10 May 2019 | 1QFY19 Results Review

S P Setia Berhad

***Upgrade to* BUY**
(*Previously* NEUTRAL)
***Unchanged* Target Price: RM2.53**

Earnings Driven by Strong Sales in 4QFY18

INVESTMENT HIGHLIGHTS

- **1QFY19 earnings above our expectation**
- **Earnings driven by strong sales in 4QFY18**
- **1QFY19 new sales at RM718m**
- **Upgrade to BUY with an unchanged TP of RM2.53**

1QFY19 earnings above our expectation. S P Setia 1QFY19 core net income of RM85m came in above our expectation, making up 32% of our full year estimate. The positive deviation is attributable to faster-than-expected progress billing in 1QFY19. However, the core net income figure is slightly below consensus expectation, making up 19% of consensus full year estimate.

Earnings driven by strong sales in 4QFY18. 1QFY19 core net income was higher on sequential basis (+46.7%qoq) and yearly basis (+94.2%yoy), driven by revenue recognition from strong new property sales registered in 4QFY18 of townships in Central and Southern regions. Note that sales from the two regions contributed RM1.63b or 32% of total new sales in FY18. Meanwhile, unbilled sales declined to RM10.95b in 1QFY19 from RM12.3b in 4QFY18, providing 3 years earnings visibility.

1QFY19 new sales at RM718m. S P Setia recorded new sales of RM718m in 1QFY19, lower than new sales of RM1.9b in 4QFY18 due to "wait-and-see" attitude of property buyers. Local projects contributed 94% of the total new sales while international projects contributed 6% of the total sales. 1QFY19 new sales made up only 13% of management new sales target of RM5.65b for FY19. Nevertheless, management is maintaining its new sales target of RM5.65b with planned launches with total GDV of RM6.47b for the remaining part of FY19.

Upgrade to BUY from Neutral with an unchanged TP of RM2.53. We revise upwards our FY19/20F earnings forecasts by 19%/13% to factor in the faster-than-expected progress billing of local projects. Our TP if maintained at RM2.53, based on 43% discount to RNAV. We upgrade our call on S P Setia to BUY from Neutral as we see value has emerged following the weakness in share price. S P Setia is trading at 42% discount to its latest NTA per share of RM3.60, making its valuation looks appealing. Completion of sale of Phase 2 of Battersea in March 2019 is also positive to S P Setia.

RETURN STATS	
Price (9 May 2019)	RM2.10
Target Price	RM2.53
Expected Share Price Return	20.5%
Expected Dividend Yield	4.3%
Expected Total Return	**24.8%**

STOCK INFO	
KLCI	1,618.53
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4,032.5
Market cap. (RM'm)	8,468.25
Price over NA	0.69
52-wk price Range	RM1.93 – RM3.3
Beta (against KLCI)	1.17
3-mth Avg Daily Vol	1.37m
3-mth Avg Daily Value	RM3.17m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	25.26%
SKIM ASB	24.25%
EPF	11.39%
KWAP	7.55%

INVESTMENT STATISTICS

FYE Dec	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	4,957	4,520	3,594	4,374	4,270
Core EBIT	1,187	1,006	383	316	310
Core PBT	1,141	1,149	555	459	483
Net Income	808	933	671	312	328
Core Net Income	764	810	243	312	328
EPS (sen)	29.82	27.27	17.4	8.01	8.41
Core EPS (sen)	28.19	23.69	6.3	8.01	8.41
Net DPS (sen)	20.00	15.50	8.6	9.00	9.50
Net Dvd Yield	9.5%	7.4%	4.1%	4.3%	4.5%
Core PER	7.4	8.9	33.3	26.2	25.0
NTA/share (RM)	2.83	3.49	3.59	3.62	3.65
P/NTA	0.74	0.60	0.58	0.58	0.58
Core ROE	8.3%	6.8%	1.7%	2.2%	2.3%
Core ROA	4.1%	2.9%	0.8%	1.1%	1.1%

Source: Company, MIDF Research

1QFY19 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY19	*%YoY*	*%QoQ*	FY19	*%YoY*
Revenue	864.9	*31.9%*	*-15.1%*	864.9	*31.9%*
Core EBIT	216.1	*55.9%*	*26.1%*	216.1	*55.9%*
Core PBT	158.3	*106.4%*	*-1.4%*	158.3	*106.4%*
Net Income	52.8	*-14.1%*	*-48.0%*	52.8	*-14.1%*
Core Net Income	85.0	*94.2%*	*46.7%*	85.0	*94.2%*
EPS (sen)	1.33	*-21.7%*	*-48.3%*	1.3	*-21.7%*
Core EPS (sen)	2.15	*77.0%*	*45.8%*	2.1	*77.0%*
Net DPS (sen)	0.00	*NA*	*NA*	0.0	*NA*
NTA/share (RM)	3.60	*NA*	*NA*	3.6	*NA*
Net Gearing (x)	0.66	*NA*	*NA*	0.7	*NA*
Core EBIT Margin	25.0%	*NA*	*NA*	25.0%	*NA*
Core PBT Margin	18.3%	*NA*	*NA*	18.3%	*NA*

DAILY PRICE CHART



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Source: Bloomberg

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%	175.6
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	94.8
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.2
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	37.2
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	10.4
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	9.1
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	30.6
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	214.6
Bangi	Selangor	2740	DCF @ WACC 9%	100%	286.0
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	37.3
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	14.1
Setia Indah	Johor	39	DCF @ WACC 9%	100%	6.2
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	10.0
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	19.9
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	39.2

Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	21.8
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	28.3
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	5.3
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	33.2
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC 9%	100%	27.1
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 9%	100%	2.4

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	100%	1042.0
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						**19946.8**
Investment Properties						1016.0
Fixed Assets						271.5
Cash						3031.0
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)						**14106.8**
No of shares (m)						2853.6
RNAV per share before RCPS-I (RM)						**4.94**
Discount						10%
FD RNAV per share before RCPS-I(RM)						**4.45**
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	**18772.1**
Fully Diluted No Of Shares	4234.94
RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)	**4.43**
Discount	43%
FD RNAV per share after RCPS-I and Rights Issue (RM)	**2.53**

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.