



Sentoria Group Berhad

Results Driven by Property Development Division

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Review

- Sentoria reported 9MFY17 revenue and net profit of RM180.8mn (+19% YoY) and RM19.1mn (+11 YoY%), which accounted for 62% and 64% of our full-year forecasts respectively. However, we deem the results to be in line as 4Q is traditionally the strongest quarter for the group. In addition, 4QFY17 should see stronger revenue from its on-going projects such as Bukit Rangin 3 in Kuantan and Borneo Samariang Garden 2 in Kuching, which are reaching the significant billing stage. Note that 4QFY16 net profit accounted for 40% of the group's FY16 full year net profit.
- Segment wise, property development division's revenue and EBIT increased 31% and 26% YoY respectively in 9MFY17, mainly driven by swift progress of its on-going projects in Kuantan and Kuching. Meanwhile, the property development division's margin contracted by 0.9ppt YoY, due to higher contribution from affordable homes projects, which have lower margin. Meanwhile, the leisure division turned to an operating loss of RM1.6mn, compared to a profit of RM2.1mn for the same reporting period last year.
- Sequentially, the group's 3QFY17 net profit surged 54% QoQ to RM6.4mn underpinned by a 27% growth in revenue. The stronger sequential results was largely underpinned by the property development division, which saw a 9% QoQ increase in EBIT. In addition, leisure division's operating loss narrowed to RM1.0mn in 3QFY17 from RM3.1mn a quarter ago, also contributed to the better QoQ performance.

Impact

- No change to our FY17-19 earnings forecasts.

Outlook

- 9MFY17 new sales amounted to RM150mn, mainly contributed by on-going projects in Kuantan and Kuching. Going forward, the group will continue to focus on building affordable homes in its key operating areas such as Kuantan, Kuching and Klang Valley. We expect 4Q sales to be driven by new launches worth RM241mn which include "Rumah Selangorku" in Morib (GDV RM138mn) and Rumah Spektra in Kuching (GDV RM103mn). Future earnings are expected to be anchored by unrecognized revenue of RM285mn. This represents 1.4x of our projected FY17 revenue for property division.
- We see East Coast Rail Link (ECRL) as a long-term catalyst for Sentoria, given that it has about 300 acres of undeveloped landbank in Gambang Kuantan, which is one of the major stations of ECRL.

Valuation

- No change to our target price of RM0.98/share, based on unchanged 9x CY18 EPS. Maintain **Buy**.

TP: RM0.98 (+20.8%)

Last traded: RM0.81

BUY

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	498.0
Market Cap (RMmn)	403.4
Par Value	0.20
52-wk Hi/Lo (RM)	1.00/0.69
12-mth Avg Daily Vol ('000 shrs)	196.10
Estimated Free Float (%)	27.9
Beta	0.2

Major Shareholders (%)

Sentoria Capital	- 56.1
State Secretary Pahang	- 16.0

Forecast Revision

	FY17	FY18
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	29.9	50.0
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Buy (Maintained)	

Financial Indicators

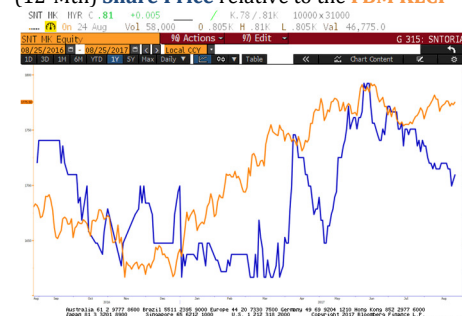
	FY17	FY18
Net Debt / Equity (%)	68.9	66.3
FCPS (sen)	(0.1)	0.0
Price / CFPS (x)	nm	nm
ROA (%)	5.7	8.6
NTA/Share (RM)	0.9	1.0
Price/NTA (x)	0.9	0.8

	%of FY
vs TA	64.0
vs Consensus	n.a

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(3.0)	0.7
3 mth	(6.9)	0.1
6 mth	9.5	4.5
12 mth	1.3	5.7

(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	290.1	320.1	401.9
EBITDA	51.3	54.6	68.1	80.2	95.4
EBITDA Margins (%)	23.4	24.3	23.5	25.1	23.7
Pretax profit	28.8	39.4	35.1	43.5	55.5
Net profit	32.1	33.1	29.9	50.0	60.7
Net profit -adj	25.9	28.8	29.9	50.0	60.7
EPS -Adj (sen)	5.3	5.9	6.2	10.3	12.5
EPS Growth (%)	(16.1)	11.3	3.7	67.3	21.5
PER (x)	15.2	13.6	13.1	7.8	6.5
Gross Div - adj (sen)	2.0	0.0	1.0	1.0	1.0
Div Yield (%)	2.5	0.0	1.2	1.2	1.2
ROE (%)	7.4	7.4	7.2	11.1	12.1

3QFY17 Results Analysis (RM mn)

	3Q16	2Q17	3Q17	OoQ (%)	YoY (%)	9MFY16	9MFY17	YoY (%)
Revenue	56.9	53.2	67.5	26.8	18.6	151.9	180.8	19.0
<i>Property Development</i>	47.8	45.4	57.5	26.7	20.4	113.2	148.7	31.3
<i>Leisure</i>	9.2	7.9	10.0	27.6	9.4	38.7	32.1	(17.0)
EBITDA	10.6	10.0	12.8	27.9	20.7	37.1	36.8	(0.9)
EBIT	7.8	7.3	10.2	39.4	30.4	28.1	28.6	2.0
<i>Property Development</i>	8.3	11.2	12.2	8.8	48.0	26.1	33.0	26.4
<i>Leisure</i>	(0.9)	(3.1)	(1.0)	(68.2)	14.0	2.1	(1.6)	(177.2)
<i>Others</i>	(0.7)	(0.5)	(0.4)	(24.3)	(47.0)	(2.2)	(1.2)	(46.9)
<i>Eliminations</i>	1.1	(0.3)	(0.7)	112.0	(163.3)	2.1	(1.5)	173.4
Fair Value Gain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance Cost	(1.4)	(0.6)	(1.2)	121.0	(10.4)	(4.9)	(2.4)	(51.5)
PBT	6.4	6.7	8.9	32.7	39.0	23.2	26.3	13.3
Normalised PBT	6.4	6.7	8.9	32.7	39.0	23.2	26.3	13.3
Tax	(1.7)	(2.6)	(2.6)	(1.1)	51.0	(6.0)	(7.3)	21.1
MI	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
Reported Net profit	4.8	4.2	6.4	54.2	35.1	17.2	19.1	10.8
Normalised net profit	4.8	4.2	6.4	54.2	35.1	17.2	19.1	10.8
EPS -adj (sen)	1.0	0.9	1.3	52.9	32.7	3.5	3.9	10.2
GDPS -adj (sen)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	18.7	18.8	19.0	0.2	0.3	24.5	20.4	(4.1)
EBIT Margin (%)	13.7	13.7	15.1	1.4	1.4	18.5	15.9	(2.6)
<i>Property Development (%)</i>	17.3	24.8	21.2	(3.5)	4.0	23.1	22.2	(0.9)
<i>Leisure (%)</i>	(9.6)	(40.0)	(10.0)	30.0	(0.4)	5.4	(5.1)	(10.5)
Pretax Margin (%)	11.3	12.7	13.3	0.6	2.0	15.3	14.5	(0.7)
Net Margin (%)	8.3	7.8	9.5	1.7	1.2	11.3	10.5	(0.8)
Effective Tax Rate (%)	(26.3)	(38.4)	(28.6)	9.8	(2.3)	(25.8)	(27.6)	(1.8)

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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. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

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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