results (US\$m)</b>					
<b>Six months to Jun</b>					
Turnover	41.9	64.7			
% chg		54.4			
Profit from operations	18.3	19.5			
Interest income	-	1.5			
Associates	-	-			
Jointly-controlled entit.	-	-			
Pre-tax profit	18.3	20.9			
Tax	(0.8)	(0.9)			
Minority interests	-	-			
Net profit	17.5	20.1			
% chg		14.7			
EPS (US\$) - Basic	0.013	0.010			
DPS (US\$)	-	0.007			
<b>Shareholding Structure</b>					
				<b>Shares o/s (m)</b>	<b>%</b>
Tan Sri Dr Chen Lip Keong				641.8	30.9
Fourth Star Finance Corp.				589.0	28.4
Cambodia Development				161.2	7.8
Ctigroup Inc.				127.5	6.1
Other shareholders				555.5	26.8
				2,075.0	100.0
<b>Background</b>					
NagaCorp Ltd. is engaged principally in the management and operation of the only licensed casino in Phnom Penh, the capital city of Cambodia. The rights to operate the casino are valid for a period of 70 years from January 1995 and are exclusive within a 200km radius of Phnom Penh (except Cambodia-Vietnam border area, Bokor, Kirirom Mountains and Sihanoukville) until the end of 2035. NagaCorp Ltd operates and manages a casino and hotel complex known as NagaWorld in Phnom Penh.					
<b>Key Ratios</b>					
Net gearing (%)	Cash	Cash	Cash	Cash	Cash
Net ROE (%)	117.1	25.4	17.2	19.5	21.7
EBIT ROCE (%)	123.5	25.3	17.7	20.8	23.2
Dividend payout (%)	83.1	85.8	60.0	60.0	60.0
Effective tax rate (%)	5.1	4.5	6.0	9.4	9.6
Net interest coverage (x)	na	na	na	na	na
A/R turnover (days)	53.6	46.1	44.8	46.5	49.6
A/P turnover (days)	704.2	286.3	37.4	38.2	39.7
Stock turnover (days)	0.3	0.2	0.1	0.1	0.1



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**HOLD** : absolute return of -10% to +10% over the next six months

**SELL** : absolute downside of >10% over the next six months

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