

12 May 2017 | 1QFY17 Results Review

SP Setia Berhad

1QFY17 earnings within expectation

Maintain BUY

Unchanged Target Price: RM4.03

INVESTMENT HIGHLIGHTS

- **1QFY17 earnings within expectation**
- **Revenue was supported by ongoing projects**
- **SPSETIA achieved 4MFY17 sales of RM801m which is 15% higher yoy**
- **Maintain its RM4.0b sales target for FY17**
- **Maintain BUY with TP of RM4.03**

1QFY17 earnings within expectation. Although 1QFY17 core earnings came in at 15%/14% of ours/consensus forecast, we deem the result as within expectation due to high revenue recognition expected from Battersea Phase One from 2Q onwards. As expected, no dividend is announced in the first quarter.

Revenue was supported by ongoing projects in Malaysia and overseas. Major projects in Malaysia include Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill and Setia EcoHill 2 in Semenyih, Setia Eco Glades in Cyberjaya, Setia Eco Templer in Rawang and KL Eco City at Jalan Bangsar. Overseas project include Eco Sanctuary in Singapore, Battersea Power Station in London and Parque Melbourne in Australia. Unbilled sales of RM7.84b provide earnings visibility for 1.6 years.

SPSETIA achieved 4MFY17 sales of RM801m which is 15% higher yoy and the Company maintain its RM4.0b sales target for FY17. For 1QFY17, sales is at RM427m out of which 82% is contributed by local projects with the remaining from international projects. Going forward, the Group remains confident to achieve its RM4.0b sales target due to strong launches moving forward. The biggest launch by value will be Exhibition Street in Melbourne, Australia with GDV of AUD478m (or RM1.53b).

Maintain BUY with TP of RM4.03. Our earnings forecast are maintained for FY17 and FY18. Our Target Price is unchanged and it is based on 10% discount to RNAV. We continue to like SPSETIA due to i) our belief that it will gain FBMKLCI status in 3 years' time, ii) positive newsflow surrounding the I&P deal and iii) good dividend yield of 5.1%.



RETURN STATS	
Price (11 May 2017)	RM3.68
Target Price	RM4.03
Expected Share Price Return	+9.5%
Expected Dividend Yield	+5.1%
Expected Total Return	+14.6%

STOCK INFO	
KLCI	1775.39
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	2854.27
Par Value (RM)	0.75
Market cap. (RM'm)	10,503.72
Price over NA	1.37
52-wk price Range	RM2.8 - RM3.77
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	3.44m
3-mth Avg Daily Value	RM12.0m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	28.19%
SKIM AMANAH SAHAM BUMIPUTERA	27.97%
KWAP	10.13%
EPF	5.91%

INVESTMENT STATISTICS

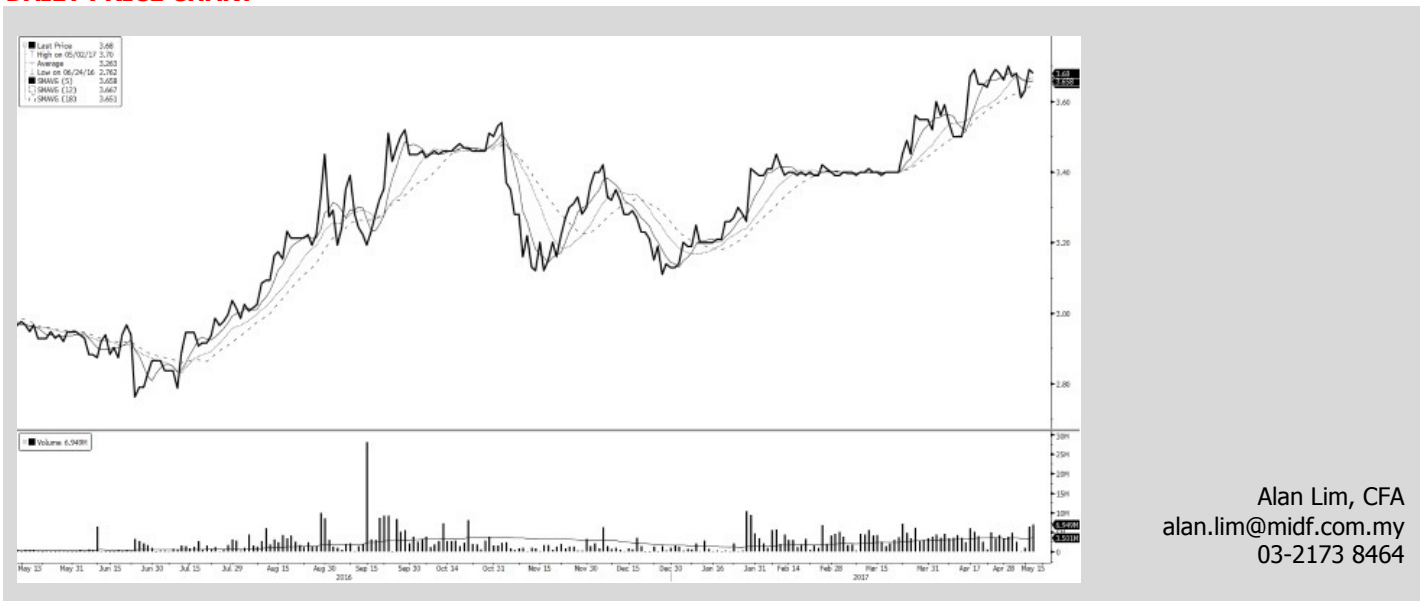
FYE Dec	FY14A*	FY15A**	FY16A	FY17F	FY18F
Revenue	3,810	6,746	4,957	6,096	6,327
Core EBIT	830	1,643	1,187	1,158	1,200
Core PBT	769	1,428	1,141	1,097	1,139
Net Income	406	918	808	724	751
Core Net Income	453	920	764	724	751
EPS (sen)	16.30	35.66	29.82	27.55	28.59
Core EPS (sen)	18.19	35.72	28.19	27.55	28.59
Net DPS (sen)	9.70	23.00	20.00	18.59	19.30
Net Dvd Yield	2.6%	6.3%	5.4%	5.1%	5.2%
Core PER	20.2	10.3	13.1	13.4	12.9
NTA/share (RM)	2.31	2.81	2.83	2.93	3.03
P/NTA	1.59	1.31	1.30	1.26	1.22
Core ROE	7.7%	12.4%	8.3%	7.7%	7.7%
Core ROA	3.5%	5.6%	4.1%	3.8%	3.9%

Source: Company, MIDF Research

*Financial Year End October

**FY15 reflects 14 months period (Nov-2014 to Dec-2015)

DAILY PRICE CHART



Alan Lim, CFA
 alan.lim@midf.com.my
 03-2173 8464

Source: Bloomberg

1QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY17	%YoY	%QoQ	3MFY17	%YoY	
Revenue	940.2	3%	-47%	940.2	3%	Supported by ongoing projects in Malaysia and overseas. Major projects in Malaysia include Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill and Setia EcoHill 2 in Semenyih, Setia Eco Glades in Cyberjaya, Setia Eco Templer in Rawang and KL Eco City at Jalan Bangsar. Overseas project include Eco Sanctuary in Singapore, Battersea Power Station in London and Parque Melbourne in Australia.
Core EBIT	213.5	0%	-53%	213.5	0%	Core figure exclude forex loss of RM1.5m.
Core PBT	176.0	4%	-68%	176.0	4%	
Net Income	105.2	-15%	-75%	105.2	-15%	
Core Net Income	106.7	9%	-76%	106.7	9%	Although 3MFY17 core figure came in at 15%/14% of ours/consensus forecast, we deem the result as within expectation due to high revenue recognition expected from Battersea Phase One from 2Q onwards.
EPS (sen)	3.69	-21%	-75%	3.69	-21%	
Core EPS (sen)	3.74	0%	-76%	3.74	0%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
NTA/share (RM)	2.89	3%	2%	2.89	3%	
Net Gearing (x)	0.19	-31%	9%	0.19	-31%	
Core EBIT Margin	22.7%	-4%	-10%	22.7%	-4%	
Core PBT Margin	18.7%	1%	-40%	18.7%	1%	

Source: Company

SPSETIA RNAV

Landbank/Buildings	Location	Remaining GDV (RM m)	Methodology	Stake	Value (RM m)
Ongoing Projects - Malaysia (Central)					
Setia Alam	Shah Alam, Selangor	1110	DCF @ WACC 9%	100%	185.4
Setia EcoHill	Semenyih, Selangor	599	DCF @ WACC 9%	100%	100.0
Setia Walk	Puchong, Selangor	20	DCF @ WACC 9%	100%	3.4
Setia Sky Residences	Kuala Lumpur	235	DCF @ WACC 9%	100%	39.3
Putrajaya	Putrajaya	110	DCF @ WACC 9%	60%	11.0
Setia Eco Park	Shah Alam, Selangor	115	DCF @ WACC 9%	50%	9.6
Setia Eco Glades	Cyberjaya, Selangor	276	DCF @ WACC 9%	70%	32.3
KL Eco City	Kuala Lumpur	1356	DCF @ WACC 9%	100%	226.5
Bangi	Selangor	2740	DCF @ WACC 9%	100%	301.9
Ongoing Projects - Malaysia (Johor)					
Bukit Indah	Johor	236	DCF @ WACC 9%	100%	39.4
Setia Tropika	Johor	89	DCF @ WACC 9%	100%	14.9
Setia Indah	Johor	39	DCF @ WACC 9%	100%	6.5
Setia Eco Gardens	Johor	90	DCF @ WACC 9%	70%	10.5
Setia Eco Cascadia	Johor	126	DCF @ WACC 9%	100%	21.0
Setia Sky 88	Johor	248	DCF @ WACC 9%	100%	41.4
Ongoing Projects - Malaysia (Others)					
Setia Pearl Island	Bayan Lepas, Penang	138	DCF @ WACC 9%	100%	23.0
Setia Greens	Bayan Lepas, Penang	179	DCF @ WACC 9%	100%	29.9
11 Brook Residences	Georgetown, Penang	48	DCF @ WACC 9%	70%	5.6
Setia V Residences	Penang	210	DCF @ WACC 9%	100%	35.1
Aeropod	Kota Kinabalu, Sabah	171	DCF @ WACC 9%	100%	28.6
Ongoing Projects - International					
Battersea	London, UK	3602	DCF @ WACC 9%	40%	250.6
Fulton Lane	Melbourne, Australia	382	DCF @ WACC 9%	100%	115.2
Parque	Melbourne, Australia	695	DCF @ WACC 9%	100%	175.2
18 Woodsville	Singapore	104	DCF @ WACC 9%	100%	16.9
Eco Sanctuary	Singapore	659	DCF @ WACC 9%	100%	107.2
Toh Tuck Land	Singapore	1462	DCF @ WACC 9%	100%	103.7
Eco Lakes	Vietnam	18	DCF @ WACC 9%	100%	3.0
Eco Xuan	Vietnam	14	DCF @ WACC 9%	100%	2.4

Remaining Landbank - Malaysia (Central)		Size (ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Setia Alam	Shah Alam, Selangor	732	31,885,920	65	100%	2080.6
Setia City	Shah Alam, Selangor	91	3,963,960	62	100%	243.8
Setia Eco Park	Shah Alam, Selangor	305	13,294,512	62	50%	408.8
Setia Eco Glades	Cyberjaya, Selangor	145	6,307,488	73	70%	321.8
Setia EcoHill 1 and 2	Semenyih, Selangor	1435	62,508,600	30	100%	1875.3
Setia Eco Templer	Petaling Jaya, Selangor	195	8,494,200	261	100%	2217.0
KL Eco City	Kuala Lumpur	11	479,160	400	100%	191.7
Setia Sky Seputeh	Kuala Lumpur Bangsar, Kuala Lumpur	5	217,800	315	100%	68.6
Setia Federal Hill	Kuala Lumpur	52	2,265,120	460	50%	521.0
British High Commission	Kuala Lumpur	3	130,680	2,200	100%	287.5
Kenny Hills Grande	Kuala Lumpur	6	261,360	273	100%	71.4
Putrajaya	Kuala Lumpur	161	7,013,160	42	60%	176.7
Remaining Landbank - Malaysia (Johor)						
Bukit Indah	Johor Bahru, Johor	80	3,484,800	30	100%	104.5
Setia Indah	Johor Bahru, Johor	10	435,600	50	100%	21.6
Setia Tropika	Johor Bahru, Johor	157	6,838,920	36	50%	123.1
Setia Eco Gardens	Gelang Patah, Johor	298	12,980,880	30	100%	389.4
Setia Eco Cascadia	Johor Bahru, Johor	101	4,399,560	50	100%	218.2
Setia Business Park II	Gelang Patah, Johor	98	4,268,880	30	100%	128.1
Remaining Landbank - Malaysia (Others)						
Setia Pearl Island	Bayan Lepas, Penang	21	914,760	200	100%	183.0
Setia Greens	Bayan Lepas, Penang	6	261,360	200	100%	52.3
Setia Eco Forest	Tg. Bungah, Penang	35	1,524,600	145	100%	221.6
Setia Raintrees Residences	Balik Pulau, Penang	21	914,760	31	100%	28.4
Setia Sky Vista	Relau, Penang	19	827,640	200	100%	165.5
Jelutong	Penang	9	392,040	200	100%	78.4
Setia Sky Hill	Taman Sri Nibong, Penang	4	174,240	104	100%	18.1
Setia Sky Cube	Teluk Kumbar, Penang	3	130,680	51	100%	6.7
Balik Pulau	Penang	9	392,040	33	100%	12.9
SPICE	Penang	3	130,680	100	100%	13.1
Bukit Dumbar	Penang	6	261,360	450	100%	117.6
Aeropod	Tanjong Aru, Sabah	38	1,655,280	60	100%	100.0
Remaining Landbank - International						
Battersea	London, UK	29	1,263,240	1,231	40%	621.8

EcoXuan	Lai Thieu, Vietnam	11	479,160	43	95%	19.7
EcoLakes	My Phuoc, Vietnam	511	22,259,160	7	55%	87.3
Total Landbank Value						13114.9
Investment Properties						1016.0
Fixed Assets						271.5
Cash						4170.1
Other Assets						1925.3
Total Liabilities (excl. deferred tax liabilities & construction related payables)						-8433.7
RNAV before RCPS-I (RM m)						12064.1
No of shares (m)						2628.4
RNAV per share before RCPS-I (RM)						4.59
Discount						10%
FD RNAV per share before RCPS-I(RM)						4.13
Cash to be raised (RCPS-i)						1069.69
RNAV after RCPS-I (RM m)						13133.8
RCPS-i @ RM1 each (maximum scenario)						305.62
Fully Diluted No Of Shares						2934.00
RNAV per share after RCPS-I (RM)						4.48
Discount						10%
FD RNAV per share after RCPS-I(RM)						4.03

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.