

09 March 2018 | Corporate Update

S P Setia Berhad

Acquiring remaining stake in Setia Federal Hill

Maintain BUY

Revised Target Price: RM4.15
(Previously: RM4.13)


INVESTMENT HIGHLIGHTS

- **Acquiring remaining stake in Setia Federal Hill**
- **Positive on the stake acquisition**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM4.15**

Acquiring remaining stake in Setia Federal Hill. S P Setia announced that it has entered into Share Purchase Agreement with Mekar Gemilang Sdn Bhd to acquire the remaining 50% equity stake of Setia Federal Hill for a total cash consideration of RM431.9m. Upon completion of the proposed acquisition, Setia Federal Hill shall become a wholly-owned subsidiary of S P Setia. The proposed acquisition is expected to complete by 3Q2018.

Positive on the stake acquisition. We view the stake acquisition positively as it will potentially increase future earnings of S P Setia. Note that Setia Federal Hill is the registered owner of 51.57 acres of land in Bangsar. Setia Federal Hill is also a joint venture company which was established to undertake development of the land. The land in Bangsar is planned for an integrated development project (estimated GDV: RM20.19b) comprises residential and commercial components with a development period of 15 years. With 100% equity stake in Setia Federal Hill, future earnings contribution from the planned project to S P Setia is expected to be higher.

Earnings forecast maintained. We maintain our earnings forecast as development on the land is expected to start only in 2019. The purchase consideration of RM431.9m is expected to be funded via combination of cash and bank borrowings. Funding is not an issue to S P Setia considering its cash pile of RM5.6b as at end FY17.

Maintain BUY with a revised TP of RM4.15. Our TP is revised marginally higher to RM4.15 from RM4.13 after taking into account of the 100% equity stake in Setia Federal Hill. Our TP is 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. Meanwhile, dividend yield is attractive at 5.3%. 

RETURN STATS	
Price (8 March 2018)	RM3.16
Target Price	RM4.15
Expected Share Price Return	31.3%
Expected Dividend Yield	5.3%
Expected Total Return	36.6%

STOCK INFO	
KLCI	1,839.62
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	3,753.14
Market cap. (RM'm)	11,859.93
Price over NA	0.98
52-wk price Range	RM3.07 - RM4.38
Beta (against KLCI)	0.95
3-mth Avg Daily Vol	3.98m
3-mth Avg Daily Value	RM13.0m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	25.60%
SKIM ASB	23.69%
EPF	9.20%
KWAP	7.65%

INVESTMENT STATISTICS

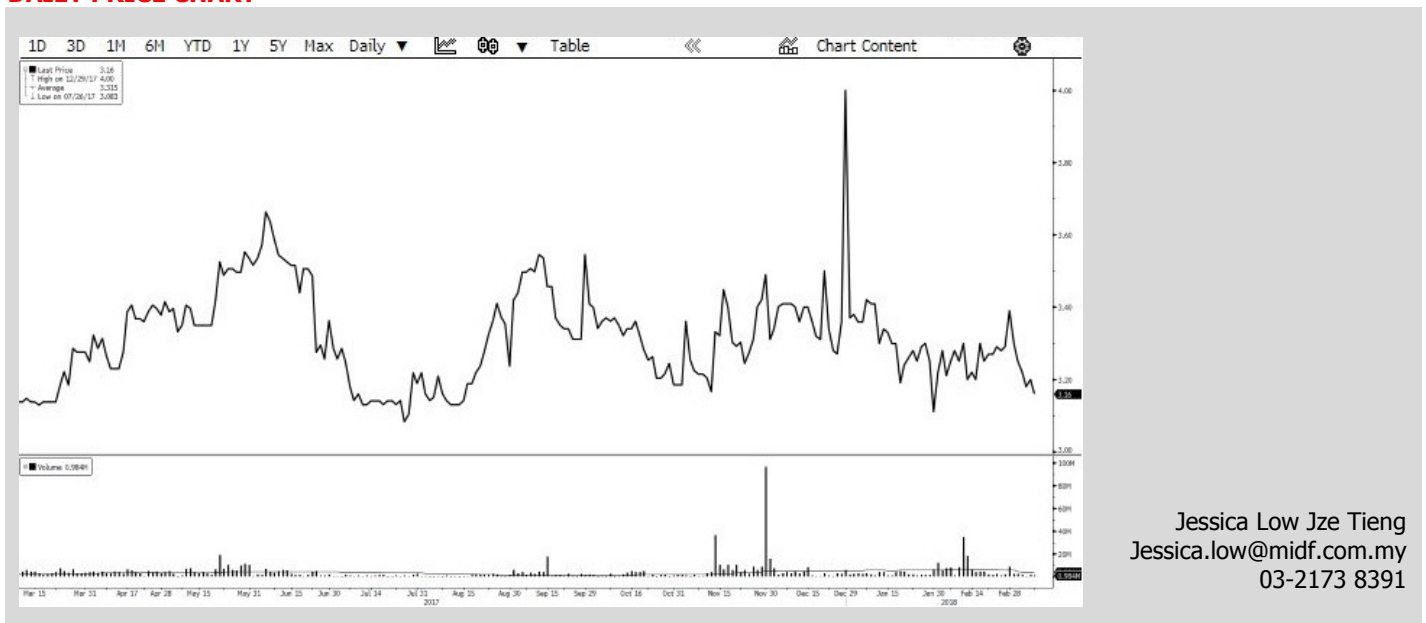
FYE Oct	FY14A	FY15A	FY16A	FY17A	FY18F
Revenue	3,810	6,746	4,957	4,520	7,140
Core EBIT	830	1,643	1,187	1,006	1,725
Core PBT	769	1,428	1,141	1,149	1,411
Net Income	406	918	808	933	932
Core Net Income	453	920	764	810	932
EPS (sen)	16.30	35.66	29.82	27.27	22.21
Core EPS (sen)	18.19	35.72	28.19	23.69	22.21
Net DPS (sen)	9.70	23.00	20.00	15.50	16.60
Net Dvd Yield	3.1%	7.3%	6.3%	4.9%	5.3%
Core PER	17.4	8.8	11.2	13.3	14.2
NTA/share (RM)	2.31	2.81	2.83	3.49	3.59
P/NTA	1.37	1.12	1.12	0.91	0.88
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



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Source: Bloomberg

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
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

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	100%	1042
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
Market Value of I&P Land		4276	186,262,560	33	100%	6146.7
Total Landbank Value						19487.1
Investment Properties						1016.0
Fixed Assets						271.5
Cash						3738.2
Other Assets						1925.3
Total Liabilities (excl. deferred tax liabilities & construction related payables)						-8433.7
Cash paid to acquire I&P						-3650.0
RNAV before RCPS-I (RM m)						14875.4
No of shares (m)						2853.6
RNAV per share before RCPS-I (RM)						5.21
Discount						10%
FD RNAV per share before RCPS-I(RM)						4.69
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
RNAV after RCPS-I, RCPS-IB, Rights Issue and Placement						19540.7
Fully Diluted No Of Shares						4234.94
RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)						4.61
Discount						10%
FD RNAV per share after RCPS-I and Rights Issue (RM)						4.15

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(Bank Pelaburan)

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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.