



## Sentoria Group Bhd

Launching Morib and Samariang Resorts next year

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We attended Sentoria's FY14 results briefing and summarized the key takeaways below.

### 1) FY14 property sales beat expectations

Property division recorded net profit of RM33.6mn in FY14 (+4.3% YoY), underpinned by 12% growth in revenue. Key projects that contributed to FY14 performance include Taman Bukit Rangin 1 (completed and handed over), Taman Bukit Rangin 2 (targeted for completion mid next year) and maiden contribution from Taman Bukit Gambang (GDV: RM160mn), which was launched in June-14 (4QFY14).

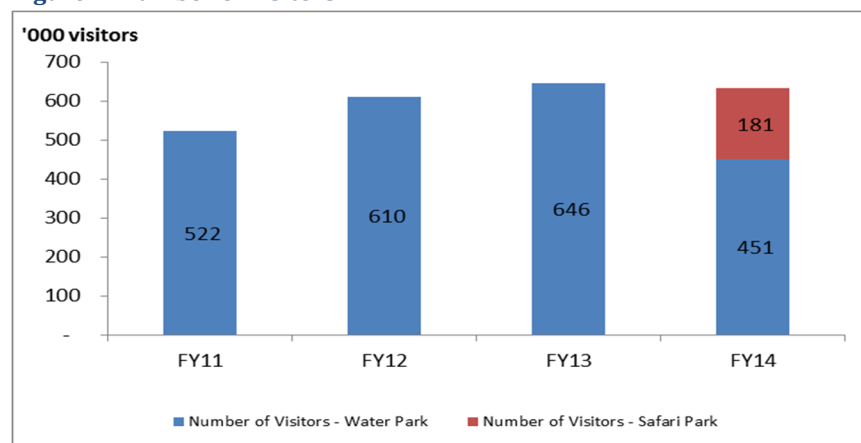
New property sales performance picked-up significantly with the bulk of the RM228.1mn new sales were recorded in 4QFY14 (or 3QCY14). This has exceeded our full-year sales forecasts of RM130mn. The outperformance was largely driven by the sale of PR1MA homes worth RM80mn, and better-than-expected sales from on-going projects. The group's unbilled sales increased to RM154.7mn as compared to RM100mn six month ago. This would provide the group with one-year visibility.

### 2) Leisure and hospitality division posted a loss

The leisure and hospitality division posted a loss before interest and tax of RM5.4mn (from RM3mn profit a year ago), mainly due to 1) initial operating costs and overheads incurred for Safari Park and 2) the group enjoyed lesser tax incentives this year due to limited capex spent following the completion of safari park in 1H2013.

Bukit Gambang Resort City (BGRC) water park and safari park collectively attracted 632k visitors in FY14, a 2% decreased as compared to FY13 – see **Figure 1**. Hotel occupancy was also lower at ~20% vs 24% in FY13. The reduction in visitor number and occupancy rate was attributed to unexpected and prolonged flood that struck Kuantan in Dec-13 (1QFY14), which had affected road accessibility to BGRC.

**Figure 1: Number of visitors**



Source: Company, TA Research

**TP: RM1.50**(+11.0%)

Last Traded: **RM1.35**

**Hold**

#### Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	440.0
Market Cap (RMmn)	594.4
Par Value	0.20
52-wk Hi/Lo (RM)	1.61/0.60
12-mth Avg Daily Vol ('000 shrs)	577.20
Estimated Free Float (%)	22.5
Beta	0.61

#### Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 10.5

#### Forecast Revision

	FY15	FY16
Forecast Revision (%)	(10.9)	(11.6)
Net profit (RMm)	67.6	90.3
Consensus	0.0	0.0
TA's / Consensus (%)	n.a	n.a
Previous Rating	Hold (Maintained)	

#### Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	64.8	70.7
FCPS (sen)	(0.2)	(0.2)
Price / CFPS (x)	nm	nm
ROA (%)	14.2	15.1
NTA/Share (RM)	0.9	1.1
Price/NTA (x)	1.5	1.3

#### Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(6.2)	(4.1)
3 mth	(12.3)	(4.8)
6 mth	50.0	(4.6)
12 mth	114.3	(2.2)

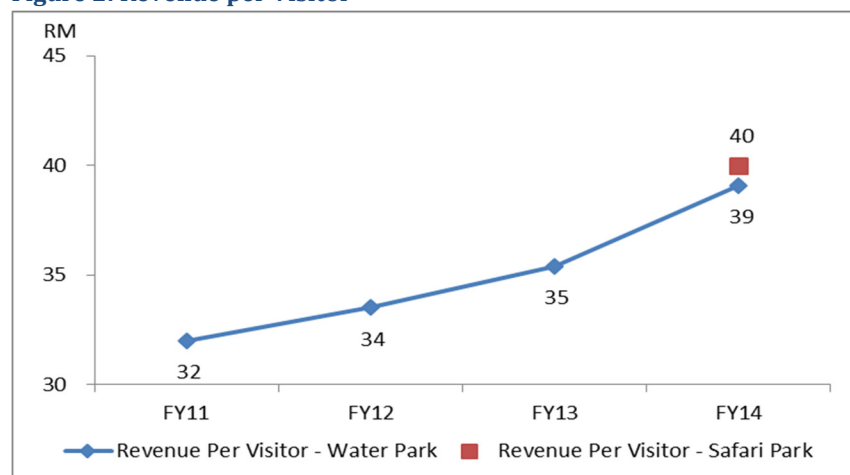
#### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Meanwhile, the rising visitor spending is the bright spot amid BGRC's reduction in visitor numbers - see **Figure 2**. We are positive on the group's effort in promoting ancillary sales from F&B, equipment renting and sale of souvenirs, given these services typically carry higher margin. Based on the ticket price of RM26 and RM19 for adult and child respectively, the revenue per visitor of RM39 implies that approximately 40% of water park revenues are derived from ancillary sales.

**Figure 2: Revenue per Visitor**



Source: Company, TA Research

### 3) More Excitements coming from Morib and Kuching

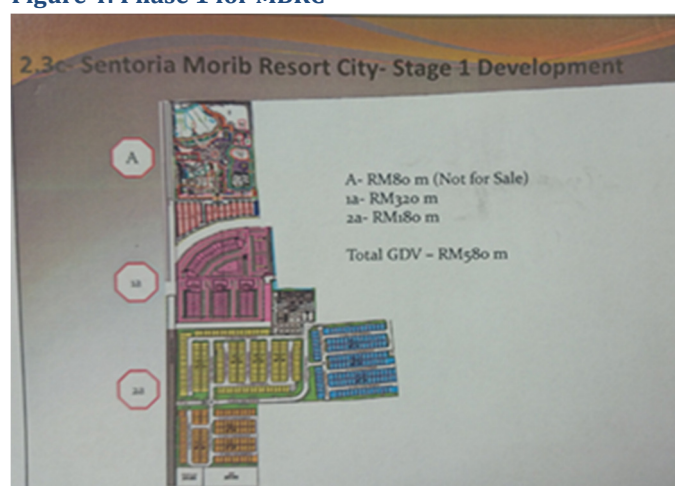
For the first time in more than 1 year after the group announced its expansion plans to Morib and Kuching in 2013, management shared the detailed master plans for both Morib Bay Resort City (MBRC) and Bandar Semariang Resort City (BSRC) with the investment community – see **Figure 3-6**. We are excited on this as it would imply that the group is one step closer to the official launch. According to management, approvals should come in next month and official launch will be by June-15.

**Figure 3: Development Plan for Morib**



Source: Company, TA Research

**Figure 4: Phase 1 for MBRC**



Source: Company, TA Research

Figure 5: Master Plan of BSRC



Source: Company, TA Research

Figure 6: Phase 1 for BSRC



Source: Company, TA Research

The first phase of MBRC and BSRC will have an estimated GDV of RM580mn and RM540mn respectively, which will be realized over the next 3 years. To create market awareness of these brand new resort developments, the management plans to spend RM80mn and RM40mn to construct a water park in MBRC and BSRC respectively. At the same time it would also start offering resort villas/suites under a sale-and-lease back option to cater for future accommodation needs of its theme parks. We estimate these two projects to collectively generate RM80-340mn of new property sales in FY15 and FY16, with a profit margin of 25-30%. In total, we expect FY15-16 property sales to increase 29-50% to RM342-440mn.

### Impact

We cut our FY15-16 earnings by 11-12% after 1) revising our FY15-16 new sales assumptions lower to RM342 - 440mn, 2) delaying the commencement of progress billings for MBRC and BSRC to 4QFY15 from 1QFY15 previously and 3) lower FY15 and FY16 visitor arrivals to Bukit Gambang Resort City to 704k and 742k respectively (from 735k and 762k previously).

### Valuation

We advocate investors to look beyond the soft FY14 performance. FY15 and FY16 are set to be substantially stronger as we expect property developments at Morib Bay and Borneo Samariang to take off the ground. Future earnings growth is expected to be driven by pipeline launches worth RM1.8bn over the next 3 years.

In tandem with our earnings downgrade, we cut our target price to RM1.50/share (from RM1.70/share), based on unchanged CY15 P/E of multiple of 9x. Maintain **Hold**. Potential re-rating catalysts include; 1) secure additional lands from Pahang State Government for development of PR1MA homes, and 2) acquisitions of a few non-Malay reserve lands in Mainland Kedah to exchange the Malay reserve land status in Langkawi Island, in order to kick start the development.

### Profit & Loss (RMm)

YE Sep 30	2012	2013	2014e	2015f	2016f
Revenue	179.3	207.5	218.4	375.7	451.8
EBITDA	57.1	55.2	55.3	111.2	148.0
Dep. & amortisation	(5.4)	(8.0)	(12.9)	(20.8)	(27.0)
Net finance cost	(2.3)	(3.4)	(6.9)	(12.6)	(15.5)
PBT	49.4	43.8	35.5	77.8	105.5
Taxation	(1.6)	9.3	(6.5)	(10.2)	(15.2)
MI	0.0	0.0	0.1	0.0	0.0
Reported Net profit	47.8	53.1	29.1	67.6	90.3
Core net profit	47.8	53.1	29.1	67.6	90.3
Core EPS (sen)	10.9	12.1	6.6	15.4	20.5
GDPS (sen)	1.8	2.0	2.0	2.0	2.0
Div Yield (%)	1.3	1.5	1.5	1.5	1.5

### Cash Flow (RMm)

YE Sep 30	2012	2013	2014e	2015f	2016f
PBT	49.4	43.8	35.5	77.8	105.5
Adjustments	1.8	(1.0)	3.0	12.6	15.5
Dep. & amortisation	5.4	8.0	12.9	20.8	27.0
Changes in WC	(6.7)	(10.6)	(31.4)	(92.2)	(52.6)
<b>Operational cash flow</b>	<b>50.0</b>	<b>40.2</b>	<b>19.9</b>	<b>19.0</b>	<b>95.4</b>
Capex	(65.7)	(74.3)	(49.8)	(124.1)	(166.7)
Others	(0.2)	7.1	(17.8)	0.0	0.0
<b>Investment cash flow</b>	<b>(65.8)</b>	<b>(67.2)</b>	<b>(67.7)</b>	<b>(124.1)</b>	<b>(166.7)</b>
Debt raised/(repaid)	(7.9)	29.3	81.9	125.0	65.0
Equity raised(repaid)	0.0	0.0	0.0	0.0	0.0
Dividend	(4.0)	(4.0)	(8.8)	(8.8)	(8.8)
Others	46.9	(0.5)	(5.5)	0.0	0.0
<b>Financial cash flow</b>	<b>35.1</b>	<b>24.8</b>	<b>67.6</b>	<b>116.2</b>	<b>56.2</b>
<b>Net cash flow</b>	<b>19.2</b>	<b>(2.2)</b>	<b>19.9</b>	<b>11.1</b>	<b>(15.1)</b>

### Assumptions

YE Sep 30	2012	2013	2014f	2015f	2016f
New Sales (RM mn)	147	168	228	342	440
Prop Dev Margins (%)	38	28	32	31	32
No of Visitors ('000)	610	646	632	704	742
Revenue/Visitor (RM)	34	35	39	40	42

### Balance Sheet (RMm)

YE Sep 30	2012	2013	2014e	2015f	2016f
PPE	157.6	218.9	334.9	436.4	547.8
Investment Properties	7.6	8.2	10.9	11.9	12.9
Others	30.0	53.6	78.8	79.7	106.9
<b>Total Non Current Assets</b>	<b>195.2</b>	<b>280.6</b>	<b>424.6</b>	<b>527.9</b>	<b>667.6</b>
Trade Receivables	74.9	123.2	152.9	223.0	268.2
Inventories	5.5	7.1	6.3	13.1	15.7
Cash	18.9	6.2	18.5	29.6	14.4
Others	27.7	42.0	55.0	93.1	111.5
<b>Current Assets</b>	<b>127.0</b>	<b>178.5</b>	<b>232.7</b>	<b>358.8</b>	<b>409.9</b>
<b>Total assets</b>	<b>322.2</b>	<b>459.1</b>	<b>657.2</b>	<b>886.7</b>	<b>1077.5</b>
ST debt	15.1	24.9	18.6	23.6	28.6
Trade Payables	64.6	120.9	173.4	219.0	263.3
Other current liabilities	13.1	6.7	6.1	6.1	6.1
<b>Current Liabilities</b>	<b>92.8</b>	<b>152.5</b>	<b>198.0</b>	<b>248.6</b>	<b>297.9</b>
Shareholders' funds	199.4	248.3	324.7	383.5	465.0
MI	0.2	0.2	0.0	0.0	0.0
<b>Total long term Liabilities</b>	<b>29.8</b>	<b>58.1</b>	<b>134.6</b>	<b>254.6</b>	<b>314.6</b>
<b>Total Equity and Liabilities</b>	<b>322.2</b>	<b>459.1</b>	<b>657.2</b>	<b>886.7</b>	<b>1077.5</b>

### Ratio

YE Sep 30	2012	2013	2014f	2015f	2016f
EPS Growth (%)	24.0	11.0	(45.1)	132.0	33.6
PER (x)	12.4	11.2	20.4	8.8	6.6
GDPS (sen)	1.8	2.0	2.0	2.0	2.0
Div Yield (%)	1.3	1.5	1.5	1.5	1.5
Net Debt/ (Net cash) (RM)	(26.0)	(76.8)	(134.7)	(248.6)	(328.7)
Net gearing (x)	0.1	0.3	0.4	0.6	0.7
ROE (%)	31.1	23.7	10.2	19.1	21.3
ROA (%)	30.4	22.3	8.3	14.2	15.1
NTA/share (RM)	0.5	0.6	0.7	0.9	1.1
P/NTA (x)	3.0	2.4	1.8	1.5	1.3

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