

Update/Results Note

SENTORIA GROUP BERHAD

Jan 07th, 2014
RM0.715

BUY

Target (RM)	0.865
Short Name / Code	SNTORIA / 5213
Bloomberg	SNT MK

Stock & Market Data

KLCI	1829.18
Listing	Main Market
Sector	Properties
Shariah Compliance	No
Par Value	RM0.20
Issued Shares	440.0m
Market Capitalization	RM319.0m
YTD Performance	8.1%
52-week Hi/Lo	0.60 / 0.76
3M Average Volume	563k
Estimated Free Float	25.4%
Major Shareholders: -	
Sentoria Capital	62.0%
State Secretary, Pahang	7.5%
LKPP, Pahang	5.0%

Key Indicators @ FY14

PER (x)	6.6
PBV (x)	1.1
Net Debt/Equity	0.2
ROE	16.6

Period: 4QFY13

Dividend: Sentoria Group Bhd (SGB) declared an interim dividend of 1.0 sen for FY13.

Actual vs Expectations: SGB FY13 revenue of RM207m and net profit RM53.1m were above our estimates as profit was boosted by gain from land disposal and tax incentive arising from investment in the leisure business.

Results Highlights: 4QFY13 - y/y comparisons

Revenue and pretax profit for 4QFY13 of RM59.6m and RM21.1m represent an increase of 35.8% and 110.6%, respectively. This was mainly due to good sales response for its Bukit Rangan Project in Kuantan, Pahang. Booting pretax profit was a gain from disposal of land amounting RM4.2m. Consequently, pretax profit margin expanded to 35.4% (+12.6 percentage points - ppt). Net off the gain from the land disposal, pretax profit would be RM17m and margin came in at 28.4% (+5.6 ppt). Positive tax of RM13.9m resulted in

net profit jumping to RM35m. The positive tax arose from SCB's investment into the hospitality and leisure business – in this instance the Night & Day Safari Park.

FY13 – y/y comparisons – FY13's revenue and pretax profit of RM207.5m and RM44.6m, represent a 15.7% increases and 9.9% decrease, respectively. The revenue increase was due higher property sales recognition and higher revenue from leisure and hospitality business. Property Development contributed 69% (RM143m) of total revenue while by Leisure and Hospitality contributed 31% (RM64.5m). In terms of profit contribution, property development's portion was 50% whereas leisure's was 34% while the balance of 15.4% came from other income (land sale). The lower pretax profit was due to lower margin from Leisure & Hospitality Division as a result of higher operating cost and overheads incurred for Arabian Bay Resorts that was opened at the beginning of the current financial year. Netting off land disposal pretax income came in at RM40.4m (-18.3% y/y) and net income at RM48.9m (+2.2% y/y). The positive tax of RM13.9m in 4Q resulted in FY13's tax at positive RM8.5m resulted in net income increasing by 2.2% y/y.

3QFY13- q/q comparisons – Revenue increases by 7.7%, while pretax profit without the one off gain was higher by 72%. The improvement was due improved revenue from Bukit Rangan project as mention earlier.

Table 1. Sentoria Group Bhd – Financial Results & Comparison

FYE Sep / RM'm	4Q13	4Q12	3Q13	y/y Chg %	q/q Chg%	FY13	FY12	y/y Chg %
Revenue	59.6	43.9	55.4	35.8	7.7	207.5	179.3	15.7
Cost of sales	(32.9)	(25.5)	(35.9)	29.0	-8.4	(129.8)	(100.6)	29.1
Gross profit	26.8	18.4	19.5	45.3	37.3	77.7	78.7	-1.4
Other operating income	4.2	0.0	0.1	>100	>100	0.3	0.6	-51.4
Distribution cost	(0.4)	(0.3)	(0.2)	6.1	49.2	(1.3)	(1.3)	-1.7
Administration expenses	(6.8)	(6.1)	(6.8)	11.9	0.3	(26.2)	(22.1)	18.6
Amortization & deprec expen	(1.8)	(1.6)	(1.8)	14.0	0.7	(7.1)	(4.7)	49.8
Operating income	22.0	10.5	10.8	110.0	>100	43.4	51.2	-15.3
Finance income	0.1	0.1	0.1	-62.7	-30.3	0.4	0.6	-25.1
Finance cost	(0.9)	(0.6)	(1.0)	56.4	-10.8	(3.4)	(2.3)	45.7
Pretax income	21.1	10.0	9.9	110.6	114.2	40.4	49.4	-18.3
Income tax expense	13.9	6.8	(2.2)	105.3	>-100	8.5	(1.6)	>100
Income before XO items	35.0	16.8	7.7	108.5	>100	48.9	47.8	2.2
Minority interests	0.0	0.0	(0.0)	0	>-100	0.0	0.0	-37.5
Net income	35.0	16.8	7.7	108.6	356.2	48.9	47.9	2.2
Basic earnings per share (sen)	7.96	3.81	1.74	108.6	356.2	11.12	11.46	-3.0
Gross profit margin (%)	44.9	42.0	35.2	2.9	9.7	37.4	43.9	-6.5
Pretax income margin (%)	35.4	22.8	17.8	12.6	17.6	19.5	27.6	-8.1
Net Profit margin (%)	58.7	38.2	13.9	20.5	44.8	23.6	26.7	-3.1
Tax Rate (%)	65.7	67.4	(22.0)	-1.7	87.8	21.0	(3.2)	24.3

Outlook: Property Development Division will continue to be the main revenue contributor to SGB. The focus will be on lower to medium cost housing project that are in line with Government incentives and market needs. SGB current ongoing projects are Global Heritage, Desa Hijauan and Taman Bukit Rangin 1 & 2, which have total GDV of RM368.6m. There will be extension of Taman Bukit Rangin 2, Taman Bukit Gambang, Global Heritage South, Mediterranean Bay Resort and East Coast Bazaar with total estimated GDV of RM694m. Beyond 2015, SGB has planned projects located in BGRC and Kuantan worth GDV of RM938m. Unbilled sales stood of RM147m, making up 62% of our FY14's forecast.

Recent floods in Kuantan, though unexpected, are expected to dampen demand for its properties. However, SCB planned to have in place a flood mitigation system in place that would help lower the incidence of flooding (system cannot mitigate against major floods). This we believe that overtime buyers will return to its projects, given the expected increase in population in Kuantan following the expansion of Gebeng Industrial Park by IJMLand and Kuantan Port by IJM lad consortium.

Leisure and Hospitality Division's performance is expected to increase supported by newly opened Safari Park. We expect more visitors stay overnight to enjoy the Night Jungle, Tarzan show and Fire Dance. The closure of Genting Theme park for two years may have some side-benefit for SGB. Visit Malaysia Year 2014's campaign and promotional activities by the Ministry of Tourism and Culture Malaysia are also expected to contribute positively as well. In the longer term, the expansion of economic activities in Kuantan will have beneficial effects on this business segment.

The opinion and information contained herein are based on available data believed to be reliable and this report is provided for information purposes only. It is not to be construed as an offer, invitation to buy or sell the securities mentioned herein. Jupiter Securities Sdn Bhd does not warrant the accuracy stated in any manner herein and no reliance upon such things by anyone should give rise to any claim whatsoever. The directors and staff of Jupiter Securities Sdn Bhd may have an interest in the securities mentioned.

JUPITER SECURITIES RESEARCH

Valuation & Recommendation: We use a PER of 8x PER (average PER of small property companies) to value SGB. Based on a FY14 EPS of 10.8sen, fair value 86.5 sen translating to an upside of 21%. We expect SCB to continue paying a dividend of 2sen p.a., which translates into dividend yield of 2.8%. **We reiterate our BUY recommendation.**

Table 2. Sentoria Group Bhd - Financial Forecast

FYE Sept	FY12	FY13	FY14F	FY15F
Revenue	179.3	207.5	236.6	269.7
Gross profit	78.7	77.7	88.5	100.9
Earnings before interest tax & depreciation	56.5	54.7	74.5	85.0
Earnings before interest & tax	51.2	47.5	50.2	57.0
Profit before tax	49.4	44.6	46.3	52.6
Net profit	47.8	53.1	47.5	53.8
Net profit margin (%)	26.7	25.6	20.1	20.0
Earnings per share (sen)	10.9	12.1	10.8	12.2
Dividend per share (sen)	2.0	2.0	2.0	2.0
Dividend yield (%)	2.8	2.8	2.8	2.8
Price earnings ratio (x)	6.6	5.9	6.6	5.8
Price book value ratio (x)	1.6	1.3	1.1	0.9
Net debt/ Equity	0.3	0.1	0.2	0.2
Return on equity	24.0	21.4	16.6	16.2
Consensus Earnings per share (sen)	na	na	14.0	na
Jupiter Research/ Consensus (x)	na	na	0.8	na

Table 3. Sentoria Group Bhd Balance Sheet

(RM/m)	30-Sep-13	31-Sep-12
Non-current asset	278.0	192.2
Current asset	181.0	130.0
Total asset	459.1	322.2
Non-Current Liabilities	58.3	29.4
Current Liabilities	152.3	92.8
Total liabilities	210.6	122.2
Shareholder equity	248.2	199.6
Minority interest	0.2	0.2
Total equity	248.4	199.8
Borrowing - long term	58.3	29.6
Borrowing - short term	24.8	15.3
Total borrowing	83.1	44.9
Cash & Bank Balances	6.2	12.9

The opinion and information contained herein are based on available data believed to be reliable and this report is provided for information purposes only. It is not to be construed as an offer, invitation to buy or sell the securities mentioned herein. Jupiter Securities Sdn Bhd does not warrant the accuracy stated in any manner herein and no reliance upon such things by anyone should give rise to any claim whatsoever. The directors and staff of Jupiter Securities Sdn Bhd may have an interest in the securities mentioned.

Appendix 1: Segment results Sentoria Group Berhad

FYE Sept For the period ending	FQ1 2013 31/12/2012	FQ2 2013 31/3/2013	FQ3 2013 30/6/2013	FQ4 2013 30/9/2013
Revenue (external sales)				
Property Development	21.0	57.7	96.7	143.0
Leisure and Hospitality	22.2	34.8	51.2	64.5
Total	43.2	92.5	147.9	207.5
Finance Cost				
Property Development	(0.2)	(0.2)	(0.5)	(0.5)
Leisure and Hospitality	(0.6)	(1.2)	(1.8)	(2.6)
Others	(0.0)	(0.1)	(0.2)	(0.4)
Total	(0.8)	(1.4)	(2.5)	(3.4)
Pretax income				
Property Development	6.4	15.7	23.9	40.1
Leisure and Hospitality	5.0	2.0	2.4	0.4
Others	(1.3)	10.0	10.0	9.6
Total	10.1	27.6	36.4	50.1
Tax				
Property Development	(1.5)	(3.4)	(6.9)	(10.1)
Leisure and Hospitality	(0.7)	0.2	1.1	20.4
Others	0.0	0.0	0.0	(0.2)
Total	(2.2)	(3.2)	(5.8)	10.1
Net income				
Property Development	4.9	11.4	17.1	30.0
Leisure and Hospitality	4.3	2.2	3.5	20.8
Others	(1.3)	10.0	10.0	9.4
Consolidated Income	7.9	10.3	18.1	53.1



The opinion and information contained herein are based on available data believed to be reliable and this report is provided for information purposes only. It is not to be construed as an offer, invitation to buy or sell the securities mentioned herein. Jupiter Securities Sdn Bhd does not warrant the accuracy stated in any manner herein and no reliance upon such things by anyone should give rise to any claim whatsoever. The directors and staff of Jupiter Securities Sdn Bhd may have an interest in the securities mentioned.