

Results Report

18 March 2013

SJ Securities Sdn. Bhd.

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Sentoria Group Berhad (Sentoria)

Safari Park, A New Major Attraction

Neutral
Fair Value
RM0.79 (+12%)

Stock Data

Price (RM)	0.705
Stock code	5213
Bloomberg Ticker	SNT MK
Listing	Main Market
Market Cap (RM mn)	272.0
No. of Shares	
Outstanding (mn)	400.0
Equity Float	25.49
Par value (RM)	0.20
52-wk high (RM)	0.84
52-wk low (RM)	0.60

Major shareholders:-

Sentoria Capital	62.00%
State Secretary Penang	7.50%
Lembaga Kemajuan Perusahaan	5.00%

Financial Data

12 month trailing PER (x)	5.37
BV per share (RM)	0.50
P/BV (x)	1.36
ROE (%)	32.06
Beta (x)	N/A
Dividend yield (%)	1.47

Share Performance (%)

	KLCI	Sentoria
1-month	-4.84	-4.90
3-month	-7.74	-9.93
6-month	-6.95	-8.11
12-month	-9.02	-6.21
YTD	-5.47	-9.33

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Investment Highlights

1QFY13. For the first quarter, the Group recorded lower revenue of RM43.19 million, 25.43% Y-o-Y lower as compared to RM57.92 million in the previous corresponding quarter. This was mainly because most of the projects are completed as well as commencement of new projects is pending. Furthermore, the Group's post-tax profit dropped by 33.36% Y-o-Y to RM7.87 million as compared to RM11.81 million in the previous corresponding quarter.

FY2012. Sentoria's FY12 revenue has shown a growth of 10.49% Y-o-Y. Revenue has increased to RM179.30 million from RM162.38 million in 2011. This was mainly due to higher revenue from both property development and leisure & hospitality segment. Additionally, the Group's net profit has improved 24% Y-o-Y from a net profit of RM38.58 million in FY11 to a profit of RM47.84 million for the financial year 2012. As a whole, Sentoria's FY2012 result was above our earlier forecast.

New safari park. The Management is confident that the Bukit Gambang Safari Park (BGSP) will become a primary attraction in attracting potential 200,000 number of visitors in 2013. BGSP has already opened its door, however, it is only fully opened by June 2013. The main building including Simba Restaurant and Night Jungle has been completed. Sentoria is also undertaking construction of the Foreign Village and Bird Park which set to be the largest aviary in Malaysia. Including Land of Predators and Wild Savannah park which are ongoing projects within the park, BGSP will be the biggest safari park in Malaysia with total land area of 56ha.

Global Heritage as eye catching point still. Global Heritage South (GHS) at Bukit Gambang Resort City (BGRC) is one of the most attractive and innovative 5 stars villas. There are 11 themes of 5 stars villas and a luxurious hotel, Boutique Hotel. Since launch in March 2012, Amsterdam and San Francisco villas have been receiving a good response. Sentoria will continue to promote GHS nationwide via property exhibitions.

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RM1.8 billion integrated resort city in Morib. Sentoria has signed agreements with Seriemas Development Sdn Bhd which is a wholly-owned subsidiary of PNB Development Sdn Bhd to develop a RM1.8 billion integrated resort city in Morib, Selangor. This encompasses 354 acres of land, of which 150 acres would be developed into an integrated theme park resort, while the remainder would be used for a mixed development of commercial and residential units. The management said it is expected to commence before the first-half of this year and contributions are seen from FY2015 onwards.

Property development update. Sentoria will launch RM387 million worth of properties this year, Taman Bukit Rangin II (RM1897 mil), Desa Hijauan (RM130 mil) and Global Heritage South (RM68 mil). The Group's pipeline projects GDV is estimated at RM1.1 billion till 2020. As of 31 December 2012, its total unbilled sales are estimated at RM104.16 million. Apart from that, the total Gross Development Value of upcoming projects within and outside BGRC is estimated at RM657.2 million excluding the RM1.8 billion projects within next 7 years.

Improvement in Leisure and Hospitality segment. For the first quarter, the Group's revenue of the Leisure and Hospitality segment increased 26.10% to RM22.20 million as compared to RM17.60 million in the previous corresponding quarter. Furthermore, the Group recorded higher gross profit of RM10.7 million as compared to RM9.3 million in the previous corresponding quarter. We believe the Safari park will only add more earnings to this segment in the second half.

Dividend payout. Sentoria has declared a final single-tier dividend of 1 sen per ordinary share for the financial year ended 30 September 2012. Together with the previous interim dividend of 1 sen per ordinary share, the Group will pay total dividend payout of 2 sen per share, or RM8.0 million in respect of FY2012, representing 16.7% of Group net profit. The total dividends translate into a yield of 2.9% for FY2012.

Risk Factors:

1. Property Development

- Scarcity of strategically located land bank.
- Increase in cost of development for property projects.
- Delay in completion of Projects.

2. Leisure and Hospitality

- Seasonality Risks.
- Competition from other leisure and hospitality destination.
- Ability to sustain its current attractions.

Recommendation. We believe that the Group's expansion in Leisure and Hospitality segment, especially with the introduction of the new attraction of Safari Park, will continue to support its earnings but only in the later part of the year. We maintain our neutral recommendation on Sentoria Group Berhad with a target price of RM0.79 with an estimated FY13F EPS of 13.23 sen and Forward PER of 6x.



- Construction to start in end-2011
- Development set in lush green environment on 59-acre land featuring themed villas for high-end market



Amsterdam Villa



Venice Villa



San Francisco Villa



Paris Villa



Florence Villa



Barcelona Villa

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Financial highlights							
	Unit	FY08	FY09	FY10	FY11	FY12	FY13F
Revenue	RM mn	84.9	91.4	123.2	162.4	179.3	194.5
Cost of Sales	RM mn	(61.4)	(65.9)	(84.6)	(106.0)	(100.6)	(110.6)
Gross Profit	RM mn	23.5	25.4	38.6	56.4	78.7	83.9
Other operating income	RM mn	1.5	1.5	0.8	2.4	1.2	3.0
Administration Expenses	RM mn	(5.1)	(7.3)	(14.8)	(21.6)	(28.1)	(33.8)
Other Expenses	RM mn	(0.1)	0.0	(0.0)	(0.4)	0.0	0.0
Finance Costs	RM mn	(0.4)	(0.5)	(2.1)	(2.4)	(2.3)	(2.8)
Pre-tax profit	RM mn	19.4	19.2	22.6	34.5	49.5	50.4
Taxation	RM mn	(5.2)	(5.8)	(3.3)	4.1	(1.6)	2.5
Net profit	RM mn	14.2	13.4	19.3	38.6	47.8	52.9
EPS	sen	3.60	3.40	4.83	11.33	12.67	13.23
Growth							
Revenue	%		8	35	32	10	20
Gross Profit	%		8	52	46	40	7
Pre-tax profit	%		(1)	18	53	44	46
Net profit	%		(6)	44	100	24	37
Margin							
Gross Profit Margin	%	28	28	31	35	44	43
Pre-tax profit	%	23	21	18	21	28	26
Net profit	%	17	15	16	24	27	27

Source: Annual Report, Analyst estimates

Results comparison						
		<u>1Q FY12</u>	<u>4Q FY12</u>	<u>1Q FY13</u>	<u>Q-o-Q</u>	<u>Y-o-Y</u>
FYE 31st Dec					%	%
Revenue	RM mn	57.9	43.9	43.2	(1.7)	(25.4)
Cost of Sales	RM mn	(36.3)	(25.5)	(24.4)	(4.2)	(32.7)
Gross profit	RM mn	21.7	18.4	18.8	1.8	(13.3)
Other operating income	RM mn	0.2	0.0	0.1	279.3	(43.6)
Distribution costs	RM mn	(0.3)	(0.4)	(0.4)	13.1	16.5
Administrative expenses	RM mn	(5.2)	(6.1)	(6.0)	(0.8)	16.4
Amortisation & depreciati	RM mn	0.0	(1.6)	(1.7)	8.2	-
Profit from operations	RM mn	16.3	10.4	10.7	2.8	(34.2)
Finance income	RM mn	0.0	0.1	0.1	(17.9)	-
Finance cost	RM mn	(0.6)	(0.6)	(0.8)	36.8	23.8
Profit before Tax	RM mn	15.7	10.0	10.1	0.6	(35.8)
Taxation	RM mn	(3.9)	6.8	(2.2)	(132.8)	(43.1)
Minority interest	RM mn	(0.0)	0.0	0.0	-	(125.0)
Net profit (att to shareho	RM mn	11.8	16.8	7.9	(53.2)	(33.4)
EPS	sen	8.3	4.2	2.0	(53.1)	(76.2)
Margins %						
Gross margin	%	37.4	42.0	43.5	3.6	16.3
PBT margin	%	27.1	22.8	23.3	2.3	(13.9)
Net margin	%	20.4	38.2	18.2	(52.4)	(10.7)

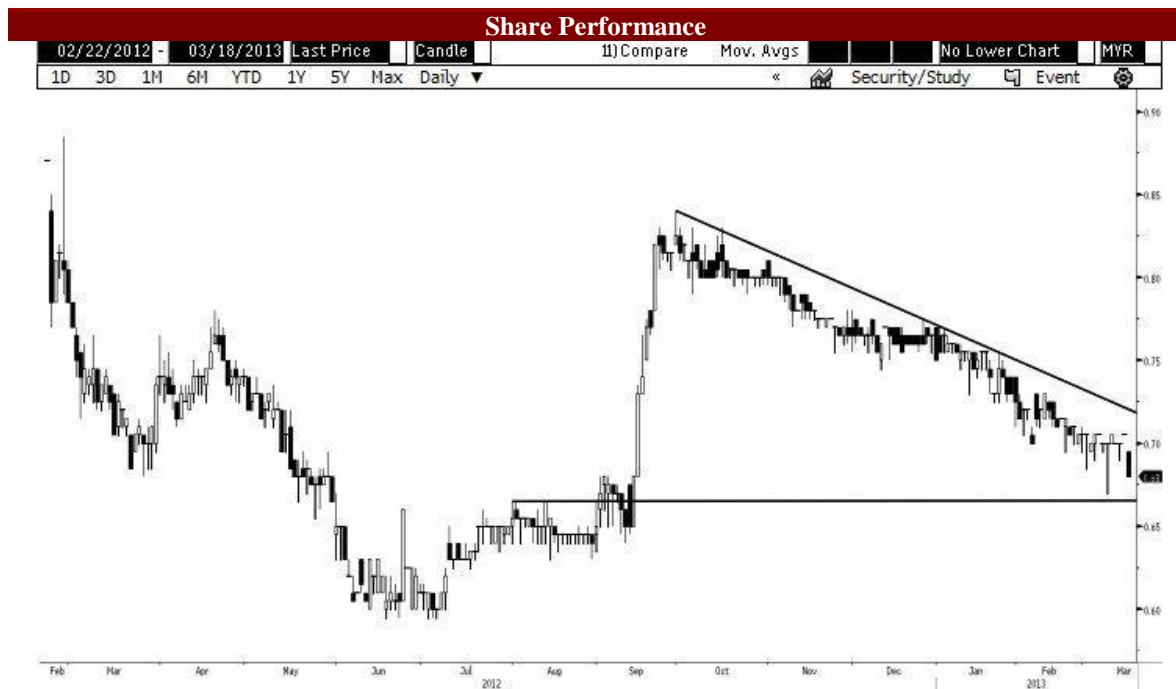
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Cumulative results comparison				
		<u>1Q FY12</u>	<u>1Q FY13</u>	<u>Y-o-Y</u>
FYE 31st Dec				%
Revenue	RM mn	57.9	43.2	(25.4)
Cost of Sales	RM mn	(36.3)	(24.4)	(32.7)
Gross profit	RM mn	21.7	18.8	(13.3)
Other operating income	RM mn	0.1	0.1	(19.7)
Distribution costs	RM mn	(0.3)	(0.4)	16.5
Administrative expenses	RM mn	(4.2)	(6.0)	43.7
Amortisation and depreciat	RM mn	(1.0)	(1.7)	76.4
Profit from operations	RM mn	16.3	10.7	(34.0)
Finance income	RM mn	0.1	0.1	98.3
Finance costs	RM mn	(0.6)	(0.8)	24.8
Profit before Tax	RM mn	15.7	10.1	(35.9)
Taxation	RM mn	(3.9)	(2.2)	(43.1)
Minority interest	RM mn	(0.0)	0.0	(125.0)
Net profit (att to shareho	RM mn	11.8	7.9	(33.5)
EPS	sen	3.5	2.0	(43.2)
Margins %				
Gross margin	%	37.4	43.5	16.3
PBT margin	%	27.1	23.3	(14.0)
Net margin	%	20.4	18.2	(10.8)

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Source: Bloomberg

Description

The trend is currently on downtrend after hitting recent high of RM0.84 on 28 Sep 2012. This was mainly due to low activity. The price would go higher if it could break the downtrend with heavy volume. The target price is at RM 0.825. However, the price can go lower if it penetrates the support line (RM 0.68).

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Stock rating definitions

Overweight – The stock is expected to perform positively. Expected return including both capital appreciation and dividends is expected to exceed 15% over 12 months.

Neutral – The stock is expected to stay sidelined. Expected return including both capital appreciation and dividends is expected to range between negative 5% to positive 15% over 12 months.

Underweight – The stock is expected to perform negatively. Expected return including both capital appreciation and dividends is expected to be negative 5% or lower over 12 months.

Not Rated – The stock is not under research coverage and the reports serves for purely informational purposes only.

Trading Idea – The stock is expected to be volatile while providing for near term positive trading opportunities. This is under the high risk category with near term catalysts.

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