13 May 2016 | 1QFY16 Result Review

SP Setia Berhad

Expect RM4.7b property launches from 2Q onwards

***Maintain* BUY**

***Unchanged* Target Price: RM3.70**

INVESTMENT HIGHLIGHTS

- **1QFY16 earnings within expectations.**
- **As expected, no dividend in 1QFY16.**
- **Supported by ongoing projects in Malaysia and overseas.**
- **Maintain FY16 sales target of RM4.0b**
- **Maintain BUY with Target Price of RM3.70.**

1QFY16 earnings within expectations. SP Setia Berhad (SPSETIA)'s 1QFY16 Core Net Income (CNI) of RM98m was deemed as within expectation although it accounted for only 14% of our and consensus full year estimates. Note that revenue recognition is expected to accelerate in the coming quarters especially 4th quarter as lumpy recognition from Parque Melbourne and Battersea Phase One starts in Dec-2016.

As expected, no dividend is announced in the 1st quarter as this is similar to its historical practice of semi annual payment. However, its final dividend of 19.00 sen is likely to be approved during the AGM on 18-May-2016.

Supported by ongoing projects in Malaysia and overseas. For the 1QFY16 revenue, recognition is derived mainly from major projects in Malaysia which include Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill in Semenyih and Setia Eco Glades in Cyberjaya. Overseas project is Eco Sanctuary in Singapore. Unbilled sales of RM8.6b provide earnings visibility for 1.5 years.

Maintain FY16 sales target of RM4.0b: For the first four months (4MFY16), sales is RM696m and it has improved significantly from 1QFY16's RM306m. The recent launches in Setia Alam (3 storey terrace house and 3 storey linked semi-D) with a GDV of RM128 million under the 10:90 scheme has received good take up rate of 86%. Looking ahead, management is aiming to launch in projects with GDV worth of RM4.7b (out of which RM3.0b is under 10:90 scheme) from 2QFY16 onwards.

Maintain BUY with TP of RM3.70: Earnings estimates for FY16 and FY17 are maintained. Our Target Price of RM3.70 is based on 10% discount to RNAV. We like SPSETIA due to i) the recent confirmation of Dato' Khor Chap Jen as the CEO has removed the Company's leadership uncertainty, ii) its high dividend yield of 5.7%, and iii) strong balance sheet with net gearing of 0.28x.

RETURN STATS	
Price (12th May 2016)	RM3.20
Target Price	RM3.70
Expected Share Price Return	+15.6%
Expected Dividend Yield	+5.7%
Expected Total Return	**+21.3%**

STOCK INFO	
KLCI	1648.98
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2628.48
Par Value (RM)	0.75
Market cap. (RM'm)	8,411.12
Price over NA	1.21
52-wk price Range	RM2.8 - RM3.5
Beta (against KLCI)	0.53
3-mth Avg Daily Vol	0.41m
3-mth Avg Daily Value	RM1.31m
Major Shareholders	
PNB	51.04%
SKIM ASB	15.04%
KWAP	9.43%
EPF	5.94%

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY13*	FY14*	FY15**	FY16F	FY17F
Revenue	3,261	3,810	6,746	6,272	6,632
Core EBIT	746	830	1,643	1,188	1,255
Core PBT	658	769	1,428	1,129	1,194
Net Income	418	406	918	714	788
Core Net Income	418	453	920	714	788
EPS (sen)	17.95	16.30	35.66	28.12	31.01
Core EPS (sen)	17.95	18.19	35.72	28.12	31.01
Net DPS (sen)	10.60	9.70	23.00	18.34	20.23
Net Dvd Yield	3.3%	3.0%	7.2%	5.7%	6.3%
Core PER	17.8	17.6	9.0	11.4	10.3
NTA/share (RM)	2.35	2.31	3.00	3.10	3.21
P/NTA	1.36	1.38	1.07	1.03	1.00
Core ROE	7.6%	7.7%	12.4%	9.3%	9.9%
Core ROA	3.5%	3.5%	5.6%	4.3%	4.6%

Source: Company, MIDF Research Forecast
**Financial Year End October*
***FY15 reflects 14 months period (Nov-2014 to Dec-2015)*

DAILY PRICE CHART



Source: MIDFR, Company

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SPSETIA: 1QFY16 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY16	*%YoY*	*%QoQ*	3MFY16	*%YoY*	
Revenue	908.5	*NA*	*NA*	908.5	*NA*	*Supported by ongoing projects in Malaysia and overseas. Major projects in Malaysia include Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill in Semenyih and Setia Eco Glades in Cyberjaya. Overseas project is Eco Sanctuary in Singapore.*
Core EBIT	214.3	*NA*	*NA*	214.3	*NA*	*3MFY16 core figure exclude forex gain of RM25.2m*
Core PBT	169.1	*NA*	*NA*	169.1	*NA*	
Net Income	123.4	*NA*	*NA*	123.4	*NA*	
Core Net Income	98.2	*NA*	*NA*	98.2	*NA*	*Although 3MFY16 core figure came in at 14% of ours and consensus forecast, we deem the result as within expectation due to high revenue recognition expected from Parque Melbourne and Battersea Phase One in Dec-2016*
EPS (sen)	4.69	*NA*	*NA*	4.69	*NA*	
Core EPS (sen)	3.74	*NA*	*NA*	3.74	*NA*	
Net DPS (sen)	0.00	*NA*	*NA*	0.00	*NA*	
NTA/share (RM)	2.79	*NA*	*NA*	2.79	*NA*	
Net Gearing (x)	0.28	*NA*	*NA*	0.28	*NA*	
Core EBIT Margin	23.6%	*NA*	*NA*	23.6%	*NA*	
Core PBT Margin	18.6%	*NA*	*NA*	18.6%	*NA*	

**Comparison is not available as the Company has recently changed its Financial Year End*
Source: Company, MIDF Research Forecast

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%	204.8
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	110.5
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.8
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	43.4
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	12.2
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	10.6
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	35.7
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	250.2
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	43.6
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	16.4
Setia Indah	Johor	39	DCF @ WACC 9%	100%	7.2
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	11.6
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	23.3
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	45.8
Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	25.5
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	33.0
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	6.2
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	38.8
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC 9%	100%	31.6
Ongoing Projects - International					
Battersea	London, UK	3798	DCF @ WACC 9%	40%	266.8
Fulton Lane	Melbourne, Australia	382	DCF @ WACC 9%	100%	115.8
Parque	Melbourne, Australia	695	DCF @ WACC 9%	100%	177.6
18 Woodsville	Singapore	104	DCF @ WACC 9%	100%	19.3
Eco Sanctuary	Singapore	659	DCF @ WACC 9%	100%	122.4
Eco Lakes	Vietnam	18	DCF @ WACC 9%	100%	3.5
Eco Xuan	Vietnam	14	DCF @ WACC 9%	100%	2.7

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	64	100%	2032.7
Setia City	Shah Alam, Selangor	91	3,963,960	64	100%	252.7
Setia Eco Park	Shah Alam, Selangor	305	13,294,512	64	50%	423.8
Setia Eco Glades	Cyberjaya, Selangor	145	6,307,488	61	70%	268.2
Setia EcoHill 1 and 2	Semenyih, Selangor	1435	62,508,600	26	100%	1594.0
Setia Eco Templer	Petaling Jaya, Selangor	195	8,494,200	248	100%	2106.1
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	50%	521.0
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	142	100%	216.8
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	1,298	40%	655.7
EcoXuan	Lai Thieu, Vietnam	11	479,160	43	95%	19.7
EcoLakes	My Phuoc, Vietnam	511	22,259,160	7	55%	87.3

Total Landbank Value	**12396.9**
Investment Properties	748.9
Fixed Assets	132.9
Cash	3548.7
Other Assets	1028.4
Total Liabilities (excl. deferred tax liabilities)	-7423.3
Total RNAV (RM m)	**10432.4**
No of shares (m)	2540.1
RNAV per share (RM)	**4.11**
FD RNAV (RM)	**4.11**
Discount	10%
FD RNAV (RM)	**3.70**

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	*Negative* total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% 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.