18 August 2017 | 1HFY17 Results Review

SP Setia Berhad

On track to achieve RM4.0b sales target

***Maintain* BUY**

***Unchanged* Target Price: RM4.13**

INVESTMENT HIGHLIGHTS

- **1HFY17 earnings within expectation**
- **1HFY17 sales grow by 88% yoy to RM2.07b**
- **I&P acquisition and corporate exercises to complete by end FY17.**
- **Maintain its RM4.0b sales target for FY17**
- **Maintain BUY with TP of RM4.13**

1HFY17 earnings within expectation. Although 6MFY17 core figure came in at 35%/34% of ours/consensus forecast, we deem the result as within expectation due to high revenue recognition expected from Battersea Phase One in 3Q. Note that SPSETIA is expected to recognise the last 6 blocks in 3Q (out of the total 12 in which 6 has been delivered so far from 4QFY16 to 2QFY17). As expected, a 4.0 sen dividend is announced.

1HFY17 sales grow by 88% yoy to RM2.07b. 2QFY17 sales was exceptionally strong at RM1.64b due to the strong take up rate for its Melbourne project (Sapphire By The Gardens). Note that this project has achieved 70% take up rate which translate into RM799m of sales. The 1HFY17 sales makes up 52% of management and our target of RM4.0b. Unbilled sales of RM8.00b provide earnings visibility for 1.6 years.

I&P acquisition and corporate exercises to complete by end FY17. We reiterate our view that the I&P acquisition is RNAV accretive as we estimate that the market value of its landbank is RM6.15b (against its purchase price of RM3.65b). Hence, we believe that the corporate exercise which is expected to raise a total of RM3.6b should be viewed positively by the market. Recall that SPSETIA has proposed: i) rights issue, ii) rights issue of new class B Islamic Redeemable Convertible Preference Shares and iii) private placement. After the completion of the I&P acquisition and corporate exercises, SPSETIA market cap should be boosted to RM14.0b to RM15.0b which we think is the right size to join FBMKLCI (assuming that the liquidity of the Company should improve from the private placement and higher market cap).

Maintain BUY with TP of RM4.13. Our earnings forecast are maintained for FY17 and FY18. Our Target Price is unchanged and it is based on 10% discount to RNAV. We continue to like SPSETIA as we expect the Company to join FBMKLCI next year and its good dividend yield of 5.6%.

RETURN STATS	
Price (17 Aug 2017)	RM3.31
Target Price	RM4.13
Expected Share Price Return	+24.8%
Expected Dividend Yield	+5.6%
Expected Total Return	**+30.4%**

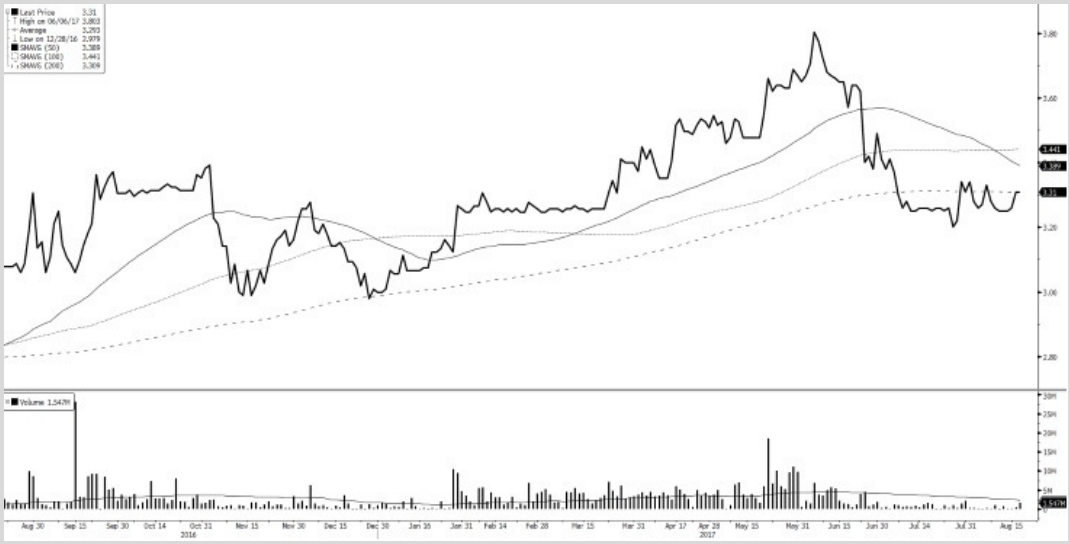
STOCK INFO	
KLCI	1776.31
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2986.32
Market cap. (RM'm)	9,884.70
Price over NA	1.15
52-wk price Range	RM3.1 - RM4.5
Beta (against KLCI)	0.69
3-mth Avg Daily Vol	2.55m
3-mth Avg Daily Value	RM9.50m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	28.03%
SKIM ASB	26.33%
KWAP	8.66%
EPF	6.48%

INVESTMENT STATISTICS

FYE Dec	FY14A*	FY15A**	FY16A	FY17F	FY18F
Revenue	3,810	6,746	4,957	6,096	7,140
Core EBIT	830	1,643	1,187	1,158	1,706
Core PBT	769	1,428	1,141	1,097	1,392
Net Income	406	918	808	724	919
Core Net Income	453	920	764	724	919
EPS (sen)	16.30	35.66	29.82	27.55	27.01
Core EPS (sen)	18.19	35.72	28.19	27.55	27.01
Net DPS (sen)	9.70	23.00	20.00	18.59	19.30
Net Dvd Yield	2.9%	6.9%	6.0%	5.6%	5.8%
Core PER	18.2	9.3	11.7	12.0	12.3
NTA/share (RM)	2.31	2.81	2.83	2.93	3.02
P/NTA	1.43	1.18	1.17	1.13	1.10
Core ROE	7.7%	12.4%	8.3%	7.7%	9.4%
Core ROA	3.5%	5.6%	4.1%	3.8%	4.8%

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

DAILY PRICE CHART



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

Source: Bloomberg

1HFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY17	%YoY	%QoQ	6MFY17	%YoY	
Revenue	794.7	*-22%*	*-15%*	1734.9	*-10%*	*Revenue decline yoy as last year revenue include the completion of several phases in KL Eco City at Jalan Bangsar and the completion of the entire Eco Sanctuary in Singapore.*
Core EBIT	159.2	*-32%*	*-25%*	372.7	*-17%*	*Core figure exclude forex loss of RM12m*
Core PBT	194.3	*7%*	*10%*	370.3	*6%*	
Net Income	136.3	*8%*	*30%*	241.5	*-3%*	
Core Net Income	146.8	*41%*	*38%*	253.5	*25%*	*Although 6MFY17 core figure came in at 35%/34% of ours/consensus forecast, we deem the result as within expectation due to high revenue recognition expected from Battersea Phase One in 3Q. Note that SPSETIA is expected to recognise the last 6 blocks of delivery in 3Q (out of the total 12 in which 6 has been delivered so far).*
EPS (sen)	4.78	*0%*	*30%*	8.46	*-11%*	
Core EPS (sen)	5.14	*30%*	*38%*	8.88	*15%*	
Net DPS (sen)	4.00	*0%*	*NA*	4.00	*0%*	
NTA/share (RM)	2.93	*4%*	*1%*	2.93	*4%*	
Net Gearing (x)	0.24	*-36%*	*25%*	0.24	*-36%*	
Core EBIT Margin	20.0%	*-13%*	*-12%*	20.0%	*-14%*	
Core PBT Margin	24.5%	*37%*	*31%*	24.5%	*34%*	

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
A'Beckett	Melbourne, Australia	1370	DCF @ WACC 9%	100%	225.5
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	100%	2.4

9%

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
Market Value of I&P Land		4276	186,262,560	33	100%	6146.7
Total Landbank Value						**19487.1**
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
Cash paid to acquire I&P						-3650.0
RNAV before RCPS-I (RM m)						**14786.3**
No of shares (m)						2853.6
RNAV per share before RCPS-I (RM)						**5.18**
Discount						10%
FD RNAV per share before RCPS-I(RM)						**4.66**
Cash to be raised (RCPS-i)						1069.69
RCPS-i @ RM1 each (maximum scenario)						305.62
Cash to be raised (RCPS-I B)						1199.57
RCPS-i B @ RM0.89 each (maximum scenario)						299.52
Cash to be raised (Rights Issue)						1196.21
No of shares from Rights Issue						421.20
Cash to be raised (Placement)						1199.90
No of shares from Placement						355.00
RNAV after RCPS-I, RCPS-IB, Rights Issue and Placement						**19451.7**
Fully Diluted No Of Shares						4234.94
RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)						**4.59**
Discount						10%
FD RNAV per share after RCPS-I and Rights Issue (RM)						**4.13**

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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.