16 November 2016 | 3QFY16 Results Review

SP Setia Berhad

Results within expectation

***Maintain* NEUTRAL**

***Unchanged* Target Price (TP): RM3.38**

INVESTMENT HIGHLIGHTS

- **9MFY16 earnings within expectation**
- **Revenue was supported by ongoing projects**
- **Maintain its sales target of RM3.5b**
- **Maintain NEUTRAL with TP of RM3.38**

9MFY16 earnings within expectation. SP Setia Berhad (SPSETIA) 9MFY16 core net profit of RM317m is within expectation. Although it only makes up 48% of ours and consensus forecast, we expect 4QFY16 earnings to be strong due to earnings recognition expected from Parque Melbourne and Battersea Phase One.

Revenue was 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. Unbilled sales of RM8.4b provide earnings visibility for 1.2 years.

Maintain its sales target of RM3.5b. SPSETIA achieved sales of RM2.40b/RM2.05b for the first ten/nine months of FY2016. In 3QFY16 alone, the Company achieved sales of RM943m and continued its momentum with RM350m of sales in October. We expect the strong momentum to continue as the Company has a strong pipeline of launches with GDV of RM1.03b in the remaining two months of 2016. Out of these, the highest GDV contribution will be from Setia Sky Ville (Jelutong, Penang) with GDV of RM465m.

Maintain NEUTRAL with TP of RM3.38. Our earnings forecast for both FY16 and FY17 are unchanged. Valuation method is unchanged by using 15% discount to RNAV. While upside to the share price should be limited due to challenging property market outlook, the share price is supported by its good dividend yield of 5.3%.

RETURN STATS	
Price (15 Nov 2016)	RM3.20
Target Price	RM3.38
Expected Share Price Return	+5.6%
Expected Dividend Yield	+5.3%
Expected Total Return	**+10.9%**

STOCK INFO	
KLCI	1630.56
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2819.06
Par Value (RM)	0.75
Market cap. (RM'm)	9,021.00
Price over NA	1.15
52-wk price Range	RM2.80 - RM3.59
Beta (against KLCI)	0.65
3-mth Avg Daily Vol	3.33m
3-mth Avg Daily Value	RM11.2m
Major Shareholders (%)	
PNB	65.52%
KWAP	10.12%
EPF	5.83%

INVESTMENT STATISTICS

FYE Dec	FY13A*	FY14A*	FY15A**	FY16F	FY17F
Revenue	3,261	3,810	6,746	5,774	5,996
Core EBIT	746	830	1,643	1,098	1,140
Core PBT	658	769	1,428	1,039	1,079
Net Income	418	406	918	658	712
Core Net Income	418	453	920	658	712
EPS (sen)	17.95	16.30	35.66	25.02	27.09
Core EPS (sen)	17.95	18.19	35.72	25.02	27.09
Net DPS (sen)	10.60	9.70	23.00	16.89	18.29
Net Dvd Yield	3.3%	3.0%	7.2%	5.3%	5.7%
Core PER	17.8	17.6	9.0	12.8	11.8
NTA/share (RM)	2.35	2.31	3.00	3.09	3.19
P/NTA	1.36	1.38	1.07	1.03	1.00
Core ROE	7.6%	7.7%	12.4%	8.6%	9.0%
Core ROA	3.5%	3.5%	5.6%	3.9%	4.2%

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

DAILY PRICE CHART



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Source: Bloomberg

3QFY16 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY16	%YoY	%QoQ	9MFY16	%YoY	
Revenue	1263.6	*NA*	*NA*	3185.4	*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	289.7	*NA*	*NA*	737.9	*NA*	*9MFY16 core figure exclude forex gain of RM66.2m*
Core PBT	241.1	*NA*	*NA*	591.2	*NA*	
Net Income	134.1	*NA*	*NA*	383.2	*NA*	
Core Net Income	114.8	*NA*	*NA*	317.0	*NA*	*Although 9MFY16 core figure came in at 48% 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)	4.88	*NA*	*NA*	14.36	*NA*	
Core EPS (sen)	4.18	*NA*	*NA*	11.88	*NA*	
Net DPS (sen)	0.00	*NA*	*NA*	4.00	*NA*	
NTA/share (RM)	2.75	*NA*	*NA*	2.75	*NA*	
Net Gearing (x)	0.40	*NA*	*NA*	0.40	*NA*	
Core EBIT Margin	22.9%	*NA*	*NA*	23.2%	*NA*	
Core PBT Margin	19.1%	*NA*	*NA*	18.6%	*NA*	

Source: Company

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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	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.