

Results Report

19 December 2012

SJ Securities Sdn. Bhd.



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Sentoria Group Berhad

Landbank Expansion

Neutral

Fair Value

RM0.83 (+9.9%)

Stock Data

Price (RM)	0.755
Stock code	5213
Bloomberg Ticker	SNT MK
Listing	Main Market
Market Cap (RM mn)	302.0
No. of Shares	
Outstanding (mn)	400.0
Par value (RM)	0.20
Equity Float	27.99
52-wk high (RM)	0.885
52-wk low (RM)	0.595

Major shareholders:-

Sentoria Capital	62.00%
Lembaga Kemajuan	
Perusahaa	5.00%
State Secretary Penang	5.00%

Financial Data

12 month trailing PER (x)	5.94
BV per share (RM)	34.84
P/BV (x)	0.02
ROE (%)	32.06
Beta (x)	N/A
Dividend yield (%)	1.32

Relative Performance (%)

1-month	-5.31
3-month	-2.74
6-month	18.96
12-month	N/A
YTD	N/A

Investment Highlights

4QFY12. For the fourth quarter of financial year 2012, the group recorded higher revenue of RM43.92 million, 14% higher as compared to RM38.49 million in the previous quarter. This revenue was mainly generated by Property Development segment which contributed approximately 75% of total revenue. The group's post-tax profit surged by 28.73% to RM16.79 as compared to RM13.04 in the preceding quarter. This was mainly due to the tax incentive on its Leisure and Hospitality segment.

High take-up rate under property development division. Most of the units of completed and on-going properties at Bukit Gambang Resort City (BGRC), Pajam, and Kuantan have been sold out. Total take-up rate of completed and on-going properties is about 80%. We believe that all units will be fully sold out soon. The total GDV of upcoming projects within and outside BGRC is estimated at RM542 mil within next 5 years.

Landbank Expansion. The group's current total landbank is 1073 acres. Its subsidiary, Sentoria Alfa Sdn Bhd, has successfully acquired of additional 180 acres for RM37.2 million. These parcels of land are adjoining the company's existing land in BGRC in Pahang. Of these 180 acres, 50 acres will be used for further expansion of Bukit Gambang Safari Park, 50 acres for tourism-related retail commercial development, and the balance 80 acres for residential and support industries. We expect the group to secure more land banks for future development in order to enhance its performance of the property development division.

Global Heritage as eye catching point. Global Heritage South (GHS) at BGRC is one of the most attractive and innovative 5 stars villas. There are 11 themes of 5 stars villas and a luxurious boutique hotel. BGRC is within walking distance from GHS. The estimated GDV is at RM335m with 763 numbers of units. This is a good investment opportunity for the individual investors due to the advantage of sale and leaseback strategy. The GHS is expected to be completed by 2015.

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Poor Leisure and Hospitality segment. For the fourth quarter of financial year 2012, the group's revenue of the Leisure and Hospitality segment shrunk 22.22% to RM10.99 million as compared to RM14.13 million in the previous quarter. Furthermore, the group has incurred RM1.48 million loss before taxation as result of the seasonal off-peak period during the fasting month. Weak

Peak season coming up. Although the group incurred loss before taxation of Leisure and Hospitality segment, BGRC will enjoy a large number of visitors in November and December as both months are school holiday. The completed Arabian Bay Resort has increased BGRC room capacity to 1,866 rooms. This increase is able to cope with the peak season. Thus, the number of "play and stay" families is expected to be robust. This could boost the group's revenue and net profit at end of 2012.

In addition, the number of visitors will be robust in next 2 to 5 years due to the existing Water Park, new attraction of Safari Park which is expected to be completed at end of 2012 and the future development of Marine Park and Adventure Park in BGRC.

Risk Factors:

1. Property Development

- Scarcity of strategically located land bank.
- Increase in cost of development for property projects.
- Delay in completion of Projects.

2. Leisure and Hospitality

- Seasonality Risks.
- Competition from other leisure and hospitality destination.
- Ability to sustain its current attractions.

Recommendation. The recent protest against the Lynas plant has resulted in slight short-term selling pressure on its share price. However, the Lynas site is 50 km far away from its BGRC and property projects. We believe that the group's landbank expansion and new attraction of Safari Park will continue to support its earnings. We maintain our neutral recommendation on Sentoria Group Berhad with a target price of RM0.83 with an estimated FY13F EPS of 13.78 sen and Forward PE of 6x.



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Financial highlights							
	Unit	FY08	FY09	FY10	FY11E	FY12F	FY13F
Revenue	RM mn	84.9	91.4	123.2	143.7	173.2	197.5
Cost of Sales	RM mn	(61.4)	(65.9)	(84.6)	(92.6)	(111.1)	(122.2)
Gross Profit	RM mn	23.5	25.4	38.6	51.1	62.1	75.4
Other operating income	RM mn	1.5	1.5	0.8	2.3	2.8	3.0
Administration Expenses	RM mn	(5.1)	(7.3)	(14.8)	(17.6)	(21.2)	(25.4)
Other Expenses	RM mn	(0.1)	0.0	(0.0)	(0.2)	(0.3)	(0.3)
Finance Costs	RM mn	(0.4)	(0.5)	(2.1)	(2.0)	(2.2)	(2.7)
Pre-tax profit	RM mn	19.4	19.2	22.6	33.6	41.3	50.0
Taxation	RM mn	(5.2)	(5.8)	(3.3)	4.7	5.0	5.1
Net profit	RM mn	14.2	13.4	19.3	38.2	46.3	55.1
EPS	sen	3.60	3.40	4.83	9.60	11.58	13.78
Growth							
Revenue	%		8	35	17	21	37
Gross Profit	%		8	52	32	22	21
Pre-tax profit	%		(1)	18	49	23	49
Net profit	%		(6)	44	98	21	44
Margin							
Gross Profit Margin	%	28	28	31	36	36	38
Pre-tax profit	%	23	21	18	23	24	25
Net profit	%	17	15	16	27	27	28

Source: Annual Report, Analyst estimates



Share Performance



Source: Bloomberg

Description

The trend is currently on the sideways after turning up from the downside due to the recent protest against the Lynas plant. The price would go higher if it could break the resistance line (RM 0.84) with heavy volume. The target price is at RM 1.00. However, the price can go lower if it penetrates the support line (RM 0.755).

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Stock rating definitions

Overweight – The stock is expected to perform positively. Expected return including both capital appreciation and dividends is expected to exceed 15% over 12 months.

Neutral – The stock is expected to stay sidelined. Expected return including both capital appreciation and dividends is expected to range between negative 5% to positive 15% over 12 months.

Underweight – The stock is expected to perform negatively. Expected return including both capital appreciation and dividends is expected to be negative 5% or lower over 12 months.

Not Rated – The stock is not under research coverage and the reports serves for purely informational purposes only.

Trading Idea – The stock is expected to be volatile while providing for near term positive trading opportunities. This is under the high risk category with near term catalysts.

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