S P Setia Berhad

(8664 | SPSB MK) Main | Property

SHARIAH Compliant | ESG 3 Stars | FTSE4Good

Maintain **NEUTRAL**

Revised Target Price **RM1.17** (from RM1.21)

Corporate Update

1QFY25 Results Review Lower Land Sales Gain

Maintain NEUTRAL on S P Setia with a revised TP of RM1.17. S P Setia 1QFY25 earnings came in below expectations. 1QFY25 earnings were lower due to lower land sales gain and lower contribution from JV and associate companies on a sequential basis. Management remains committed to meet new sales target of RM4.8b for FY25 despite new sales in 1QFY25 met 15% of new sales target. We revised earnings forecast downwards and lowered TP for S P Setia to RM1.17 from RM1.21. Maintain NEUTRAL on S P Setia due to limited catalyst.

1QFY25 earnings below expectations. S P Setia 1QFY25 core net income of RM67.1m came in below expectations, making up 13% and 16% of our and consensus full year estimates respectively. The negative deviation was attributed to the lower progress billing and the lower contribution from associated companies & joint ventures.

Earnings to pick up in 2QFY25. Sequentially, 1QFY25 core net income fell to RM67.1m (-26%qoq), in line with lower topline (-27.6%qoq). The earnings decline was mainly due to lower land sales which contributed to profit before tax (PBT) of RM52m in 1QFY25 against PBT from land sales of RM87m in 4QFY24. Besides, the lower sequential earnings owed to seasonally lower progress billing in 1Q while earnings decline further weighed by lower contribution from joint ventures and associated companies. Nevertheless, earnings decline was cushioned by lower financing cost (-23%qoq). Looking forward, earnings are expected to pick up in 2QFY25 as gain on Taman Pelangi land sales is expected to be recognized in 2QFY25.

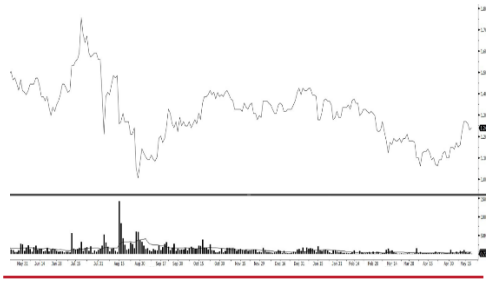
Earnings declined due to lower land sales gain. On yearly basis, 1QFY25 core net profit was moderately lower (-7.5%yoy) despite the sharp decline of 47.8%yoy in revenue as earnings were helped by higher gross profit margin of 37% in 1QFY25 against gross profit margin of 23% in 1QFY24. Meanwhile, the earnings decline in 1QFY25 were due to lower land sales gain of RM52m against RM64m in 1QFY24.

Committed to hit new sales target of RM4.8b. S P Setia registered new sales of RM718m in 1QFY25, lower than new sales of RM1.8b in 4QFY24 as new property launch in 1QFY25 was minimal. The new sales in 1QFY25 makes up 15% of management new sales target of RM4.8b for FY25. Nevertheless, management remains committed to meet new sales target of RM4.8b on the back of planned launch of RM5.1b of property development and RM300m industrial property. Meanwhile, unbilled sales declined to RM3.75b in 1QFY25 from RM4.09b in 4QFY24, providing earnings visibility of less than one year.

Target price revised to RM1.17. We revise our FY25/26/27 earnings forecast by -22%/-5.4%/-4% to factor in lower contribution from property projects. We revise our TP for S P Setia to RM1.17 from RM1.21 as we widen RNAV discount to 72% from 71%. We maintain our **NEUTRAL** call on S P Setia as we see limited catalyst in the near-term.

RETURN STATISTICS	
Price @ 21st May 2025 (RM)	1.19
Expected share price return (%)	-1.7
Expected dividend yield (%)	+2.1
Expected total return (%)	+0.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.7	9.1
3months	5.1	-5.8
12 months	-19.5	-15.4

INVESTMENT STATISTICS			
FYE Dec	2025E	2026F	2027F
Revenue	4,262	4,800	5,035
Operating Profit	960	1,075	1,082
Profit Before Tax	564	621	686
Core PATAMI	393	433	478
Core EPS	9.37	10.32	11.39
DPS	2.50	2.50	2.85
Dividend Yield	2.1%	2.1%	2.4%

KEY STATISTICS	
FBM KLCI	1,544.80
Issue shares (m)	4,715
Estimated free float (%)	49.74
Market Capitalisation (RM'm)	5,954
52-wk price range	RM0.99– RM1.80
3-mth average daily volume (m)	4.13
3-mth average daily value (RM'm)	4.91
Top Shareholders (%)	
Amanah Saham Nasional Bhd	28.51
Yayasan Pelaburan Bumiputra	20.88
EPF	9.27

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S P Setia Berhad: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY25	%YoY	%QoQ	FY25	%YoY
Revenue	770.7	-47.8%	-27.6%	770.7	-47.8%
Core EBIT	240.2	-14.3%	-27.6%	240.2	-14.3%
Core PBT	141.6	-19.8%	-44.6%	141.6	-19.8%
Net Income	67.0	-13.3%	-35.3%	67.0	-13.3%
Core Net Income	67.1	-7.5%	-26.0%	67.1	-7.5%
EPS (sen)	1.34	-23.7%	-37.2%	1.3	-23.7%
Core EPS (sen)	1.34	-18.5%	-28.1%	1.3	-18.5%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.92	NA	NA	2.9	NA
Net Gearing (x)	0.37	NA	NA	0.4	NA
Core EBIT Margin	31.2%	NA	NA	31.2%	NA
Core PBT Margin	18.4%	NA	NA	18.4%	NA

Source: Company, MIDF Research

S P Setia RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Setia Alam	100%	1006.61	10%	62.53
Setia City	100%	8961	10%	407.47
Setia Alaman	100%	4177.98	10%	206.85
Setia Ecohill	100%	1883	10%	111.60
Setia Ecohill 2	100%	1883	10%	263.79
Glengowrie	100%	2160	10%	83.63
Setia Mayuri	100%	740.98	10%	46.03
Setia Eco Park	50%	1860	10%	42.29
Precinct Arundina @ Setia Eco Park	100%	230	10%	14.29
Setia Eco Glades	70%	853	10%	32.29
Setia Safiro	70%	784	10%	31.06
Setia Eco Templer	100%	833	10%	47.14
Setia Warisan Tropika	100%	558	10%	30.18
KL Eco City	100%	2203.62	10%	119.17
Setia Federal Hill	100%	20190	10%	533.56
Setia Alamsari North	100%	909.95	10%	51.50
Setia Alamsari South	100%	3198	10%	172.95
Putrajaya	60%	361.88	10%	13.49
Setia Trio	70%	1.2	10%	0.06
QSPH	50%	16298	10%	292.49
Bandar Kinrara	51%	2721	10%	75.05
Setia Bayuemas (I&P)	52%	2374	10%	56.03
Setia Bayuemas (PG)	100%	372.9	10%	19.29
Alam Damai	70%	629	10%	27.35
Setia AlamImpian	99.9%	7579	10%	344.29
Temasya Glenmarie	66%	2822	10%	75.10
Setia Fontaines	100%	11914	10%	314.85
Setia Eco Forest @ Tanjung Bungah	100%	960	10%	49.66
Setia Pearl Island	100%	635	10%	32.85
Bukit Dumbar	100%	539	10%	35.12

Setia Sky Vista	100%	450	10%	23.28
Setia Sky Hill	100%	341	10%	17.64
Seri Bayu	100%	240	10%	12.41
Setia Raintree Residence	100%	200	10%	10.34
Setia Sky Ville	100%	153	10%	7.91
Setia Miracca (Setia Sky Cubes)	100%	235	10%	13.93
Pangsapuri Rimbun	100%	18	10%	0.93
Setia Indah Johor	100%	229.36	10%	14.95
Setia Tropika	100%	1096	10%	56.69
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%	29.91
Setia Eco Gardens	70%	1248	10%	45.19
Setia Business Park I	70%	312	10%	11.30
Taman Perling	100%	222.49	10%	13.82
Taman Pelangi	100%	1658.7	10%	93.87
Taman Rinting	89%	763	10%	35.16
Taman Pelangi Indah I	100%	2004	10%	83.96
Taman Industri Jaya	100%	53.49	10%	3.17
Taman Pelangi Indah II	100%	7939	10%	274.65
Mukim Tanjung Kupang	100%	1763	10%	76.92
Mukim Serkat, Pontian	100%	311	10%	15.40
Aeropod @ Tanjung Aru	100%	1350	10%	73.01
Lintas Land	100%	925	10%	57.46
Shangri-La Melbourne Hotel	100%	1643	10%	107.07
Battersea Power Station	40%	28216	10%	535.30
EcoLakes, My Phuoc	57%	640	10%	22.76
EcoXuan, Lai Thieu	95%	608	10%	32.77
Setia Izumisano City Centre	100%	2488.49	10%	123.21
Unbilled sales		6760		397.87
Total				5,883.4
Shareholder Funds				14,217.5
Total RNAV				20,100.93
Fully Diluted Number of shares				4827.2
RNAV per share				4.16
Discount				72%
Target Price (RM)				**1.17**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	4,374	5,294	4,262	4,800	5,035
EBIT	1,084	1,486	960	1,075	1,082
PBT	688	1,032	564	621	686
Net Income	299	576	393	433	478
Core Net Income	331	486	393	433	478
Core EPS (sen)	8.0	10.6	9.4	10.3	11.4
Core PER (x)	14.9	11.2	12.7	11.5	10.5
NTA/share	3.44	2.99	3.02	3.05	3.09
P/NTA	0.35	0.40	0.39	0.39	0.38

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Investment properties	1,980	2,001	2,021	2,041	2,062
Inventories	12,357	12,279	12,500	12,725	12,954
Total non-current assets	19,479	18,978	19,206	19,244	19,667
Inventories - Property dev cost	2,159	2,437	2,461	2,486	2,511
Short term deposits	441	733	1,197	1,542	2,119
Cash and bank balances	2,054	2,408	2,019	2,161	2,196
Other assets	4,873	3,048	3,810	3,540	2,773
Total Assets	29,006	27,604	28,694	28,972	29,266
LT Borrowings	7,102	6,383	6,829	7,308	7,819
ST Borrowings	3,043	2,204	2,711	2,651	2,593
Other Liabilities	3,198	3,174	3,158	2,822	2,461
Total Liability	13,344	11,760	12,698	12,780	12,873
Share capital	8,723	9,238	9,238	9,238	9,238
Other Equity	6,940	6,606	6,758	6,954	7,155
Total Equity	15,663	15,844	15,996	16,192	16,393
Equity + Liability	29,006	27,604	28,694	28,972	29,266

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Cash flows from operating activities					
Net income before taxation	656	1122	564	621	686
Net cash from operating activities	2301	3417	2563	2535	2507
Cash flows from investing activities					
Addition to inventories	-330	-771	-663	-570	-542
Net cash used in investing activities	-382	-537	-408	-228	-128
Cash flows from financing activities					
Drawndown of bank borrowings	1777	1301	1171	1054	1077
Net cash from/(used in) financing activities	-2163	-2157	-1877	-1820	-1766
Net increase/(decrease) in cash and cash equivalents	-243	723	278	486	613
Cash and cash equivalent at 1 January	2495	2255	2938	3216	3702
Cash and cash equivalent at 1 December	2255	2938	3216	3702	4315

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	24.8%	28.1%	22.5%	22.4%	21.5%
PBT margin	15.7%	19.5%	13.2%	12.9%	13.6%
PAT margin	6.8%	10.9%	9.2%	9.0%	9.5%
Core PATAMI margin	7.6%	9.2%	9.2%	9.0%	9.5%
ROE	2.3%	3.3%	2.5%	2.7%	2.9%
ROA	1.1%	1.8%	1.4%	1.5%	1.6%

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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