



Sentoria Group Berhad

Turnaround in Leisure Division

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

Thiam Chiann Wen

Tel: +603-2167 9615

cwthiam@ta.com.my

www.taonline.com.my

Review

- Sentoria reported 1Q15 net profit of RM11.3mn, which came in at 19% of our full-year earnings forecast. However, we deem the results within expectations as 2HFY15 should see 1) stronger progress billing from its on-going project; 2) maiden contribution from property development in both Morib and Samariang Resorts and 3) higher theme park and resorts revenue.
- 1QFY15 net profit surged 36% YoY to RM11.3mn, in tandem with the strong revenue growth of 35%. The stellar performance was attributed to better results recorded at both property development and leisure and hospitality divisions.
- The property division reported revenue and EBIT of RM44.4mn (+46% YoY) and RM15.1mn (+46% YoY) respectively, mainly due to swift construction progress of its townships in Kuantan.
- Meanwhile, the leisure and hospitality division returned to the black in 1QFY15, driven by higher number of visitors which grew 5% YoY to 203k visitors (at 32% of our full-year visitor arrival assumptions, in line as Sep-Dec quarter is traditionally the peak season).
- On a QoQ basis, the group's 1QFY15 net profit increased 12% despite a flat revenue growth. The sequential improvement in net profit was largely due to 1) turnaround in the leisure division and 2) lower effective tax rates (-3.8ppt QoQ).

Impact

- Earnings forecasts maintained. We continue to forecast the group to rake in property sales of RM342 – 501mn for FY15-17.

Outlook

- There were no sizable new launches rolled out during the quarter under review. As such, the group only recorded RM17.5mn new sales in 1QFY15 which mainly derived from its on-going projects in Kuantan. We expect property sales to pick up significantly in the remaining quarters, underpinned by maiden launch of Morib Bay Resort City (MBRC) and Bandar Samariang Resort City (BSRC) and new launches in Kuantan such as Taman Bukit Gambang and East Coast Bazaar (combined GDV: RM210mn). Unbilled sales stood at RM117.6mn as at end Dec-14, declining from RM154.7mn a quarter ago.
- The group is expected to launch MBRC and BSRC in 2HFY15. 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 spent 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

TP: RM1.35 (+23.7%)

Last traded: RM1.09

Buy

Share Information

Bloomberg Code	SNT:MK
Stock Name	SNTORIA
Stock Code	5213
Listing	Main Market
Share Cap (mn)	440.0
Market Cap (RMmn)	495.0
Par Value	0.20
52-wk Hi/Lo (RM)	1.61/0.84
12-mth Avg Daily Vol ('000 shrs)	483.33
Estimated Free Float (%)	22.3
Beta	0.80

Major Shareholders (%)

Sentoria Capital	- 60.7
State Secretary Pahang	- 12.2

Forecast Revision

	FY15	FY16
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	60.0	83.7
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	Hold (Upgraded)	

Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	68.4	87.6
FCPS (sen)	(0.3)	(0.3)
Price / CFPS (x)	nm	nm
ROA (%)	12.6	13.4
NTA/Share (RM)	0.9	1.0
Price/NTA (x)	1.3	1.1

	%of FY	
vs TA	19.0	Within
vs Consensus	n.a	n.a

Share Performance (%)

Price Change	SNTORIA	FBM KLCI
1 mth	(8.4)	1.0
3 mth	(18.0)	(0.5)
6 mth	(29.7)	(2.8)
12 mth	28.2	(0.6)

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



Source: Bloomberg

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 FY15-17, with a profit margin of 25-30%.

- Last month, the group has proposed to acquire 3-parcel of land, measuring approximately 304.6 acres in Sungai Petani for RM46mn (or RM3.50psf). The Sungai Petani land acquisition, which is expected to be completed by 1Q16, will implies that Sentoria is one step closer to launching its resort city & medical village development in Langkawi, as the group would swap the non-Malay reserve land title in Sungai Petani to exchange the Malay reserve land status in Langkwai island. In addition, we also positive on these developments as they also enables the group to expand and diversify its business into the northern Peninsular Malaysia.

Valuation

- No change to our target price of RM1.35/share, based on 9x CY15 EPS. Nevertheless, we upgrade our recommendation to **Buy** from Hold, on a potential upside of 23.7%. FY15 and FY16 are set to be substantially stronger as we expect property developments at MBRC and BSRC to commence. The group has an undeveloped landbank of 1,544 acres and outstanding GDV of RM9.0bn, spanning across Kuantan, Klang Valley, Sarawak and Kedah, which will last the group for another 10-12 years.

Earnings Summary (RM'mn)

YE Sep 30		2013	2014	2015F	2016F	2017F
Revenue		207.5	218.4	372.2	440.6	524.9
EBITDA		55.2	55.3	101.7	142.0	163.3
EBITDA Margins	(%)	26.6	25.3	27.3	32.2	31.1
Pretax profit		43.8	35.5	68.3	94.3	104.9
Net profit		53.1	29.1	60.0	83.7	95.0
Net profit -adj		53.1	29.1	60.0	83.7	95.0
EPS -Adj	(sen)	12.1	6.6	13.6	19.0	21.6
EPS Growth	(%)	11.0	(45.1)	105.9	39.5	13.4
PER	(x)	9.0	16.5	8.0	5.7	5.0
Gross Div - adj	(sen)	2.0	2.0	2.0	2.0	2.0
Div Yield	(%)	1.8	1.8	1.8	1.8	1.8
ROE	(%)	23.7	10.2	17.1	20.3	19.2

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

1Q FY15 Results Analysis (RM mn)

	1Q14	4Q14	1Q15	QoQ (%)	YoY (%)
Revenue	47.6	64.5	64.0	(0.8)	34.6
<i>Property Development</i>	30.5	52.2	44.4	(14.9)	45.6
<i>Leisure</i>	17.1	12.3	19.6	59.2	14.9
EBITDA	11.0	18.2	19.3	6.1	75.3
EBIT	8.7	15.5	16.4	6.1	88.0
<i>Property Development</i>	10.3	16.8	15.1	(10.3)	46.1
<i>Leisure</i>	(0.6)	(1.3)	2.3	>100	>100
<i>Others</i>	0.0	(0.7)	49.3	>100	>100
<i>Eliminations</i>	(1.1)	0.7	(50.3)	>-100	>-100
Finance Cost	(1.3)	(2.2)	(2.3)	3.7	76.4
PBT	7.5	13.3	14.2	6.5	90.0
Core PBT	7.5	13.3	14.2	6.5	90.0
Tax	0.8	(3.3)	(2.9)	(10.2)	>-100
MI	0.0	0.0	0.0	(30.8)	12.5
Net profit	8.3	10.1	11.3	11.9	36.3
Core net profit	8.3	10.1	11.3	11.9	36.3
EPS -adj (sen)	1.9	2.3	2.6	11.6	35.9
GDPS -adj (sen)	0.0	2.0	0.0	nm	0.0
EBITDA Margin (%)	23.2	28.3	30.2	1.9	7.0
EBIT Margin (%)	18.4	24.0	25.7	1.7	7.3
<i>Property Development (%)</i>	33.9	32.3	34.0	1.7	0.1
<i>Leisure (%)</i>	(3.3)	(10.9)	11.7	22.6	15.0
Pretax Margin (%)	15.7	20.6	22.1	1.5	6.5
Net Margin (%)	17.4	15.6	17.6	2.0	0.2
Effective Tax Rate (%)	(10.5)	24.5	20.7	(3.8)	31.2

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

This report has been prepared by TA SECURITIES HOLDINGS BERHAD for purposes of CMDR-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia Berhad and will be compensated to undertake the scheme. TA SECURITIES HOLDINGS BERHAD has produced this report independent of any influence from the CBRS or the subject company.

For more information about CBRS and other research reports, please visit Bursa Malaysia's website at:
<http://www.bursamalaysia.com/market/listed-companies/research-repository/research-reports>

for TA SECURITIES HOLDINGS BERHAD^(14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Kaladher Govindan – Head of Research