UPDATE REPORT **Date: 11 Sep 2013**

Name of PLC: Sentoria Group Berhad	***Fair Value:***	*RM0.60*
Business Summary : *A property developer and leisure & hospitality group*		
Major Shareholders : *Sentoria Capital (62%)*		
PLC Website : *www.sentoria.com.my*	***Recommendation:***	*Hold*
IR Contact : *Encik Nasiruddin Nasrun* ***Email*** *: nasir@sentoria.com.my*	***Market Capitalisation:***	*RM286 million*
	Current Price :	*65.0 sen*
	Market / Sector:	*Property*
	Stock Code:	*5213*
Analyst : Lim Boon Ngee *Tel : +603 2163 3200; Email : bnlim@nra.com.my*		

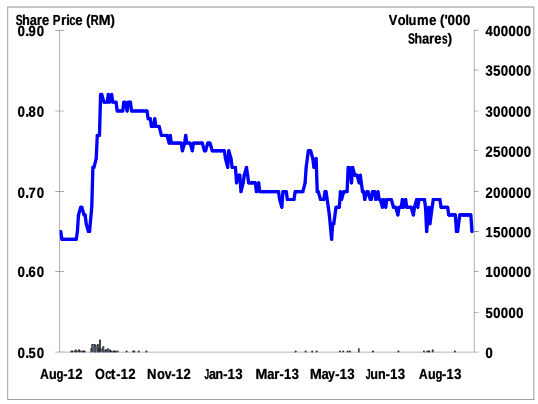
Key Stock Statistics	**FY13F**	**FY14F**
EPS(sen)	5.5	5.7
P/E (x)	11.9	11.4
Dividend/Share	2.0	2.0
NTA/Share (RM)	48.0	50.0
Issued Capital (mil shares)	440	440
52-weeks Share Price Range (sen)	64.5 - 88.5	

Per Share Data	**2011**	**2012**	**2013F**	**2014F**
Year-end 30 Sep				
Book Value (sen)	41.0	45.0	48.0	50.0
Cash Flow (sen)	2.4	1.9	3.0	2.0
Earnings (sen)	10.5	10.9	5.5	5.7
Dividend (sen)	-	1.8	2.0	2.0
Payout Ratio (%)	-	16.6	36.7	35.1
PER (x)	6.2	6.0	11.9	11.4
P/Cash Flow (x)	27.1	34.2	21.7	32.5
P/Book Value (x)	1.6	1.4	1.4	1.3
Dividend Yield (%)	-	2.8	3.1	3.1
ROE (%)	25.4	25.0	10.9	11.4
Net Gearing (%)	1.3	11.0	20.0	30.0

P&L Analysis (RM mil)	**2011***	**2012**	**2013F**	**2014F**
Year-end 30 Sep				
Revenue	172.4	179.3	199.1	178.0
Operating Profit	42.7	51.2	33.5	36.7
Depreciation	3.8	4.7	5.0	6.0
Interest Expenses	2.4	2.3	3.0	4.0
Pre-tax Profit	40.3	49.4	30.5	32.7
Tax Rate (%)	-13.6	3.2	21.2	23.5
Net Profit	45.8	47.8	24.0	25.0
Operating Margin (%)	24.8	28.6	16.8	20.6
Pre-tax Margin (%)	23.4	27.6	15.3	18.4
Net-Margin (%)	26.6	26.7	12.1	14.1

* annualised

Share Price Chart



1. Recent Developments

- We attended an investors briefing last week held by Sentoria Group Bhd (SGB) to review its recent 3QFY13 financial results as well as providing corporate updates.
- The weaker leisure and hospitality performance was attributed to the reduction in the number of visitors to Bukit Gambang Resort City (BGRC) in 3QFY13 due to the pre-and-post GE 13 impact on holiday and travelling plans. As at 9MFY13, visitor number was at 473,000 or 78% of the number recorded in FY12 and management is expecting 600,000 visitors for the whole of FY13.
- Nevertheless, revenue per visitor continued to rise, to RM38.48 in 9MFY13 compared to RM33.50 in FY12 and RM32.00 in FY11 due to more spending on added-on services such as food and beverages and equipment rentals.

- Resort occupancy rate fell to 25% in 9MFY13 due to a larger room inventory of 1,866 rooms with the inclusion of Arabian Bay Resort. Further, the general election season also affected its hotel bookings and theme park attendance during the period before and after the actual day on 5 May 2013. It was a double whammy as the higher room inventory came in at an inopportune time but bookings have normalised after the election, and management is looking forward to the overhead costs stabilising over time.

- In the property segment, SGB largely focused on promoting its residential properties such as Taman Bukit Rangin 2 and Global Heritage South which has total unbilled sales outstanding of RM114.36 million. Take-up rate for its Global Heritage South projects seems to have slow down after the initial launching surge which we attribute to the global economic uncertainties affecting investors' sentiment. However, its lower priced development, Taman Rangin 2, continued to chalk up sales growth as demand for affordable houses continued to be stable.

Recent developments

It had 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 RM3.0 billion over 8 years. 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.

In another development, SGB has entered into two agreements with Cahaya Mata Sarawak for the purchase of two tracts of land in its Bandar Samariang township comprising 200 acres and 300 acres for RM17 million and RM30 million, respectively. SGB will develop the first tract into 'Borneo Samariang Resort City', comprising of a water park, resorts, a centre for meetings, incentives conferences and events (MICE), a river cruise recreational center, a brands village, and a safari park. An adjoining 300 acres is earmarked for residential and commercial development with an estimated GDV of RM2 billion.

Although the earnings potential from these projects is tremendous, it is still early days to assess the impact and we will wait for further developments before imputing any impact into our forecasts.

2. <u>Earnings Outlook</u>

- Bukit Gambang Safari Park is seen as the catalyst to draw in the crowds with more animals and attractions such as the Simba Restaurant, Night Jungle, Foreign Village and Wild Savannah. Hence, we expect the numbers of visitors to bounce back after the weak performance so far this year due mainly to the GE13 impact where travel plans of the majority of its visitors were scuttled or postponed. Meanwhile, the closure of Genting theme park for two years to facilitate the construction of a new theme park may be an opportunity to BGRC to increase visitors and is also timely for SGB to promote its upcoming attractions in its resort city.

- 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 Rangin 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.

- On potential risks, the emerging concerns over the global and domestic economy may affect its property development going forward should financial authorities start to implement tighter credit policies which affect property buyers/investors.

3. Recommendation

- In view of the subdued performance in 9MFY13, we had in our earlier results report revised down our forecasts for FY13. With no new factors gleamed from the briefing, we are keeping the numbers intact. We also would like to introduce our FY14 forecasts where we are assuming a gradual recovery in its visitor numbers for its resort city and pedestrian property segment performance.

- We also roll forward our valuation to FY14E and it is currently trading at 11.4x PER, generally at par with the property sector. Nevertheless, we believe further downside from the current level is limited as the share price has already corrected substantially. The share price is also supported by its NTA of 50.0 sen per share which should be higher if a revaluation is done on its Bukit Gambang land which was acquired cheaply at only 50 sen per sf. For now, we rate SGB as a HOLD pending re-rating catalyst such as strong recovery in its visitor numbers and overall property sales. Smooth execution of its two new resort cities in Morib and Borneo Samariang will also provide re-rating impetus, going forward.

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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