

S P Setia Berhad

(8664 | SPSB MK) Property | Property

Maintain BUY

New sales on track

Unchanged Target Price: RM1.86

KEY INVESTMENT HIGHLIGHTS

- **FY19 earnings within expectations**
- **Higher earnings in FY19**
- **FY19 new sales at RM4.56b**
- **Earnings estimate maintained**
- **Maintain BUY with an unchanged TP of RM1.86**

FY19 earnings within expectations. S P Setia FY19 core net income of RM306.8m came in within expectations, meeting 101% and 97% of our and consensus full year estimates respectively. Note that we have excluded mainly disposal gains on former British Embassy Land and forex loss in our core net income calculations. Dividend of 1sen per share was announced.

Higher earnings in FY19. S P Setia recorded higher core net income of RM88.3m (+68.9%yoy) in 4QFY19, bringing full year core net income to RM306.8m (+33.4%yoy) which is in line with higher topline. Higher earnings in FY19 were underpinned by earnings recognition from ongoing projects and sales of completed units. Besides, lower administrative and general expenses (-20%yoy) has also helped in earnings growth. Meanwhile, unbilled sales increased marginally to RM10.67b in 4QFY19 from RM10.52b in 3QFY19, providing close to 3 years earnings visibility.

FY19 new sales at RM4.56b. S P Setia recorded decent property sales of RM1.49b in 4QFY19 comparing to new sales of RM1.09b in 3QFY19. That brought total new sales to RM4.56b, in line with management new sales target of RM4.55b. Notably, 40% of new property sales form local projects were derived from the Home Ownership Campaign (HOC). Meanwhile, S P Setia set new sales target at RM4.55b for FY20 as it will continue to concentrate on launching landed residential products in Malaysia.

Maintain BUY with an unchanged TP of RM1.86. We maintain our earnings forecast for FY20F and introduce earnings forecast for FY21F. Out TP is also maintained at RM1.86, based on 58% discount to RNAV. We maintain Buy call on S P Setia as its valuation is attractive, trading at 64% discount to NTA of RM3.55 per share.



RETURN STATISTICS

Price @ 26 February 2020 (RM)	1.28
Expected share price return (%)	45.3
Expected dividend yield (%)	1.2
Expected total return (%)	46.5

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-13.4	-9.1
3 months	-19.4	7.4
12 months	-49.8	-42.4

KEY STATISTICS

FBM KLCI	1,495.19
Syariah compliant	Yes
Issue shares (m)	3958.56
Estimated free float (%)	17.61
Market Capitalisation (RM'm)	5,174
52-wk price range (RM)	RM1.18 - RM2.58
Beta vs FBM KLCI (x)	1.48
Monthly velocity (%)	11.02
Monthly volatility (%)	27.34
3-mth average daily volume (m)	6.96
3-mth average daily value (RM'm)	9.53
Top Shareholders (%)	
Yayasan Pelaburan Bumiputra	25.55
Skim Amanah Saham Bumiputera	24.19
Employees Provident Fund Board	12.12

Analyst(s)

 Jessica Low Jze Tieng
 Jessica.low @midf.com.my
 03-21738391

INVESTMENT STATISTICS

FYE Dec	FY17A	FY18F	FY19F	FY20F	FY21F
Revenue	4,520	3,594	3,929	4,150	3,950
Core EBIT	1,006	383	791	296	711
Core PBT	1,149	555	561	469	482
Net Income	933	671	344	319	328
Core Net Income	810	243	307	319	328
EPS (sen)	27.27	17.4	9	8.18	8.40
Core EPS (sen)	23.69	6.3	7.7	8.18	8.40
Net DPS (sen)	15.50	8.6	1.0	1.50	2.00
Net Dvd Yield	12.2%	6.7%	0.8%	1.2%	1.6%
Core PER	5.4	20.1	16.6	15.5	15.1
NTA/share (RM)	3.49	3.59	3.55	3.57	3.60
P/NTA	0.36	0.35	0.36	0.36	0.35
Core ROE	6.8%	1.7%	2.1%	2.2%	2.2%
Core ROA	2.9%	0.8%	1.0%	1.1%	1.1%

Source: MIDF Research

SPSETIA: 4QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY19	%YoY	%QoQ	FY19	%YoY
Revenue	796.2	-21.9%	-14.6%	3928.9	9.3%
Core EBIT	182.5	6.5%	-8.4%	790.6	106.6%
Core PBT	134.4	-16.3%	-1.4%	561.4	1.1%
Net Income	70.1	-26.8%	-35.6%	343.7	-48.3%
Core Net Income	88.3	68.9%	33.5%	306.8	33.4%
EPS (sen)	1.73	-28.8%	-36.2%	9.2	-47.0%
Core EPS (sen)	2.18	64.4%	32.4%	7.7	21.4%
Net DPS (sen)	1.00	NA	NA	1.0	NA
NTA/share (RM)	3.55	NA	NA	3.5	NA
Net Gearing (x)	0.68	NA	NA	0.7	NA
Core EBIT Margin	22.9%	NA	NA	20.1%	NA
Core PBT Margin	16.9%	NA	NA	14.3%	NA

SPSETIA RNAV

Landbank/Buildings	Location	Remaining GDV (RM m)	Methodology	Stake	Value (RM m)
Ongoing Projects - Malaysia (Central)					
Setia Alam	Shah Alam, Selangor	1110	DCF @ WACC 9%	100%	175.6
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	94.8
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.2
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	37.2
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	10.4
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	9.1
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	30.6
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	214.6
Bangi	Selangor	2740	DCF @ WACC 9%	100%	286.0
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	37.3
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	14.1
Setia Indah	Johor	39	DCF @ WACC 9%	100%	6.2
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	10.0
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	19.9
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	39.2
Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	21.8
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	28.3
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	5.3
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	33.2
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC	100%	27.1

				9%		
Ongoing Projects - International						
Battersea	London, UK	3602		DCF @ WACC 9%	40%	250.6
Fulton Lane	Melbourne, Australia	382		DCF @ WACC 9%	100%	115.2
Parque	Melbourne, Australia	695		DCF @ WACC 9%	100%	175.2
A'Beckett	Melbourne, Australia	1370		DCF @ WACC 9%	100%	225.5
18 Woodsville	Singapore	104		DCF @ WACC 9%	100%	16.9
Eco Sanctuary	Singapore	659		DCF @ WACC 9%	100%	107.2
Toh Tuck Land	Singapore	1462		DCF @ WACC 9%	100%	103.7
Eco Lakes	Vietnam	18		DCF @ WACC 9%	100%	3.0
Eco Xuan	Vietnam	14		DCF @ WACC 9%	100%	2.4
Remaining Landbank - Malaysia (Central)		Size (ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Setia Alam	Shah Alam, Selangor	732	31,885,920	65	100%	2080.6
Setia City	Shah Alam, Selangor	91	3,963,960	62	100%	243.8
Setia Eco Park	Shah Alam, Selangor	305	13,294,512	62	50%	408.8
Setia Eco Glades	Cyberjaya, Selangor	145	6,307,488	73	70%	321.8
Setia EcoHill 1 and 2	Semenyih, Selangor	1435	62,508,600	30	100%	1875.3
Setia Eco Templer	Petaling Jaya, Selangor	195	8,494,200	261	100%	2217.0
KL Eco City	Kuala Lumpur	11	479,160	400	100%	191.7
Setia Sky Seputeh	Kuala Lumpur	5	217,800	315	100%	68.6
Setia Federal Hill	Bangsar, Kuala Lumpur	52	2,265,120	460	100%	1042.0
British High Commission	Kuala Lumpur	3	130,680	2,200	100%	287.5
Kenny Hills Grande	Kuala Lumpur	6	261,360	273	100%	71.4
Putrajaya	Kuala Lumpur	161	7,013,160	42	60%	176.7

Remaining Landbank - Malaysia (Johor)

Bukit Indah	Johor Bahru, Johor	80	3,484,800	30	100%	104.5
Setia Indah	Johor Bahru, Johor	10	435,600	50	100%	21.6
Setia Tropika	Johor Bahru, Johor	157	6,838,920	36	50%	123.1
Setia Eco Gardens	Gelang Patah, Johor	298	12,980,880	30	100%	389.4
Setia Eco Cascadia	Johor Bahru, Johor	101	4,399,560	50	100%	218.2
Setia Business Park II	Gelang Patah, Johor	98	4,268,880	30	100%	128.1

Remaining Landbank - Malaysia (Others)

Setia Pearl Island	Bayan Lepas, Penang	21	914,760	200	100%	183.0
Setia Greens	Bayan Lepas, Penang	6	261,360	200	100%	52.3
Setia Eco Forest	Tg. Bungah, Penang	35	1,524,600	145	100%	221.6
Setia Raintrees Residences	Balik Pulau, Penang	21	914,760	31	100%	28.4
Setia Sky Vista	Relau, Penang	19	827,640	200	100%	165.5
Jelutong	Penang	9	392,040	200	100%	78.4
Setia Sky Hill	Taman Sri Nibong, Penang	4	174,240	104	100%	18.1
Setia Sky Cube	Teluk Kumbar, Penang	3	130,680	51	100%	6.7
Balik Pulau	Penang	9	392,040	33	100%	12.9
SPICE	Penang	3	130,680	100	100%	13.1
Bukit Dumbar	Penang	6	261,360	450	100%	117.6
Aeropod	Tanjong Aru, Sabah	38	1,655,280	60	100%	100.0

Remaining Landbank - International

Battersea	London, UK	29	1,263,240	1,231	40%	621.8
EcoXuan	Lai Thieu, Vietnam	11	479,160	43	95%	19.7
EcoLakes	My Phuoc, Vietnam	511	22,259,160	7	55%	87.3

Market Value of I&P Land	4276	186,262,560	33	100%	6146.7
Total Landbank Value					19946.8
Investment Properties					1016.0
Fixed Assets					271.5
Cash					3031.0
Other Assets					1925.3
Total Liabilities (excl. deferred tax liabilities & construction related payables)					-8433.7
Cash paid to acquire I&P					-3650.0
RNAV before RCPS-I (RM m)					14106.8
No of shares (m)					2853.6
RNAV per share before RCPS-I (RM)					4.94
Discount					10%
FD RNAV per share before RCPS-I(RM)					4.45
Cash to be raised (RCPS-i)					1069.69
RCPS-i @ RM1 each (maximum scenario)					305.62
Cash to be raised (RCPS-I B)					1199.57
RCPS-i B @ RM0.89 each (maximum scenario)					299.52
Cash to be raised (Rights Issue)					1196.21
No of shares from Rights Issue					421.20
Cash to be raised (Placement)					1199.90
No of shares from Placement					355.00
RNAV after RCPS-I, RCPS-IB, Rights Issue and Placement					18772.1
Fully Diluted No Of Shares					4234.94
RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)					4.43
Discount					58%
FD RNAV per share after RCPS-I and Rights Issue (RM)					1.86

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.