

# Sentoria Group Bhd

Results Driven by Property Development

**TP: RM0.98** (+36.1%)

Last Traded: RM0.72

**Buy**

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## Review

- Excluding the fair value gain on investment properties, which amounted to RM5.5mn, Sentoria's FY17 normalised net profit advanced 18% to RM33.9mn. Results beat expectations at 114% of our full-year earnings forecasts. The variance was largely due to lower-than-expected finance cost. Note that FY17 revenue were in line at 97% of our full-year estimates.
- YoY, FY17 normalised net profit increased 18% to RM33.9mn, on the back of 25% growth in revenue. Property development division's revenue and EBIT increased 35% and 11% respectively in FY17, mainly driven by swift progress of its on-going projects in Kuantan and Kuching. Meanwhile, the leisure and hospitality division's FY17 revenue and EBIT decreased 10% and 4% respectively.
- QoQ, the group's 4QFY17 normalised net profit more than doubled to RM14.9mn underpinned by a 48% growth in revenue. The stronger sequential results was largely boosted by the property development division, which saw a 63% QoQ increase in EBIT. In addition, leisure and hospitality division's EBIT improved to RM2.7mn in 4QFY17 from a loss of RM0.4mn a quarter ago.

## Impact

- We keep our earnings forecasts unchanged for now, pending more guidance from the management in an analyst briefing to be held tomorrow.

## Outlook

- The group is targeting new property sales of RM450mn for FY18 vs our assumptions of RM380mn. Unbilled sales of RM297.5mn as of 30 Sep 17 (or 1.3x FY17 property revenue) should provide the group with slightly more than a year's earnings visibility. For the leisure division, two new theme parks, i.e. Langkawi Nature Park in Langkawi and Boerneo Samariang Water Park i.e. are expected to commence operation in 2QFY18.

## Valuation

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

## Share Information

|                                  |             |
|----------------------------------|-------------|
| Bloomberg Code                   | SNT MK      |
| Stock Code                       | 5213        |
| Listing                          | Main Market |
| Share Cap (mn)                   | 514.7       |
| Market Cap (RMmn)                | 370.6       |
| 52-wk Hi/Lo (RM)                 | 1.00/0.66   |
| 12-mth Avg Daily Vol ('000 shrs) | 200.6       |
| Estimated Free Float (%)         | 26.6        |
| Beta                             | 0.32        |
| Major Shareholders (%)           |             |

Sentoria Capital - 57.9  
State Secretary, Pahang - 15.4

## Forecast Revision

|                       | FY18             | FY19 |
|-----------------------|------------------|------|
| Forecast Revision (%) | -                | -    |
| Net profit (RMmn)     | 50.0             | 60.7 |
| Consensus             | n.a              | n.a  |
| TA's / Consensus (%)  | n.a              | n.a  |
| Previous Rating       | Buy (Maintained) |      |

## Financial Indicators

|                 | FY18 | FY19 |
|-----------------|------|------|
| Net gearing (x) | 66.3 | 63.9 |
| CFPS (sen)      | 0.0  | 0.0  |
| P/CFPS (x)      | nm   | nm   |
| ROAA (%)        | 8.6  | 9.6  |
| ROAE (%)        | 11.1 | 12.1 |
| NTA/Share (RM)  | 1.0  | 1.1  |
| Price/NTA (x)   | 0.7  | 0.7  |

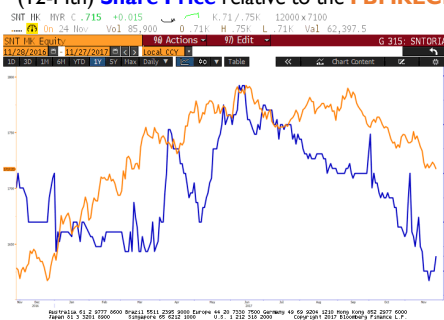
## Scorecard

|              | % of FY |       |
|--------------|---------|-------|
| vs TA        | 114.0   | Above |
| vs Consensus | n.a.    | n.a   |

## Share Performance (%)

|              | SNT    | FBM KLCI |
|--------------|--------|----------|
| Price Change |        |          |
| 1 mth        | (4.0)  | (1.7)    |
| 3 mth        | (11.2) | (2.9)    |
| 6 mth        | (15.9) | (3.1)    |
| 12 mth       | (10.6) | 5.5      |

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Table 1: Earnings Summary (RM mn)**

| YE Sep 30             | 2015   | 2016  | 2017  | 2018F | 2019F |
|-----------------------|--------|-------|-------|-------|-------|
| Revenue               | 219.6  | 224.2 | 280.4 | 320.1 | 401.9 |
| EBITDA                | 51.3   | 54.6  | 59.8  | 81.1  | 96.2  |
| EBITDA Margins (%)    | 23.4   | 24.3  | 21.3  | 25.3  | 23.9  |
| Pretax profit         | 28.8   | 39.4  | 45.9  | 40.7  | 50.0  |
| Net profit            | 32.1   | 33.1  | 38.0  | 50.0  | 60.7  |
| Net profit -adj       | 25.9   | 28.8  | 33.9  | 50.0  | 60.7  |
| EPS -Adj (sen)        | 5.3    | 6.0   | 7.0   | 10.3  | 12.5  |
| EPS Growth (%)        | (16.1) | 11.4  | 17.7  | 47.3  | 21.5  |
| PER (x)               | 13.4   | 12.0  | 10.2  | 6.9   | 5.7   |
| Gross Div - adj (sen) | 2.0    | 0.0   | 1.0   | 1.0   | 1.0   |
| Div Yield (%)         | 2.8    | 0.0   | 1.4   | 1.4   | 1.4   |
| ROE (%)               | 7.4    | 7.4   | 8.0   | 11.1  | 12.1  |

**Table 2: 4QFY17 Results Analysis (RM mn)**

|                          | 4Q16        | 3Q17        | 4Q17        | OoQ (%)      | YoY (%)      | FY16         | FY17         | YoY (%)      |
|--------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>           | <b>72.4</b> | <b>67.5</b> | <b>99.7</b> | <b>47.6</b>  | <b>37.7</b>  | <b>224.2</b> | <b>280.4</b> | <b>25.1</b>  |
| Property Development     | 63.1        | 57.5        | 88.7        | 54.3         | 40.6         | 176.3        | 237.3        | 34.6         |
| Leisure                  | 9.3         | 10.0        | 11.0        | 9.6          | 18.0         | 47.9         | 43.1         | (10.2)       |
| EBITDA                   | 25.9        | 12.8        | 28.4        | 121.5        | 9.6          | 63.1         | 65.2         | 3.4          |
| <b>EBIT</b>              | <b>23.0</b> | <b>10.2</b> | <b>25.4</b> | <b>149.9</b> | <b>10.2</b>  | <b>51.1</b>  | <b>54.0</b>  | <b>5.7</b>   |
| Property Development     | 21.5        | 12.2        | 19.9        | 63.0         | (7.6)        | 47.6         | 52.9         | 11.0         |
| Leisure                  | 0.4         | (1.0)       | 4.0         | >100         | >100         | 2.5          | 2.4          | (3.5)        |
| Others                   | 18.0        | (0.4)       | 2.7         | >100         | (85.1)       | 15.8         | 1.5          | (90.5)       |
| Eliminations             | (19.5)      | (0.7)       | (1.2)       | 75.3         | (93.8)       | (17.4)       | (2.7)        | 84.2         |
| Fair Value Gain          | 5.8         | 0.0         | 5.5         | nm           | (5.1)        | 5.8          | 5.5          | (5.1)        |
| Finance Cost             | (1.0)       | (1.2)       | (0.3)       | (73.6)       | (69.1)       | (5.9)        | (2.7)        | (54.6)       |
| PBT                      | 22.0        | 8.9         | 25.1        | 180.4        | 14.0         | 45.2         | 51.4         | 13.7         |
| Normalised PBT           | 16.3        | 8.9         | 19.6        | 119.4        | 20.7         | 39.4         | 45.9         | 16.4         |
| Tax                      | (6.1)       | (2.6)       | (6.1)       | >100         | (0.0)        | (12.1)       | (13.3)       | 10.5         |
| MI                       | 0.0         | 0.0         | (0.0)       | >100         | >100         | 0.0          | (0.0)        | >100         |
| Reported Net profit      | 15.9        | 6.4         | 19.0        | >100         | 19.1         | 33.1         | 38.0         | 14.8         |
| Normalised net profit    | 11.6        | 6.4         | 14.9        | >100         | 28.1         | 28.8         | 33.9         | 17.7         |
| EPS -adj (sen)           | 2.4         | 1.3         | 3.0         | >100         | 24.5         | 5.9          | 6.9          | 16.0         |
| GDPS -adj (sen)          | 0.0         | 0.0         | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| EBITDA Margin (%)        | 35.8        | 19.0        | 28.5        | 9.5          | (7.3)        | 28.1         | 23.3         | (4.9)        |
| <b>EBIT Margin (%)</b>   | <b>31.9</b> | <b>15.1</b> | <b>25.5</b> | <b>10.4</b>  | <b>(6.4)</b> | <b>22.8</b>  | <b>19.3</b>  | <b>(3.5)</b> |
| Property Development (%) | 34.2        | 21.2        | 22.4        | 1.2          | (11.7)       | 27.0         | 22.3         | (4.7)        |
| Leisure (%)              | 4.1         | (10.0)      | 36.7        | 46.7         | 32.5         | 5.2          | 5.6          | 0.4          |
| Pretax Margin (%)        | 22.5        | 13.2        | 19.7        | 6.4          | (2.8)        | 20.2         | 18.3         | (1.8)        |
| Net Margin (%)           | 16.0        | 9.5         | 14.9        | 5.4          | (1.1)        | 12.8         | 12.1         | (0.8)        |
| Effective Tax Rate (%)   | (37.4)      | (28.6)      | (31.0)      | (2.4)        | 6.4          | (30.6)       | (29.1)       | 1.6          |

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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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As of Monday, November 27, 2017, the analyst, (Thiam Chiann Wen), who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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