

UPDATE REPORT
Date: 17 Dec 2012

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 nasir@sentoria.com.my	Market Capitalisation:	RM304.0 mil
	Current Price :	76.0 sen
	Market / Sector:	Property
	Stock Code:	5213
Analyst : Danny Oh / Lim Boon Ngee Tel : +603 2163 3200; Email : dannyoh@nra.com.my		

Share price 76.0 sen

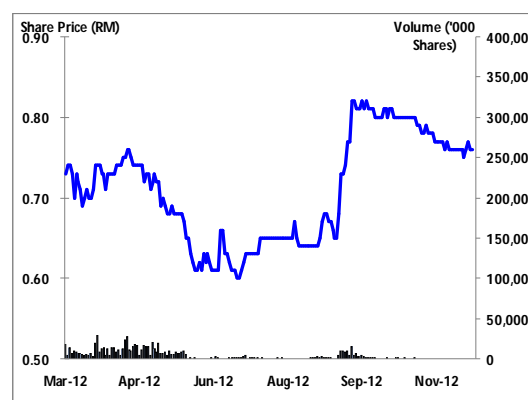
Key Stock Statistics

	FY12	FY13F
EPS(sen)	12	13.8
P/E (x)	6.3	5.5
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)	15.8	6.6	6.3	5.5
P/Cash Flow (x)	190.0	29.2	36.2	23.0
P/Book Value (x)	4.4	1.7	1.5	1.4
Dividend Yield (%)	-	-	2.6	2.6
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. Recent Developments

- Sentoria Group Bhd (SGB) recently conducted an analysts' briefing in conjunction with its 4QFY12 results.
- Its Global Heritage South villas development chalked up more sales with San Francisco at 76% take-up rate and Amsterdam at 88%. Two new phases were launched in May 2012, Venice and Barcelona with 70% take-up rates for the former. According to management, its current sales focus is on San Francisco, Amsterdam and Venice. They will only start to market Barcelona actively after Venice is fully taken up.
- With the Taman Bukit Rangan project fully sold, it is embarking on Taman Bukit Rangan 2 with GDV of RM315 million comprising 2,500 mixed residential and commercial units.

- The leisure and hospitality division continued to see higher patronage in FY12 increasing by 17% to 610,000 visitors. In 4QFY12, despite the seasonally-low fasting month, higher patronage by MICE groups and independent traveller picked up the slack which resulted in an 11% y-o-y visitor increase. 97% of the visitors are Malaysian and the balance 3% foreign. Average revenue per visitor rose by 4.7% to RM33.50 from RM32.00 in FY11 mainly due to increased number of F & B outlets and more efficient service at the outlets.
- Occupancy rate at its Caribbean Bay Resort rose to 35% in FY12 from 31% in FY11 on account of higher Bukit Gambang Resort City (BGRC) patronage and more MICE-related activities.
- Its new hotel, Arabian Bay Resort officially commenced operations on 1 Oct 2012 which enjoyed investment tax allowance of RM9.8 million already recognised in FY12. With the new hotel, the total number of rooms in BGRC current stands at 1,866.

2. Earnings Outlook

- Spurred by the success of its previous launches, SGB is planning to launch RM398 million worth of projects in FY13 to strengthen its presence in the East Coast comprising : -
 - (i) Taman Bukit Rengin 2 - RM200 million
 - (ii) Desa Hijauan - RM130 million
 - (iii) Global Heritage South - RM68 million
- The first two projects are affordable housing which has a huge market in the East Coast while the Global Heritage South project is progressing satisfactorily and more nationwide promotions are planned through property exhibitions.
- On the leisure and hospitality segment, the capacity expansion of its rooms to 1,866 will support the growing number of “play and stay” visitors to BGR. Having the “Largest Pillarless Ballroom in Malaysia” with 3,100 pax capacity as recognised by the Malaysian Books of Records, this unique feature will no doubt be an added attraction for big corporate and social events.
- With the capacity expansion completed, BGRC will intensify effort to increase patronage by engaging with tour and retreat operators to bring in more MICE groups. An amount of RM3 million has been budgeted for A & P activities in FY13.
- The soft opening of its Safari Park (Foreign Village and Night Jungle) will increase the overall appeal of BGRC by adding more attractions and will help to sustain the theme park’s crowd drawing factor. We revised our tax rate lower to account for investment tax allowance on its Safari Park which translated into higher net profit growth.

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.
- The on-going protest against the Lynas plant is creating some adverse publicity and exerting some short-term pressure on its share price which is currently consolidating sideways after a brief rally in September 2012. We reiterate that the Lynas site is situated some 50 km away from its resort city and property projects and the planned transportation route of the raw, processed and waste materials does not pass through its projects and resort.
- Hence, trading at PER of 5.5x for FY13, 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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