

08 May 2018 | Corporate Update

## S P Setia Berhad

### Plans RM11b project in Cheras

#### INVESTMENT HIGHLIGHTS

- **Getting 52.25 acres land in Cheras**
- **Positive on the agreement**
- **Project GDV at RM11b**
- **Maintain BUY with unchanged TP of RM4.15**

**Getting 52.25 acres land in Cheras.** S P Setia announced that its 50% owned entity Retro Highland entered into a privatisation agreement with Dewan Bandar Kuala Lumpur (DBKL) for the construction of the Quality Sustainable People Housing (QSPH) project in Cheras. The overall QSPH development entails the renewal of 5650 residential units. In return, Retro Highland will be awarded with 52.25 acres of leasehold land in Cheras with agreed value of the exchange land of RM1.19b.

**Details of agreement.** Phase 1 of QSPH entails the construction of 1192 residential units and is expected to take up four years to complete. Meanwhile, phase 2 of QSPH entails the construction of 2779 residential units, 112 units of shops, a market and other public facilities. Phase 2 will commence upon the handing over of Phase 1 to DBKL and is expected to take another four years to complete. The entire QSPH is expected to complete in 2028. Meanwhile, DBKL will transfer 13.89 acres of land in Cheras to Retro Highland upon completion of phase 1 of QSPH while the remaining 38.36 acres of land will be transferred to Retro Highland upon the completion of phase 2 of QSPH.

**Positive on the agreement.** We view the agreement positively as the exchanged land is strategically located alongside Jalan Loke Yew (8km to KLCC). The exchanged land is planned for a mixed development project which comprises residential and commercial components with total estimated GDV of RM11.03b and development period of 11 years. The proposed development will allow S P Setia to continue to strengthen its presence in Klang Valley. The QSPH development is expected to be funded via a combination of bank borrowings and internally generated funds. Net gearing of S P Setia is expected to climb to 0.16x from 0.11x as of end FY17.

**Maintain BUY with unchanged TP of RM4.15.** We maintain our earnings forecast and RNAV valuation as development on the land is expected to start after 2028. Our TP is based on 10% discount to RNAV.

**Maintain BUY**

**Unchanged Target Price: RM4.15**

#### RETURN STATS

Price (7 May 2018)	RM3.01
Target Price	RM4.15
Expected Share Price Return	37.9%
Expected Dividend Yield	5.5%
<b>Expected Total Return</b>	<b>43.4%</b>

#### STOCK INFO

KLCI	1,828.2
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	3,753.14
Market cap. (RM'm)	11,708.44
Price over NA	1.06
52-wk price Range	RM2.77 - RM4.38
Beta (against KLCI)	1.10
3-mth Avg Daily Vol	2.84m
3-mth Avg Daily Value	RM9.08m
Major Shareholders (%)	
YAYASAN PELABURAN BUMIPUTERA	25.72%
SKIM ASB	24.05%
EPF	9.22%
KWAP	7.67%



## INVESTMENT STATISTICS

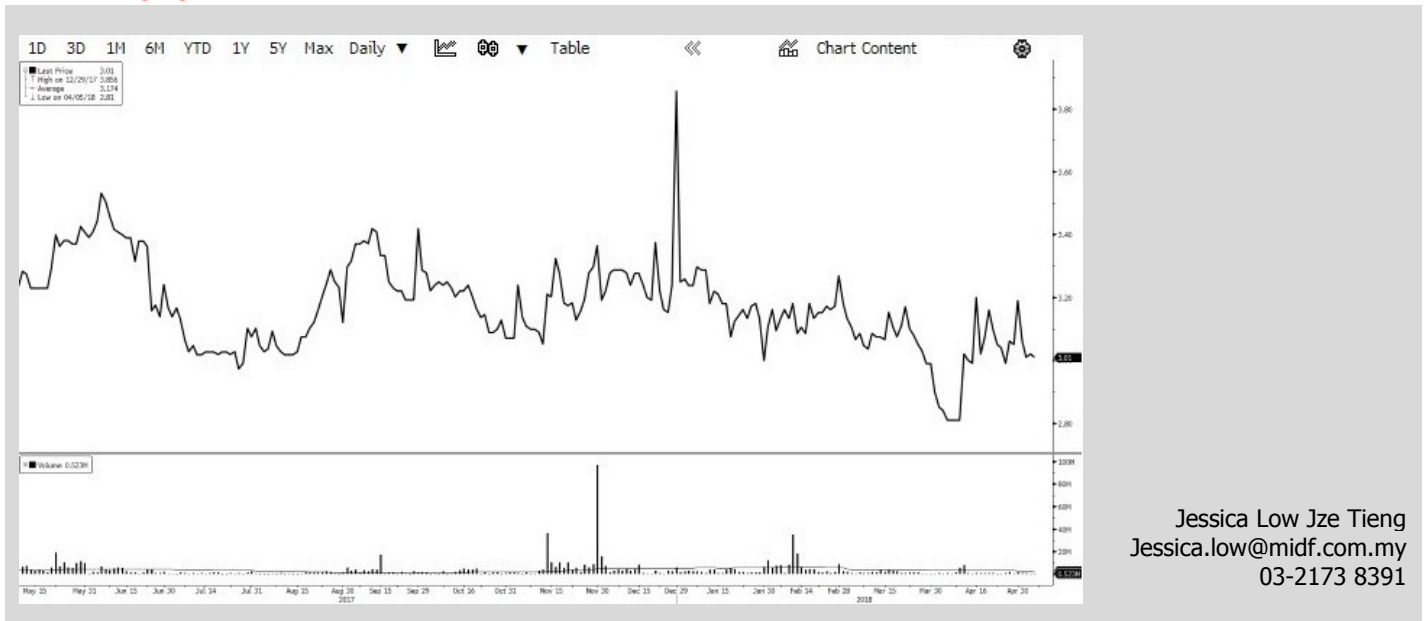
FYE Oct	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	6,746	4,957	4,520	7,140	7,235
Core EBIT	1,643	1,187	1,006	1,725	1,421
Core PBT	1,428	1,141	1,149	1,411	1,360
Net Income	918	808	933	932	925
Core Net Income	920	764	810	932	925
EPS (sen)	35.66	29.82	27.27	24.27	27.04
Core EPS (sen)	35.72	28.19	23.69	24.27	27.04
Net DPS (sen)	23.00	20.00	15.50	16.60	20.10
Net Dvd Yield	7.6%	6.6%	5.1%	5.5%	6.7%
Core PER	8.4	10.7	12.7	12.4	11.1
NTA/share (RM)	2.81	2.83	3.49	3.60	3.72
P/NTA	1.07	1.06	0.86	0.84	0.81
Core ROE	12.4%	8.3%	6.8%	7.5%	7.2%
Core ROA	5.6%	4.1%	2.9%	3.3%	3.2%

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)
<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	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
<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, 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
<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						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
<b>RNAV before RCPS-I (RM m)</b>						<b>14875.4</b>
No of shares (m)						2853.6
<b>RNAV per share before RCPS-I (RM)</b>						<b>5.21</b>
Discount						10%
<b>FD RNAV per share before RCPS-I(RM)</b>						<b>4.69</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>19540.7</b>
Fully Diluted No Of Shares						4234.94
<b>RNAV per share after RCPS-I, RCPS-IB and Rights Issue (RM)</b>						<b>4.61</b>
Discount						10%
<b>FD RNAV per share after RCPS-I and Rights Issue (RM)</b>						<b>4.15</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.