

Sentoria Group Bhd

An Affordable Developer With a 'Twist'

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INVESTMENT MERIT

- An affordable housing developer with a 'twist'.** Sentoria Group Bhd (SNTORIA) is an affordable housing developer based in Pahang, which started operations since 2000. Over the years, SNTORIA has completed and sold 5,442 units of properties in that region and also built and operates a resort in Gambang namely Bukit Gambang Resort City (BGRC). BGRC which consists of Water Park and Safari Park is located right in the heart of Gambang and just 30 minutes' drive away from Kuantan. Given the affordability of its properties priced below RM200.0k coupled with the attraction of the theme parks, most of its projects in Kuantan and Gambang are taken up by the locals.
- Diversifying geographically.** While SNTORIA is well known for its integrated resprt development in Gambang and affordable housing in Kuantan, the group is currently looking to expand to Selangor, Kedah, and Sarawak to geographically diversify from its concentration risk in Kuantan & Gambang. To recap, SNTORIA managed to replenish its remaining landbank by 1.75x from 615 acres to 1,694 acres through a series of acquisitions and joint-ventures over the years. Currently, SNTORIA's remaining landbanks are located in Kuantan – Gambang (14.3%), Selangor – Pantai Morib (36.2%), Sarawak – Samariang (20.7%), Kedah – Langkawi (28.9%) with a total GDV of RM9.0b.
- Replicating its success in BGRC?** Their unbilled sales currently stand at RM117.6m, providing at least 1 year visibility. However, we believe that SNTORIA will be very busy for the next 2-3 years as they have already planned RM1.8b worth of project launches across Malaysia over 2015-2017, with a similar business model similar to BGRC where most of its developments outside Kuantan will be integrated with a Water Park. As we understand, management plans to kick off a project in Pantai Morib with a total GDV of RM500.0m. Under current market conditions, we believe that its hotel suites and service apartments will sell well as it is priced below RM300.0k per unit with sale and lease back agreement similar to BGRC, while its 2-storey resort town villas sales may be slower as it's priced at a higher range of RM600.0k and above.
- Phenomenal growth ahead.** Assuming RM500.0m of launches per year coupled with take-up rate assumptions of 70.0% stretching from 2015-2017, we are projecting FY15/16/17E net profit of RM31.4m/RM48.5m/RM70.3m with growths of 7.9%/54.5%/44.9%, respectively.
- Manageable balance sheet.** SNTORIA's balance sheet remains at a manageable level with net gearing of 0.40x as of 1Q15, but we expect it to spike to 0.53x in FY15 as they have capex spending of RM120.0m for its Water Park over three years till 2017. We are still comfortable with that as we expect it to come down to 0.50x/0.43x in FY16/17E, with a constant DPS of 2.0 sen.
- Not Rated.** Based on its estimated total GDV of RM9.0b, we derive a conservative FD RNAV of RM2.46. For our small-mid-cap developers, we are currently applying 30.0-70.0% RNAV discount while the segment's average is 55.0%. Given that their net gearing is relatively higher than its peers, we are assuming a discount range of 50.0-60.0% which would derive a FV of RM0.98-RM1.23, or RM1.11 on average. Currently, it is trading at FY15-16E PER of 15.0-9.7x which is at a 51.5-26.0% premium to the mid-cap average of 9.9-7.7x, which we believe is fairly valued for now, given current challenges in the property sector. However, we will be monitoring the stock for its growth potential provided that there are no delays in the execution and launches on its planned projects.

	Rating	Fair Value
Last Price		RM1.07
Kenanga	Not Rated	RM0.98-1.23
Consensus	N.A.	N.A.

Stock Information

Stock Name	SENTORIA GROUP BHD
CAT Code	5213
Industry	Real Estate
Industry Sub-sector	Real Estate Oper/Develop
YTD stock price chg	-13.01%
Market Cap (RM m)	496.60
Issued shares (m)	464.11
52-week range (Hi)	1.61
52-week range (Low)	0.87
3-mth avg daily vol:	186241.7
Free Float	23%
Beta	0.64
Altman's Z-score	N.A.

Major Shareholders

Sentoria Capital	59.85%
State Secretary Pena	11.98%
Lembaga Kemajuan	4.74%

Financials

FYE Sep (RM'm)	2015E	2016E	2017E
Revenue	233.6	343.4	470.0
EBIT	47.5	72.7	101.7
Net Profit (NP)	31.4	48.5	70.3
Core EPS (sen)	7.1	11.0	16.0
BV/Share (RM)	0.79	0.89	1.03
Core PER (x)	15.0	9.7	6.7
Price/BV (x)	0.79	0.89	1.03
Net Gearing (x)	0.53	0.50	0.43
NDPS (sen)	1.6	1.5	1.7
Dividend Yield (%)	1.5%	1.4%	1.6%

Quarterly Financial Data

	3Q14	4Q14	1Q15
Revenue	56.4	64.5	54.0
EBIT	12.8	15.5	16.3
Net Profit (NP)	8.2	10.1	11.3
EPS (sen)	1.9	2.3	2.6
EPS Growth (QoQ)	210%	23%	12%
Revenue Growth (QoQ)	13%	14%	-16%
OP Margin	23%	24%	30%

	PER (FY15E)	Div. Yld (%)	Mkt Cap (RM'm)
Peers Comparisons			
Mid Cap Peer Average (Refer to overleaf for details)	9.9	4.9%	n.a.
SNTORIA	15.0	1.5%	496.6
FBMKLCI	16.5	3.1%	1.03T

14 May 2015

Daily Charting – Sentoria Group Bhd



Comment: SENTORIA's share price has been consolidating since reaching its high of RM1.60 back in Sep-14. The stock is currently trending above its 20 and 50 days SMAs but its 100-day SMA remains a strong immediate resistance. At this juncture, buying momentum remains subdued on the back of low volume traded and with the MACD below its signal line. Key indicators such as RSI and Stochastics are trending downwards, signalling possible further consolidation. At this juncture, we believe the share price will continue on its sideways trading path in the near-term. Thus, we suggests investors to look out for a rebound signal moving forward (high trading volume breakout from its resistance level of RM1.13 (R1)), to confirm an uptrend trajectory

Source: Kenanga Research

About the stock:

Name : Sentoria Group Bhd
Bursa Code : SENTORIA
CAT Code : 5213

Key Support & Resistance level

Resistance : RM1.13 (R1) RM1.22 (R2) RM1.29 (R3)
Support : RM0.98 (S1) RM0.91 (S2) RM0.84 (S3)
Outlook : Neutral

CORPORATE STRUCTURE



BUSINESS OVERVIEW

- Sentoria began operation in 2000 and was listed on the Main Board in 2012. Over the years, the group transformed itself from a contractor to a full-scale real estate developer (a major player in the East Coast region of Malaysia) and a resort and theme park operator. Its flagship development includes Bukit Gambang Resort City.

BUSINESS SEGMENTS

- Property development and related activities.** Development of residential, commercial, and leisure properties and related activities. This segment accounted for c.74% of FY14 revenue.
- Leisure and hospitality.** Hotel, water and safari park. This segment contributed c.26% to FY14 revenue. The resorts operated by Sentoria include: (i) Bukit Gambang Resort City – an integrated resort city on 727 acre land offering water and safari theme parks, outdoor, meeting, and banquet facilities. The resort also operates a river cruise on Kuantan River, (ii) Sempurna Resort – offering 108 units of accommodation with meeting and banquet facilities as well as recreational amenities.

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Peer Comparison

NAME	Price (13/5/15)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY15/16 NP Growth	FY16/17 NP Growth	Target Price	Rating
	(RM)	(RMm)	FY14/15	FY15/16	FY16/17	(%)	(%)	(x)	FY14/15	FY15/16	FY16/17	(%)	(%)	(RM)	
Mid Cap Developers															
MCT	1.32	1,762	21.6	17.4	n.a.	n.a.	n.a.	1.1	81.0	102.0	n.a.	25.9%	n.a.	1.27-1.97	NOT RATED
KSL HOLDINGS BHD	1.80	1,719	5.6	5.2	4.7	7.7%	15.3%	0.8	252.0	271.5	301.9	7.8%	11.2%	2.48	OUTPERFORM
YNH PROPERTY BHD	1.95	801	17.4	12.6	9.5	2.2%	5.3%	0.9	45.9	63.6	84.2	38.6%	32.3%	1.58	SELL
TAMBUN INDAH LAND BERHAD	1.86	785	7.2	6.6	6.1	5.2%	30.2%	2.0	109.3	118.2	127.9	8.1%	8.2%	2.16	BUY
GLOMAC BHD	0.95	687	8.6	9.7	7.2	4.4%	8.8%	0.7	79.5	70.5	95.9	-11.3%	36.1%	0.96	SELL
PARAMOUNT CORP BHD	1.62	684	9.8	10.1	9.5	4.9%	7.9%	0.8	69.6	67.6	71.8	-3.0%	6.3%	1.54	NEUTRAL
CRESCENDO	2.35	535	12.4	12.1	11.7	3.3%	18.4%	0.6	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET PERFORM
HUA YANG BHD	2.10	554	6.7	5.4	5.4	6.3%	22.8%	1.2	82.2	102.9	102.8	25.2%	-0.1%	2.20	OUTPERFORM
Average			11.2	9.9	7.7	4.9%	15.5%	1.0				11.7%	13.8%		
^^ Last price and TP is Ex-bonus															

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Source: Kenanga Research

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