11 September 2015 | 3QFY15 Result Review

SP Setia Berhad

Fulton Lane project the star performer

***Maintain* BUY**

***Increased* Target Price: RM3.70**
(*Previously* RM3.60)

INVESTMENT HIGHLIGHTS

- **9MFY15 earnings above expectation.**
- **9MFY15 Core Net Income grew +161%yoy to RM612m.**
- **On track to hit sales target of RM4.0b.**
- **Maintain BUY with higher Target Price of RM3.70.**

9MFY15 earnings above expectation: SP Setia Berhad (SPSETIA) 9MFY15's Core Net Income (CNI) of RM612m was above expectation as it already accounted for 100% of consensus full year estimate of RM611m and 102% of our previous estimate of RM602m. Margin for Fulton Lane project in Australia was stronger than expected. However, as expected, no dividend was announced in 3QFY15.

9MFY15 Core Net Income grew +161%yoy to RM612m: The increase in earnings was in line with higher revenue (+63%yoy to RM4.19b). Note that the increase in revenue was due to lumpy recognition of sales of its Fulton Lane project in Melbourne, Australia. Revenue for the project has been recognised using completion method instead of progressive billing. RM678m or 41% of the Group's revenue in 3QFY15 was contributed by Fulton Lane project. Overall, SPSETIA unbilled sales of RM9.9b should provide earnings visibility for 2.6 years.

On track to hit sales target of RM4.0b: 9MFY15 new sales came in at RM2.54b making up 64% of ours and management target of RM4.00b for the full year. In our view, the Company is likely to achieve the target as it still has 5 more months in FY15. Note that SPSETIA FY15 will be for 14 months (from Nov-2014 to Dec-2015) as the Company has changed its financial year end to December.

Maintain BUY with higher TP of RM3.70 (from RM3.60): FY15 core net income increased 17% to RM705m. FY16 core net income is also raised by 2% to RM738m. We have assumed higher margin for Australia projects (Fulton Lane and Parque). Our Target Price has been increased to RM3.70 after assuming higher margin for the Australian projects. The valuation methodology is unchanged which is based on 10% discount to RNAV. We like SPSETIA as it is expected to benefit from stronger Pound Sterling. Its dividend yield of 5.3% is also higher than peers' average of 4.5%.

RETURN STATS	
Price (10 Sep 2015)	RM3.15
Target Price	RM3.70
Expected Share Price Return	+17.3%
Expected Dividend Yield	+5.3%
Expected Total Return	**+22.6%**

STOCK INFO	
KLCI	1614.02
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2628.23
Par Value (RM)	0.75
Market cap. (RM'm)	8,278.93
Price over NA	1.28
52-wk price Range	RM2.92 - RM3.65
Beta (against KLCI)	0.54
3-mth Avg Daily Vol	0.73m
3-mth Avg Daily Value	RM2.28m
Major Shareholders	
PNB	51.1%
SKIM ASB	15.0%
KWAP	9.4%

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

INVESTMENT STATISTICS

FYE Oct (RM'm, unless otherwise stated)	FY12	FY13	FY14	FY15F*	FY16F*
Revenue	2,527	3,261	3,810	6,295	6,478
Core EBIT	583	746	830	1,193	1,226
Core PBT	568	658	769	1,133	1,166
Net Income	394	418	406	684	738
Core Net Income	394	418	453	705	738
EPS (sen)	20.51	17.95	16.30	26.92	29.03
Core EPS (sen)	20.51	17.95	18.19	27.75	29.03
Net DPS (sen)	10.50	10.60	9.70	16.71	17.48
Net Dvd Yield	3.3%	3.4%	3.1%	5.3%	5.5%
Core PER	15.4	17.5	17.3	11.4	10.8
NTA/share (RM)	2.11	2.35	2.31	2.42	2.54
P/NTA	1.50	1.34	1.36	1.30	1.24
Core ROE	9.7%	7.6%	7.7%	11.5%	11.5%
Core ROA	4.2%	3.5%	3.5%	5.3%	5.4%

Source: Company, MIDF Research Forecast
**SP Setia has changed its Financial Year to Dec-2015 but we maintain it as Oct-2015 for comparison purpose.*

DAILY PRICE CHART



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Source: MIDFR, Company

SPSETIA: 9MFY15 RESULTS SUMMARY

FYE Oct (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY15	%YoY	%QoQ	9MFY15	%YoY	
Revenue	1634.8	*81%*	*0%*	4191.1	*63%*	Strong growth in revenue was due to lumpy recognition of Fulton Lane project in Melbourne, Australia. Note that this project has been accounted for based on completion method (instead of progressive billing).
Core EBIT	460.3	*115%*	*20%*	1070.1	*98%*	1HFY15 core figure exclude mainly GST impact of RM22.7m.
Core PBT	406.5	*117%*	*18%*	926.5	*101%*	
Net Income	261.8	*153%*	*15%*	590.3	*115%*	
Core Net Income	262.0	*154%*	*15%*	611.7	*161%*	Above expectation as 9MFY15 core figure came in at 102% of our full year forecast (100% of consensus). Margin for Australia project came in better than expected.
EPS (sen)	10.18	*147%*	*14%*	23.14	*109%*	
Core EPS (sen)	10.19	*147%*	*14%*	23.98	*153%*	
Net DPS (sen)	0.00	*NA*	*NA*	4.00	*0%*	
NTA/share (RM)	2.58	*12%*	*4%*	2.58	*12%*	
Net Gearing (x)	0.24	*NA*	*NA*	0.24	*NA*	
Core EBIT Margin	28.2%	*NA*	*NA*	25.5%	*NA*	
Core PBT Margin	24.9%	*NA*	*NA*	22.1%	*NA*	

Source: 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)	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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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.