



Sentoria Group Berhad

Launching RM420mn New Projects from 2Q Onwards

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Review

- Sentoria reported 1QFY17 net profit of RM8.5mn. Results were below expectations at 19% of our full-year earnings forecast. We attribute the earnings miss to timing of recognition of property development profits.
- Despite recording a strong 28% YoY growth in revenue, 1QFY17 net profit was flat at RM8.5mn. Property development margin contracted 7.7ppt YoY, due to higher contribution from affordable homes projects which have lower margin.
- Sequentially, the group's 1QFY17 net profit fell 27% QoQ. This was attributed to lower revenue from property development division as newly launched projects have yet to reach significant billing stage.

Impact

- Our FY17-19 earnings are revised lower by 28-34% after factoring in the following:-
 - Lower FY17-19 new sales assumptions to RM280-470mn from RM300-520mn previously.
 - Adjust our progress billing assumptions to reflect the timing of new launches.
 - Reduce EBIT margin assumptions by 2ppt to account for the change in product mix.

Outlook

- There were no sizable new launches rolled out during the quarter under review. As such, the group only recorded RM31mn sales in 1QFY17 (compared to RM9.1mn recorded in 1QFY16). Kuantan and Kuching contributed 42% and 58% of 1QFY17 sales respectively.
- Management maintains its FY17 sales target of RM350mn, driven by RM420mn worth of launches and on-going phases worth >RM100mn. The group's future earnings will be anchored by unrecognized revenue of RM267mn, comprising unbilled property sales of RM152mn and outstanding orderbook from design and build contract worth RM115mn. This represents 1.1x of the group's FY16 revenue.

Valuation

- As the earnings from Kuching and Morib in the past years should kick in significantly in FY18-19, we prefer to value Sentoria based on its CY18 earnings. Pegging a target P/E of 8x to its CY18 EPS of 10.0sen, we arrive at a new target price of RM0.80 for Sentoria. Nevertheless, our **Hold** call is maintained, given the potential total return of 10.1%.

TP: RM0.80 (+8.7%)

Last traded: RM0.74

Hold

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	488.9
Market Cap (RMmn)	361.8
Par Value	0.20
52-wk Hi/Lo (RM)	0.86/0.69
12-mth Avg Daily Vol ('000 shrs)	71.80
Estimated Free Float (%)	26.6
Beta	0.27

Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 11.37

Forecast Revision

	FY16	FY17
Forecast Revision (%)	(30.1)	(33.7)
Net profit (RMmn)	30.8	46.8
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Hold (Maintained)	

Financial Indicators

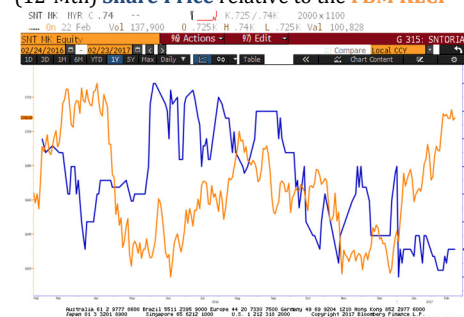
	FY16	FY17
Net Debt / Equity (%)	63.8	83.9
FCPS (sen)	(0.0)	0.0
Price / CFPS (x)	nm	nm
ROA (%)	5.5	6.6
NTA/Share (RM)	0.9	1.0
Price/NTA (x)	0.8	0.8

	%of FY	
vs TA	19.0	Below
vs Consensus	n.a	n.a

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	1.4	2.2
3 mth	(4.5)	4.8
6 mth	(7.5)	1.5
12 mth	(9.8)	1.8

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



Source: Bloomberg

Earnings Summary (RM'mn)

YE Sep 30	2015	2016	2017F	2018F	2019F
Revenue	219.6	224.2	298.5	320.1	381.9
EBITDA	51.3	54.6	72.7	90.1	105.7
EBITDA Margins (%)	23.4	24.3	24.4	28.2	27.7
Pretax profit	28.8	39.4	36.2	44.7	50.8
Net profit	32.1	33.1	30.8	46.8	54.3
Net profit -adj	25.9	28.8	30.8	46.8	54.3
EPS -Adj (sen)	5.3	5.9	6.4	9.7	11.2
EPS Growth (%)	(16.1)	11.3	6.9	52.0	16.1
PER (x)	13.8	12.4	11.6	7.7	6.6
Gross Div - adj (sen)	2.0	0.0	1.0	1.0	1.0
Div Yield (%)	2.7	0.0	1.4	1.4	1.4
ROE (%)	7.4	7.4	7.4	10.4	11.0

1QFY17 Results Analysis (RM mn)

	1Q16	4Q16	1Q17	OoQ (%)	YoY (%)
Revenue	47.0	72.4	60.0	(17.0)	27.7
Property Development	28.6	63.1	45.8	(27.4)	60.1
Leisure	18.4	9.3	14.2	53.0	(22.7)
EBITDA	15.4	25.9	14.0	(46.1)	(9.1)
EBIT	12.2	23.0	11.2	(51.5)	(8.3)
Property Development	8.2	21.5	9.5	(55.7)	16.8
Leisure	4.5	0.4	2.5	552.3	(43.9)
Others	(0.8)	18.0	(0.4)	>-100	(53.8)
Eliminations	0.4	(19.5)	(0.5)	>-100	>-100
Fair Value Gain	0.0	5.8	0.0	nm	nm
Finance Cost	(1.8)	(1.0)	(0.6)	(42.8)	(67.1)
PBT	10.4	22.0	10.6	(51.9)	2.0
Normalised PBT	10.4	16.3	10.6	(34.9)	2.0
Tax	(2.0)	(6.1)	(2.1)	(65.3)	7.5
MI	0.0	0.0	0.0	(16.7)	nm
Reported Net profit	8.4	15.9	8.5	(46.7)	0.8
Normalised net profit	8.4	11.6	8.5	(27.0)	0.8
EPS -adj (sen)	1.7	2.4	1.8	(27.0)	0.7
GDPS -adj (sen)	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	32.7	35.8	23.3	(12.5)	(9.4)
EBIT Margin (%)	25.9	31.9	18.6	(13.2)	(7.3)
Property Development (%)	28.5	34.2	20.8	(13.3)	(7.7)
Leisure (%)	24.4	4.1	17.7	13.5	(6.7)
Pretax Margin (%)	22.1	22.5	17.6	(4.8)	(4.4)
Net Margin (%)	17.9	16.0	14.1	(1.9)	(3.8)
Effective Tax Rate (%)	(18.9)	(37.4)	(19.9)	17.5	(1.0)

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
- HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
- SELL** : Total return is lower than the required rate of return.
- Not Rated:** The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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