

1Q FYE SEP 2013 RESULTS REPORT
Date: 1 Mar 2013

Name of PLC: <i>Sentoria Group Berhad</i>	Fair Value:	RM0.89
Business Summary : <i>A property developer and leisure & hospitality group based in Pahang</i>		
Major Shareholders : <i>Sentoria Capital (62%)</i>		
PLC Website : <i>www.sentoria.com.my</i>	Recommendation:	Buy
IR Contact : <i>Encik Nasiruddin Nasrun</i> <i>nasir@sentoria.com.my</i>	Market Capitalisation:	RM280 mil
	Current Price :	70.0 sen
	Market / Sector:	Property
	Stock Code:	5213
Analyst : <i>Danny Oh / Lim Boon Ngee</i> <i>Tel : +603 2163 3200; Email : dannyoh@nra.com.my</i>		

Share price 70.0 sen

Key Stock Statistics

	FY12	FY13F
EPS(sen)	12	13.8
P/E (x)	5.8	5.1
Dividend/Share	2.0	2.0
NTA/Share (RM)	50	55.0
Book Value/Share (sen)	51.3	55.0
Issued Capital (mil shares)	400	400
52-weeks Share Price Range (sen)	64.5 - 88.5	

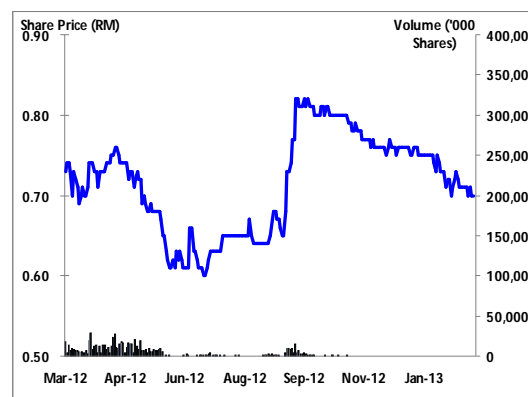
Per Share Data

	2010	2011	2012	2013F
Year-end 30 Sep				
Book Value (sen)	17.4	45.0	50	55.0
Cash Flow (sen)	0.4	2.6	2.1	3.3
Earnings (sen)	4.8	11.5	12	13.8
Dividend (sen)	-	-	2.0	2.0
Payout Ratio (%)	-	-	16.7	14.5
PER (x)	14.6	6.1	5.8	5.1
P/Cash Flow (x)	175.0	26.9	33.3	21.2
P/Book Value (x)	4.0	1.6	1.4	1.3
Dividend Yield (%)	-	-	2.9	2.9
ROE (%)	32.1	25.4	25.0	21.2
Net Gearing (%)	35.0	1.3	1.0	1.5

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. 1Q2013 Results Highlights

Year-ended 30 Sep	1Q2013 RM mil	1Q2012 RM mil	Chg %
Revenue	43.2	57.9	(25.4)
Operating Profit	10.8	16.3	(33.7)
Depreciation	(1.7)	(1.0)	-
Interest Expenses	(0.8)	(0.6)	-
Pre-tax Profit	10.1	15.7	(35.7)
Net Profit	7.9	11.8	(33.1)
Operating Margin (%)	25.0	28.2	
Pre-tax Margin (%)	23.4	27.1	
Net-Margin (%)	18.3	20.4	

- The decline in group revenue is mainly on account of lower property contributions which dropped by 48.0% to RM21.0 million due to completion of most of its existing projects while awaiting commencement of new projects.

- The leisure and hospitality segment performed better with its revenue growing by 26.1% to RM22.2million as it expanded its accommodation capacity via the opening of Arabian Bay Resort which captured higher patronage during the peak school holiday season.
- On account of lower revenue recognised, the property segment contributed lower pre-tax profit of RM6.4 million compared to RM11.4 million in the previous corresponding quarter.
- Although the leisure and hospitality segment enjoyed higher patronage on expanded accommodation capacity, initial operating costs dragged down its pre-tax profit contributions which was almost unchanged at RM5.0 million compared to RM5.4 million in the previous corresponding quarter. This in effect resulted on weaker overall margins.
- No dividends were declared for the period.

Recent developments

Recently, SGB made the following proposals :

- i. 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.
- ii. Proposed purchase by Sentoria of up to ten percent (10%) of its issued and paid-up share capital at any point in time.

The above proposals are expected to be completed by first half of 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.

According to management, the project is expected to commence before the first-half of this year and contributions are seen from FY2015 onwards.

Nevertheless, it is still early days to assess the impact on SGB and we will wait for further developments to adjust our earnings 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

- The opening of Arabian Bay Resort and of Safari Park Phase 1 and 2 will drive its leisure & hospitality division which is imputed in our FY13 forecasts. The opening of a new theme park, the Bukit Gambang Safari Park will enhance the overall attractiveness of the Bukit Gambang Resort City and expected to boost its hospitality division in terms of higher accommodation rate and longer visitor stay period and hence revenue.

- Its property arm will receive a boost from strong sales already booked for the Global Heritage South project and two new projects, such as Taman Bukit Rengin 2 and Desa Hijauan already in the pipeline. These three projects are expected to be the revenue driver over the next two years.

3. **Recommendation**

- We believe that the investment merit of Sentoria Group Berhad is its solid earnings base in property development in a niche market, complemented by a growing leisure and hospitality division which will create a group cash-cow going forward based on its master plan. Based on the track record so far, its leisure and hospitality division is on an upward trend supported by healthy increase in visitor numbers and average daily spending.
- The adverse publicity on the Lynas plant continued to influence its share price which extended its consolidation phase up to now from October 2012. The current market uncertainty due to the impending GE13 is also dampening the general market.
- The current weak market sentiment has caused the share price to be trading at a very undemanding PER of 5.1x for FY13 and we maintain our BUY recommendation on Sentoria Group Berhad.

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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