15 August 2019 | 2QFY19 Results Review

S P Setia Berhad

Focus on landed products in mature townships

***Maintain* BUY**

***Unchanged* Target Price: RM2.53**

INVESTMENT HIGHLIGHTS

- **1HFY19 earnings within expectation**
- **Demand for landed properties drove sales in 1HFY19**
- **1HFY19 new sales at RM1.98b**
- **Maintain BUY with an unchanged TP of RM2.53**

1HFY19 earnings above our expectation. S P Setia 1HFY19 core net income (CNI) of RM152.7m came in within our expectation, making up 49% of our full year estimates and 43.1% of consensus' expectation. We have excluded the gain from the sale of the former British Embassy Land in Jalan Ampang amounting to RM35.8m and forex gain of RM35.3m from our CNI.

Demand for landed properties drove sales in 1HFY19. 1HFY19 CNI of RM152.7m jumped 40.8%yoy as revenue increased by 10.7% yoy to RM1.75b. This is driven by a strong pipeline of new launches as well as sales of completed units worth RM307m. Projects that contributed to revenue and profit during the period include: Setia Alam, Setia Eco Park, Setia Eco Hill and Setia Eco Glades among others. Meanwhile, unbilled sales is largely unchanged at RM10.67b as of 2Q19 versus RM10.95b in 1QFY19, providing 3 years earnings visibility. The company is expected to continue to launch new products with right sizing and prices in its mature townships.

1HFY19 new sales at RM1.98b. Ytd, S P Setia recorded new sales of RM1.98b for the first half as 2Q19 contributed higher sales than 1Q19 at RM1.26b. Local projects contributed 87% of the total new sales while international projects contributed 13% of the total sales. Management has revised FY19 sales target from RM5.65b previously to RM4.55b. We believe that the new target is achievable as new sales for the first half has made up 43.5% of the target while this could also be supported by the planned launches with GDV of RM3.33b for 2HFY19. The focus will be on landed properties in mature townships particularly in the central region. We also expect the extended Home Ownership Campaign (HOC) to encourage home buyers to purchase their property during the campaign. During the period, 43% or RM734m of local sales are from the HOC.

Maintain BUY from an unchanged TP of RM2.53. We maintain our earnings forecast for FY19F and FY20F as the results are in-line. Our TP of RM2.53 is based on 43% discount to RNAV. Our BUY recommendation is premised on the value that has emerged following the weakness in its share price. Valuation appears more appealing now that S P Setia is trading at 51% discount to its latest NTA per share of RM3.60. Meanwhile, its net dividend yield is estimated at 5.1%.

RETURN STATS	
Price (14 August 2019)	RM1.76
Target Price	RM2.53
Expected Share Price Return	43.8%
Expected Dividend Yield	5.1%
Expected Total Return	**48.9%**

STOCK INFO	
KLCI	1,600.31
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	4,042.5
Market cap. (RM'm)	7,114.8
Price over NA	0.57
52-wk price Range	RM1.76 – RM3.00
Beta (against KLCI)	1.34
3-mth Avg Daily Vol	1.54m
3-mth Avg Daily Value	RM3.13m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	25.19%
SKIM ASB	24.19%
EPF	11.59%
KWAP	7.94%

INVESTMENT STATISTICS

FYE Dec	FY16A	FY17A	FY18F	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	11.4%	8.8%	4.9%	5.1%	5.4%
Core PER	6.2	7.4	27.9	22.0	20.9
NTA/share (RM)	2.83	3.49	3.59	3.62	3.65
P/NTA	0.62	0.50	0.49	0.49	0.48
Core ROE	8.3%	6.8%	1.7%	2.2%	2.3%
Core ROA	4.1%	2.9%	0.8%	1.1%	1.1%

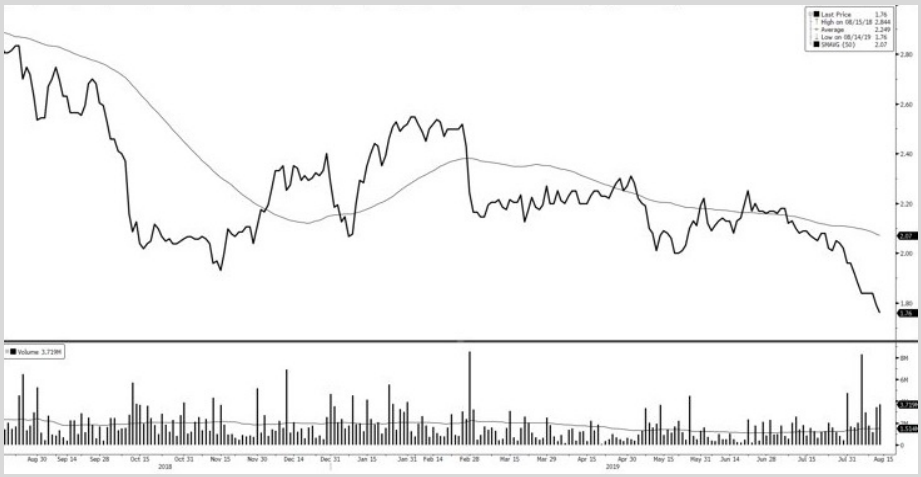
Source: Company, MIDF Research

2QFY19 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY19	*%YoY*	*%QoQ*	6MFY19	*%YoY*
Revenue	886.5	*-4.3%*	*2.5%*	1751.4	*10.7%*
Core EBIT	193.2	*-16.9%*	*-10.6%*	409.3	*10.3%*
Core PBT	132.6	*-15.5%*	*-16.3%*	290.8	*24.5%*
Net Income	138.7	*-68.7%*	*162.6%*	191.5	*-62.0%*
Core Net Income	67.6	*4.7%*	*-20.5%*	152.7	*40.8%*
EPS (sen)	3.46	*-69.9%*	*159.4%*	4.8	*-63.6%*
Core EPS (sen)	1.69	*0.7%*	*-21.4%*	3.8	*32.8%*
Net DPS (sen)	0.00	*NA*	*NA*	0.0	*NA*
NTA/share (RM)	3.56	*NA*	*NA*	3.6	*NA*
Net Gearing (x)	0.70	*NA*	*NA*	0.7	*NA*
Core EBIT Margin	21.8%	*NA*	*NA*	23.4%	*NA*
Core PBT Margin	15.0%	*NA*	*NA*	16.6%	*NA*

Source: Company, MIDF Research

DAILY PRICE CHART



Jessica Low Jze Tieng
Jessica.low@midf.com.my
03-2173 8391

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**

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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.