



## Sentoria Group Berhad

### Delays to Drag Earnings

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#### Review

- Sentoria reported 9MFY15 net profit of RM19.2mn, which came in below expectations, accounted for 51% of our full-year earnings forecast. The variance was largely due to 1) weaker-than-expected performance from property division and 2) higher-than-expected effective tax rates.
- YoY, 9MFY15 revenue grew 5% YoY to RM161.3mn mainly due to steady construction progress of its township projects in Kuantan. However, net profit was flat at RM19.2mn, largely due to higher effective tax rates.
- The group's 3QFY15 net profit plummeted 43% YoY but increased 43% QoQ to RM4.7mn. The weaker YoY performance was attributable to reduction in progress billing recognized given existing projects are reaching the tail-end. Comparing to 2QFY15, the sequential improvement in 3QFY15 was largely due to tax credit received during the quarter.

#### Impact

- FY15-17 sales assumptions are slashed to RM122mn/ RM290mn/ RM380mn respectively from RM282mn/ RM420mn/ RM481mn previously. Following the change in property sales and effective tax rates assumptions, we cut our FY15/16/17 earnings by 23%/28%/32%.

#### Outlook

- The official launch of Sentoria Morib Resort City, Morib, is now delayed to Dec-15, as the group has yet to receive building approval from the state authority. We gather that the group is now applying for land conversion. On the bright side, Borneo Samariang Resort City in Kuching is ready for launch in September. We understand that the maiden launch will comprise 428 units of Hotel Suites with a GDV of RM102mn. In our opinion, the take-up rate is expected to be encouraging given the shortage of good tourist class hotels in Kuching.
- The company does not expect any sizeable new ventures over the medium term as it has plateful of projects across four key regions in Malaysia (outstanding GDV of RM9.8bn), which will last the group for another 10-12 years. As such, Sentoria will focus on project execution and brand-building over the next 3 years.

#### Valuation

- Based on unchanged target P/E of 8x, we arrive at a new target price of RM0.86/share (from RM1.02/share previously). Our target P/E is at a steep discount to Sentoria's historical P/E of 12x. Maintain **Sell**.

**TP: RM0.86** (-11.2%)

Last traded: RM0.97

**Sell**

#### Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	440.0
Market Cap (RMmn)	613.0
Par Value	0.20
52-wk Hi/Lo (RM)	1.61/0.6
12-mth Avg Daily Vol ('000 shrs)	579.40
Estimated Free Float (%)	22.5
Beta	0.61

#### Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 10.5

#### Forecast Revision

	FY15	FY16
Forecast Revision (%)	(23.2)	(27.9)
Net profit (RMmn)	28.9	45.7
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Sell (Maintained)	

#### Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	68.4	98.6
FCPS (sen)	(0.2)	(0.3)
Price / CFPS (x)	nm	nm
ROA (%)	6.1	7.5
NTA/Share (RM)	0.8	0.9
Price/NTA (x)	1.2	1.1

	%of FY	
vs TA	51.0	Below
vs Consensus	n.a	n.a

#### Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(4.9)	(7.6)
3 mth	(8.5)	(10.0)
6 mth	(11.8)	(13.2)
12 mth	(37.4)	(15.6)

#### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

**Earnings Summary (RM'mn)**

YE Sep 30	2013	2014	2015F	2016F	2017F
Revenue	207.5	218.4	240.6	365.3	424.1
EBITDA	55.2	55.3	65.0	98.3	121.0
EBITDA Margins (%)	26.6	25.3	27.0	26.9	28.5
Pretaxprofit	43.8	35.5	33.3	53.7	67.0
Net profit	53.1	29.1	28.9	45.7	56.9
Net profit -adj	53.1	29.1	28.9	45.7	56.9
EPS -Adj (sen)	12.1	6.6	6.4	10.1	12.6
EPS Growth (%)	11.0	(45.1)	(2.9)	57.8	24.6
PER (x)	8.0	14.6	15.1	9.6	7.7
Gross Div - adj (sen)	2.0	2.0	2.0	2.0	2.0
Div Yield (%)	2.1	2.1	2.1	2.1	2.1
ROE (%)	23.7	10.2	8.6	12.4	13.8

EPS and DPS are adjusted for 1:10 bonus issue completed in FY13

**3QFY15 Results Analysis (RM mn)**

	3Q14	2Q15	3Q15	QoQ (%)	YoY (%)	9MFY14	9MFY15	YoY (%)
<b>Revenue</b>	<b>56.4</b>	<b>51.4</b>	<b>45.9</b>	<b>(10.8)</b>	<b>(18.6)</b>	<b>153.9</b>	<b>161.3</b>	<b>4.8</b>
Property Development	39.6	39.9	31.9	(19.9)	(19.3)	108.4	116.2	7.2
Leisure	16.8	11.5	13.9	20.7	(17.1)	45.5	45.1	(1.0)
EBITDA	15.5	11.1	10.7	(3.8)	(31.0)	34.8	41.1	18.2
<b>EBIT</b>	<b>12.8</b>	<b>8.2</b>	<b>7.6</b>	<b>(6.7)</b>	<b>(40.3)</b>	<b>26.9</b>	<b>32.2</b>	<b>19.5</b>
Property Development	14.8	11.0	7.3	(33.2)	(50.5)	34.0	33.4	(1.9)
Leisure	0.1	(2.1)	0.2	>100	81.9	(4.0)	0.4	>100
Others	(0.3)	(0.6)	(0.5)	(11.9)	88.5	9.4	48.2	>100
Eliminations	(1.9)	(0.1)	100.2	>100	>100	(12.5)	49.8	>100
Finance Cost	(1.8)	(2.1)	(3.2)	54.5	81.6	(4.8)	(7.5)	57.0
PBT	11.0	6.1	4.4	(27.5)	(59.8)	22.2	24.7	11.4
Core PBT	11.0	6.1	4.4	(27.5)	(59.8)	22.2	24.7	11.4
Tax	(2.8)	(2.8)	0.3	>100	>100	(3.2)	(5.5)	71.1
MI	0.0	0.0	(0.0)	>100	>100	0.1	0.0	(90.4)
Net profit	8.2	3.3	4.7	43.0	(42.7)	19.1	19.2	0.7
Core net profit	8.2	3.3	4.7	43.0	(42.7)	19.1	19.2	0.7
EPS -adj (sen)	1.9	0.7	1.0	38.9	(46.2)	4.3	4.3	(1.5)
GDPS -adj (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	27.4	21.6	23.2	1.7	(4.2)	22.6	25.5	2.9
<b>EBIT Margin (%)</b>	<b>22.6</b>	<b>15.9</b>	<b>16.6</b>	<b>0.7</b>	<b>(6.0)</b>	<b>17.5</b>	<b>20.0</b>	<b>2.5</b>
Property Development (%)	37.4	27.5	22.9	(4.6)	(14.5)	31.4	28.7	(2.7)
Leisure (%)	0.7	(17.9)	1.5	19.4	0.8	(8.8)	0.9	9.8
Pretax Margin (%)	19.5	11.9	9.6	(2.2)	(9.9)	14.4	15.3	0.9
Net Margin (%)	14.5	6.4	10.2	3.8	(4.3)	12.4	11.9	(0.5)
Effective Tax Rate (%)	(25.6)	(46.4)	5.9	52.3	31.6	(14.5)	(22.3)	(7.8)

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