10 November 2016 | Corporate Update

SP Setia Berhad

Landbanking In Penang Mainland

***Maintain* NEUTRAL**

***Unchanged* Target Price: RM3.38**

INVESTMENT HIGHLIGHTS

- **Acquired land in mainland Penang for RM620m**
- **Potential GDV of RM9.6b**
- **Neutral on the news**
- **Maintain FY16 sales and earnings estimate**
- **Maintain NEUTRAL with TP of RM3.38**

Acquired land in mainland Penang for RM620m. SP Setia Berhad (SPSETIA) has announced its successful tender bid of RM620m for a 1,675 acres freehold land in Seberang Perai Utara, Penang. We gather that this is SPSETIA maiden entry into the mainland of Penang.

Potential GDV of RM9.6b. The Company is planning to develop an eco-themed mixed development township with potential GDV of RM9.6b spanning over 15-20 years. Location wise, it is within the Butterworth-SUngai Petani Growth Corridor and is accessible via Bertam Interchange of North-South Highway. The company mentioned that the land is 18km away from Butterworth and 32km away from the Penang Bridge. It is surrounded by existing townships, retail malls, medical institute, a university campus as well as a golf course.

Neutral on the news. Valuation of RM8.50 per sq ft appears to be fair as it is within the calling price of RM8 to RM9 for Seberang Perai. We are neutral on the news as we expect earnings impact only from FY18 onwards. Net gearing is expected to increase to 0.45x (from 0.37x as of end-June 2016) which we deem is still at acceptable level of below 0.50x.

Maintain FY16 sales target and earnings estimate. We maintain our sales target of RM3.3b for FY16 as we expect earliest project launch for the land only in FY17. FY16 earnings estimate of RM658m is also maintained as we expect earliest launch only in FY17.

Maintain NEUTRAL with TP of RM3.38: Pending the completion of the land deal, we maintain our RNAV value of RM3.98 per share. Our Target Price is based on 15% discount to RNAV. The stock share price is supported by its high dividend yield expected at 5.3%.

RETURN STATS	
Price (9 Nov 2016)	RM3.16
Target Price	RM3.38
Expected Share Price Return	+7.0%
Expected Dividend Yield	+5.3%
Expected Total Return	**+12.3%**

STOCK INFO	
KLCI	1647.62
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)	8,908.24
Price over NA	1.13
52-wk price Range	RM2.8 - RM3.59
Beta (against KLCI)	0.64
3-mth Avg Daily Vol	3.51m
3-mth Avg Daily Value	RM11.8m
Major Shareholders	
PNB	51.01%
SKIM ASB	14.51%
KWAP	10.12%
EPF	5.83%

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

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	3.4%	3.1%	7.3%	5.3%	5.8%
Core PER	17.6	17.4	8.8	12.6	11.7
NTA/share (RM)	2.35	2.31	3.00	3.09	3.19
P/NTA	1.34	1.37	1.05	1.02	0.99
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 Forecast
**Financial Year End October*
***FY15 reflects 14 months period (Nov-2014 to Dec-2015)*

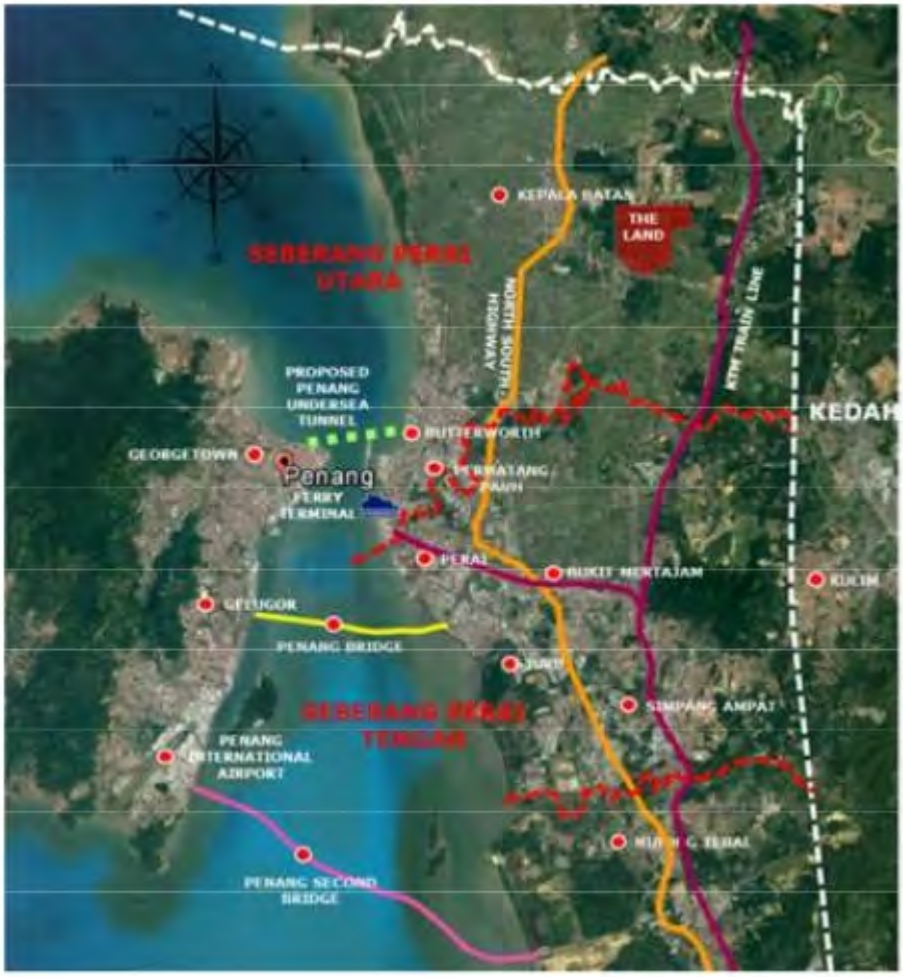
DAILY PRICE CHART



Source: MIDFR, Company

Alan Lim
alan.lim@midf.com.my
03-2173 8464

LOCATION OF THE LAND



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	3405	DCF @ WACC 9%	40%	236.9
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%	1537.7
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	1,163	40%	587.9
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	**12007.9**
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)	**10601.3**
No of shares (m)	2628.4
RNAV per share before RCPS-I (RM)	**4.03**
Discount	15%
FD RNAV per share before RCPS-I(RM)	**3.43**
Cash to be raised (RCPS-i)	1069.69
RNAV after RCPS-I (RM m)	**11671.0**
RCPS-i @ RM1 each (maximum scenario)	305.62
Fully Diluted No Of Shares	2934.00
RNAV per share after RCPS-I (RM)	**3.98**
Discount	15%
FD RNAV per share after RCPS-I(RM)	**3.38**

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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.