Corporate Update

S P Setia Berhad

(8664 | SPSB MK) Main | Property

SHARIAH Compliant | ESG 3 Stars | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM1.26**

Briefing Note
Undemanding Valuation

We attended results briefing of S P Setia. We came away the results briefing feeling reaffirmed on the near-term prospect of S P Setia. Key takeaways from the briefing as below:

Improved earnings from property development. S P Setia recorded lower earnings of RM277.7m (-29.8%yoy) in 9MFY25 due to high base earnings in 9MFY24 which was lifted by land sales gain and earnings recognition from Australia and Vietnam projects. Meanwhile, S P Setia recorded improved earnings from core operations on a quarter-on-quarter basis as core profit excluding land sales gain returned to the black at RM86.9m in 3QFY25 from losses of -RM3.5m in 2QFY25. Going forward, we expect stronger sequential earnings in 4QFY25 due to seasonally higher progress billing in 4Q while land sales contribution is expected to be insignificant in 4QFY25.

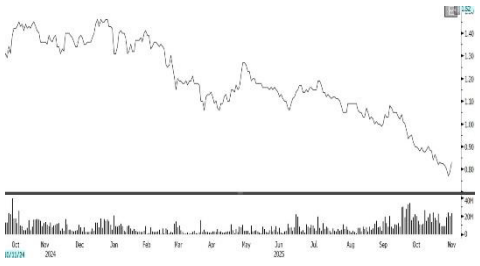
New sales lifted by land sales. S P Setia recorded higher new sales of RM1.59b in 3QFY25 vs. RM1.18b in 2QFY25. New sales in 3QFY25 were mainly boosted by land sales RM762m. Note that S P Setia monetized ~300 acres of land at Tanjung Kupang in 3QFY25 for RM522m. Cumulatively, land sales contributed to RM1b or 29% of total sales in 9MFY25. Meanwhile, total sales of RM3.49b in 9MFY25 is on track to meet management sales target of RM4.8b for FY25. New sales momentum should sustain by ongoing launches and upcoming launches with GDV of RM1.67b.

Industrial development driving growth. S P Setia is eyeing growth from industrial development in the near-term. Industrial parks in the pipeline are Setia Fontaines with GDV of RM3b and Setia Alaman Industrial Park with GDV of RM4b. Meanwhile, S P Setia monetized its landbank in Tanjung Kupang which was earmarked for industrial development. Nevertheless, we gather that S P Setia is looking to replenish landbank in Johor for industrial development. Separately, development of Setia Fontaines industrial park in Penang is expected to be expedited due to rezoning approval granted by state government. Besides, S P Setia is looking to establish its industrial development presence in Vietnam on 366 acres of land in Ho Chi Minh. Overall, we think that the growing industrial development will support growth of S P Setia.

REIT plan on track. S P Setia is maintaining its target to list Setia REIT by 2026 to unlock value of investment properties. S P Setia is expected to gain proceed of ~RM800m from the listing of Setia REIT as S P Setia is targeting to inject assets with market value of ~RM2.8b into Setia REIT. Assets that are earmarked to be injected into REIT are Setia City Mall, Sutera Mall, Mercu 2, Aspire Tower, Setia SPICE Convention Centre, Setia Corporate HQ, Medan Setia Alam and Lotus's Setia Tropika. The listing of Setia REIT should reduce gearing of S P Setia and help in capital management as S P Setia plans to inject its industrial assets into the REIT in the future.

RETURN STATISTICS	
Price @ 14th Nov 2025 (RM)	0.83
Expected share price return (%)	+51.8
Expected dividend yield (%)	+3.0
Expected total return (%)	+54.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.8	-8.6
3months	-19.4	-25.9
12 months	-39.0	-39.9

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	3.0%	3.0%	3.4%

KEY STATISTICS	
FBM KLCI	1,625.67
Issue shares (m)	4,715
Estimated free float (%)	50.35
Market Capitalisation (RM'm)	4,152
52-wk price range	RM0.76– RM1.5
3-mth average daily volume (m)	13.37
3-mth average daily value (RM'm)	12.58
Top Shareholders (%)	
Amanah Saham Nasional Bhd	27.90
Yayasan Pelaburan Bumiputra	20.88
EPF	9.40
KWAP	8.39

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Maintain BUY with an unchanged TP of RM1.26. Post results briefing, we make no changes to our earnings forecast for FY25/26/27. We also maintain our **TP** for S P Setia at **RM1.26**, based on 68% discount to RNAV. Valuation of S P Setia is undemanding, trading at 72% discount to latest NTA of RM2.92 per share. Meanwhile, the listing of REIT will unlock value of investment properties of S P Setia. Hence, we maintain our **BUY** call on S P Setia.

S P Setia RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Setia Alam	100%	1294	10%	76.69
Setia City	100%	5233	10%	310.15
Setia Alaman	100%	1793	10%	96.97
Setia Ecohill	100%	1820	10%	90.11
Setia Ecohill 2	100%	3246	10%	147.60
Glengowrie	100%	2160	10%	90.49
Setia Mayuri	100%	736	10%	39.80
Setia Eco Park	50%	2231	10%	63.40
Precinct Arundina @ Setia Eco Park	100%	258	10%	16.81
Setia Eco Glades	70%	782	10%	29.60
Setia Safiro	70%	179	10%	7.43
Setia Eco Templer	100%	833	10%	41.24
Setia Warisan Tropika	100%	626	10%	33.85
KL Eco City	100%	2203	10%	130.60
Setia Federal Hill	100%	21134	10%	576.29
Setia Federal Hill JV with MF	51%	751	10%	21.68
Setia Alamsari North	100%	986	10%	44.84
Setia Alamsari South	100%	2876	10%	115.79
Setia Putrajaya	60%	362	10%	13.49
Setia Trio	70%	1.2	10%	0.06
Bandar Kinrara	51%	2465	10%	74.51
Setia Bayuemas (I&P)	52%	2228	10%	57.25
Setia Bayuemas (PG)	100%	373	10%	21.10
Alam Damai	70%	544	10%	24.82
Setia AlamImpian	99.9%	7115	10%	323.21
Temasya Glenmarie	66%	2151	10%	62.03
Setia Fontaines	100%	12017	10%	338.33
Setia Eco Forest @ Tanjung Bungah	100%	960	10%	54.33
Setia Pearl Island	100%	635	10%	35.94
Bukit Dumbar	100%	539	10%	35.12
Setia Sky Vista	100%	450	10%	32.59
Setia Sky Hill	100%	37.6	10%	2.13
Seri Bayu	100%	240	10%	13.58
Setia Raintree Residence	100%	200	10%	11.32
Setia Sky Ville	100%	323	10%	18.28
Setia Miracca (Setia Sky Cubes)	100%	235	10%	14.60
Pangsapuri Rimbun	100%	18	10%	1.02
Setia Indah Johor	100%	268	10%	17.46
Setia Tropika	100%	1108	10%	62.70
Setia Eco Cascadia	100%	1360	10%	76.97
Setia Business Park II	100%	394	10%	25.68

Bukit Indah Johor	100%	449	10%	27.89
Setia Eco Gardens	70%	1303	10%	51.62
Setia Business Park I	70%	280	10%	11.09
Taman Perling	100%	333	10%	21.70
Taman Pelangi	100%	735	10%	45.66
Taman Rinting	89%	735	10%	37.06
Taman Pelangi Indah I	100%	2043	10%	92.92
Mukim Tanjung Kupang	100%	1390	10%	60.65
Mukim Serkat, Pontian	100%	20	10%	1.13
Aeropod @ Tanjung Aru	100%	1390	10%	65.93
Lintas Land	100%	1689	10%	80.11
383 La Trobe Melbourne	100%	2462	10%	152.94
St Leonards Sydney	100%	655	10%	42.71
Battersea Power Station	40%	28201	10%	558.50
EcoLakes, My Phuoc	57%	492	10%	18.36
EcoXuan, Lai Thieu	95%	750	10%	42.34
Setia Izumisano City Centre	100%	2488	10%	134.58
Unbilled sales		3900		229.54
Total				4,924.6
Shareholder Funds (RM)				14,613.0
Total RNAV (RM)				**19,537.57**
Fully Diluted Number of shares				4974
RNAV per share				3.93
Discount				68%
Target Price (RM)				**1.26**

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)	10.4	7.8	8.9	8.0	7.3
NTA/share	3.44	2.99	3.02	3.05	3.09
P/NTA	0.24	0.28	0.27	0.27	0.27

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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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