



Sentoria Group Bhd

Borneo Samariang is Off the Ground

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Thiam Chiann Wen

+603-21679615

cwthiam@ta.com.my

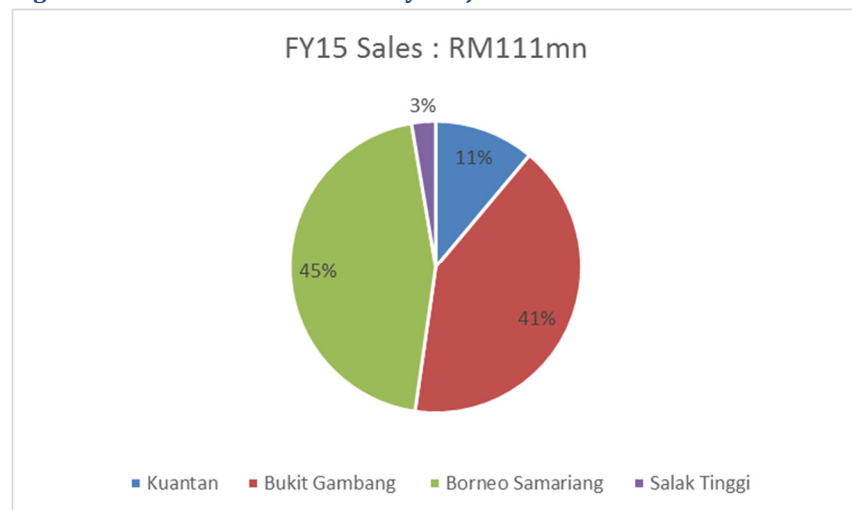
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Sentoria held an analyst briefing yesterday following the release of its FY15 results and below are the key takeaways:

FY15 sales driven by successful launch of Borneo Samariang Resort City

The group's new property sales declined 51% YoY to RM111mn in FY15, which was slightly below our projections of RM122mn. The variance was largely due to slower-than-expected take up for East Coast Bazaar commercial units in Bukit Gambang. Bulk of the FY15 sales were derived from Borneo Samariang Resort City (Ataria Serviced Suites, GDV: RM100mn), which was officially launched in Sept-15 – see **Figure 1**. It was 80% booked within a month, with majority of the buyers are Sarawakians. The brisk sales was largely within our expectations given the shortage of investment grade hotels in Kuching. According to management, RM50mn sales from Ataria Suites were already captured in FY15 and management stated that the remaining RM30mn bookings will be reflected in 1QFY16 sales.

Figure 1: FY15 Sales Breakdown by Projects



Source: Sentoria, TA Research

3-year Roadmap to Success

The group has laid out 3-year roadmap to success for both its property development and leisure division.

RM1.05bn total property sales over the next 3 years

For property development division, it targets a total sales of RM1.05bn over the next three years (see **Figure 2**), driven by pipeline launches worth RM1.8bn over the next 3 years. Specifically, RM1bn worth of new launches across Kuantan, Samariang and Morib will be ready for launch within the next 12 months – see **Figure 3**.

TP: RM1.00 (+10.6 %)

Last Traded: RM0.90

Hold

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	484.1
Market Cap (RMmn)	435.7
Par Value	0.20
52-wk Hi/Low (RM)	1.35/0.85
12-mth Avg Daily Vol ('000 shrs)	141.46
Estimated Free Float (%)	22.5
Beta	0.53

Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 11.5

Forecast Revision

	FY16	FY17
Forecast Revision (%)	(5.1)	10.2
Net profit (RMm)	43.3	62.7
Consensus	-	-
TA's / Consensus (%)	n.a	n.a
Previous Rating	Hold (Upgraded)	

Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	67.0	79.9
FCPS (sen)	(0.3)	(0.2)
Price / CFPS (x)	nm	nm
ROA (%)	8.3	9.3
NTA/Share (RM)	0.8	1.0
Price/NTA (x)	1.1	0.9

Share Performance (%)

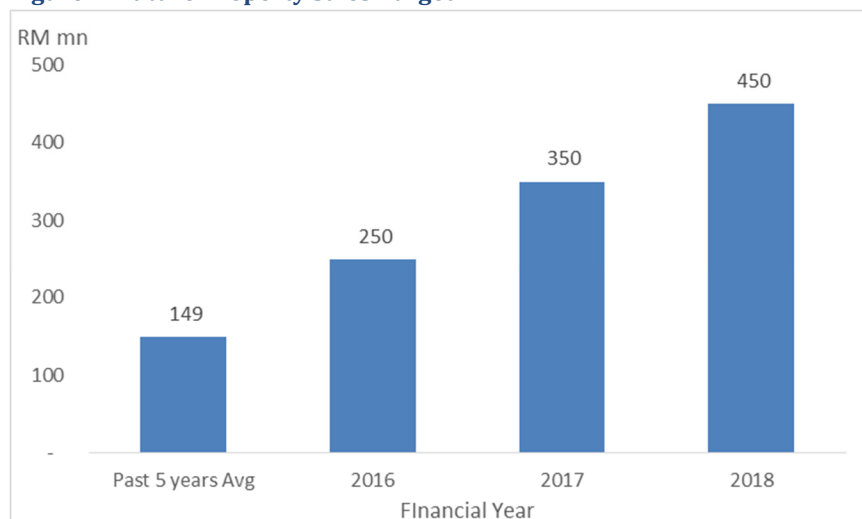
Price Change	SNTORIA	FBM KLCI
1 mth	1.1	0.4
3 mth	(5.3)	3.9
6 mth	(12.6)	(4.1)
12 mth	(33.3)	(6.0)

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



Source: Bloomberg

Figure 2: Future Property Sales Target



Source: Sentoria, TA Research

Figure 3: Upcoming Launches

	Project	GDV (RM mn)
Kuantan		
1	Tmn Bukit Gambang	59.1
2	East Coast Bazaar	40.1
3	Taman Bukit Rengin 1, 2, 3	171.3
	Total	270.5
Sentoria Morib Resort City		
1	2 Storey Resort Twin Villa	239.0
	Total	239.0
Borneo Samariang Resort City		
1	Ataria	100.0
2	Semi - D	155.3
3	Bungalow	22.0
4	Single Storey Terrace	213.7
	Total	491.0
	Grand Total	1,000

Source: Sentoria, TA Research

The group's strategy in Kuantan will still be focusing on affordable landed properties that price below RM200k/unit and RM300k/unit for single storey terrace houses and semi Ds respectively. Given Sentoria's entrenched position in Kuantan with 30% market share, we see Kuantan townships to contribute the bread and butter sales to Sentoria over the next 3 years.

Property sales upside is expected to come from Borneo Samariang Resort City and Sentoria Morib Resort City. As discussed in earlier section, the maiden launch of Borneo Samariang has seen strong take-up. Next, the group plans to launch single storey terrace houses with ASP starting from RM188k/unit early next year. We believe this is a good entry price for first-time home buyers given the recent launches in neighbouring areas are mainly double storey terrace houses that priced above RM300k/unit.

We are also excited over its upcoming launch of Sentoria Morib Resort City in 1QCY16. The maiden launch will feature 156 unit of two-storey Semi Ds, with ASP of RM602k/unit. More than 90% of the units has already been pre-booked ahead of its official launch. As the government is focusing on developing the southern part of Klang Valley which includes Malaysian Vision Valley, Cyberjaya City Centre as well as KLIA Aeropolis, we also expect Morib to enjoy land value boost due to spillover effects of these high-impact development.

3 upcoming theme parks, each in 2016, 2017 and 2018

As for the leisure division, the group's Langkawi Nature Park, a mangrove eco park will open its door next year. Meanwhile, water park in Samariang and Morib are slated for completion in 2017 and 2018 respectively. According to management, the earthwork for water park in Samariang and Morib has already commenced. As guided in the past briefings, the group targets to spend RM20mn, RM40mn and RM80mn for the development of leisure facilities in Langkawi, Samariang and Morib respectively. We understand that it has secured bank financing for Nature Park in Langkawi. On the other hand, the water theme park for Samariang and Morib are expected to be self-financed through the sale of hotel suites.

Despite the sales target and opening timeline of new theme parks are largely within our expectations, we are upbeat on the group's strategies to drive future earnings. Also, we expect management's expertise in building and manage theme park should help to clear investors' concern over its execution capability. We also anticipate the opening of Langkawi Nature Park in 2016, which should serve as a platform to build Sentoria's brand name in Langkawi for the benefit of its two future resort city developments.

Impact

We believe the group will likely to surpass its internal sales target given the encouraging bookings to date. Hence, we maintain our FY16 and 17 new sales assumptions of RM290mn and RM380mn respectively.

We adjust our progress billing assumptions to factor in the latest unbilled sales of RM101mn, our FY16 and 17 earnings are revised by -5% and +10% respectively. We also adjust our shares outstanding to factor in the impact of actual number of warrants converted during the financial year.

Valuation

We upgrade Sentoria to **Hold** from Sell previous with our target price raise to RM1.00 from RM0.86 previously after increasing our target P/E for the stock to 10x (from 8x previously). Our upgrade is premised on the group's better earnings visibility ahead as Borneo Samariang Resort City is finally off the ground and Sentoria Morib Resort City is slated for launch in 1QCY16.

Potential re-rating catalysts include; 1) stronger than expected sales from Samariang and Morib; 2) secure additional lands from Pahang State Government for development of PR1MA homes, and 3) successfully build up its brand name in Langkawi.

Financial Statements

Profit & Loss (RMm)

YE Sep 30	2013	2014	2015	2016f	2017f
Revenue	207.5	218.4	219.6	343.3	440.0
EBITDA	55.2	53.8	55.7	91.0	123.5
Dep. & amortisation	(8.0)	(12.9)	(16.1)	(23.9)	(29.6)
Fair value gain	0.0	1.5	8.3	0.0	0.0
Net finance cost	(3.4)	(6.9)	(10.8)	(16.1)	(20.1)
Normalised PBT	43.8	34.0	28.8	51.0	73.8
Taxation	9.3	(6.5)	(5.0)	(7.6)	(11.1)
MI	0.0	0.1	0.0	0.0	0.0
Reported Net profit	53.1	29.1	32.1	43.3	62.7
Normalised net prof (sen)	53.1	28.0	25.9	43.3	62.7
Core EPS* (sen)	12.1	6.4	5.3	9.0	13.0
GDPS (sen)	2.0	2.0	2.0	2.0	2.0
Div Yield (%)	2.2	2.2	2.2	2.2	2.2

Cash Flow (RMm)

YE Sep 30	2013	2014	2015	2016f	2017f
PBT	43.8	35.5	37.1	51.0	73.8
Adjustments	(1.0)	3.0	10.8	16.1	20.1
Dep. & amortisation	8.0	12.9	16.1	23.9	29.6
Changes in WC	(10.6)	(31.4)	(50.1)	(13.9)	(49.0)
Operational cash flow	40.2	19.9	13.9	77.1	74.5
Capex	(74.3)	(49.8)	(121.3)	(199.7)	(160.4)
Others	7.1	(17.8)	0.0	0.0	0.0
Investment cash flow	(67.2)	(67.7)	(121.3)	(199.7)	(160.4)
Debt raised/(repaid)	29.3	81.9	125.0	125.0	100.0
Equity raised(repaid)	0.0	0.0	6.0	0.0	0.0
Dividend	(4.0)	(8.8)	(9.7)	(9.7)	(9.7)
Others	(0.5)	(5.5)	0.0	0.0	0.0
Financial cash flow	24.8	67.6	121.3	115.3	90.3
Net cash flow	(2.2)	19.9	13.9	(7.3)	4.4

Assumptions

YE Sep 30	2013	2014	2015	2016f	2017f
New Sales (RM mn)	168	228	111	290	380
Prop Dev Margins (%)	28	28	28	26	25
No of Visitors ('000)	646	632	577	645	656
Revenue/Visitor (RM)	35	39	40	40	41

Balance Sheet (RMm)

YE Sep 30	2013	2014	2015	2016f	2017f
PPE	218.9	334.9	345.5	440.8	560.6
Investment Properties	8.2	10.9	19.6	20.6	21.6
Others	53.6	78.8	71.3	150.8	160.7
Total Non Current Assets	280.6	424.6	436.3	612.2	742.9
Trade Receivables	123.2	152.9	156.8	202.0	258.8
Inventories	7.1	6.3	5.2	8.4	10.7
Cash	6.2	18.5	13.3	6.0	10.5
Others	42.0	55.0	81.8	109.7	137.3
Current Assets	178.5	232.7	257.2	326.0	417.3
Total assets	459.1	657.2	693.6	938.2	1160.2
ST debt	24.9	18.6	20.6	25.6	5.6
Trade Payables	120.9	173.4	159.3	245.2	314.3
Other current liabilities	6.7	6.1	2.4	2.4	2.4
Current Liabilities	152.5	198.0	182.3	273.3	322.3
Shareholders' funds	248.3	324.7	376.3	409.9	462.9
MI	0.2	0.0	0.1	0.1	0.1
Total long term Liabilities	58.1	134.6	134.9	254.9	374.9
Total Equity and Liabilitie	459.1	657.2	693.6	938.2	1160.2

Ratio

YE Sep 30	2013	2014	2015	2016f	2017f
EPS Growth (%)	0.9	(47.2)	(16.1)	67.5	44.7
PER (x)	7.5	14.1	16.8	10.1	6.9
GDPS (sen)	2.0	2.0	2.0	2.0	2.0
Div Yield (%)	2.2	2.2	2.2	2.2	2.2
Net Debt/ (Net cash) (RM)	(76.8)	(134.7)	(142.1)	(274.5)	(370.0)
Net gearing (x)	0.3	0.4	0.4	0.7	0.8
ROE (%)	23.7	9.8	7.4	11.0	14.4
ROA (%)	22.3	7.9	6.0	8.3	9.3
NTA/share (RM)	0.6	0.7	0.8	0.8	1.0
P/NTA (x)	1.6	1.2	1.2	1.1	0.9

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 Kaladher Govindan – Head of Research