

S P Setia Berhad

(8664 | SPSB MK) Property | Property

New sales target at RM3.8b

KEY INVESTMENT HIGHLIGHTS

- **1QFY20 earnings below expectations**
- **Lower earnings in 1QFY20**
- **Revised new sales target at RM3.8b**
- **Earnings estimates revised downwards**
- **Maintain BUY with a revised TP of RM1.33**

1QFY20 earnings below expectations. S P Setia 1QFY19 core net income of RM27.7m came in below expectations, making up only 9% of both our and consensus full year estimates. The negative deviation was due to the higher than expected tax rate and lower than expected progress billing in 1QFY20.

Lower earnings in 1QFY20. S P Setia recorded lower core net income of RM27.7m (-67.4%yoy) in 1QFY20 which was in line with lower topline (-18.8%yoy). The lower earnings were dragged by lower progress billing of property projects and higher tax rate. Progress billing of projects were slower than expected partly due to the Movement Control Order (MCO). Besides, effective tax rate was higher in 1QFY20 at 46% against tax rate of 33% in 1QFY19 due to certain non-tax-deductible expenses. Looking ahead, progress billing is expected to be low in 2QFY20 due to extended MCO period. Nevertheless, we expect progress billing to pick up in 2HFY20 as construction works resume.

Revised new sales target at RM3.8b. S P Setia recorded new property sales of RM470m in 1QFY20 of which 77% were from local projects while 23% were from international projects. Meanwhile, S P Setia revised downwards its new sales target to RM3.8b from RM4.55b due to present cautious consumers sentiment. Looking forward, SP Setia will focus on clearing its completed inventories while new launches will be concentrating on the mid-range landed units to cater for the demand of owner-occupiers. Besides, unbilled sales of RM9.8b in 1QFY20 which eased marginally from RM10.67b in 4QFY19 provides earnings visibility for the next two years.

Maintain BUY with a revised TP of RM1.33. We revised our FY20/FY21F earnings forecasts by -29.8%/-10.8% to take into account of lower new sales target and lower progress billing. Our TP is revised downwards to RM1.33 from RM1.86 as we widen our RNAV discount to 70% from 58%. We maintain Buy call on S P Setia due to its attractive valuation following the recent plunge in share price. S P Setia is trading at a steep discount of 78% to its NTA of RM3.51 per share.

Maintain BUY

Revised Target Price: RM1.33

(Previously RM1.86)

RETURN STATISTICS

Price @ 14 May 2020 (RM)	0.775
Expected share price return (%)	71.6
Expected dividend yield (%)	1.9
Expected total return (%)	73.5

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.33	2.63
3 months	4.73	-36.54
12 months	-62.92	-57.23

KEY STATISTICS

FBM KLCI	1,397.25
Syariah compliant	Yes
Issue shares (m)	4042.48
Estimated free float (%)	16.93
Market Capitalisation (RM'm)	3132.92
52-wk price range	MO.55 - RM2.25
Beta vs FBM KLCI (x)	1.68
Monthly velocity (%)	11.02
Monthly volatility (%)	27.34
3-mth average daily volume (m)	6.59
3-mth average daily value (RM'm)	5.58
Top Shareholders (%)	
Amanah Saham Nasional Bhd	28.42
Yayasan Pelaburan Bumiputra	25.70
Employees Provident Fund Board	10.53

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INVESTMENT STATISTICS

FYE Dec	FY17A	FY18F	FY19F	FY20F	FY21F
Revenue	4,520	3,594	3,929	2,915	3,525
Core EBIT	1,006	383	791	157	659
Core PBT	1,149	555	561	329	430
Net Income	933	671	344	224	292
Core Net Income	810	243	307	224	292
EPS (sen)	27.27	17.4	9	5.74	7.50
Core EPS (sen)	23.69	6.3	7.7	5.74	7.50
Net DPS (sen)	15.50	8.6	1.0	1.50	2.00
Net Dvd Yield	20.0%	11.0%	1.3%	1.9%	2.6%
Core PER	3.3	12.3	10.1	13.5	10.3
NTA/share (RM)	3.49	3.59	3.55	3.57	3.59
P/NTA	0.22	0.22	0.22	0.22	0.22
Core ROE	6.8%	1.7%	2.1%	1.6%	2.0%
Core ROA	2.9%	0.8%	1.0%	0.7%	1.0%

Source: Company, MIDFR

SPSETIA: 1QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	702.7	-18.8%	-11.7%	702.7	-18.8%
Core EBIT	168.5	-22.0%	-7.6%	168.5	-22.0%
Core PBT	103.2	-34.8%	-23.2%	103.2	-34.8%
Net Income	28.5	-62.0%	-59.4%	28.5	-62.0%
Core Net Income	27.7	-67.4%	-68.6%	27.7	-67.4%
EPS (sen)	0.70	-62.8%	-59.4%	0.7	-62.8%
Core EPS (sen)	0.69	-68.1%	-68.6%	0.7	-68.1%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	3.511	NA	NA	3.5	NA
Net Gearing (x)	0.60	NA	NA	0.6	NA
Core EBIT Margin	24.0%	NA	NA	24.0%	NA
Core PBT Margin	14.7%	NA	NA	14.7%	NA

Source: Company, MIDFR

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 9%	100%	27.1
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
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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	70%
FD RNAV per share after RCPS-I and Rights Issue (RM)	1.33

Source: Company, MIDFR

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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.