



Sentoria Group Bhd

KPIs on Track

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Briefing Takeaways:

Sentoria held an analyst briefing yesterday following the release of its 1H1Y17 results.

Briefing highlights are:

- 1) 1HFY17 property sales amounted to RM75mn
- 2) Design and build contracts generate decent margin
- 3) Leisure division hit by slowdown in corporate events
- 4) Maintain FY17 and FY18 sales target of RM350mn and RM450mn

1HFY17 property sales amounted to RM75mn

Sentoria recorded RM75mn new property sales in 1HFY17, representing a drop of 35% YoY. The weaker sales performance was largely due to limited new launches during the period under review. In Feb-17, the group launched two new phases in its two of its townships in Kuantan, namely Taman Bukit Gambang 3 (TBG 3) and Taman Bukit Rangin 3B (TBR 3B). Featuring single storey terrace houses, TBG 3 and TBR 3B generates a combined GDV of RM71mn. As both projects were launched towards end 2QFY17, TBG 3 and TBR 3B sales performance were relatively lackluster at 2% and 23% respectively. As comparison, the group launched RM195mn worth of new properties in 1HFY16. Unbilled sales as at Mar-17 stood at RM130.1mn

Design and build contracts generate decent margin

Given the group's expertise in building affordable homes, it has been awarded four design and build (D&B) contracts for the development of affordable homes in Kuantan and Sepang to date. See **Figure 1** for design & build contracts secured. Recently, the group announced that it accepted a letter of award from H.A Properties Sdn Bhd to design and build 506 units of single-storey semi-detached houses worth RM60.8mn in Kuantan. The contract will start on July 1, 2017 and is due for completion on June 30, 2019.

Figure 1: Design and build contracts secured

Contract	Location	Development Period	Property Type	Value (RM mn)
PR1MA	Kuantan	Jul 14 - Dec 16	612 single storey detached houses, one single storey bungalow and 16 single storey shop lots	80
Affordable Homes	Kuantan	Mar 16 - Mar 20	800 units of single-storey terrace houses, single-storey semi-detached houses, single-storey shops	90
Affordable Homes	Selangor	Mar 16 - Mar 19	one block of an apartment with 128 units	20
PR1MA	Kuantan	Jul 17 - Jun 19	506 units of single-storey semi-detached houses	61

Source: Sentoria, TA Research

TP: RM0.98 (+12.5%)

Last Traded: RM0.87

Buy

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	487.0
Market Cap (RMmn)	423.7
Par Value	0.20
52-wk Hi/Lo (RM)	1.00/0.69
12-mth Avg Daily Vol ('000 shrs)	178.70
Estimated Free Float (%)	26.3
Beta	0.30

Major Shareholders (%)

Sentoria Capital	- 62.3
State Secretary Pahang	- 11.4

Forecast Revision

	FY17	FY18
Forecast Revision (%)	(3.0)	6.8
Net profit (RMm)	29.9	50.0
Consensus	n.a	n.a
TA's / Consensus (%)	n.a	n.a
Previous Rating	Hold (Upgraded)	

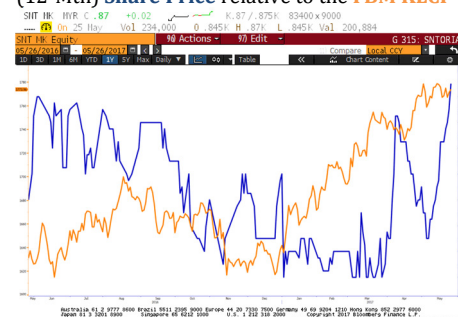
Financial Indicators

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

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	11.5	0.3
3 mth	17.6	4.5
6 mth	8.7	9.0
12 mth	11.5	8.8

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



Source: Bloomberg

Management expects at least a 20% gross margin from D&B contract, significantly higher than typical construction margins in the mid-to-high single digits. This is because the contracts would require Sentoria to design the entire master plan for these government housing projects. With Sentoria taking the development lead in these projects, despite it was named as a contractor, Sentoria has built in higher contract value when bidding for the projects. For instance, we understand the recently completed PR1MA contract had generated a gross margin of 35%. As at Mar-17, unrecognised revenue from D&B contracts amounted to RM114.7mn.

Leisure division hit by slowdown in corporate events

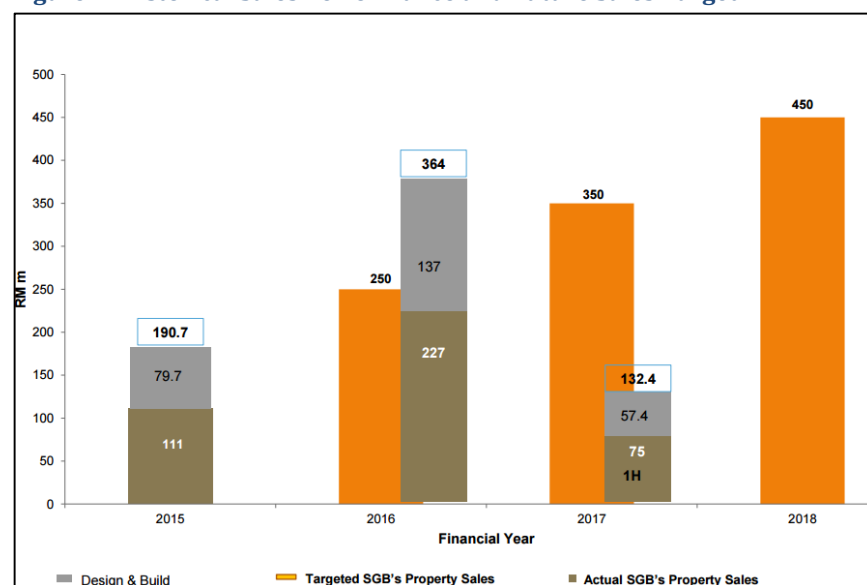
Sentoria's leisure and hospitality division posted a loss before interest and tax of RM0.1mn in FY16. Unfortunately, the losses widen further to RM1.7mn in 1HFY17, largely due to slowdown in corporate events. Management stated that it has embark on various tactical marketing campaigns and tie up with tour agencies to draw more group travelers. Driven by continued measures to attract more visitors and improve cost efficiencies, management expects the division to breakeven in FY17.

As for the status of the group's other theme parks, we understand that the group's Langkawi Nature Park, a mangrove eco park will open its door in 2HFY17. Meanwhile, water park in Samariang and Morib are on track for completion by end 2017 and 2018 respectively. Specifically for Borneo Samariang Water Park, management unveiled that the water slides are currently being installed on site. It is expected to commence operation in Nov-17 in conjunction with the year-end school holidays.

Maintain FY17 and FY18 sales target of RM350mn and RM450mn

All in, management reiterates it is on track to achieve the group's "3-year roadmap to success" introduced in 2015. It targets to achieve RM1.05bn of new sales for FY16 - 18 – see **Figure 2**. Despite only new sales of RM75mn in 1HFY17, management maintained its sales target of RM350mn for FY17, underpinned by on-going stocks worth RM193mn and new launches worth RM348mn scheduled for launch in 2HFY17 – see **Figure 3**.

Figure 2: Historical Sales Performance and Future Sales Target



Source: Sentoria, TA Research

Figure 3: Upcoming Launches in 2HFY17

Project	Property Type	Units	GDV (RM mn)
Kuantan			
Taman Bkt Rangin 2B	Single Storey Semi-D	40	10.7
Tmn Bkt Gambang	Single Storey Semi-D	506	60.8
	Subtotal	546	71.5
Kuching			
Borneo Samariang Garden 2	Single Storey Terrace	154	34.7
Rumah Spektra	Low Cost Terrace House	723	103.5
	Subtotal	877	138.2
Morib			
Rumah Selangorku	Apartment	630	138.6
	Subtotal	630	138.6
Grand Total		2053	348.3

Source: Sentoria, TA Research

Forecasts

No change to our FY17-19 sales assumptions of RM280mn - 470mn. Note that our FY17/18 sales assumptions are conservative at RM280mn/380mn, below management's target of RM350mn/450mn respectively. However, we revise our FY17/18/19 earnings by -3%/+6.8%/+11.7% respectively after factoring in 1) lower occupancy rates and operating margins assumptions for Bukit Gambang Resort City, 2) contribution from Borneo Samariang Water Park 3) the recently secured design and build contract worth RM60.8mn with an EBIT margin assumptions of 25%.

Valuation

We expect Sentoria's earnings visibility to improve, underpinned by 1) sizable pipeline of new launches, 2) total unrecognized revenue RM245mn, and 3) leisure division performance to catch up with the opening of Borneo Samariang water park. Ascribing a higher target P/E of 9x (from 8x previously) on its CY18 EPS, we value Sentoria at RM0.98/share, We upgrade Sentoria to Buy from Hold previously.

Profit & Loss (RMm)

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
Dep. & amortisation	(12.0)	(11.8)	(14.0)	(15.0)	(16.1)
Fair value gain	8.3	5.8	0.0	0.0	0.0
Net finance cost	(10.8)	(3.4)	(19.0)	(21.7)	(23.8)
Normalised PBT	28.8	39.4	35.1	43.5	55.5
Taxation	(5.0)	(12.1)	(5.3)	6.4	5.2
MI	0.0	0.0	0.0	0.0	0.0
Reported Net profit	32.1	33.1	29.9	50.0	60.7
Normalised net profit (sen)	25.9	28.8	29.9	50.0	60.7
Core EPS* (sen)	5.3	5.9	6.2	10.3	12.5
GDPS (sen)	2.0	0.0	1.0	1.0	1.0
Div Yield (%)	2.3	-	1.1	1.1	1.1

Cash Flow (RMm)

YE Sep 30	2015	2016	2017f	2018f	2019f
PBT	37.1	45.2	35.1	43.5	55.5
Adjustments	5.6	(0.5)	19.0	21.7	23.8
Dep. & amortisation	12.0	11.8	14.0	15.0	16.1
Changes in WC	(54.5)	(129.0)	(25.0)	(22.1)	(45.8)
Operational cash flow	0.2	(72.5)	43.1	58.1	49.6
Capex	(20.3)	(40.7)	(67.6)	(72.5)	(69.1)
Others	1.9	(2.9)	0.0	0.0	0.0
Investment cash flow	(18.4)	(43.6)	(67.6)	(72.5)	(69.1)
Debt raised/(repaid)	(4.8)	106.7	80.0	50.0	40.0
Equity raised(repaid)	26.5	3.0	0.0	0.0	0.0
Dividend	(9.2)	(9.7)	(4.8)	(4.8)	(4.8)
Others	(0.3)	0.0	0.0	0.0	0.0
Financial cash flow	12.1	100.0	75.2	45.2	35.2
Net cash flow	(6.1)	(16.1)	50.8	30.8	15.7

Assumptions

YE Sep 30	2015	2016	2017f	2018f	2019f
New Sales (RM mn)	111	229	280	380	470
Prop Dev Margins (%)	28	26	23	23	21
No of Visitors ('000)	577	540	546	551	557
Revenue/Visitor (RM)	40	39	40	40	42

Balance Sheet (RMm)

YE Sep 30	2015	2016	2017f	2018f	2019f
PPE	345.5	363.1	370.4	377.5	384.3
Investment Properties	19.6	43.0	83.0	123.0	153.0
Others	71.3	89.4	95.7	106.1	122.3
Total Non Current Assets	436.3	495.5	549.1	606.6	659.5
Trade Receivables	156.8	190.3	246.2	271.6	341.1
Inventories	5.2	2.2	2.8	3.1	3.9
Cash	13.3	14.4	65.1	96.0	111.7
Others	81.8	146.1	134.9	137.4	152.8
Current Assets	257.2	353.0	449.0	508.1	609.4
Total assets	693.6	848.5	998.1	1114.7	1268.9
ST debt	20.6	84.7	64.7	34.7	(25.3)
Trade Payables	159.3	162.6	207.2	228.6	287.1
Other current liabilities	2.4	3.0	3.0	3.0	3.0
Current Liabilities	182.3	250.3	274.9	266.3	264.8
Shareholders' funds	376.3	402.7	427.7	472.9	528.7
MI	0.1	0.5	0.5	0.5	0.5
Long Term Borrowings	134.9	195.0	295.0	375.0	475.0
Total Equity and Liabilities	693.6	848.5	998.1	1114.7	1268.9

Ratio

YE Sep 30	2015	2016	2017f	2018f	2019f
EPS Growth (%)	(16.1)	11.3	3.7	67.3	21.5
PER (x)	16.3	14.6	14.1	8.4	6.9
GDPS (sen)	2.0	0.0	1.0	1.0	1.0
Div Yield (%)	2.3	0.0	1.1	1.1	1.1
Net Debt/ (Net cash) (RMm)	142.1	265.3	294.5	313.7	338.0
Net gearing (x)	0.4	0.7	0.7	0.7	0.6
ROE (%)	7.4	7.4	7.2	11.1	12.1
ROA (%)	6.0	6.2	5.7	8.6	9.6
NTA/share (RM)	0.8	0.8	0.9	1.0	1.1
P/NTA (x)	1.1	1.0	1.0	0.9	0.8

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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