21 June 2017 | Corporate Update

SP Setia Berhad

Land acquisition in Melbourne Central Business District

***Maintain* BUY**

***Unchanged* Target Price: RM4.03**

INVESTMENT HIGHLIGHTS

- **Acquiring land in Melbourne CBD for AUD61m.**
- **Sixth piece of land in Melbourne**
- **Strategic location**
- **Earnings estimate maintained**
- **Maintain BUY with Target Price of RM4.03**

Acquiring land in Melbourne CBD for AUD61m. S P Setia (SPSETIA) has won a bid for a piece of 1,714 sq m (18,449 sq ft) land at 111, A'Beckett Melbourne Central Business District (CBD) for AUD61m (~RM198m). The Company intends to transform the land into a high-rise residential development. GDV of the project is estimated at AUD419m (~RM1.37b) with expected launch date in 2H2017.

Sixth piece of land in Melbourne. Previously, SPSETIA has acquired five pieces of land in Melbourne and these include: i) 0.2ha Fulton Lane site for AUD30m (in 2009) and developed it into luxury apartments with a GDV of A$470m, ii) 0.9ha land at Parque, iii) 0.51 acre Carnegie land with a price of AUD6.68m in Nov-2015, iv) 850 sq m land in Prahran for AUD10m in Apr-2016 and v) 4,140 sq m land in Melbourne CBD for AUD101m in May-2016.

Strategic location. The land is located less than 15-minutes walking distance away from the Royal Melbourne Institute of Technology University (RMIT). It is also opposite Fulton Lane (SPSETIA's first project in Melbourne). This may explain its premium valuation of AUD3,306 per sq ft which is higher than its previous purchase of land in Melbourne CBD at AUD2,266 per sq ft.

Earnings estimate maintained. As the project launch is scheduled to be in 2HFY17 and earnings will only be recognised upon completion, we expect earnings to start to kick in only from FY2020 onwards. Hence, we maintain our earnings forecast for FY17 and FY18.

Maintain BUY with TP of RM4.03. Our Target Price is unchanged and it is based on 10% discount to RNAV. We continue to like SPSETIA due to i) our belief that it will gain FBMKLCI status in 3 years' time, ii) positive newsflow surrounding the I&P deal and iii) good dividend yield of 5.1%.

RETURN STATS	
Price (20 June 2017)	RM3.64
Target Price	RM4.03
Expected Share Price Return	+10.7%
Expected Dividend Yield	+5.1%
Expected Total Return	**+15.8%**

STOCK INFO	
KLCI	1780.71
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2855.21
Market cap. (RM'm)	10,392.96
Price over NA	1.26
52-wk price Range	RM2.8 - RM4.5
Beta (against KLCI)	0.65
3-mth Avg Daily Vol	4.31m
3-mth Avg Daily Value	RM15.9m
Major Shareholders	
PNB	54.23%
SKIM ASB	15.04%
KWAP	8.62%
EPF	6.50%

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INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY13*	FY14*	FY15**	FY16F	FY16F
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	2.7%	6.3%	5.5%	5.1%	5.3%
Core PER	20.0	10.2	12.9	13.2	12.7
NTA/share (RM)	2.31	2.81	2.83	2.93	3.03
P/NTA	1.57	1.30	1.29	1.24	1.20
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 Forecast
**Financial Year October*
***FY15 reflects 14 months from Nov-2014 to Dec-2015*

DAILY PRICE CHART



Source: MIDFR, Company

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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%	185.4
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	100.0
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.4
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	39.3
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	11.0
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	9.6
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	32.3
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	226.5
Bangi	Selangor	2740	DCF @ WACC 9%	100%	301.9
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	39.4
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	14.9
Setia Indah	Johor	39	DCF @ WACC 9%	100%	6.5
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	10.5
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	21.0
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	41.4
Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	23.0
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	29.9
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	5.6
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	35.1
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC 9%	100%	28.6
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%	16.9
Eco Sanctuary	Singapore	659	DCF @ WACC 9%	100%	107.2
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			100%	2080.6

			31,885,920	65		
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	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	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
Total Landbank Value						**13114.9**

Investment Properties	1016.0
Fixed Assets	271.5
Cash	4170.1
Other Assets	1925.3
Total Liabilities (excl. deferred tax liabilities & construction related payables)	-8433.7
RNAV before RCPS-I (RM m)	**12064.1**
No of shares (m)	2628.4
RNAV per share before RCPS-I (RM)	**4.59**
Discount	10%
FD RNAV per share before RCPS-I(RM)	**4.13**
Cash to be raised (RCPS-i)	1069.69
RNAV after RCPS-I (RM m)	**13133.8**
RCPS-i @ RM1 each (maximum scenario)	305.62
Fully Diluted No Of Shares	2934.00
RNAV per share after RCPS-I (RM)	**4.48**
Discount	10%
FD RNAV per share after RCPS-I(RM)	**4.03**

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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.