

UPDATE REPORT

Date: 10 June 2013

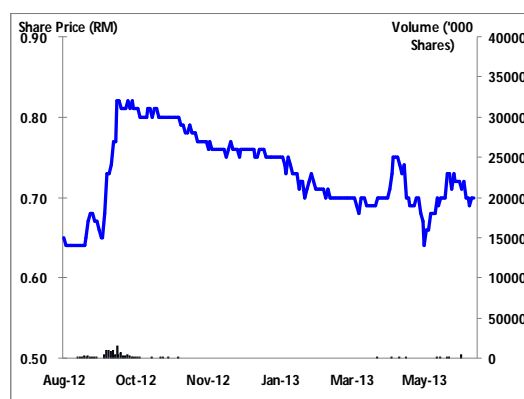
Name of PLC: Sentoria Group Berhad	Fair Value:	RM0.80
Business Summary : A property developer and leisure & hospitality group based in Pahang		
Major Shareholders : Sentoria Capital (62%)		
PLC Website : www.sentoria.com.my	Recommendation:	Buy
IR Contact : Encik Nasiruddin Nasrun nasir@sentoria.com.my	Market Capitalisation:	RM308.0 mil
	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	10.2	
P/E (x)			6.4	6.8	
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	10.2	
Dividend (sen)	-	-	1.8	2.0	
Payout Ratio (%)	-	-	16.6	19.6	
PER (x)	15.9	6.7	6.4	6.8	
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	13.8	
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	219.7
Operating Profit	24.6	42.7	51.2	47.1
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	44.1
Tax Rate (%)	14.6	-13.6	3.2	-2.1
Net Profit	19.3	45.8	47.8	45.0
Operating Margin (%)	20.0	24.8	28.6	21.4
Pre-tax Margin (%)	18.3	23.4	27.6	20.1
Net-Margin (%)	15.7	26.6	26.7	20.5

* annualised

Share Price Chart



1. Recent Developments

- Sentoria Group Bhd (SGB) recorded a set of weak quarterly performance for its 2QFY13 results. In an analysts' briefing held recently, we were briefed as to the reasons behind the sub-par performance which we believe is a temporary set-back to its longer-term prospects.
- According to management, the number of visitors to its resort city was affected by the timing of the general election which resulted in postponement of holiday plans during the quarter which also affected its resort room occupancy rate.
- Higher room inventory from its new Arabian Bay Resort contributed to steeper overhead cost which impacted adversely the bottom-line. However, this is expected to stabilise over the medium-term as the occupancy rate increases over time to absorb the overheads.

- On the bright side, revenue per visitor maintained its up-trend, rising to RM38.36 in 1HYE13 compared to RM33.50 in FY12. The increase was on top of a RM2 entrance fee hike which is encouraging as it means that visitors are generally spending more on other ancillary items such as F & B and equipments and facilities rentals.
- The property division registered lower revenue in 2QFY13 mainly due to more low-to-medium cost housing being launched this year. 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. With unbilled sales of RM147 million as at 31 Mar 2013, total revenue for FY13 is seen recovering in the second-half as construction progresses.

2. Earnings Outlook

Leisure and Hospitality

- Resort activities are picking up after the timing uncertainties over the general election with Arabian Bay Resort chalking up 90% occupancy rate after the election season. Despite the drop in visitor numbers for 2QFY13, the cumulative half-year number for FY12 and FY13 remain almost equal at 346,075 and 343,174 respectively.
- Bukit Gambang Safari Park is expected to ramp up contributions in subsequent quarters with the arrival of more animals and commencement of attractions such as the Simba Restaurant, Night Jungle, Foreign Village and Wild Savannah. Hence, we expect the numbers of visitors in FY13 to continue rising to a new high, estimated at 650,000 compared to 610,000 in FY12.

Property Development

- Total unbilled sales stood at RM147.1 million as at 31 Mar 2013 which will underpin the property contribution in FY13. Taman Bukit Rangan 2, an affordable housing scheme in Kuantan with a GDV of RM152 million, chalked up 62% take-up rate as at 31 Mar 2013.
- Upcoming projects (excluding the Morib Bay Resort City) has a total GDV of RM694 million including affordable housing such as further phases of Taman Bukit Rangan 2 (GDV - RM315 million) as well as higher-priced resort villas such as Global Heritage South (GDV- RM214 million), giving it a balanced mix product mix.
- SGB is actively promoting its property development and resort nationwide via exhibitions and also internationally to foreign investors and visitors in China and the Middle-East.
- The development plans for the RM1.8 billion Morib Bay Resort City project has been submitted for authorities' approvals and work at site is expected to commence by the end of this year.

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 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.
- To account for the impact of holiday cancellations due to pre-election timing uncertainties and lower-price property launching, we are revising our forecasts. Revenue is trimmed by 19.6% while pre-tax profit by 28.4% respectively to RM219.7 million and RM44.1 million. Fair value per share is revised to 80 sen on 8x PER on FY13 earnings which is reasonable at less than half the average market PER for the current year, and about 15-20% discount to larger developers with market capitalisation of around RM1bn.
- With a potential upside of over 14%, we maintain our buy recommendation.

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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