Corporate Update

S P Setia Berhad

(8664 | SPSB MK) Main | Property

SHARIAH Compliant | ESG 3 Stars | FTSE4Good

Downgrade to NEUTRAL (from BUY)

Unchanged Target Price **RM0.98**

1QFY26 Results Review
Muted Earnings Outlook

1QFY26 earnings deemed within expectations. S P Setia 1QFY26 earnings of RM52.2m deemed within expectations, despite making up 12% of our and consensus expectations as progress billing is seasonally weaker in 1Q and earnings are expected to pick up in the subsequent quarters.

Earnings eased on a high base effect. On a sequential basis, 1QFY26 earnings declined to RM52.2m (-87.5%qoq) as earnings in 4QFY25 were ballooned by recognition of Tanjung Kupang land sales of RM522m. Besides, the higher earnings in the previous quarter were lifted by the higher cost savings from account finalization. The lower earnings could also partly be attributed to the seasonally weaker progress billing in 1Q. Besides, the lower earnings were also partly dragged by higher tax rate of 46.5% in 1QFY26 from 37.5% in 4QFY25.

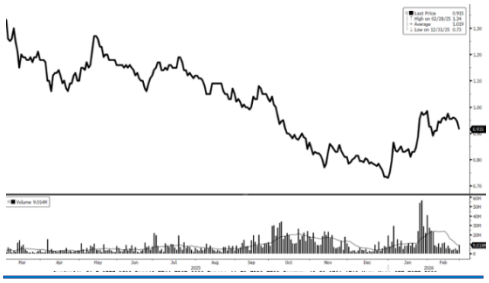
Weaker earnings outlook for FY26. On a yearly basis, 1QFY26 earnings declined to RM52.2m (-22.3%yoy) despite higher topline (+7.2%yoy). The lower earnings were mainly attributed to the higher cost of sales which narrowed gross profit margin to 29.4% in 1QFY26 from 36.5% in 1QFY25. Besides, the higher tax rate of 46.5% in 1QFY26 from 36.8% in 1QFY25 weighed on earnings. Looking forward, we expect earnings to be lower in FY26 as land sales momentum is expected to be weaker in FY26.

New sales target maintained at RM4.6b for FY26. S P Setia recorded new sales of RM555m in 1QFY26, lower than new sales of RM1.6b in 4QFY25. Projects in Malaysia contributed 90% to total new sales while international projects contributed the remaining 10% of new sales. New sales in 1QFY26 makes up 12% of new sales target of RM4.6b for FY26. Nevertheless, management remains committed to the new sales target. New sales in the coming quarters are expected to pick up due to recognition of sales from its project in Vietnam. Meanwhile, management acknowledges the rising cost pressures and is proactively managing costs.

Downgrade to NEUTRAL with an unchanged TP of RM0.98. We make no changes to our earnings forecast for FY26/27/28. We also maintain our **TP** for S P Setia at **RM0.98**, based on 75% discount to RNAV. We downgrade S P Setia to **NEUTRAL** from BUY as the recent share price increase has limited its upside potential. Overall, we also see a more moderate outlook for property developers considering the rising cost pressures. Nevertheless, the listing of Setia REIT which is targeted by 1QCY27 should remain the near-term catalyst.

RETURN STATISTICS	
Price @ 20th May 2026 (RM)	1.06
Expected share price return (%)	-7.5
Expected dividend yield (%)	+2.4
Expected total return (%)	-5.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.1	-5.8
3months	25.3	7.3
12 months	-31.7	-37.4

INVESTMENT STATISTICS			
FYE Dec	2026E	2027F	2028F
Revenue	4,800	5,035	5,095
Operating Profit	1,075	1,130	1,157
Profit Before Tax	621	686	703
Core PATAMI	433	478	490
Core EPS	8.65	9.55	9.78
DPS	2.50	2.85	3.00
Dividend Yield	2.4%	2.7%	2.8%

KEY STATISTICS	
FBM KLCI	1,717.69
Issue shares (m)	4,715
Estimated free float (%)	50.55
Market Capitalisation (RM'm)	4,578
52-wk price range	RM0.72– RM1.35
3-mth average daily volume (m)	11.40
3-mth average daily value (RM'm)	10.10
Top Shareholders (%)	
Amanah Saham Nasional Bhd	27.70
Yayasan Pelaburan Bumiputra	20.88
EPF	13.68
KWAP	8.92

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S P Setia Berhad: 1QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY26	%YoY	%QoQ	FY26	%YoY
Revenue	826.5	7.2%	-49.3%	826.5	7.2%
Core EBIT	226.5	-5.7%	-46.1%	226.5	-5.7%
Core PBT	128.8	-9.0%	-57.4%	128.8	-9.0%
Net Income	31.1	-53.6%	-88.7%	31.1	-53.6%
Core Net Income	52.2	-22.3%	-87.5%	52.2	-22.3%
EPS (sen)	0.62	-53.6%	-88.7%	0.6	-53.6%
Core EPS (sen)	1.04	-22.3%	-87.5%	1.0	-22.3%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.92	NA	NA	2.9	NA
Net Gearing (x)	0.33	NA	NA	0.33	NA
Core EBIT Margin	27.4%	NA	NA	27.4%	NA
Core PBT Margin	15.6%	NA	NA	15.6%	NA

Source: Company, MBSB Research

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				75%
Target Price (RM)				**0.98**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	5,294	4,218	4,800	5,035	5,095
EBIT	1,486	1,257	1,075	1,130	1,157
PBT	1,032	812	621	686	703
Net Income	576	510	433	478	490
Core Net Income	486	663	433	478	490
Core EPS (sen)	10.6	13.3	8.7	9.5	9.8
Core PER (x)	10.0	8.0	12.2	11.1	10.8
NTA/share	2.99	2.95	2.98	3.02	3.05
P/NTA	0.36	0.36	0.36	0.35	0.35

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Investment properties	2,001	2,060	2,081	2,101	2,123
Inventories	12,279	11,696	11,907	12,121	12,339
Total non-current assets	18,978	18,292	18,329	18,732	19,144
Inventories - Property dev cost	2,437	2,819	2,847	2,875	2,904
Short term deposits	733	419	100	70	258
Cash and bank balances	2,408	2,019	2,161	2,196	2,125
Other assets	3,048	3,534	3,874	3,678	3,375
Total Assets	27,604	27,083	27,311	27,552	27,807
LT Borrowings	6,383	4,887	5,229	5,595	5,987
ST Borrowings	2,204	3,031	2,964	2,899	2,835
Other Liabilities	3,174	3,077	2,830	2,566	2,282
Total Liability	11,760	10,995	11,023	11,060	11,105
Share capital	9,238	9,239	9,239	9,239	9,239
Other Equity	6,606	6,850	7,048	7,253	7,463
Total Equity	15,844	16,089	16,287	16,492	16,702
Equity + Liability	27,604	27,083	27,311	27,552	27,807

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Cash flows from operating activities					
Net income before taxation	1122	969	621	686	703
Net cash from operating activities	3417	1459	1443	1427	1411
Cash flows from investing activities					
Addition to inventories	-771	-422	-363	-345	-327
Net cash used in investing activities	-537	-656	-367	-206	-115
Cash flows from financing activities					
Drawndown of bank borrowings	1301	1193	1074	1098	1122
Net cash from/(used in) financing activities	-2157	-1292	-1253	-1216	-1179
Net increase/(decrease) in cash and cash equivalents	723	-489	-178	6	117
Cash and cash equivalent at 1 January	2255	2938	2438	2261	2266
Cash and cash equivalent at 1 December	2938	2438	2261	2266	2383

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	28.1%	29.8%	22.4%	22.4%	22.7%
PBT margin	19.5%	19.3%	12.9%	13.6%	13.8%
PAT margin	10.9%	12.1%	9.0%	9.5%	9.6%
Core PATAMI margin	9.2%	15.7%	9.0%	9.5%	9.6%
ROE	3.3%	4.5%	2.7%	2.9%	2.9%
ROA	1.8%	2.4%	1.6%	1.7%	1.8%

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MBSB INVESTMENT BANK (formerly known MIDF 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