



Sentoria Group Bhd

Acquiring lands in Sungai Petani, Kedah

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TP: RM1.35 (+10.6%)

Last Traded: RM1.22

Hold

Acquiring 305 acres of land in Sungai Petani for RM46.4mn

Sentoria via its 75%-owned subsidiary, Sentoria Utara Sdn Bhd, had entered into a sale and purchase agreement with Ideal Appraisal Sdn Bhd, a wholly-owned subsidiary of Sharikat Permodalan Kebangsaan Berhad (SPK Bhd), for the proposed acquisition of 3 parcel of lands in Sungai Petani, Kedah, measuring approximately 304.6 acres for RM46.4mn (or RM3.50psf).

According to the announcement, the lands are adjoining to each other and are situated 9.2km from Toll Sungai Petani Utara at Kuala Mudah, Kedah and next to Ambangan Heights, a 2,254-acres township development by SPK Homes.

Mixed development with GDV potential of RM800mn

The lands are earmarked for mix development of residential and commercial components, focusing on the affordable housing segment. Based on the preliminary plans, the lands are expected to generate an estimated GDV of RM800mn. We estimate the entire project to be fully developed within 8 to 10 years.

Fair Entry Cost

As far as the purchase consideration is concerned, the acquisition price of RM3.50psf appears reasonable if we compare it to RM3psf that Seal Incorporated Bhd paid to the same vendor for 84 acres of land in that vicinity in Mar-2013. Based on the estimated GDV of RM800mn, the land cost makes up only 6% of the total development value.

Our View

This land acquisition does not come as a surprise to us because we have anticipated the group to acquire non-Malay reserve lands in Mainland Kedah to exchange the Malay reserve land title in Langkawi Island. To recap, Sentoria has secured two parcels of Malay Reserve land in Langkawi measuring a total of 120 acres in Sep-14.

We gather that both lands in Langkawi and Sungai Petani, after swapping the land title (i.e from Malay Reservation status to open title and vice versa), will remain with Sentoria for further development. Overall, we are positive on these land acquisitions as this implies that Sentoria is one step closer to launching its resort city & medical village development in Langkawi. In addition, this also enables the group to expand and diversify its business into the northern Peninsular Malaysia.

Based on the latest quarterly results, the group's net gearing stood at 0.4x with a cash balance of RM18.5mn as at Sep-14. However, if we include the acquisition cost for land purchases in Langkawi and capital commitment for theme parks and resorts developments (total consideration about RM530mn for FY15-17), its net gearing could rise to the critical level of 0.9x, leaving the

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	440.0
Market Cap (RMmn)	554.0
Par Value	0.20
52-wk Hi/Lo (RM)	1.61/0.71
12-mth Avg Daily Vol ('000 shrs)	583.80
Estimated Free Float (%)	22.5
Beta	0.80

Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 10.5

Forecast Revision

	FY14	FY15
Forecast Revision (%)	(11.2)	(7.3)
Net profit (RMm)	60.0	83.7
Consensus	n.a	n.a
TA's / Consensus (%)	n.a	n.a
Previous Rating	Hold (Maintained)	

Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	68.4	87.6
FCPS (sen)	(0.3)	(0.3)
Price / CFPS (x)	nm	nm
ROA (%)	12.6	13.4
NTA/Share (RM)	0.9	1.0
Price/NTA (x)	1.4	1.2

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(6.9)	0.2
3 mth	(20.3)	(4.8)
6 mth	37.9	(7.0)
12 mth	74.3	(4.5)

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



Source: Bloomberg

group with little room to gear up further for future acquisitions. As such, we expect the group to tap on the equity financing to avoid overstretching its balance sheet.

Impact

As the company is in the midst of finalizing the master plans of the lands, we have not account for earnings contributions from this development in our earnings model.

Nevertheless, we take this opportunity to trim the group's FY15-17 earnings by 6-11% after factoring in:

- 1) visitor arrivals of 628k-667k for FY15-17 from 704k-749k previously;
- 2) average revenue/pax of RM39-42 for FY15-17 from RM40-43 previously; and
- 3) slow down progress billings assumptions for projects in Kuantan.

Although we understand that Bukit Gambang Resort City (BGRC) is open for business as usual, we believe roads closure due to landslides and the worsening floods in the East Coast may result in travellers cancelling their visits to BGRC.

Valuation

In tandem with our earnings downgrade, our target price is revised lower to RM1.35/share from RM1.50/share previously, based on CY15 P/E multiple of 9x. We have ascribed a higher P/E multiple to Sentoria (vs peers target CY15 P/E of 7x), to account for its superior earnings growth driven by 3 new resorts development. Maintain **Hold**.

Profit & Loss (RMm)

YE Sep 30	2013	2014e	2015f	2016f	2017f
Revenue	207.5	218.4	372.2	440.6	524.9
EBITDA	55.2	55.3	101.7	142.0	163.3
Dep. & amortisation	(8.0)	(12.9)	(20.9)	(29.5)	(35.6)
Net finance cost	(3.4)	(6.9)	(12.6)	(18.2)	(22.7)
PBT	43.8	35.5	68.3	94.3	104.9
Taxation	9.3	(6.5)	(8.3)	(10.6)	(9.9)
MI	0.0	0.1	0.0	0.0	0.0
Reported Net profit	53.1	29.1	60.0	83.7	95.0
Core net profit	53.1	29.1	60.0	83.7	95.0
Core EPS (sen)	12.1	6.6	13.6	19.0	21.6
GDPS (sen)	2.0	2.0	2.0	2.0	2.0
Div Yield (%)	1.6	1.6	1.6	1.6	1.6

Cash Flow (RMm)

YE Sep 30	2013	2014e	2015f	2016f	2017f
PBT	43.8	35.5	68.3	94.3	104.9
Adjustments	(1.0)	3.0	12.6	18.2	22.7
Dep. & amortisation	8.0	12.9	20.9	29.5	35.6
Changes in WC	(10.6)	(31.4)	(89.2)	(48.5)	(57.0)
Operational cash flow	40.2	19.9	12.5	93.5	106.4
Capex	(74.3)	(49.8)	(126.3)	(222.4)	(176.6)
Others	7.1	(17.8)	0.0	0.0	0.0
Investment cash flow	(67.2)	(67.7)	(126.3)	(222.4)	(176.6)
Debt raised/(repaid)	29.3	81.9	125.0	125.0	100.0
Equity raised(repaid)	0.0	0.0	0.0	0.0	0.0
Dividend	(4.0)	(8.8)	(8.8)	(8.8)	(8.8)
Others	(0.5)	(5.5)	0.0	0.0	0.0
Financial cash flow	24.8	67.6	116.2	116.2	91.2
Net cash flow	(2.2)	19.9	2.4	(12.7)	20.9

Assumptions

YE Sep 30	2013	2014e	2015f	2016f	2017f
New Sales (RM mn)	168.4	228.1	342.4	440.0	500.8
Prop Dev Margins (%)	28.1	31.7	30.6	32.1	27.9
No of Visitors ('000)	646.0	632.0	627.6	660.3	666.9
Revenue/Visitor (RM)	35.4	39.1	38.9	40.0	41.7

Balance Sheet (RMm)

YE Sep 30	2013	2014e	2015f	2016f	2017f
PPE	218.9	334.9	401.9	509.1	635.6
Investment Properties	8.2	10.9	11.9	12.9	13.9
Others	53.6	78.8	116.2	201.0	214.5
Total Non Current Assets	280.6	424.6	530.0	723.0	864.0
Trade Receivables	123.2	152.9	220.9	261.6	311.6
Inventories	7.1	6.3	13.0	15.3	18.3
Cash	6.2	18.5	20.9	8.2	29.1
Others	42.0	55.0	92.2	108.8	129.2
Current Assets	178.5	232.7	347.0	393.9	488.2
Total assets	459.1	657.2	877.0	1116.8	1352.2
ST debt	24.9	18.6	23.6	28.6	8.6
Trade Payables	120.9	173.4	216.9	256.8	305.9
Other current liabilities	6.7	6.1	6.1	6.1	6.1
Current Liabilities	152.5	198.0	246.5	291.4	320.6
Shareholders' funds	248.3	324.7	375.9	450.8	537.0
MI	0.2	0.0	0.0	0.0	0.0
Total long term Liabilities	58.1	134.6	254.6	374.6	494.6
Total Equity and Liabilities	459.1	657.2	877.0	1116.8	1352.2

Ratio

YE Sep 30	2013	2014e	2015f	2016f	2017f
EPS Growth (%)	11.0	(45.1)	105.9	39.5	13.4
PER (x)	10.1	18.4	8.9	6.4	5.7
GDPS (sen)	2.0	2.0	2.0	2.0	2.0
Div Yield (%)	1.6	1.6	1.6	1.6	1.6
Net Debt/ (Net cash) (RMm)	(76.8)	(134.7)	(257.2)	(395.0)	(474.1)
Net gearing (x)	0.3	0.4	0.7	0.9	0.9
ROE (%)	23.7	10.2	17.1	20.3	19.2
ROA (%)	22.3	8.3	12.6	13.4	12.0
NTA/share (RM)	0.6	0.7	0.9	1.0	1.2
P/NTA (x)	2.2	1.7	1.4	1.2	1.0

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