Corporate Update

S P Setia Berhad

(8664 | SPSB MK) Main | Property

SHARIAH Compliant | ESG 3 Stars | FTSE4Good

Maintain **NEUTRAL**

Revised Target Price **RM0.86**
(from RM0.98)

2QFY26 Results Review
Muted Earnings Visibility

1HFY26 earnings below expectations. S P Setia 1HFY26 core net income of RM119m came in below expectations, making up 27% and 28% of our and consensus expectations. The negative deviation was mainly due to weaker-than-expected progress billings in 2QFY26, which remained flattish quarter-on-quarter, against our expectation of a pick-up in progress billings.

Revenue shortfall leads to earnings miss. On a sequential basis, revenue was marginally lower at RM821.4m (-0.6%qoq) in 2QFY26 which is below our expectations, as we had anticipated a pick-up in progress billings following the weaker 1QFY26. Nevertheless, core net income was higher at RM66.8m (+28.1%qoq) in 2QFY26, thanks to higher gross profit margin and lower tax rate. Note that gross profit margin expanded to 39% in 2QFY26 from 29.4% in 1QFY26. Meanwhile, tax rate was lower at 35.9% in 2QFY26 against 46.5% in 1QFY26.

Softer margin and lower land sales recognition pressure earnings. On a yearly basis, 2QFY26 core net income was lower at RM66.8m (-39.5%yoy) mainly due to the higher base in 2QFY25, which benefited from the recognition of Taman Pelangi land sales. Cumulatively, 1HFY26 earnings were lower at RM119m (-32.7%yoy), in line with the lower topline (-3.9%yoy). The weaker earnings were mainly due to the lower gross profit margin of 34.2% in 1HFY26, compared with 38.7% in 1HFY25, as the previous year's margin was boosted by land sales. The lower earnings were also due to a lower contribution from JVs, which offset the positive impact from lower administrative expenses and finance costs.

Sales target is maintained at RM4.6b despite momentum lags target. S P Setia recorded higher sales of RM865m in 2QFY26, up from RM555m in 1QFY26, in line with our expectation of a pick-up in property sales following the weaker 1QFY26 due to the festive period. This brought total new sales to RM1.42b in 1HFY26, which could be lagging the pace required to meet the FY26 sales target of RM4.6b. The muted sales could be attributed to a more challenging operating environment. Nevertheless, management maintained new sales target of RM4.6b for FY26 with remaining launches worth RM2.75b GDV for FY26. Looking ahead, new sales momentum in 2HFY26 should support by recognition of sales in Vietnam with total sales of ~RM500m.

We maintain NEUTRAL with a revised TP of RM0.86. We revise our FY26/27/28 earnings forecast by -25%/-23%/-24% to factor in the lower progress billing and lower margin. We revise our **TP** for S P Setia to **RM0.86** from RM0.98 as we widen our RNAV discount to 78% from 75% in view of the weak earnings visibility. We expect FY26 earnings to be lower, mainly due to weaker land sales momentum during the year. We also see limited catalysts in the near-term while its REIT listing timeline has been deferred slightly to 2Q2027 from the previous 1Q2027 target. Hence, we maintain our **NEUTRAL** call on S P Setia.

RETURN STATISTICS	
Price @ 19th Aug 2026 (RM)	0.84
Expected share price return (%)	+2.4
Expected dividend yield (%)	+2.4
Expected total return (%)	+4.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-11.1	-11.1
3months	-13.4	-20.9
12 months	-22.9	-29.2

INVESTMENT STATISTICS			
FYE Dec	2026E	2027F	2028F
Revenue	3,897	4,415	4,425
Operating Profit	957	995	1,026
Profit Before Tax	503	550	572
Core PATAMI	326	367	375
Core EPS	6.51	7.33	7.49
DPS	2.00	2.10	2.30
Dividend Yield	2.4%	2.5%	2.7%

KEY STATISTICS	
FBM KLCI	1,731.32
Issue shares (m)	5,003
Estimated free float (%)	50.39
Market Capitalisation (RM'm)	4,243
52-wk price range	RM0.72– RM1.21
3-mth average daily volume (m)	6.02
3-mth average daily value (RM'm)	5.88
Top Shareholders (%)	
Amanah Saham Nasional Bhd	28.07
Yayasan Pelaburan Bumiputra	20.68
EPF	15.44
KWAP	8.92

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S P Setia Berhad: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY26	%YoY	%QoQ	FY26	%YoY
Revenue	821.4	-13.0%	-0.6%	1647.9	-3.9%
Core EBIT	255.2	-21.3%	12.7%	481.8	-14.6%
Core PBT	159.2	-22.9%	23.5%	288.0	-17.0%
Net Income	98.1	-1.7%	215.1%	129.2	-22.6%
Core Net Income	66.8	-39.5%	28.1%	119.0	-32.7%
EPS (sen)	1.95	-2.1%	214.0%	2.6	-22.8%
Core EPS (sen)	1.33	-39.7%	27.6%	2.4	-33.1%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.94	NA	NA	2.9	NA
Net Gearing (x)	0.33	NA	NA	0.33	NA
Core EBIT Margin	31.1%	NA	NA	29.2%	NA
Core PBT Margin	19.4%	NA	NA	17.5%	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				78%
Target Price (RM)				**0.86**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	5,294	4,218	3,897	4,415	4,425
EBIT	1,486	1,257	957	995	1,026
PBT	1,032	812	503	550	572
Net Income	576	510	326	367	375
Core Net Income	486	663	326	367	375
Core EPS (sen)	10.6	13.3	6.5	7.3	7.5
Core PER (x)	7.9	6.3	12.9	11.5	11.2
NTA/share	2.99	2.95	2.98	3.00	3.03
P/NTA	0.28	0.28	0.28	0.28	0.28

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	503	550	572
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%	24.6%	22.5%	23.2%
PBT margin	19.5%	19.3%	12.9%	12.5%	12.9%
PAT margin	10.9%	12.1%	8.4%	8.3%	8.5%
Core PATAMI margin	9.2%	15.7%	8.4%	8.3%	8.5%
ROE	3.3%	4.5%	2.0%	2.2%	2.2%
ROA	1.8%	2.4%	1.2%	1.3%	1.3%

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MBSB 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