03 June 2016 | Corporate Update

SP Setia Berhad

***Maintain* BUY**

Setia Eco Templer achieved 95% take up rate

***Unchanged* Target Price: RM3.70**

INVESTMENT HIGHLIGHTS

- **Setia Eco Templer in Rawang has achieved excellent take up rate of 95%**
- **Supported by 10:90 programme**
- **Maintain FY16 sales target of RM4.0b**
- **Maintain BUY with Target Price of RM3.70**

Property site visit to Setia Eco Templer in Rawang, Selangor. We recently visited Setia Eco Templer which is a 194 acres township development in Rawang, Selangor located ~25km away from Kuala Lumpur City Centre. Recently launched in May-2016, the township was built with focus on being environmental friendly and creating a harmonious co-existence between man and nature. Total GDV for Setia Eco Templer is RM2.0b and expected completion period is between 8 to 10 years.

1st Phase launch already achieved 95% take-up rate. Out of the 234 units available in Phase 1 with GDV of RM280m, SPSETIA has successfully sold 222 units of the property worth RM250m. Note that Phase 1 consists of: i) 176 units of link house priced from RM850k onwards, ii) 52 units of semi-detached house priced from RM1.7m onwards, and iii) 6 units of bungalows priced from RM2.8m onwards. We gather that there were only 12 units of semi-detached house available for sale due to the strong take up in the past few weeks.

Supported by Setia 10:90 programme. We believe that the strong take up rate seen is due to the special offer of Setia 10:90 programme in which buyers would only need to pay a 10% deposit now. For the remaining 90%, buyers will have up to three years to secure the loan facility as they are only required to do so after taking the vacant possession of the property.

Maintain FY16 sales target of RM4.0b. We have included the sales from Setia Eco Templer into our FY16 sales estimate previously. We also maintain our FY16 and FY17 Core Net Income estimates at RM714m and RM788m respectively.

Maintain BUY with TP of RM3.70 based on 10% discount to RNAV. We like SPSETIA due to i) the recent confirmation of Dato' Khor Chap Jen as the CEO has removed the Company's leadership uncertainty, ii) its high dividend yield of 5.8%, and iii) strong balance sheet with net gearing of 0.28x.

RETURN STATS	
Price (2nd June 2016)	RM3.17
Target Price	RM3.70
Expected Share Price Return	+16.7%
Expected Dividend Yield	+5.8%
Expected Total Return	**+22.5%**

STOCK INFO	
KLCI	1630.53
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2628.51
Par Value (RM)	0.75
Market cap. (RM'm)	8,332.36
Price over NA	1.13
52-wk price Range	RM2.8 - RM3.41
Beta (against KLCI)	0.53
3-mth Avg Daily Vol	0.36m
3-mth Avg Daily Value	RM1.16m
Major Shareholders	
PNB	51.04%
SKIM ASB	15.04%
KWAP	9.43%
EPF	5.97%

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

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY13*	FY14*	FY15**	FY16F	FY17F
Revenue	3,261	3,810	6,746	6,272	6,632
Core EBIT	746	830	1,643	1,188	1,255
Core PBT	658	769	1,428	1,129	1,194
Net Income	418	406	918	714	788
Core Net Income	418	453	920	714	788
EPS (sen)	17.95	16.30	35.66	28.12	31.01
Core EPS (sen)	17.95	18.19	35.72	28.12	31.01
Net DPS (sen)	10.60	9.70	23.00	18.34	20.23
Net Dvd Yield	3.3%	3.1%	7.3%	5.8%	6.4%
Core PER	17.7	17.4	8.9	11.3	10.2
NTA/share (RM)	2.35	2.31	3.00	3.10	3.21
P/NTA	1.35	1.37	1.06	1.02	0.99
Core ROE	7.6%	7.7%	12.4%	9.3%	9.9%
Core ROA	3.5%	3.5%	5.6%	4.3%	4.6%

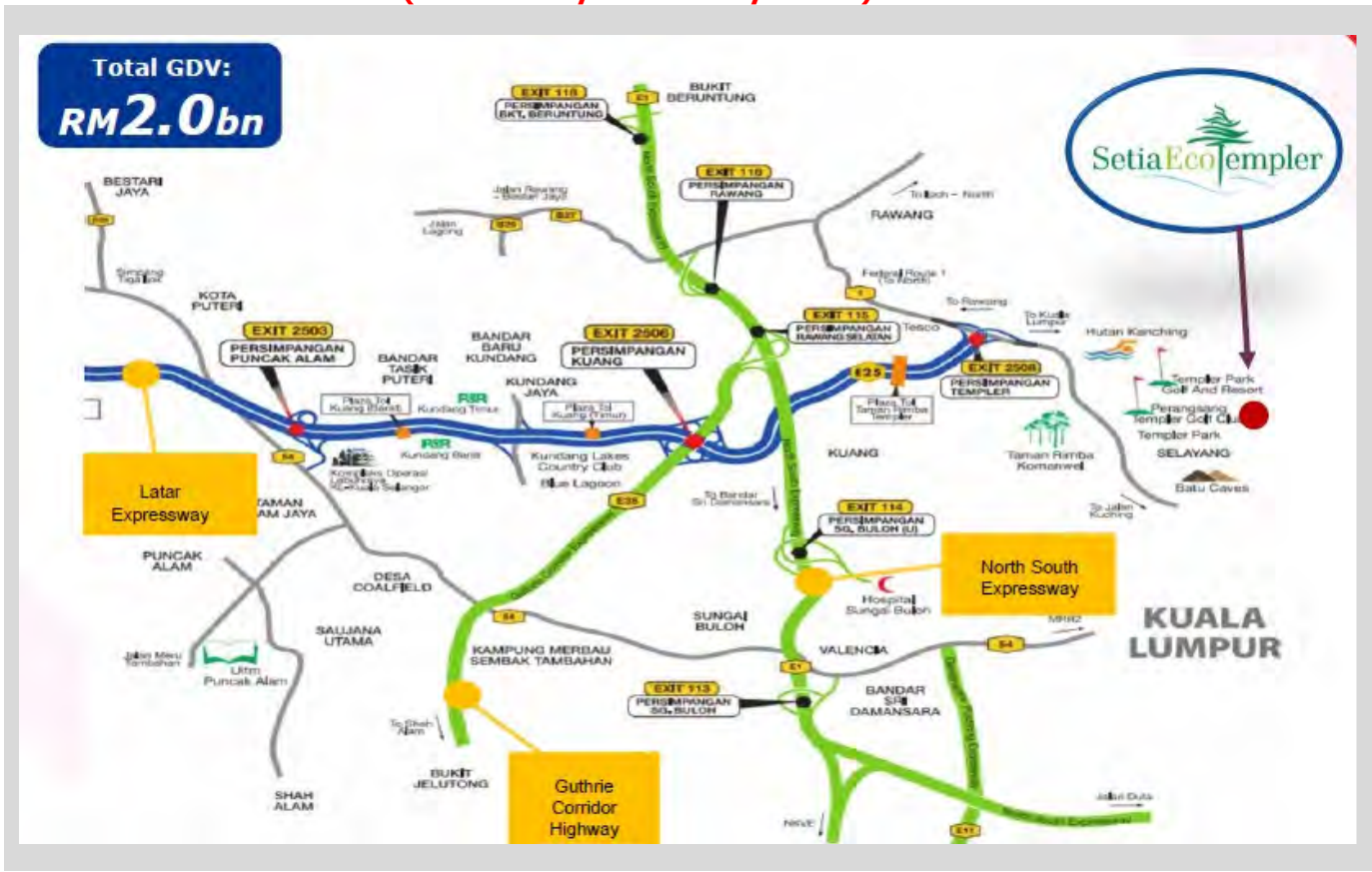
Source: Company, MIDF Research Forecast
**Financial Year End October*
***FY15 reflects 14 months period (Nov-2014 to Dec-2015)*

SETIA ECO TEMPLER MASTER PLAN



Source: Company

MAP OF SETIA ECO TEMPLER (~25km away from KL City Centre)



Source: MIDF Research

DAILY PRICE CHART



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Source: MIDFR, 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%	204.8
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	110.5
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.8
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	43.4
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	12.2
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	10.6
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	35.7
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	250.2
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	43.6
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	16.4
Setia Indah	Johor	39	DCF @ WACC 9%	100%	7.2
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	11.6
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	23.3
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	45.8
Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	25.5
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	33.0
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	6.2
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	38.8
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC 9%	100%	31.6
Ongoing Projects - International					
Battersea	London, UK	3798	DCF @ WACC 9%	40%	266.8
Fulton Lane	Melbourne, Australia	382	DCF @ WACC 9%	100%	115.8
Parque	Melbourne, Australia	695	DCF @ WACC 9%	100%	177.6
18 Woodsville	Singapore	104	DCF @ WACC 9%	100%	19.3
Eco Sanctuary	Singapore	659	DCF @ WACC 9%	100%	122.4
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	64	100%	2032.7
Setia City	Shah Alam, Selangor	91	3,963,960	64	100%	252.7
Setia Eco Park	Shah Alam, Selangor	305	13,294,512	64	50%	423.8
Setia Eco Glades	Cyberjaya, Selangor	145	6,307,488	61	70%	268.2
Setia EcoHill 1 and 2	Semenyih, Selangor	1435	62,508,600	26	100%	1594.0
Setia Eco Templer	Petaling Jaya, Selangor	195	8,494,200	248	100%	2106.1
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	1,298	40%	655.7
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	**12396.9**
Investment Properties	748.9
Fixed Assets	132.9
Cash	3548.7
Other Assets	1028.4
Total Liabilities (excl. deferred tax liabilities)	-7423.3
Total RNAV (RM m)	**10432.4**
No of shares (m)	2540.1
RNAV per share (RM)	**4.11**
FD RNAV (RM)	**4.11**
Discount	10%
FD RNAV (RM)	**3.70**

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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.