S P Setia Berhad

(8664 | SPSB MK) Property| Property

Undemanding valuation

***Upgrade to* BUY**

(from NEUTRAL)

***Revised* Target Price: RM1.04**

(from RM1.11)

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings within expectations**
- **Lower earnings in 1HFY22**
- **Strong new sales momentum**
- **Earnings forecast maintained**
- **Upgrade to BUY with a revised TP of RM1.04**

1HFY22 earnings within expectations. S P Setia 1HFY22 core net income of RM127.4m came in within expectations, making up 46% and 45% of our and consensus full year estimates respectively. Note that we have excluded mainly forex gain in our core net income calculations.

Lower earnings in 1HFY22. Sequentially, 2QFY22 core net income increased to RM72.7m (+32.9%qoq) mainly due to higher volume of properties completed and handed over in 2QFY22. On yearly basis, 2QFY22 core net income was flattish (-0.5%yoy), bringing cumulative core net income in 1HFY22 to RM127.4m (-29.2%yoy). The lower earnings in 1HFY22 were partly due to lower sale of completed inventory of RM272m in 1HFY22 (1HFY21: RM425m). Besides, earnings in 1HFY21 were supported by contribution from project in Singapore. Meanwhile, unbilled sales eased to RM8.71b in 2QFY22 from RM9.84b in 1QFY22, providing more than 2 years earnings visibility.

Strong new sales momentum. S P Setia recorded decent property sales of RM991m in 2QFY22, higher than new property sales of RM679m in 1QFY22. That brought total new sales to RM1.67b in 1HFY22. Local projects contributed to 83% of total new sales while the remaining 17% were contributed by international projects. Looking ahead, management anticipates stronger sales in 2HFY22 and maintain new sales target at RM4b for FY22. Sales momentum remains strong with good take up rate observed for its latest launches. Note that new phase in Setia Eco Templer enjoyed good take up rate of >90%.

Upgrade to BUY with a revised TP of RM1.04. We make no changes to our earnings forecast for FY22/23F. We revise our **TP** for S P Setia lower to **RM1.04** from RM1.11 as we update our RNAV figures. Our TP is based on unchanged 75% discount to RNAV. We upgrade our call on S P Setia to **BUY** (from NEUTRAL) as the recent decline in share price makes valuation attractive. S P Setia is trading at steep discount of 80% to NTA per share of RM3.47. Besides, new sales outlook remains positive, underpinning by projects launches at its well-established township.

RETURN STATISTICS	
Price @ 18 Aug 2022 (RM)	0.74
Expected share price return (%)	40.5
Expected dividend yield (%)	0.9
Expected total return (%)	**41.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	6.5	0.2
3 months	8.1	-24.8
12 months	-32.6	-32.3

KEY STATISTICS	
FBM KLCI	1,516.62
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	4,067.98
Estimated free float (%)	20.54
Market Capitalisation (RM'm)	2,995.48
52-wk price range (RM)	RM0.63- RM1.72
Beta vs FBM KLCI (x)	1.27
Monthly velocity (%)	4.19
Monthly volatility (%)	27.34
3-mth average daily volume (m)	3.63
3-mth average daily value (RM'm)	2.75
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.94
Yayasan Pelaburan Bumiputra	26.01
KWAP	9.62
EPF	5.93

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INVESTMENT STATISTICS

FYE Dec	FY19	FY20	FY21	FY22F	FY23F
Revenue	3,929	3,228.1	3,763	3,100	3,555
Core EBIT	801	888.7	735	925	623
Core PBT	571	344.6	557	381	444
Net Income	354	(321.0)	284	275	320
Core Net Income	317	180.2	299	275	320
EPS (sen)	9	(8.6)	6.99	7.04	8.20
Core EPS (sen)	7.7	3.8	7.34	7.04	8.20
Net DPS (sen)	1.0	0.0	0.65	0.70	1.00
Net Dvd Yield	1.4%	0.0%	0.9%	0.9%	1.4%
Core PER	9.6	19.6	10.1	10.5	9.0
NTA/share (RM)	3.55	3.43	3.47	3.50	3.44
P/NTA	0.21	0.22	0.21	0.21	0.21
Core ROE	2.2%	1.3%	2.1%	1.9%	2.3%
Core ROA	1.1%	0.6%	1.0%	0.9%	1.0%

Source: MIDF Research

SPSETIA: 2QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	1018.4	-5.9%	17.5%	1885.5	-11.7%
Core EBIT	201.7	-0.7%	26.7%	360.9	-15.2%
Core PBT	127.7	-18.8%	21.2%	233.2	-29.6%
Net Income	80.1	7.1%	18.7%	147.6	-1.6%
Core Net Income	72.7	-0.5%	32.9%	127.4	-29.2%
EPS (sen)	1.97	6.8%	18.7%	3.6	-1.9%
Core EPS (sen)	1.79	-0.8%	32.9%	3.1	-29.2%
Net DPS (sen)	0.65	NA	NA	1.3	NA
NTA/share (RM)	3.472	NA	NA	3.5	NA
Net Gearing (x)	0.70	NA	NA	0.7	NA
Core EBIT Margin	19.8%	NA	NA	19.1%	NA
Core PBT Margin	12.5%	NA	NA	12.4%	NA

S P SETIA RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Setia Alam	100%	758.11	10%	47.09
Setia City	100%	7740.01	10%	288.43
Setia Alaman	100%	4177.98	10%	198.16
Setia Ecohill	100%	1739.88	10%	98.46
Setia Ecohill 2	100%	1739.88	10%	202.40
Glengowrie	100%	4600	10%	171.42
Setia Mayuri	100%	655.38	10%	38.84
Setia Eco Park	50%	1963.79	10%	42.84
Precinct Arundina @ Setia Eco Park	100%	375.57	10%	22.26
Setia Eco Glades	70%	901.91	10%	32.66
Setia Safiro	70%	356.73	10%	11.78
Setia Eco Templer	100%	943.64	10%	51.03
Setia Warisan Tropika	100%	620.49	10%	32.09
KL Eco City	100%	2203.62	10%	113.98
Setia Federal Hill	100%	20190	10%	517.41
Setia Alamsari North	100%	964.08	10%	52.14
Setia Alamsari South	100%	3194.22	10%	165.22
Putrajaya	60%	361.88	10%	12.87
Setia Trio	70%	46.3	10%	2.11
QSPH	50%	16298	10%	281.92
Bandar Kinrara	51%	2923.46	10%	77.12
Setia Bayuemas (I&P)	52%	2520.84	10%	57.08
Setia Bayuemas (PG)	100%	372.9	10%	18.46
Alam Damai	70%	643.87	10%	20.49
Setia AlamImpian	99.9%	8404.29	10%	366.31
Temasya Glenmarie	66%	3026.27	10%	77.45
Setia Fontaines	100%	12041.24	10%	308.58
Setia Eco Forest @ Tanjung Bungah	100%	960	10%	56.90
Setia Pearl Island	100%	635	10%	35.94

Bukit Dumbar	100%	539	10%	35.12
Setia Sky Vista	100%	450	10%	27.95
Setia Sky Hill	100%	341	10%	22.22
Setia Indah Johor	100%	229.36	10%	14.25
Setia Tropika	100%	1200.42	10%	59.43
Setia Eco Cascadia	100%	1645.63	10%	81.48
Setia Business Park II	100%	293.67	10%	19.14
Bukit Indah Johor	100%	528.45	10%	28.58
Setia Eco Gardens	70%	1383	10%	52.36
Setia Business Park I	70%	185.06	10%	8.44
Taman Perling	100%	269.98	10%	16.77
Taman Pelangi	100%	1902.4	10%	94.19
Taman Rinting	89%	776.26	10%	34.24
Taman Pelangi Indah I	100%	1902.4	10%	76.59
Taman Industri Jaya	100%	134	10%	10.59
Mukim Tanjung Kupang	100%	1800	10%	75.41
Mukim Serkat, Pontian	100%	311	10%	14.75
Aeropod @ Tanjung Aru	100%	314	10%	18.61
Lintas Land	100%	240	10%	15.64
Shangri-La Melbourne Hotel	100%	1973.47	10%	128.60
Battersea Power Station	40%	24071	10%	437.82
EcoLakes, My Phuoc	57%	1473.19	10%	38.35
EcoXuan, Lai Thieu	95%	552.98	10%	32.72
Setia Izumisano City Centre	100%	2488.49	10%	118.03
Unbilled sales		8710		512.63
Total				5,375.4
Shareholder Funds				14,139.0
Total RNAV				**19,514.37**
Fully Diluted Number of shares				4670
RNAV per share				4.18
Discount				75%
Target Price (RM)				**1.04**

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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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology