

19 January 2018 | Corporate Update

## SP Setia Berhad

*Potential sale of commercial assets*


### INVESTMENT HIGHLIGHTS

- **Potential sale of commercial assets in Phase 2 Battersea Power Station to PNB and EPF**
- **Neutral to positive on the news**
- **Earnings estimate maintained**
- **Maintain BUY with TP of RM4.13**

**Potential sale of commercial assets in Phase 2 Battersea Power Station to PNB and EPF.** S P Setia announced that it has entered into a Heads of Terms with PNB and EPF to explore the terms of a potential sale, on completion, of the commercial assets in Phase 2 of Battersea Power Station to a joint venture company to be formed between PNB and EPF. The indicative sale price is estimated to be about GBP1,609m or equivalent to RM8.8b. We gather that the commercial assets in phase 2 of Battersea Power Station are office and retail buildings while expected completion of the commercial assets is expected to be in 2020.

**Neutral to positive on the news.** We view the potential sale of commercial assets in phase 2 of Battersea Power Station to be neutral to positive. The potential sale of the commercial assets will enable S P Setia to unlock the value of the commercial assets while allowing S P Setia to focus on its role as property developer. With the potential sale of the commercial assets in phase 2 of Battersea Power Station, S P Setia will now focus on securing the development profit from the remaining development in phase 3 to 7 of the Battersea Power Station project.

**Earnings estimate maintained.** We do not expect earnings impact from the potential sale of commercial assets on S P Setia in the near term as completion of the commercial buildings is expected to take place in 2020. Hence, we maintain our earnings forecast for FY17/18.

**Maintain BUY with TP of RM4.13.** We maintain our TP 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, dividend yield of S P Setia is attractive at 5.8%. 

**Maintain BUY**

**Unchanged Target Price: RM4.13**

#### RETURN STATS

Price (18 Jan 2018)	RM3.19
Target Price	RM4.13
Expected Share Price Return	29.5%
Expected Dividend Yield	5.8%
<b>Expected Total Return</b>	<b>35.3%</b>

#### STOCK INFO

KLCI	1821.60
Bursa / Bloomberg	8664 / SPSB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	3,428
Market cap. (RM'm)	10,935.31
Price over NA	1.14
52-wk price Range	RM3.05 - RM4.38
Beta (against KLCI)	0.94
3-mth Avg Daily Vol	5.5m
3-mth Avg Daily Value	RM18.5m
Major Shareholders (%)	
Yayasan Pelaburan Bumiputera	28.06%
Skim ASB	25.89%
KWAP	7.77%
EPF	5.90%

## INVESTMENT STATISTICS

FYE Dec	FY14A*	FY15A**	FY16A	FY17F	FY18F
Revenue	3,810	6,746	4,957	6,096	7,140
Core EBIT	830	1,643	1,187	1,158	1,706
Core PBT	769	1,428	1,141	1,097	1,392
Net Income	406	918	808	724	919
Core Net Income	453	920	764	724	919
EPS (sen)	16.30	35.66	29.82	27.55	27.01
Core EPS (sen)	18.19	35.72	28.19	27.55	27.01
Net DPS (sen)	9.70	23.00	20.00	18.59	19.30
Net Dvd Yield	3.0%	7.2%	6.3%	5.8%	6.0%
Core PER	17.5	8.9	11.3	11.6	11.8
NTA/share (RM)	2.31	2.81	2.83	2.93	3.02
P/NTA	1.38	1.14	1.13	1.09	1.06
Core ROE	7.7%	12.4%	8.3%	7.7%	9.4%
Core ROA	3.5%	5.6%	4.1%	3.8%	4.8%

Source: Company, MIDF Research

\*Financial Year End October

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

## DAILY PRICE CHART



Jessica Low Jze Tieng  
 Jessica.low@midf.com.my  
 03-2173 8391

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

			DCF @ WACC			
Eco Xuan	Vietnam	14		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, 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
SPIICE	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>

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 >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.