19 August 2015 | Corporate Update

SP Setia Berhad

Site visit to Setia Ecohill, Semenyih

***Maintain* BUY**

***Unchanged* Target Price: RM3.60**

INVESTMENT HIGHLIGHTS

- **Learned from our visit to Setia Ecohill that FY15 launches have been good, with take up rate of 80%.**
- **Lingkaran Lekas-Ecohill Link (LLEL) is now open and this may be the catalyst for Semenyih.**
- **Maintain BUY with TP of RM3.60.**

Property site visit to Setia Ecohill in Semenyih, Selangor. We recently visited Setia Ecohill which is a recently developed township in Semenyih, Selangor. Launched in Dec-2012, the freehold township was built with focus on being environmental friendly and having green design concepts in mind. Note that the total area of land was 753 acres and SPSETIA has pledged 80 acres of it for parkland with greeneries, hence the remaining 673 acres for development. Currently, Setia Ecohill has achieved unbilled sales of RM469m as of 31-May-2015.

FY15 launches achieved good take up rate of 80%. SPSETIA has launched RM378m worth of projects for Setia Ecohill which is already 100% of its targeted launch for FY15. The projects launched consists of: i) 191 units of double storey terrace house priced from RM598k to RM632k, ii) 167 units of superlink house priced from RM768k onwards and iii) 56 units of shop offices priced from RM1.79m to RM3.71m.

Lingkaran Lekas-Ecohill Link (LLEL) is now open and this may be the catalyst for Semenyih. Media reports mentioned that LLEL is expected to reduce the travel time between Kajang and Rinching/Beranang to Kuala Lumpur by 15 to 30 minutes as the new link will bypass Semenyih town. We are positive on this as better road connectivity to Setia Ecohill should result in long term appreciation for the property prices there.

Sales target and earnings forecast maintained. While we are positive on Setia Ecohill long term prospect, we are keeping our FY15 sales target for SPSETIA at RM4.0b for FY15. Note that we have included our estimate of RM320m sales contribution from Setia Ecohill. We also maintain our FY15 and FY16 Core Net Income estimates at RM602m and RM723m respectively.

Maintain BUY with TP of RM3.60 which is based on 10% discount to RNAV. We like SPSETIA as: i) it is expected to benefit from higher GBPMYR rate, ii) the upcoming 3QFY15 result is likely to be good and iii) its net dividend yield of 4.7% is higher than peers' average of 3.8%.

RETURN STATS	
Price (18 Aug 2015)	RM3.02
Target Price	RM3.60
Expected Share Price Return	+19.2%
Expected Dividend Yield	+4.7%
Expected Total Return	**+23.9%**

STOCK INFO	
KLCI	1,579.60
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2,595.21
Par Value (RM)	0.75
Market cap. (RM'm)	7,837.52
Price over NA	1.22
52-wk price Range	RM2.96 - RM3.65
Beta (against KLCI)	0.51
3-mth Avg Daily Vol	0.77m
3-mth Avg Daily Value	RM2.49m
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	5,419	6,353
Core EBIT	583	746	830	1,036	1,204
Core PBT	568	658	769	975	1,143
Net Income	394	418	406	581	723
Core Net Income	394	418	453	602	723
EPS (sen)	20.51	17.95	16.30	22.88	28.45
Core EPS (sen)	20.51	17.95	18.19	23.71	28.45
Net DPS (sen)	10.50	10.60	9.70	14.28	17.13
Net Dvd Yield	3.5%	3.5%	3.2%	4.7%	5.7%
Core PER	14.7	16.8	16.6	12.7	10.6
NTA/share (RM)	2.11	2.35	2.31	2.41	2.52
P/NTA	1.43	1.29	1.30	1.25	1.20
Core ROE	9.7%	7.6%	7.7%	9.9%	11.3%
Core ROA	4.2%	3.5%	3.5%	4.5%	5.3%

Source: Company, MIDF Research Forecast
**SPSETIA has changed its Financial Year to Dec but we maintain it as Oct at this juncture for comparison purpose.*

SETIA ECOHILL MASTER PLAN



Source: Company

TRALAS phase (Zero lot bungalow) and MERRUM phase (Semi-detached)




Source: MIDF Research

MONLIS phase (Linked semi-detached) and SAMANEA phase (Linked house)




Source: MIDF Research

PISTIA phase (Linked house) and landscape




Source: MIDF Research

SPSETIA RNAV

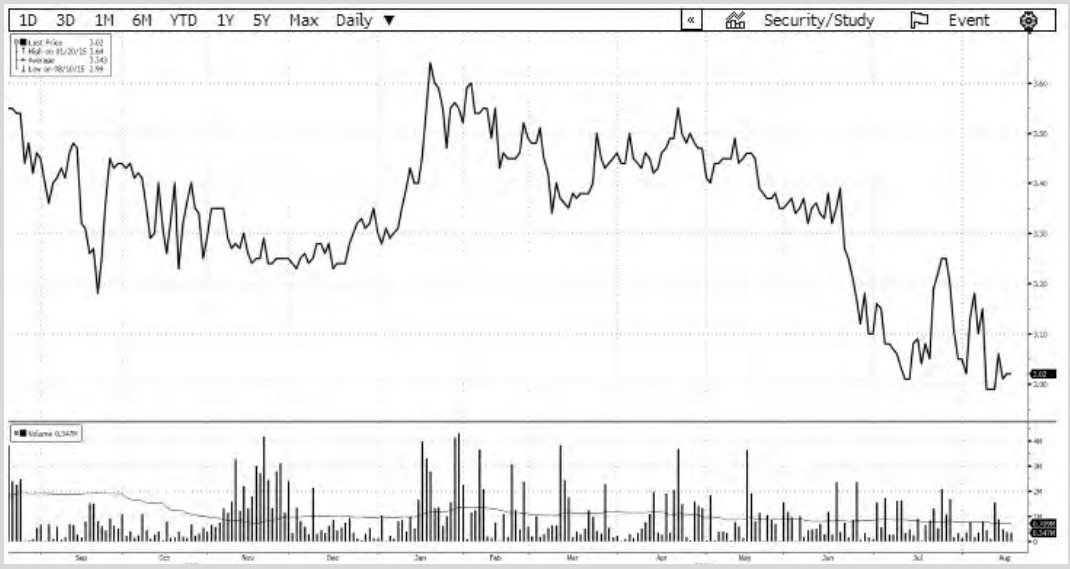
Landbank/Buildings	Location	Remaining GDV (RM m)	Methodology	Stake	Value (RM m)
Ongoing Projects - Malaysia (Central)					
Setia Alam	Shah Alam, Selangor	1110	DCF @ WACC 9%	100%	204.8
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	110.5
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.8
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	1060	DCF @ WACC 9%	100%	301.7
Parque	Melbourne, Australia	695	DCF @ WACC 9%	100%	166.8
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						**12572.1**
Investment Properties						743.7
Fixed Assets						132.3
Cash						3376.2
Other Assets						1100.7
Total Liabilities (excl. deferred tax liabilities)						-7754.8
Total RNAV (RM m)						**10170.2**
No of shares (m)						2540.1
RNAV per share (RM)						**4.00**
FD RNAV (RM)						**4.00**
Discount						10%
FD RNAV (RM)						**3.60**

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Alan Lim, CFA
alan.lim@midf.com.my
03-2173 8464

Source: Bloomberg

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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.