S P Setia Berhad

(8664 | SPSB MK) Property| Property

Slight dip in earnings

***Maintain* BUY**

***Revised* Target Price: RM0.84**
(*from* RM1.04)

KEY INVESTMENT HIGHLIGHTS

- **9MFY22 earnings below expectations**
- **Weaker earnings**
- **New sales target maintained**
- **Earnings forecast revised downwards**
- **Maintain BUY with a revised TP of RM0.84**

9MFY22 earnings below expectations. S P Setia 9MFY22 core net income of RM168.2m came in below expectations, making up 61% and 59% of our and consensus full year estimates respectively. The negative deviation could be attributed to the lower than expected progress billing in 3QFY22. Note that we have excluded mainly forex gain and fair value gain on investment properties in our core net income calculations.

Weaker earnings. Sequentially, 3QFY22 core net earnings eased to RM40.6m (-44.2%qoq) due to lower progress billing as well as higher volume of properties completed and handed over in the previous quarter. On yearly basis, 3QFY22 core net income was higher at RM40.6m against core net loss of RM7.5m in 3QFY21, bringing cumulative core net income in 9MFY22 to RM168.2m (-2.4%yoy). The decline in earnings was partly due to lower contribution from Singapore projects and higher financing cost (+17.9%yoy) as a result of rising interest rate. Meanwhile, unbilled sales eased marginally to RM8.4b in 3QFY22 from RM8.7b in 2QFY22, providing more than 2 years earnings visibility.

New sales target maintained. S P Setia chalked up new property sales of RM1.03b in 3QFY22, higher than new sales of RM991m in 2QFY22. That brings total new sales to RM2.7b in 9MFY22. Local projects contributed to 87% of total new sales while the remaining 13% were contributed by international projects. Moving forward, management is maintaining its new sales target of RM4b for FY22 as management expects stronger new sales in 4QFY22. New sales momentum is expected to sustain by its launches of township projects which enjoyed decent take up rate.

Maintain BUY with a revised TP of RM0.84. We revise our FY22/23F earnings forecast by -28.9%/-14.9%. We lower our **TP** for S P Setia to **RM0.84** from RM1.03 as we widen our RNAV discount to 80% from 75% in view of the weaker earnings visibility. Nevertheless, we maintain our **BUY** call on S P Setia as new sales prospect remains stable, underpinning by its township projects. Valuation of S P Setia is also attractive following the recent decline in share price, trading at 85% discount to NTA per share of RM3.46.

RETURN STATISTICS	
Price @ 17 Nov 2022 (RM)	0.53
Expected share price return (%)	58.5
Expected dividend yield (%)	0.9
Expected total return (%)	**59.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.8	0.4
3 months	-5.2	-25.5
12 months	-60.8	-58.6

KEY STATISTICS	
FBM KLCI	1,449.32
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	4,067.98
Estimated free float (%)	21.08
Market Capitalisation (RM'm)	2,995.48
52-wk price range (RM)	RM0.41- RM1.42
Beta vs FBM KLCI (x)	1.21
3-mth average daily volume (m)	5.98
3-mth average daily value (RM'm)	3.18
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.87
Yayasan Pelaburan Bumiputra	26.01
KWAP	9.62
EPF	5.40

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INVESTMENT STATISTICS

FYE Dec	FY19	FY20	FY21	FY22F	FY23F
Revenue	3,929	3,228.1	3,763	3,430	3,555
Core EBIT	801	888.7	735	863	576
Core PBT	571	344.6	557	319	398
Net Income	354	(321.0)	284	230	287
Core Net Income	317	180.2	299	230	287
EPS (sen)	9	(8.6)	6.99	5.89	7.35
Core EPS (sen)	7.7	3.8	7.34	5.89	7.35
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	12.6	10.1
NTA/share (RM)	3.55	3.43	3.47	3.49	3.45
P/NTA	0.21	0.22	0.21	0.21	0.21
Core ROE	2.2%	1.3%	2.1%	1.6%	2.0%
Core ROA	1.1%	0.6%	1.0%	0.7%	0.9%

Source: MIDF Research

SPSETIA: 3QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	3QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	860.9	44.8%	-15.5%	2746.5	0.6%
Core EBIT	169.0	65.0%	-16.2%	529.8	0.3%
Core PBT	87.0	157.5%	-31.9%	320.4	-12.2%
Net Income	70.2	537.3%	-12.4%	217.8	35.2%
Core Net Income	40.6	NA	-44.2%	168.2	-2.4%
EPS (sen)	1.73	537.1%	-12.4%	5.4	34.9%
Core EPS (sen)	1.00	NA	-44.2%	4.1	-2.6%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	3.463	NA	NA	3.5	NA
Net Gearing (x)	0.71	NA	NA	0.7	NA
Core EBIT Margin	19.6%	NA	NA	19.3%	NA
Core PBT Margin	10.1%	NA	NA	11.7%	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				80%
Target Price (RM)				**0.84**

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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