**24 February 2017 | 4QFY16 Results Review**

# SP Setia Berhad

***Good set of results in FY16***

***Maintain* NEUTRAL**

***Adjusted* Target Price (TP): RM3.40**
**(Previously RM3.38)**

## INVESTMENT HIGHLIGHTS

- **FY16 earnings above expectation**
- **FY16 sales of RM3.82b is ahead of its target of RM3.5b.**
- **Sales target of RM4.0b in FY17.**
- **Maintain NEUTRAL with higher TP of RM3.40**

**FY16 earnings above expectation.** SP Setia Berhad (SPSETIA) FY16 core net income of RM764m met consensus estimate of RM761m. However, it is ahead of our estimate possibly due to better than expected margin from Parque Melbourne project in Australia. A final dividend of 16 sen is announced and this bring total dividend to 20 sen for FY16 representing 5.9% dividend yield.

**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, Setia Eco Glades in Cyberjaya and Setia Sky Residences at Jalan Tun Razak KL. Overseas project include Eco Sanctuary in Singapore, Battersea Power Station in London and Parque Melbourne in Australia. Unbilled sales of RM8.25b provide earnings visibility for 1.7 years.

**FY16 sales of RM3.82b is ahead of its target of RM3.5b.** The biggest sales contributor in FY16 is Central Region with RM2.64b of sales or 69% contribution followed by Southern Region (RM467m sales / 13% contribution).

**Sales target of RM4.0b in FY17.** The Company plans to launch 7355 units of properties with combined GDV of RM5.41b in FY17. For the sales target of RM4.0b, 56% is targeted from Central Region followed by International (23%), Southern Region (10%), Northern Region (6%) and Eastern Region (5%). For the International sales, it will be driven by Exhibition Street Melbourne project (GDV: AUD640m).

**Maintain NEUTRAL with higher TP of RM3.40.** FY17 CNI forecast is raised by 2% to RM724m while Target Price has been increased to RM3.40 (from RM3.38). We have assumed higher margin for Parque Melbourne project. 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, downside is also limited due to its good dividend yield.

| RETURN STATS | |
|---|---|
| Price (23 Feb 2017) | RM3.39 |
| Target Price | RM3.40 |
| Expected Share Price Return | +0.3% |
| Expected Dividend Yield | +5.5% |
| **Expected Total Return** | **+5.8%** |

| STOCK INFO | |
|---|---|
| KLCI | 1704.48 |
| Bursa / Bloomberg | 8664 / SPSB MK |
| Board / Sector | Main / Properties |
| Syariah Compliant | Yes |
| Issued shares (mil) | 2853.55 |
| Par Value (RM) | 0.75 |
| Market cap. (RM'm) | 9,673.54 |
| Price over NA | 1.26 |
| 52-wk price Range | RM2.8 - RM3.59 |
| Beta (against KLCI) | 0.70 |
| 3-mth Avg Daily Vol | 1.79m |
| 3-mth Avg Daily Value | RM6.00m |
| Major Shareholders (%) | |
| PNB | 56.2% |
| KWAP | 10.2% |
| EPF | 5.8% |

## INVESTMENT STATISTICS

| FYE Dec | FY14A* | FY15A** | FY16A | FY17F | FY18F |
|---|---|---|---|---|---|
| Revenue | 3,810 | 6,746 | 4,957 | 6,096 | 6,327 |
| Core EBIT | 830 | 1,643 | 1,187 | 1,158 | 1,200 |
| Core PBT | 769 | 1,428 | 1,141 | 1,097 | 1,139 |
| Net Income | 406 | 918 | 808 | 724 | 751 |
| Core Net Income | 453 | 920 | 764 | 724 | 751 |
| EPS (sen) | 16.30 | 35.66 | 29.82 | 27.55 | 28.59 |
| Core EPS (sen) | 18.19 | 35.72 | 28.19 | 27.55 | 28.59 |
| Net DPS (sen) | 9.70 | 23.00 | 20.00 | 18.59 | 19.30 |
| Net Dvd Yield | 2.9% | 6.8% | 5.9% | 5.5% | 5.7% |
| Core PER | 18.6 | 9.5 | 12.0 | 12.3 | 11.9 |
| NTA/share (RM) | 2.31 | 2.81 | 2.83 | 2.93 | 3.03 |
| P/NTA | 1.47 | 1.21 | 1.20 | 1.16 | 1.12 |
| Core ROE | 7.7% | 12.4% | 8.3% | 7.7% | 7.7% |
| Core ROA | 3.5% | 5.6% | 4.1% | 3.8% | 3.9% |

*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*

**4QFY16 RESULTS SUMMARY**

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | | Comments |
|---|---|---|---|---|---|---|
| | 4QFY16 | %YoY | %QoQ | 12MFY16 | %YoY | |
| Revenue | 1771.8 | *NA* | *NA* | 4957.2 | *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, Setia Eco Glades in Cyberjaya and Setia Sky Residences at Jalan Tun Razak KL. Overseas project iinclude Eco Sanctuary in Singapore, Battersea Power Station in London and Parque Melbourne in Australia.* |
| Core EBIT | 449.4 | *NA* | *NA* | 1187.3 | *NA* | *FY16 core figure exclude forex gain of RM46.6m, provision of RM4.1m and gain on disposal of RM1.6m* |
| Core PBT | 549.4 | *NA* | *NA* | 1140.6 | *NA* | |
| Net Income | 424.8 | *NA* | *NA* | 808.0 | *NA* | |
| Core Net Income | 447.0 | *NA* | *NA* | 764.0 | *NA* | *FY16 core net income met consensus estimate of RM761m. However, it is ahead of our estimate possibly due to better than expected margin from Parque Melbourne project.* |
| EPS (sen) | 15.00 | *NA* | *NA* | 29.82 | *NA* | |
| Core EPS (sen) | 15.78 | *NA* | *NA* | 28.19 | *NA* | |
| Net DPS (sen) | 16.00 | *NA* | *NA* | 20.00 | *NA* | |
| NTA/share (RM) | 2.83 | *NA* | *NA* | 2.83 | *NA* | |
| Net Gearing (x) | 0.17 | *NA* | *NA* | 0.17 | *NA* | |
| Core EBIT Margin | 25.4% | *NA* | *NA* | 24.0% | *NA* | |
| Core PBT Margin | 31.0% | *NA* | *NA* | 23.0% | *NA* | |

*Source: Company*

## 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% | 180.5 |
| Setia EcoHill | Semenyih, Selangor | 599 | DCF @ WACC 9% | 100% | 97.4 |
| Setia Walk | Puchong, Selangor | 20 | DCF @ WACC 9% | 100% | 3.3 |
| Setia Sky Residences | Kuala Lumpur | 235 | DCF @ WACC 9% | 100% | 38.2 |
| Putrajaya | Putrajaya | 110 | DCF @ WACC 9% | 60% | 10.7 |
| Setia Eco Park | Shah Alam, Selangor | 115 | DCF @ WACC 9% | 50% | 9.4 |
| Setia Eco Glades | Cyberjaya, Selangor | 276 | DCF @ WACC 9% | 70% | 31.4 |
| KL Eco City | Kuala Lumpur | 1356 | DCF @ WACC 9% | 100% | 220.5 |
| **Ongoing Projects - Malaysia (Johor)** | | | | | |
| Bukit Indah | Johor | 236 | DCF @ WACC 9% | 100% | 38.4 |
| Setia Tropika | Johor | 89 | DCF @ WACC 9% | 100% | 14.5 |
| Setia Indah | Johor | 39 | DCF @ WACC 9% | 100% | 6.3 |
| Setia Eco Gardens | Johor | 90 | DCF @ WACC 9% | 70% | 10.2 |
| Setia Eco Cascadia | Johor | 126 | DCF @ WACC 9% | 100% | 20.5 |
| Setia Sky 88 | Johor | 248 | DCF @ WACC 9% | 100% | 40.3 |
| **Ongoing Projects - Malaysia (Others)** | | | | | |
| Setia Pearl Island | Bayan Lepas, Penang | 138 | DCF @ WACC 9% | 100% | 22.4 |
| Setia Greens | Bayan Lepas, Penang | 179 | DCF @ WACC 9% | 100% | 29.1 |
| 11 Brook Residences | Georgetown, Penang | 48 | DCF @ WACC 9% | 70% | 5.5 |
| Setia V Residences | Penang | 210 | DCF @ WACC 9% | 100% | 34.2 |
| Aeropod | Kota Kinabalu, Sabah | 171 | DCF @ WACC 9% | 100% | 27.8 |
| **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 |
| 18 Woodsville | Singapore | 104 | DCF @ WACC 9% | 100% | 19.2 |
| Eco Sanctuary | Singapore | 659 | DCF @ WACC 9% | 100% | 121.7 |
| Eco Lakes | Vietnam | 18 | DCF @ WACC 9% | 100% | 3.5 |
| Eco Xuan | Vietnam | 14 | DCF @ WACC 9% | 100% | 2.7 |

| Remaining Landbank - Malaysia (Central) | Location | Size (ac) | Size (Sq ft) | Price (RM/sqft) | Stake | Value (RM m) |
|---|---|---|---|---|---|---|
| Setia Alam | Shah Alam, Selangor | 732 | 31,885,920 | 62 | 100% | 1961.0 |
| 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 | 61 | 70% | 268.2 |
| Setia EcoHill 1 and 2 | Semenyih, Selangor | 1435 | 62,508,600 | 25 | 100% | 1556.5 |
| Setia Eco Templer | Petaling Jaya, Selangor | 195 | 8,494,200 | 245 | 100% | 2084.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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 | 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 | 1,231 | 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 |

| | |
|---|---|
| **Total Landbank Value** | **12074.2** |
| Investment Properties | 726.4 |
| Fixed Assets | 260.1 |
| Cash | 3752.1 |
| Other Assets | 1220.5 |

| | |
|---|---|
| Total Liabilities (excl. deferred tax liabilities & construction related payables) | -7365.6 |
| **RNAV before RCPS-I (RM m)** | **10667.7** |
| No of shares (m) | 2628.4 |
| **RNAV per share before RCPS-I (RM)** | **4.06** |
| Discount | 15% |
| **FD RNAV per share before RCPS-I(RM)** | **3.45** |
| Cash to be raised (RCPS-i) | 1069.69 |
| **RNAV after RCPS-I (RM m)** | **11737.4** |
| RCPS-i @ RM1 each (maximum scenario) | 305.62 |
| Fully Diluted No Of Shares | 2934.00 |
| **RNAV per share after RCPS-I (RM)** | **4.00** |
| Discount | 15% |
| **FD RNAV per share after RCPS-I(RM)** | **3.40** |

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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. |