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QUARTERLY RESULTS

11/6/2011

Sentoria Group Berhad		Market Price:	RM0.61
		Market Capitalisation:	RM244mil
		Board:	Main
Stock Code/Name:	5213/SNTORIA	Sector:	Property/Leisure
Recommendation:	Buy	Target Price:	RM0.94

Analyst: The Research Team

KEY FINANCIALS

Key Stock Statistics	2012F
EPS (sen)	11.9
P/E (x)	5.1
Dividend/Share (sen)	4.0
NTA/Share (RM)	0.40
Book Value/Share (RM)	0.43
Issued Capital (mil shares)	400.0
52- weeks share price (RM)	0.605-0.885
Major Shareholders:	%
Sentoria Capital	62.0
-	-

2Q/ 31 Mar	2Q12	2Q11	yoy %	6M12	6M11	qoq %
Rev	38.9	N/A	-	96.9	85.8	12.9
PBT	8.6	N/A	-	24.4	20.8	17.1
NPAT	6.2	N/A	-	18.0	28.7	(37.2)
EPS (sen)	1.7	N/A	-	5.1	7.2	(29.3)

*In RM' Mil

*2Q11 figures are not available

FINANCIAL PERFORMANCE

“Performance Within Expectation”

Our full-year forecast revenue and NPAT for Sentoria in 2012 are RM189.6 Mil and RM31.9 Mil respectively. The reported six-month revenue of RM96.9 Mil is about 51% of our full-year target while the NPAT slightly higher than our expectation, recorded at RM18 Mil, which is 56% of our forecast. 69% of the total revenue for 1H12, or RM66.86 Mil came from its property development division while the rest are generated under its Leisure & Hospitality division. The NPAT and EPS have dropped significantly compared to 6M11 results. This is mainly due to the fact that 1H11 figures include a tax allowance of RM12 mil while the tax allowance for 2012 will only be provided for at the group's financial year closure in September 2012.

“Tax Benefit From The Government”

Sentoria is currently enjoying a tax allowance benefit offered by the East Coast Economic Region (ECER) up to the year 2017. Under this tax benefit, Sentoria is entitled a tax allowance of up to RM12.5 Mil per annum for every single project developments within the Bukit Gambang Resort City. The allowance can be converted into a deferred tax asset once it is expired during the year 2017 and be subsequently used to offset its future tax expenses. In the long run, the impact is uncertain as we see this indeed a one-off extraordinary non-recurring income as the profit

Ratio Analysis	2010	2011	2012F	2013F
Book Value/Share (RM)	N/A	N/A	0.4	0.5
Earnings/Share (sen)	N/A	N/A	11.9	13.1
Dividend/Share (sen)	N/A	N/A	4.0	5.0
Div. Payout Ratio (%)	N/A	N/A	33.7	38.1
P/E (x)	N/A	N/A	5.1	4.7
P/Book Value (x)	N/A	N/A	1.4	1.2
Dividend Yield (%)	N/A	N/A	6.6	8.2
ROE (%)	N/A	N/A	27.3	26.4
Net Gearing (Cash) (x)	N/A	N/A	0.14	0.12

*Based on shares outstanding of 400 million.

P&L Analysis (RM mil)	2010	2011	2012F	2013F
Year end: Sep 30				
Revenue	N/A	N/A	193.8	217.0
Operating Profit	N/A	N/A	39.9	43.4
Depreciation	N/A	N/A	3.8	4.5
Interest Expenses	N/A	N/A	2.5	3.0
Pre-tax Profit	N/A	N/A	37.4	40.4
Effective Tax Rate (%)	N/A	N/A	26.7	29.7
Net Profit	N/A	N/A	47.4	52.4
Operating Margin (%)	N/A	N/A	20.6	20.0
Pre-tax Margin (%)	N/A	N/A	19.3	18.6
Net Margin (%)	N/A	N/A	24.5	24.2

*Negative tax rate due to the tax allowances granted

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from the tax allowance is irrelevant to Sentoria's operational efficiency. However, the benefit will definitely boost up Sentoria's profitability in the short run (from year 2012 to 2017). The management had revealed that the RM12.5 Mil tax incentives will be reflected in its full-year financial report on 30 Sep 2012. It will be reported under non-cash profit as the tax incentive doesn't involve any cash inflow.

OUTLOOK

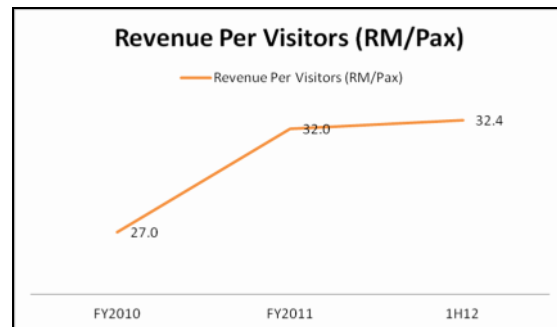
Sentoria has undertaken 6 projects altogether in its 1H12, with good take up rates of approximately 60% and above. This is mainly due to its affordability and the unique concept like Sales & Leaseback, which can guarantee the buyers or investors a certain rental income within a specific period. The property segment remains as the main source of income for Sentoria, with 69% of the revenues in 1H12 generated from the property segment, even though the management intended to allow the theme park segment to play a more significant role in coming years for the group as the profit margin under the theme park segment is slightly higher. Thus far, Sentoria has a strong pipeline of projects in hands with total GDV of RM1.1 billion until year 2020.

"Strong Pipeline Of Property Projects"

On the other hand, Sentoria's theme park segment, known as Bukit Gambang Resort City had recorded an encouraging visitors' numbers in 1H2012, boosted by the school holidays and an increase in publicity and higher awareness among the target markets after the group's IPO. The number of visitors in 1H12 was recorded at 346k, which is approximately 66% of the full-year number of visitors in the year 2010 and 2011. Besides, thanks to the ongoing service improvement at food and beverage outlets in the theme park, the park's Revenue Per Visitors has also improved, although it's insignificant.



Source: Company



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Backed by the management's intention to increase the revenue from the theme park division, we foresee Sentoria will emphasize on the theme park business development with higher marketing expenses budget allocated. Historically, the company spends about RM2 Mil per year in marketing and promotion campaign, and this amount is expected to increase in coming years if needed.

VALUATION

Maintain Buy. We reiterate our BUY CALL on Sentoria with an unchanged target price of RM0.94 as there is no any major event and fundamental changes for Sentoria. The share is currently trading at a 28% discount to its IPO price of 85 sen, coupled with an undemanding P/E Ratio of 5.1x despite the management declaring a 1 sen interim dividend to reward the shareholders.

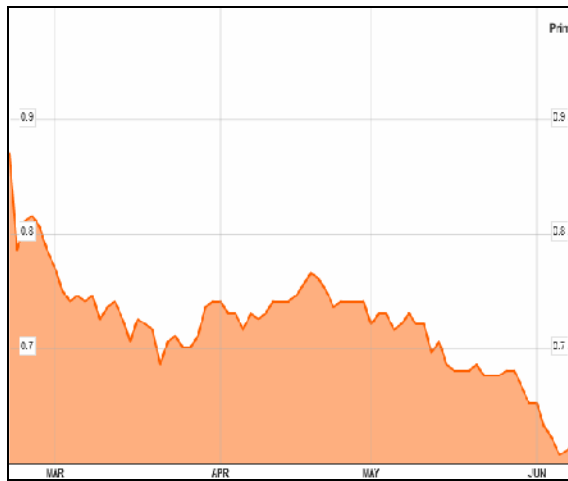
"Undemanding Valuation"

We expect the group's FY12 full year dividend per share will range between 3.5 sen to 4.0 sen as the management have expressed their willingness to share the company's success with the shareholders as long as the company is profitable. This translates to a reasonably attractive dividend yield of 6.6%. The modest gearing level stood comfortably at 1% while the ROE is recorded at an impressively high level of 25.9% in 1H2011.

Besides, the strong pipeline of projects under the property division and improvement in overall operation efficiency of its theme park are other selling points for Sentoria. In addition, the Income Tax Allowance (ITA) granted by the ECER is indeed a very attractive benefit for Sentoria as its will boost-up its earnings by reducing its future tax expenses.



Sentoria: Stock Chart



Source: Bloomberg