

28 February 2018 | FY17 Results Review

## S P Setia Berhad

*FY17 sales met target*

### INVESTMENT HIGHLIGHTS


- **FY17 earnings above expectations**
- **New property sales at RM4.06b**
- **FY18 new sales target at RM5.0b.**
- **Lower contribution from local projects**
- **Maintain BUY with unchanged TP of RM4.13**

**FY17 earnings above expectations.** S P Setia FY17 core net income of RM810.2m came in above expectations, making up 112% and 107% of our and consensus estimates. The positive deviation could be attributed to the higher-than-expected margin achieved in 4QFY17. Dividend of 11.5sen/share was announced for FY17, bringing cumulative dividend per share to 15.5sen.

**New property sales at RM4.06b.** S P Setia achieved new sales of RM1.24b in 4QFY17, higher than new sales of RM750m in 3QFY17. That brought total new sales in FY17 to RM4.06b, meeting management and our new sales target of RM4b. FY17 new sales of RM4b is higher than new sales of RM3.8b in FY16. Meanwhile, I&P Group recorded new sales of RM859m in FY17, enlarging S P Setia group total sales to RM4.92b for FY17. In FY17, local projects contributed RM3.4b or 69% of the total new sales with the remaining from international project.

**FY18 new sales target at RM5.0b.** Looking forward, management set its new sales target at RM5.0b for FY18 on the back of planned launches with GDV of RM7.07b (61% local projects and 39% overseas projects).

**Lower contribution from local projects.** FY17 core net income of RM810.2m decreased by 11%yoy mainly due to lower progress billing of local projects as substantial sold developments still at early stage of construction. Meanwhile, unbilled sales increased to RM7.72b in 4QFY17 from RM7.05b in 3QFY17, providing earnings visibility for 1.9 years.

**Maintain BUY with TP of RM4.13.** We revised upwards earnings forecast for FY18 by 1.3% to factor in higher margin assumption. Our Target Price is unchanged at RM4.13, based on 10% discount to RNAV. We maintain our BUY call on S P Setia for its plan to be included as one of the FBM KLCI component stocks. Besides, we expect the acquisition of I&P to create synergy for S P Setia. Meanwhile, dividend yield is attractive at 4.8%. 

**Maintain BUY**

**Unchanged Target Price: RM4.13**

| RETURN STATS                 |              |
|------------------------------|--------------|
| Price (27 Feb 2018)          | RM3.29       |
| Target Price                 | RM4.13       |
| Expected Share Price Return  | 25.5%        |
| Expected Dividend Yield      | 5.0%         |
| <b>Expected Total Return</b> | <b>30.5%</b> |

| STOCK INFO                   |                   |
|------------------------------|-------------------|
| KLCI                         | 1,871.46          |
| Bursa / Bloomberg            | 8664 / SPSB MK    |
| Board / Sector               | Main / Properties |
| Syariah Compliant            | Yes               |
| Issued shares (mil)          | 3,753.14          |
| Market cap. (RM'm)           | 12,347.84         |
| Price over NA                | 1.18              |
| 52-wk price Range            | RM3.07 - RM4.38   |
| Beta (against KLCI)          | 0.94              |
| 3-mth Avg Daily Vol          | 6.04m             |
| 3-mth Avg Daily Value        | RM20.1m           |
| Major Shareholders (%)       |                   |
| YAYASAN PELABURAN BUMIPUTERA | 25.60%            |
| SKIM ASB                     | 23.35%            |
| EPF                          | 9.18%             |
| KWAP                         | 7.56%             |

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## INVESTMENT STATISTICS

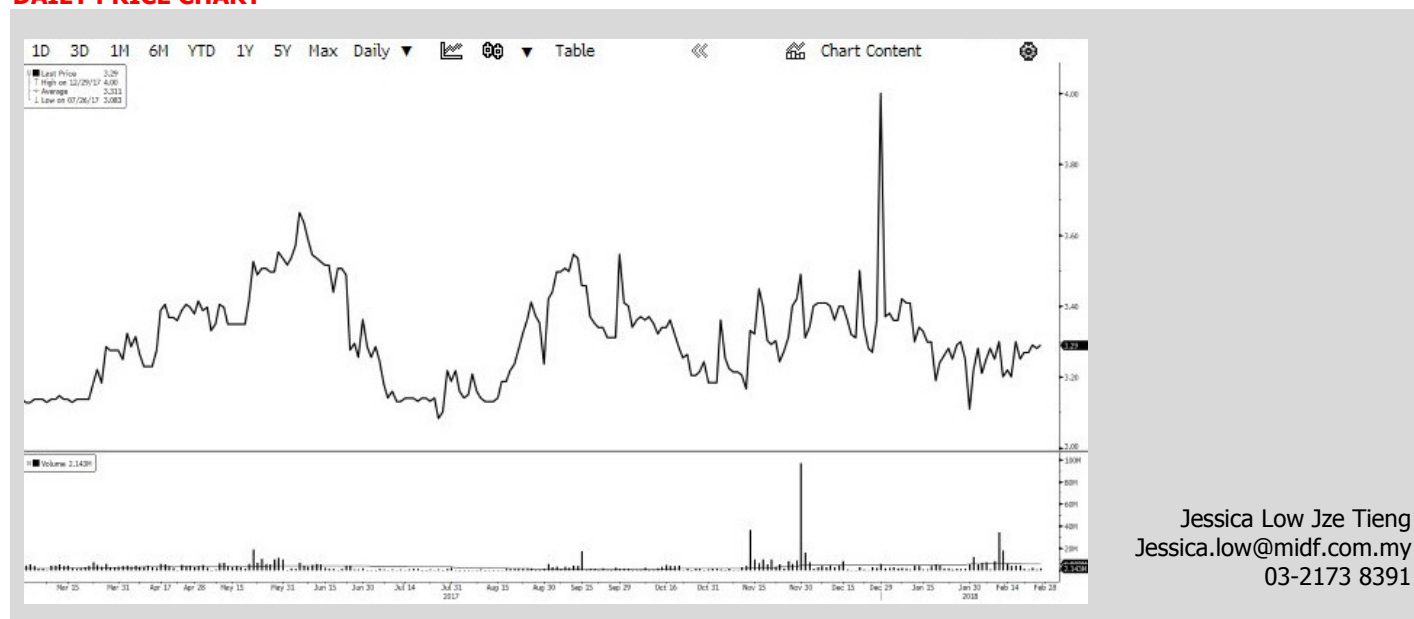
| FYE Dec         | FY14A* | FY15A** | FY16A | FY17A | FY18F |
|-----------------|--------|---------|-------|-------|-------|
| Revenue         | 3,810  | 6,746   | 4,957 | 4,520 | 7,140 |
| Core EBIT       | 830    | 1,643   | 1,187 | 1,006 | 1,725 |
| Core PBT        | 769    | 1,428   | 1,141 | 1,149 | 1,411 |
| Net Income      | 406    | 918     | 808   | 933   | 932   |
| Core Net Income | 453    | 920     | 764   | 810   | 932   |
| EPS (sen)       | 16.30  | 35.66   | 29.82 | 27.27 | 22.21 |
| Core EPS (sen)  | 18.19  | 35.72   | 28.19 | 23.69 | 22.21 |
| Net DPS (sen)   | 9.70   | 23.00   | 20.00 | 15.50 | 16.60 |
| Net Dvd Yield   | 2.9%   | 7.0%    | 6.1%  | 4.7%  | 5.0%  |
| Core PER        | 18.1   | 9.2     | 11.7  | 13.9  | 14.8  |
| NTA/share (RM)  | 2.31   | 2.81    | 2.83  | 3.49  | 3.59  |
| P/NTA           | 1.42   | 1.17    | 1.16  | 0.94  | 0.92  |
| Core ROE        | 7.7%   | 12.4%   | 8.3%  | 6.8%  | 7.5%  |
| Core ROA        | 3.5%   | 5.6%    | 4.1%  | 2.9%  | 3.3%  |

Source: Company, MIDF Research

\*Financial Year End October

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

## DAILY PRICE CHART



Source: Bloomberg

## FY17 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results |      |      | Cumulative |      |
|-----------------------------------------|-------------------|------|------|------------|------|
|                                         | 4QFY17            | %YoY | %QoQ | FY17       | %YoY |
| Revenue                                 | 1454.9            | -27% | 73%  | 4520.1     | -21% |
| Core EBIT                               | 346.4             | -33% | 58%  | 1006.0     | -29% |
| Core PBT                                | 382.2             | -38% | 19%  | 1148.8     | -17% |
| Net Income                              | 279.6             | -40% | 10%  | 932.9      | -2%  |
| Core Net Income                         | 222.0             | -55% | -16% | 810.2      | -11% |
| EPS (sen)                               | 8.17              | 21%  | 15%  | 27.27      | 96%  |
| Core EPS (sen)                          | 6.49              | -9%  | -12% | 23.69      | 79%  |
| Net DPS (sen)                           | 11.50             | -28% | NA   | 15.50      | -23% |
| NTA/share (RM)                          | 3.49              | N/A  | 22%  | 3.49       | N/A  |
| Net Gearing (x)                         | 0.11              | N/A  | -71% | 0.11       | N/A  |
| Core EBIT Margin                        | 23.8%             | N/A  | -9%  | 22.3%      | N/A  |
| Core PBT Margin                         | 26.3%             | N/A  | -31% | 25.4%      | N/A  |

Source: Company

## SPSETIA RNAV

| Landbank/Buildings                           | Location            | Remaining GDV (RM m) | Methodology   | Stake | Value (RM m) |
|----------------------------------------------|---------------------|----------------------|---------------|-------|--------------|
| <b>Ongoing Projects - Malaysia (Central)</b> |                     |                      |               |       |              |
| 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        |
| <b>Ongoing Projects - Malaysia (Johor)</b>   |                     |                      |               |       |              |
| 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         |
| <b>Ongoing Projects - Malaysia (Others)</b>  |                     |                      |               |       |              |

|                                                |                                    |                  |                     |                        |              |                     |
|------------------------------------------------|------------------------------------|------------------|---------------------|------------------------|--------------|---------------------|
| 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         |                     |
| <b>Ongoing Projects - International</b>        |                                    |                  |                     |                        |              |                     |
| 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        |                     |
| A'Beckett                                      | Melbourne, Australia               | 1370             | DCF @ WACC 9%       | 100%                   | 225.5        |                     |
| 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          |                     |
| <b>Remaining Landbank - Malaysia (Central)</b> |                                    |                  |                     |                        |              |                     |
|                                                |                                    | <b>Size (ac)</b> | <b>Size (Sq ft)</b> | <b>Price (RM/sqft)</b> | <b>Stake</b> | <b>Value (RM m)</b> |
| 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               |
| <b>Remaining Landbank - Malaysia (Johor)</b>   |                                    |                  |                     |                        |              |                     |
| 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               |
| <b>Remaining Landbank - Malaysia (Others)</b>  |                                    |                  |                     |                        |              |                     |
| 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,<br>Penang | 4    | 174,240     | 104   | 100% | 18.1           |
| Setia Sky Cube                                                                     | Teluk Kumbar,<br>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          |
| <b>Remaining Landbank - International</b>                                          |                             |      |             |       |      |                |
| 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           |
| Market Value of I&P Land                                                           |                             | 4276 | 186,262,560 | 33    | 100% | 6146.7         |
| <b>Total Landbank Value</b>                                                        |                             |      |             |       |      | <b>19487.1</b> |
| 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        |
| Cash paid to acquire I&P                                                           |                             |      |             |       |      | -3650.0        |
| <b>RNAV before RCPS-I (RM m)</b>                                                   |                             |      |             |       |      | <b>14786.3</b> |
| No of shares (m)                                                                   |                             |      |             |       |      | 2853.6         |
| <b>RNAV per share before RCPS-I (RM)</b>                                           |                             |      |             |       |      | <b>5.18</b>    |
| Discount                                                                           |                             |      |             |       |      | 10%            |
| <b>FD RNAV per share before RCPS-I(RM)</b>                                         |                             |      |             |       |      | <b>4.66</b>    |
| Cash to be raised (RCPS-i)                                                         |                             |      |             |       |      | 1069.69        |
| RCPS-i @ RM1 each (maximum scenario)                                               |                             |      |             |       |      | 305.62         |
| Cash to be raised (RCPS-I B)                                                       |                             |      |             |       |      | 1199.57        |
| RCPS-i B @ RM0.89 each (maximum scenario)                                          |                             |      |             |       |      | 299.52         |
| Cash to be raised (Rights Issue)                                                   |                             |      |             |       |      | 1196.21        |

|                                                                   |                |
|-------------------------------------------------------------------|----------------|
| No of shares from Rights Issue                                    | 421.20         |
| Cash to be raised (Placement)                                     | 1199.90        |
| No of shares from Placement                                       | 355.00         |
| <b>RNAV after RCPS-I, RCPS-IB, Rights Issue and Placement</b>     | <b>19451.7</b> |
| Fully Diluted No Of Shares                                        | 4234.94        |
| <b>RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)</b> | <b>4.59</b>    |
| Discount                                                          | 10%            |
| <b>FD RNAV per share after RCPS-I and Rights Issue (RM)</b>       | <b>4.13</b>    |

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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  | Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.  |
| 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 | Stock price is expected to <i>fall</i> by >10% 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. |