S P Setia Berhad

(8664 | SPSB MK) Property| Property

Attractive valuation

***Maintain* BUY**

***Unchanged* Target Price: RM0.84**

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings above expectations**
- **Earnings picked up in 4QFY22**
- **New sales target at RM4.2b for FY23**
- **Earnings forecast revised upwards**
- **Maintain BUY with an unchanged TP of RM0.84**

FY22 earnings above expectations. S P Setia FY22 core net income of RM290.5m came in above expectations, making up 126% and 114% of our and consensus estimates respectively. The positive deviation could be attributed to the stronger than expected contribution from overseas projects in 4QFY22. Meanwhile, S P Setia announced dividend of 1.47 sen per share which implies dividend yield of 2.4%.

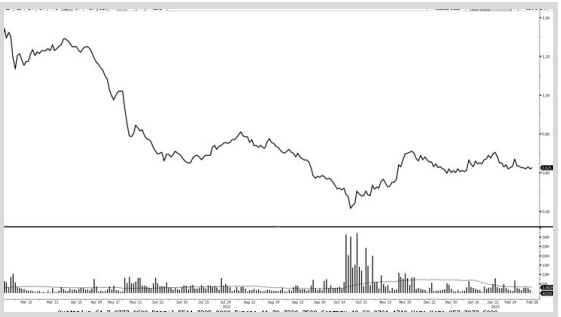
Earnings picked up in 4QFY22. Sequentially, 4QFY22 core net income jumped to RM99m (+144%qoq) mainly due to contribution from overseas projects. S P Setia handed over Sapphire by The Gardens and phase one of UNO Melbourne in 4QFY22. That has more than enough to offset the impact of higher borrowing cost (+21%qoq). On yearly basis, 4QFY22 core net income was lower at RM99m (-21.7%yoy) despite higher topline (+65.4%yoy) mainly due to higher tax rate and higher finance cost. That brought cumulative FY22 core net income to RM290.5m (-2.8%yoy). Earnings was marginally lower mainly due to higher finance cost which offset the higher progress billing of its projects. Meanwhile, unbilled sales eased to RM7.3b in 4QFY22 from RM8.4b in 3QFY22, providing less than 2 years earnings visibility.

New sales target at RM4.2b for FY23. S P Setia recorded new sales of RM1.41b in 4QFY22, higher than new sales of RM1.03b in 3QFY22. That brought total new sales to RM4.11b in FY22, largely in line with management new sales target of RM4b. Local projects contributed to 87% of total new sales while the remaining 13% were contributed by international projects. Looking ahead, management set new sales target slightly higher at RM4.2b for FY23 as new sales momentum is expected to support by project launches at its matured township.

Maintain BUY with an unchanged TP of RM0.84. We revise FY23F earnings forecast by +5.4% after factor in higher contribution from overseas projects. Valuation of S P Setia is attractive, trading at 82% discount to NTA per share of RM3.46. New sales prospect is also expected to underpin by its township projects. Hence, we maintain our **BUY** call on S P Setia with unchanged **TP** of **RM0.84**, based on 80% discount to RNAV.

RETURN STATISTICS	
Price @ 28 Feb 2023 (RM)	0.62
Expected share price return (%)	35.5
Expected dividend yield (%)	2.4
Expected total return (%)	**37.9**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-10.1	-8.4
3 months	4.2	-8.2
12 months	-51.2	-46.1

KEY STATISTICS	
FBM KLCI	1,454.19
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	4,067.98
Estimated free float (%)	20.71
Market Capitalisation (RM'm)	2,527
52-wk price range (RM)	RM0.41- RM1.38
Beta vs FBM KLCI (x)	1.48
3-mth average daily volume (m)	3.13
3-mth average daily value (RM'm)	2.07
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.87
Yayasan Pelaburan Bumiputra	26.01
KWAP	9.62
EPF	5.76

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INVESTMENT STATISTICS

FYE Dec	FY21	FY22	FY23F	FY24F	FY25F
Revenue	3,763	4,454	4,206	4,150	4,155
Core EBIT	735	828	598	734	697
Core PBT	557	547	419	452	519
Net Income	284	308	302	325	372
Core Net Income	299	290	302	325	372
EPS (sen)	6.99	7.6	7.74	8.33	9.54
Core EPS (sen)	7.34	6.6	7.74	8.33	9.54
Net DPS (sen)	0.65	1.47	1.60	1.65	1.80
Net Dvd Yield	1.0%	2.4%	2.6%	2.7%	2.9%
Core PER	8.4	3.5	8.0	7.4	6.5
NTA/share (RM)	3.47	3.50	3.53	3.56	3.59
P/NTA	0.18	0.18	0.18	0.17	0.17
Core ROE	2.1%	2.1%	2.1%	2.3%	2.6%
Core ROA	1.0%	1.0%	1.0%	1.1%	1.2%

Source: MIDF Research

SPSETIA: 4QFY22 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY22	%YoY	%QoQ	FY22	%YoY
Revenue	1708.0	65.4%	98.4%	4454.4	18.4%
Core EBIT	274.7	32.6%	62.6%	828.0	12.6%
Core PBT	202.8	5.6%	133.1%	546.5	-1.9%
Net Income	90.3	-26.8%	28.7%	308.1	8.3%
Core Net Income	99.0	-21.7%	144.0%	290.5	-2.8%
EPS (sen)	2.22	-26.6%	28.7%	7.6	8.3%
Core EPS (sen)	2.43	-21.6%	144.0%	6.6	-10.6%
Net DPS (sen)	1.47	126.2%	NA	1.47	126.2%
NTA/share (RM)	3.458	NA	NA	3.5	NA
Net Gearing (x)	0.62	NA	NA	0.6	NA
Core EBIT Margin	16.1%	NA	NA	18.6%	NA
Core PBT Margin	11.9%	NA	NA	12.3%	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