



Sentoria Group Berhad

Higher Start-Up Costs at Safari Park

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Review

- Sentoria reported 1HFY14 net profit of RM10.9mn, which came in at 20% of our full-year earnings forecast. However, we deem the results within expectations as we anticipate 1) stronger progress billings from its on-going projects and 2) higher theme park and resorts revenue in the 2HFY14.
- 1HFY14 net profit increased 5.0% YoY to RM10.9mn, mainly driven by 1) 5.5% growth in revenue and 2) lower effective tax rate. The property development division performed well, which reported cumulative 6 months revenue and EBIT of RM68.8mn (+19% YoY) and RM19.2mn (+23%YoY) respectively. However, the leisure and hospitality division posted a loss before interest and tax of RM4.1mn, mainly due to initial operating costs and overheads incurred for Safari Park.
- The group's 2QFY14 net profit increased 5.5% YoY but fall 68% QoQ to RM2.6mn. The weaker QoQ performance was largely due to lower revenue from its leisure and hospitality division, which experienced cyclical low theme park admissions given Jan-Mar is traditionally the off-peak season.

Impact

- We are leaving our forecast unchanged at this juncture.

Outlook

- The group's 2HFY14 net profit is expected to be underpinned by unbilled sales of about RM100mn. The group plans to launch RM240mn worth of properties for FY14, mainly comprising affordable homes in Kuantan. Notably, the group will be launching Taman Bukit Gambang (GDV: RM160mn) this month. We expect the group's property division to perform stronger in 2HFY14, driven by maiden contribution from Taman Bukit Gambang; and ii) increasing billing from Taman Bukit Rangin 2 which will be gradually handed-over to purchasers over the next 2 quarters.
- The group's leisure and hospitality division is expected to see increase in visitors and occupancy rates in 2HFY14 as the Safari Park in Bukit Gambang Resort City is now fully operational with newly added attractions and wildlife. Management expects the full-year occupancy rates to improve to 35-40% from the current 25%, as indicated by the strong forward bookings for the coming months.
- Future earnings are expected to be driven by maiden launch of its mixed development at Borneo Samariang and Morib Bay in end-FY14 and FY15 respectively. We expect these two projects to collectively generate RM150mn-200mn of new property sales in FY15 and 16.

Valuation

- We keep our SOP target price unchanged at RM1.20/share, based on respective unchanged CY15 PER multiples of 7x for the property division and 10x for the leisure and hospitality division. Maintain **Buy**.

TP: RM1.20 (+34.8%)

Green traded: RM0.89

BUY

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	440.0
Market Cap (RMmn)	391.6
Par Value	0.20
52-wk Hi/Lo (RM)	1.03/.60
12-mth Avg Daily Vol ('000 shrs)	280.90
Estimated Free Float (%)	22.5
Beta	0.52

Major Shareholders (%)

Sentoria Capital	- 62.0
State Secretary Pahang	- 10.5

Forecast Revision

	FY14	FY15
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	54.5	72.2
Consensus	na	na
TA's / Consensus (%)	na	na
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	40.3	49.7
FCPS (sen)	(0.1)	(0.1)
Price / CFPS (x)	nm	nm
ROA (%)	17.1	17.6
NTA/Share (RM)	0.7	0.8
Price/NTA (x)	1.3	1.1
	12.2	14.7

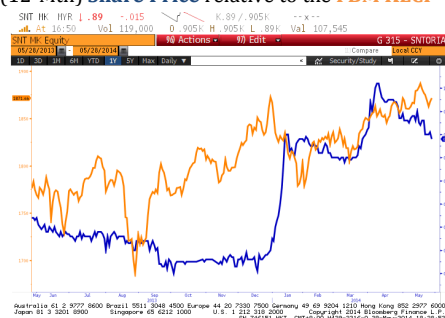
SCORECARD

	%of FY	
vs TA	20.0	Within
vs Consensus	n.a	n.a

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(4.8)	0.7
3 mth	4.7	2.0
6 mth	41.3	3.3
12 mth	23.6	4.9

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



Source: Bloomberg

Earnings Summary (RM'mn)

YE Sep 30	2012	2013	2014F	2015F	2016F
Revenue	179.3	207.5	250.9	318.2	416.8
EBITDA	57.1	55.2	74.1	98.9	128.9
EBITDA Margins (%)	31.9	26.6	29.5	31.1	30.9
Pretax profit	49.4	43.8	55.0	72.9	94.3
Net profit	47.8	53.1	54.5	72.2	93.3
Net profit -adj	47.8	53.1	54.5	72.2	93.3
EPS -Adj (sen)	10.9	12.1	12.4	16.4	21.2
EPS Growth (%)	24.0	11.0	2.6	32.5	29.3
PER (x)	8.2	7.4	7.2	5.4	4.2
Gross Div - adj (sen)	1.8	2.0	2.0	2.0	2.0
Div Yield (%)	2.0	2.2	2.2	2.2	2.2
ROE (%)	31.1	23.7	20.1	22.2	23.4

EPS and DPS are adjusted for 1:10 bonus issue completed in FY13

2Q FY14 Results Analysis (RM mn)

	2Q13	1Q14	2Q14	QoQ (%)	YoY (%)	1HFY13	1HFY14	YoY (%)
Revenue	49.3	47.6	50.0	5.1	1.5	92.5	97.6	5.5
<i>Property Development</i>	36.7	30.5	38.3	25.6	4.3	57.7	68.8	19.3
<i>Leisure</i>	12.5	17.1	11.7	(31.5)	(6.8)	34.8	28.7	(17.3)
EBITDA	6.9	11.0	8.3	(25.1)	19.0	18.9	19.3	2.2
Depreciation & Amortisation	(2.7)	(2.3)	(2.8)	22.6	3.1	(3.9)	(5.1)	30.7
EBIT	4.2	8.7	5.5	(37.6)	29.2	15.0	14.2	(5.2)
<i>Property Development</i>	9.2	10.3	8.9	(13.9)	(3.4)	15.7	19.2	22.8
<i>Leisure</i>	(2.4)	(0.6)	(3.6)	>-100	47.1	3.1	(4.1)	>-100
<i>Others</i>	11.3	0.0	9.6	nm	(14.7)	10.0	9.7	(3.6)
<i>Eliminations</i>	(14.0)	(1.1)	(9.6)	nm	(31.9)	(14.0)	(10.6)	(24.4)
Fair value adjustment	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
Finance Cost	(0.7)	(1.3)	(1.8)	37.1	140.7	(1.4)	(3.0)	117.8
PBT	3.5	7.5	3.7	(50.4)	6.0	13.6	11.2	(17.8)
Core PBT	3.5	7.5	3.7	(50.4)	6.0	13.6	11.2	(17.8)
Tax	(1.0)	0.8	(1.2)	>-100	19.8	(3.2)	(0.4)	(87.7)
MI	0.0	0.0	0.1	nm	nm	0.0	0.1	nm
Net profit	2.5	8.3	2.6	(67.9)	5.5	10.4	10.9	5.0
Core net profit	2.5	8.3	2.6	(67.9)	5.5	10.4	10.9	5.0
EPS -adj (sen)	0.6	1.9	0.6	(67.9)	5.5	2.4	2.5	5.0
GDPS -adj (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
				% pts	% pts			% pts
EBITDA Margin (%)	14.1	23.2	16.5	(6.7)	2.4	20.4	19.8	(0.6)
Pretax Margin (%)	7.1	15.7	7.4	(8.3)	0.3	14.7	11.4	(3.2)
Net Margin (%)	5.1	17.4	5.3	(12.1)	0.2	11.2	11.2	(0.1)
Effective Tax Rate (%)	(28.2)	10.5	(0.3)	(10.8)	27.9	(23.6)	(3.5)	20.1

SOP Valuation

Segments	CY15 Net Profit	Target CY15 PER	Value	Value/share	Remarks
	(RM mn)	(x)	(RM mn)	(RM)	
Property	65.2	7	456.3	1.04	Target PER for small cap developer
Leisure	12.3	10	123.5	0.28	55% discount to global peers PER average of 22x
	77.5		579.7	1.32	
Warrant Proceeds			52.8	-	88 mn warrant @ RM0.60
Total			632.5	1.20	

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