S P Setia Berhad

(8664 | SPSB MK) Property| Property

Sales target of RM3.8b achieved

***Maintain* BUY**

***Revised* Target Price: RM1.29**

(Previously RM1.24)

KEY INVESTMENT HIGHLIGHTS

- **FY20 earnings above expectation**
- **Earnings lifted by overseas projects**
- **Sales target of RM3.8b achieved**
- **Earnings estimates revised upwards**
- **Maintain BUY with a revised TP of RM1.29**

FY20 earnings above expectation. S P Setia FY20 core net income of RM180.2m came in above expectation, making up 140% of our full year estimate. The positive deviation could be attributed to the higher than expected contribution from overseas projects and the lower than expected finance cost in 4QFY20. No dividend was announced for FY20.

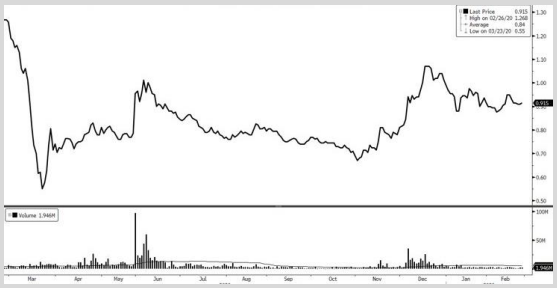
Earnings lifted by overseas projects. Sequentially, 4QFY20 core net income increased to RM81.3m (+10.7%qoq), mainly lifted by contribution from project in Singapore and handover of Australian project. Besides, earnings were also helped by lower finance cost and lower expenses. That brought cumulative earnings in FY20 to RM180.2m (-43.1%yoy). The weaker earnings were mainly dragged by delayed construction progress during MCO and CMCO period. On the other hand, unbilled sales increased marginally to RM10.05b in 4QFY20 from RM9.82b in 3QFY20, providing earnings visibility of more than 3 years.

Sales target of RM3.8b achieved. S P Setia registered new property sales of RM1.56b in 4QFY20, higher than new sales of RM1.38b in 3QFY20. That brought total new sales to RM3.82b in FY20, slightly higher than management new sales target of RM3.8b. Local projects contributed 81% to new sales whilst international projects contributed 19% to new sales. Looking forward, management is maintaining flattish new sales target of RM3.8b for FY21.

Maintain BUY with a revised TP of RM1.29. We revise our FY21F earnings forecast by +4.9% and also introduce our earnings forecast for FY22F. Our TP is revised to RM1.29 from RM1.24 as we reduce our RNAV discount marginally to 71% from 72%. Valuation of S P Setia remains attractive, trading at steep discount of 73% to its latest NTA per share of RM3.43. Earnings outlook for FY21 is expected to be better due to earnings recovery from adverse impact of delayed construction progress in FY20. Hence, we maintain our BUY call on S P Setia.

RETURN STATISTICS	
Price @ 25 Feb 2021 (RM)	0.915
Expected share price return (%)	41.0
Expected dividend yield (%)	1.1
Expected total return (%)	**42.1**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.7	1.4
3 months	-7.6	17.0
12 months	-28.5	-32.2

KEY STATISTICS	
FBM KLCI	1,581.54
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	4,042.48
Estimated free float (%)	17.91
Market Capitalisation (RM'm)	3,711.91
52-wk price range (RM)	RM0.55 - RM1.32
Beta vs FBM KLCI (x)	1.35
Monthly velocity (%)	4.19
Monthly volatility (%)	28.83
3-mth average daily volume (m)	5.43
3-mth average daily value (RM'm)	5.18
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.08
Yayasan Pelaburan Bumiputra	26.13
KWAP	10.25
EPF	6.84

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INVESTMENT STATISTICS

FYE Dec	FY18	FY19	FY20	FY21F	FY22F
Revenue	3,594	3,929	3,228.1	2,915	2,990
Core EBIT	383	801	888.7	576	909
Core PBT	555	571	344.6	347	365
Net Income	671	354	(321.0)	236	248
Core Net Income	243	317	180.2	236	248
EPS (sen)	17.4	9	(8.6)	6.05	6.36
Core EPS (sen)	6.3	7.7	3.8	6.05	6.36
Net DPS (sen)	8.6	1.0	0.0	1.00	1.50
Net Dvd Yield	9.3%	1.1%	0.0%	1.1%	1.6%
Core PER	14.5	11.8	24.2	15.1	14.4
NTA/share (RM)	3.59	3.55	3.43	3.45	3.47
P/NTA	0.25	0.26	0.27	0.27	0.26
Core ROE	1.7%	2.2%	1.3%	1.7%	1.8%
Core ROA	0.8%	1.1%	0.6%	0.8%	0.8%

Source: MIDF Research

SPSETIA: 4QFY20 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY20	%YoY	%QoQ	FY20	%YoY
Revenue	1113.7	39.9%	3.1%	3228.1	-17.8%
Core EBIT	181.8	-1.9%	-64.8%	888.7	11.0%
Core PBT	146.6	6.7%	24.4%	344.6	-39.7%
Net Income	55.5	-24.0%	-121.1%	-321.0	-190.8%
Core Net Income	81.3	-10.8%	10.7%	180.2	-43.1%
EPS (sen)	1.37	-24.3%	-121.1%	-8.6	-192.6%
Core EPS (sen)	2.01	-11.1%	10.7%	3.8	-51.2%
Net DPS (sen)	0.00	-100.0%	NA	0.0	-100.0%
NTA/share (RM)	3.428	NA	NA	3.4	NA
Net Gearing (x)	0.66	NA	NA	0.7	NA
Core EBIT Margin	16.3%	NA	NA	27.5%	NA
Core PBT Margin	13.2%	NA	NA	10.7%	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 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

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	71%
FD RNAV per share after RCPS-I and Rights Issue (RM)	**1.29**

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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 *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
HOLD	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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology