Inet research

2Q FYE SEP 2013 RESULTS REPORT — ***Date: 23 May 2013***

Name of PLC: Sentoria Group Berhad	***Fair Value:***	*RM0.89*
Business Summary : *A property developer and leisure & hospitality group based in Pahang*		
Major Shareholders : *Sentoria Capital (62%)*		
PLC Website : *www.sentoria.com.my*	***Recommendation:***	*Buy*
IR Contact : *Encik Nasiruddin Nasrun*	***Market Capitalisation:***	*RM308 million*
Email *: nasir@sentoria.com.my*	***Current Price :***	*70.0 sen*
	Market / Sector:	*Property*
	Stock Code:	*5213*
Analyst : Danny Oh / Lim Boon Ngee		
Tel : +603 2163 3200; Email : dannyoh@nra.com.my		

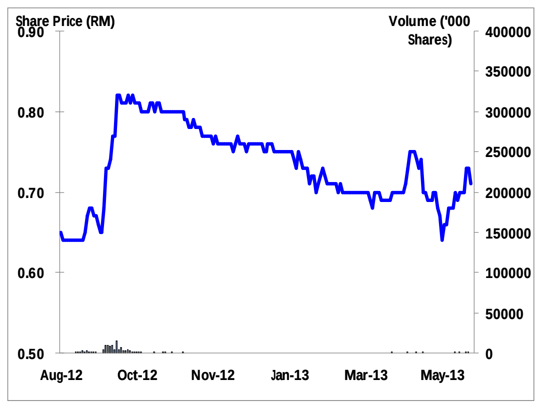
Key Stock Statistics	**FY12**	**FY13F**
EPS(sen)	10.9	12.5
P/E (x)	6.4	5.6
Dividend/Share	1.8	2.0
NTA/Share (RM)	45.0	48.0
Issued Capital (mil shares)	440	440
52-weeks Share Price Range (sen)	64.5 - 88.5	

Per Share Data	**2010**	**2011**	**2012**	**2013F**
Year-end 30 Sep				
Book Value (sen)	15.8	41.0	45.0	48.0
Cash Flow (sen)	0.4	2.4	1.9	3.0
Earnings (sen)	4.4	10.5	10.9	12.5
Dividend (sen)	-	-	1.8	2.0
Payout Ratio (%)	-	-	16.6	16.0
PER (x)	15.9	6.7	6.4	5.6
P/Cash Flow (x)	175.0	29.2	36.8	23.3
P/Book Value (x)	4.4	1.7	1.6	1.5
Dividend Yield (%)	-	-	2.6	2.9
ROE (%)	32.1	25.4	25.0	21.2
Net Gearing (%)	35.0	1.3	11.0	25.0

P&L Analysis (RM mil)	**2010**	**2011***	**2012**	**2013F**
Year-end 30 Sep				
Revenue	123.2	172.4	179.3	273.4
Operating Profit	24.6	42.7	51.2	64.6
Depreciation	3.1	3.8	4.7	5.0
Interest Expenses	2.5	2.4	2.3	3.0
Pre-tax Profit	22.6	40.3	49.4	61.6
Tax Rate (%)	14.6	-13.6	3.2	10.7
Net Profit	19.3	45.8	47.8	55.0
Operating Margin (%)	20.0	24.8	28.6	23.6
Pre-tax Margin (%)	18.3	23.4	27.6	22.5
Net-Margin (%)	15.7	26.6	26.7	20.1

* annualised

Share Price Chart



1. 2Q2013 Results Highlights

Year-ended 30 Sep	**2Q2013 RM mil**	**2Q2012 RM mil**	**Chg %**
Revenue	49.3	39.0	26.4
Operating Profit	4.1	9.1	(55.0)
Depreciation	(1.8)	(1.0)	-
Interest Expenses	(0.7)	(0.6)	-
Pre-tax Profit	3.5	8.6	(59.3)
Net Profit	2.5	6.2	(59.7)
Operating Margin (%)	8.3	23.3	
Pre-tax Margin (%)	7.1	22.0	
Net-Margin (%)	5.1	15.9	

- Results were below expectations at the half year period due to lower-than-anticipated property sales, higher initial operating costs incurred by its new resort and a weaker park attendance in 2QFY13.

- The leisure and hospitality division saw a 43.7% drop in revenue to RM12.5 million and a slight pre-tax loss of RM2.1 million, dragged by the initial operating costs and overheads incurred by its new Arabian Bay Resort as well as cyclical low occupancy rate during the period.

- According to management, more low-to-medium cost properties were booked during the quarter, in line with the government affordable housing policy. As a result, property margins were slightly depressed at 17.7% versus 23.4% despite higher sales of RM36.8 million compared to RM20.9 million in the previous corresponding quarter.

- No dividends were declared for the period.

HYE Financial Review

Year-ended 30 Sep	1HYE2013	1HYE2012	Chg
	RM mil	RM mil	%
Revenue	92.5	96.9	(4.5)
Operating Profit	14.8	25.4	(41.7)
Depreciation	(3.5)	(1.9)	
Interest Expenses	(1.5)	(1.3)	
Pre-tax Profit	13.6	24.4	(44.3)
Net Profit	10.4	18.0	(42.2)
Operating Margin (%)	16.0	25.2	
Pre-tax Margin (%)	14.7	26.4	
Net-Margin (%)	11.2	18.6	

- Slower-than-anticipated property launches, weaker park attendance in 2QFY13 and higher initial operating costs and overheads incurred by its new Arabian Bay Resort were the main factors contributing to the flattish revenue and declining earnings.

- Up to the half year period, the performance is below our expectations and pending an analysts' briefing, we are keeping our forecasts and recommendation unchanged.

Recent developments

The proposed bonus issue of 40 million new ordinary shares of RM0.20 each in SGB to be credited as fully paid-up on the basis of one (1) bonus share for every ten (10) existing SGB shares has been completed at 24 April 2013.

In another development, it entered into an agreement with Seriemas Sdn Bhd to develop an integrated resort city in Morib, Selangor on a 354-acre land which is located 40km from KLIA and accessible through several highways such as North-South Expressway, Shah Alam Expressway and Maju Expressway.

Modelled after its successful Bukit Gambang Resort City, the integrated resort would comprise a resort and convention centre, a boutique hotel, Water Theme Park and Safari Park and mixed property development. The development cost of the new integrated resort inclusive of land purchase is RM190 million while the mixed development project is estimated to have a gross development value of RM1.6 billion over 8 years.

Although the earnings potential is vast, it is still early days to assess the impact and we will wait for further developments before imputing any impact on the forecasts.

Company Background

Sentoria Group Berhad is a property developer based in the state of Pahang which started operations in 2001 and later diversified into leisure and hospitality via BGRC in 2007. SGB is positioned for further growth through (i) expansion of its leisure & hospitality division (ii) sustained launching of new property developments and (iii) expansion into other states. Long-term growth potential lies in BGRC, riding on its master-plan which envisaged 2 million visitors upon full completion by 2020 which will create a strong cash-flow stream.

2. Earnings Outlook

- Since commencement, park attendance has continued to rise, to a record-high of 229,000 visitors in 1QFY13 while revenue per visitor also increased in tandem, from RM27 in FY10 to RM38.7 in 1QFY13 on a combination of more spending opportunities and entrance fee hike. The addition of Arabian Bay Resort although beneficial over the long-term is exerting some short-term pressures on margins due to the initial operating costs and overheads.

- We expect the gradual opening of a new theme park, the Bukit Gambang Safari Park will enhance the overall attractiveness of the Bukit Gambang Resort City and is expected to boost its hospitality division in terms of higher accommodation rate and longer visitor stay period and hence revenue.

- Its property division aims to launch RM387 million worth of properties in FY13. With the GE13 uncertainties out of the way, we expect higher property activities in the second half compared to the first half. Projects planned for FY13 are Taman Bukit Rangin (RM189 million), Desa Hijauan (RM130 million), and Global Heritage South (RM68 million).

3. Recommendation

- At this juncture, we consider the poor results a temporary setback to the long-term prospects. Pending an analysts' briefing and a review, we are maintaining our forecasts and recommendation.

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Disclosures/Disclaimer

Investment ratings:
Buy (generally >10% upside over the next 12 months)
Hold (generally negative 10% downside to positive 10% upside over the next 12 months)
Sell (generally >10% downside over the next 12 months)

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