26 February 2016 | 14MFY15 Result Review

SP Setia Berhad

Transforming into a high dividend yield stock

***Maintain* BUY**

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

INVESTMENT HIGHLIGHTS

- **14MFY15 earnings above expectations.**
- **Positive surprise from the final dividend of 19.00 sen.**
- **Record high earnings in FY15.**
- **FY16 sales target of RM4.0b.**
- **Maintain BUY with Target Price of RM3.70.**

14MFY15 earnings above expectations. SP Setia Berhad (SPSETIA)'s 14MFY15 Core Net Income (CNI) of RM920m was above expectations as it accounted for 129% of consensus and 120% of our estimates. We believe that the reason for the positive deviation is faster than expected recognition of local projects.

Positive surprise from the final dividend of 19.00 sen as it is much higher than our estimate of 11.50 sen. Together with the 4.0 sen announced in 1HFY15, total dividend for FY15 is 23.00 sen implying a very attractive dividend yield of 8.0%. The amount declared is better than expected as SPSETIA has increased the payout ratio to 65% (against our estimate of 60% based on FY14 payout).

Record high earnings. Record high earnings in FY15 were in line with the highest revenue achieved at RM6.75b. The surge in revenue was due to lumpy recognition of sales from Fulton Lane project. Unbilled sales of RM9.20b provide earnings visibility for 1.7 years.

FY16 sales target of RM4.0b: FY15 sales was better than expected at RM4.32b or 8% ahead of management target of RM4.0b. Looking ahead, management is targeting RM4.0b for FY16 on the back of RM4.7b launches. SPSETIA is targeting sales from affordable apartments where there is strong demand and mid-range landed units at its established townships. We gather that the ratio of domestic/overseas sales will be 80%/20%.

Maintain BUY with TP of RM3.70: Earnings estimate for FY16 is maintained despite the better than expected result. We believe that the fast recognition of projects in FY15 is unlikely to recur. Our Target Price of RM3.70 is based on 10% discount to RNAV. We like SPSETIA due to its high dividend yield of 6.3% (peers' average: 3.7%) and strong balance sheet with net gearing at only 0.2x.

RETURN STATS	
Price (25 Feb 2016)	RM2.89
Target Price	RM3.70
Expected Share Price Return	+28.0%
Expected Dividend Yield	+6.3%
Expected Total Return	**+34.3%**

STOCK INFO	
KLCI	1658.16
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2628.39
Par Value (RM)	0.75
Market cap. (RM'm)	7,596.03
Price over NA	1.09
52-wk price Range	RM2.80 - RM3.57
Beta (against KLCI)	0.50
3-mth Avg Daily Vol	0.43m
3-mth Avg Daily Value	RM1.33m
Major Shareholders	
PNB	51.05%
SKIM ASB	15.01%
KWAP	9.43%
EPF	6.04%

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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	3.7%	3.4%	8.0%	6.3%	7.0%
Core PER	16.1	15.9	8.1	10.3	9.3
NTA/share (RM)	2.35	2.31	3.00	3.10	3.21
P/NTA	1.23	1.25	0.96	0.93	0.90
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)*

DAILY PRICE CHART



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Source: MIDFR, Company

SPSETIA: 14MFY15 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	5QFY15*	%YoY	%QoQ	14MFY15	%YoY	
Revenue	1140.5	*NA*	*NA*	6746.3	*NA*	*Strong revenue was due to lumpy recognition of Fulton Lane project in Melbourne, Australia. Strong sales pipeline built to date also contributed to revenue growth.*
Core EBIT	321.7	*NA*	*NA*	1643.4	*NA*	*14MFY15 core figure exclude privision/writeoff (RM7.2m), forex gain (RM5.4m) and other one off items (RM0.2m)*
Core PBT	300.7	*NA*	*NA*	1428.1	*NA*	
Net Income	208.3	*NA*	*NA*	918.3	*NA*	
Core Net Income	205.6	*NA*	*NA*	919.9	*NA*	*Above expectation as 14MFY15 core figure came in at 120% of our forecast (129% of consensus).*
EPS (sen)	7.92	*NA*	*NA*	35.66	*NA*	
Core EPS (sen)	7.82	*NA*	*NA*	35.72	*NA*	
Net DPS (sen)	19.00	*NA*	*NA*	23.00	*NA*	
NTA/share (RM)	2.81	*NA*	*NA*	2.81	*NA*	
Net Gearing (x)	0.20	*NA*	*NA*	0.20	*NA*	
Core EBIT Margin	28.2%	*NA*	*NA*	24.4%	*NA*	
Core PBT Margin	26.4%	*NA*	*NA*	21.2%	*NA*	

**5QFY15 reflects 2 months period for Nov-2015 and Dec-2015*
**Comparison is not available due to different length of financial periodSource: Company, MIDF Research Forecast*

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)		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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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	*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.