19 April 2017 | Corporate Update

SP Setia Berhad

Land banking in Singapore

***Maintain* BUY**

***Adjusted* Target Price (TP): RM4.03**
(Previously RM4.00)

INVESTMENT HIGHLIGHTS

- **Acquiring land in Singapore for SGD265m**
- **Positive on both of the news**
- **Earnings estimate unchanged**
- **Maintain BUY with higher TP of RM4.03**

Acquiring land in Singapore for SGD265m. SP Setia Berhad (SPSETIA) had won a tender for a 4.6 acres land along Toh Tuck Road, Singapore for SGD265.0m (or RM847.6m). We gather that SPSETIA plans to develop a 5-storey condominium with 327 units on the 99-year leasehold land with GDV of SGD457.0m (or RM1.46b). Fundings can be from combination of internally generated funds and borrowings. Target property launch is in 2018 with expected completion period of 5 years.

Details of the land. The Land is located near the vicinity of Bukit Timah region and it is accessible to Pan Island Expressway (PIE), the Bukit Timah Expressway (BKE) and Ayer Rajah Expressway (AYE). It is also close to the Beauty World MRT station (~650m away). Nearby amenities include international schools, tertiary education centres, parks and shopping malls.

Positive on the news. SPSETIA has good experience in property development in Singapore as their previous two projects in Singapore (18 Woodsville and Eco Sanctuary) have received good take up rate. We estimated that the land purchase in Singapore is RNAV accretive with earnings contribution to come in from FY19 onwards.

Earnings estimate unchanged. As the project launch is in 2018, we believe that any earnings contribution will only come in from FY19 onwards. Hence, we maintain our FY17 and FY18 earnings estimate at RM724m and RM751m respectively.

Maintain BUY with TP of RM4.03. Our Target Price has been increased to RM4.03 (from RM4.00) as we have added in Toh Tuck Road Land into our RNAV. Valuation methodology is unchanged by using 10% discount to RNAV. We 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 5.0%.

RETURN STATS	
Price (18 Apr 2017)	RM3.69
Target Price	RM4.03
Expected Share Price Return	+9.2%
Expected Dividend Yield	+5.0%
Expected Total Return	**+14.2%**

STOCK INFO	
KLCI	1740.60
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2853.76
Par Value (RM)	0.75
Market cap. (RM'm)	10,530.38
Price over NA	1.30
52-wk price Range	RM2.8 - RM3.77
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	3.35m
3-mth Avg Daily Value	RM11.5m
Major Shareholders (%)	
PNB	55.11
KWAP	10.28
EPF	6.14

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	2.6%	6.2%	5.4%	5.0%	5.2%
Core PER	20.3	10.3	13.1	13.4	12.9
NTA/share (RM)	2.31	2.81	2.83	2.93	3.03
P/NTA	1.60	1.31	1.30	1.26	1.22
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)*

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%	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	31,885,920	65	100%	2080.6
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**

DAILY PRICE CHART



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Source: Bloomberg

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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.