Corporate Update | Thursday, 17 December 2020

S P Setia Berhad

(8664 | SPSB MK) Property| Property

***Maintain* BUY**

On track to meet new sales target of RM3.8b

***Revised* Target Price: RM1.24**
(Previously RM0.84)

KEY INVESTMENT HIGHLIGHTS

- **Virtual meeting with S P Setia**
- **On track to meet new sales target of RM3.8b**
- **Focusing on existing projects**
- **Better earnings outlook for FY21**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM1.24**

Virtual meeting with S P Setia. We had a virtual meeting with S P Setia and came out feeling reaffirmed on positive prospect of its property division. Key takeaways from the meeting as below:

On track to meet new sales target of RM3.8b. Management is confident that S P Setia will be able to hit its new sales target of RM3.8b for FY20. Note that S P Setia recorded new sales of RM2.86b as of October 2020 and is confident that sales will be able to meet new sales target of RM3.8b for FY20 as new sales are expected to be strong in 4Q20. Property sales in 4QFY20 is expected to be supported by pent up demand post MCO and low interest rate. We gather that sales from its matured townships such as Setia Alam and Bandar Kinrara remain encouraging as new launches in the townships enjoyed good take up rate of >90%.

Focusing on existing projects. S P Setia's plan in FY21 will remain focusing on its existing projects in Malaysia especially its matured townships namely Setia Alam, Bandar Kinrara and Alam Impian as S P Setia does not have plan for land banking in Malaysia in the near term. Nevertheless, we understand that S P Setia may explore possibility to dispose its non-strategic landbank in Malaysia. Meanwhile, S P Setia is looking to expand overseas operations by considering to replenish its landbank in Melbourne or Sydney, Australia.

Better earnings outlook for FY21. We expect earnings of S P Setia to improve in FY21 mainly due to earnings recovery from adverse impact of delayed construction progress during MCO. Besides, we expect profit margin to normalize in FY21 as higher cost of sales has dragged earnings in 9MFY20 due to higher sales of product mix with lower margin. Meanwhile, we think earnings in FY21 are unlikely to be marred by impairment as S P Setia has done kitchen-sinking in FY20. Note that S P Setia accounted impairment provision for Battersea Power Station and completed inventories mainly Setia Sky 88 project in Johor Baru in 9MFY20.

RETURN STATISTICS	
Price @ 16 Dec 2020 (RM)	1.07
Expected share price return (%)	15.9
Expected dividend yield (%)	0.5
Expected total return (%)	**16.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	42.7	35.7
3 months	39.0	29.1
12 months	-21.9	-27.1

KEY STATISTICS	
FBM KLCI	1,681.41
Syariah compliant	Yes
Issue shares (m)	4042.48
Estimated free float (%)	18.34
Market Capitalisation (RM'm)	4,340.70
52-wk price range (RM)	RM0.55 - RM1.63
Beta vs FBM KLCI (x)	1.48
Monthly velocity (%)	4.19
Monthly volatility (%)	28.83
3-mth average daily volume (m)	4.29
3-mth average daily value (RM'm)	3.65
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.08
Yayasan Pelaburan Bumiputra	26.13
KWAP	9.93

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Maintain BUY with a revised TP of RM1.24. Post meeting, we make no changes to our earnings forecast. Meanwhile, we revise our TP for S P Setia to RM1.24 from RM0.84 as we narrow our RNAV discount to -72% from -81% as we see stable prospect for its new property sales and better earnings outlook for FY21. Valuation of S P Setia is attractive, trading at steep discount of -69% to its NTA per share of RM3.41. Hence, we maintain our Buy call on S P Setia.

INVESTMENT STATISTICS

FYE Dec	FY17A	FY18F	FY19F	FY20F	FY21F
Revenue	4,520	3,594	3,929	3,015	2,875
Core EBIT	1,006	383	791	17	560
Core PBT	1,149	555	561	190	331
Net Income	933	671	344	129	225
Core Net Income	810	243	307	129	225
EPS (sen)	27.27	17.4	9	3.31	5.77
Core EPS (sen)	23.69	6.3	7.7	3.31	5.77
Net DPS (sen)	15.50	8.6	1.0	0.50	1.00
Net Dvd Yield	14.5%	8.0%	0.9%	0.5%	0.9%
Core PER	4.5	16.9	14.0	32.3	18.6
NTA/share (RM)	3.49	3.59	3.55	3.56	3.58
P/NTA	0.31	0.30	0.30	0.30	0.30
Core ROE	6.8%	1.7%	2.1%	0.9%	1.6%
Core ROA	2.9%	0.8%	1.0%	0.4%	0.7%

Source: MIDF Research

S P SETIA 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	60%	10.4

			9%		
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	100%	107.2

			9%			
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	72%
FD RNAV per share after RCPS-I and Rights Issue (RM)	**1.24**

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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.
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 *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.