



S P Setia Berhad

(8664 | SPSB MK) Main | Property

Maintain BUY

Disposing Land in Johor

Unchanged Target Price: RM0.71

KEY INVESTMENT HIGHLIGHTS

- **Disposing land in Johor**
- **Slight positive on land disposal**
- **Lower net gearing**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM0.71**

Disposing land in Johor. S P Setia Berhad (S P Setia) announced that Pelangi Sdn Bhd, an indirect wholly-owned subsidiary of S P Setia had on 5th July 2023 entered into a conditional sale and purchase agreement with Scientex Lestari Sdn Bhd to dispose eight parcels of freehold land measuring approximately 959.72 acres, all situated in Mukim of Tebrau, District of Johor Bahru for a cash consideration of RM547.7m. The land disposal is expected to complete by 2Q2024.

Slight positive on land disposal. This is the second time S P Setia entering into land disposal agreement with Scientex for the same plot of land in Johor. To recap, S P Setia on 7th May 2021 entered into a SPA with Scientex for the disposal of the same plot of land for RM518m. The land disposal was terminated in March 2023 due to non-fulfilment of the conditions relating to the approval by the Economic Planning Unit (EPU). Meanwhile, we view the latest land disposal to be slight positive to S P Setia as the new disposal consideration of RM547.7m is higher than the previous disposal consideration of RM518m.

Lower net gearing. The land disposal is in line with S P Setia's strategy to monetize its landbank and improve its gearing level. Net gearing level of S P Setia stayed above 0.6x in FY22 and S P Setia has been actively rebalancing its landbank as part of its capital management strategy. Note that S P Setia announced land disposal in Semenyih to Mah Sing Group for RM392m in June 2023. Meanwhile, the latest land disposal is expected to reduce net gearing of S P Setia to 0.57x from 0.61x in 1QFY23.

Maintain BUY with an unchanged TP of RM0.71. The land disposal is expected to result disposal gain of RM438m. However, we make no changes to our earnings forecast for FY23F/24F/25F as disposal gain will be excluded in our core net income forecast. We maintain our **TP** for S P Setia at **RM0.71**, based on 83% discount to RNAV. We also maintain our **BUY** call on S P Setia as we continue to see stable new sales outlook for S P Setia which will be driven by launches of projects at its township. Besides, valuation of S P Setia is undemanding, trading at steep 84% discount to NTA per share of RM3.45.



RETURN STATISTICS

Price @ 5 th July 2023 (RM)	0.565
Expected share price return (%)	25.7
Expected dividend yield (%)	2.8
Expected total return (%)	28.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.7	8.1
3 months	3.7	-4.3
12 months	-13.1	-11.1

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	4,206	4,150	4,155
Operating Profit	598	734	697
Profit Before Tax	419	452	519
Core PATAMI	273	316	367
Core EPS	6.99	8.10	9.40
DPS	1.60	1.65	1.80
Dividend Yield	2.8%	2.9%	3.2%

KEY STATISTICS

FBM KLCI	1,389.90
Issue shares (m)	4,067.98
Estimated free float (%)	22.25
Market Capitalisation (RM'm)	2,305.35
52-wk price range	RM0.41-RM0.82
3-mth average daily volume (m)	2.86
3-mth average daily value (RM'm)	1.57
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.83
Yawasan Pelaburan Bumiputra	25.98
KWAP	9.79
EPF	5.76

Analyst

Jessica Low Jze Tieng
jessica.low@midf.com.my

Location of land:

Source: Company

S P SETIA RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Setia Alam	100%	758.11	10%	47.09
Setia City	100%	7740.01	10%	288.43
Setia Alaman	100%	4177.98	10%	198.16
Setia Ecohill	100%	1739.88	10%	98.46
Setia Ecohill 2	100%	1739.88	10%	202.40
Glengowrie	100%	4600	10%	171.42
Setia Mayuri	100%	655.38	10%	38.84
Setia Eco Park	50%	1963.79	10%	42.84
Precinct Arundina @ Setia Eco Park	100%	375.57	10%	22.26
Setia Eco Glades	70%	901.91	10%	32.66

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Setia Safiro	70%	356.73	10%	11.78
Setia Eco Templer	100%	943.64	10%	51.03
Setia Warisan Tropika	100%	620.49	10%	32.09
KL Eco City	100%	2203.62	10%	113.98
Setia Federal Hill	100%	20190	10%	517.41
Setia Alamsari North	100%	964.08	10%	52.14
Setia Alamsari South	100%	3194.22	10%	165.22
Putrajaya	60%	361.88	10%	12.87
Setia Trio	70%	46.3	10%	2.11
QSPH	50%	16298	10%	281.92
Bandar Kinrara	51%	2923.46	10%	77.12
Setia Bayuemas (I&P)	52%	2520.84	10%	57.08
Setia Bayuemas (PG)	100%	372.9	10%	18.46
Alam Damai	70%	643.87	10%	20.49
Setia AlamImpian	99.9%	8404.29	10%	366.31
Temasya Glenmarie	66%	3026.27	10%	77.45
Setia Fontaines	100%	12041.24	10%	308.58
Setia Eco Forest @ Tanjung Bungah	100%	960	10%	56.90
Setia Pearl Island	100%	635	10%	35.94
Bukit Dumbar	100%	539	10%	35.12
Setia Sky Vista	100%	450	10%	27.95
Setia Sky Hill	100%	341	10%	22.22
Setia Indah Johor	100%	229.36	10%	14.25
Setia Tropika	100%	1200.42	10%	59.43
Setia Eco Cascadia	100%	1645.63	10%	81.48
Setia Business Park II	100%	293.67	10%	19.14
Bukit Indah Johor	100%	528.45	10%	28.58
Setia Eco Gardens	70%	1383	10%	52.36
Setia Business Park I	70%	185.06	10%	8.44
Taman Perling	100%	269.98	10%	16.77

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Taman Pelangi	100%	1902.4	10%	94.19
Taman Rinting	89%	776.26	10%	34.24
Taman Pelangi Indah I	100%	1902.4	10%	76.59
Taman Industri Jaya	100%	134	10%	10.59
Mukim Tanjung Kupang	100%	1800	10%	75.41
Mukim Serkat, Pontian	100%	311	10%	14.75
Aeropod @ Tanjung Aru	100%	314	10%	18.61
Lintas Land	100%	240	10%	15.64
Shangri-La Melbourne Hotel	100%	1973.47	10%	128.60
Battersea Power Station	40%	24071	10%	437.82
EcoLakes, My Phuoc	57%	1473.19	10%	38.35
EcoXuan, Lai Thieu	95%	552.98	10%	32.72
Setia Izumisano City Centre	100%	2488.49	10%	118.03
Unbilled sales		8710		512.63
Total				5,375.4
Shareholder Funds				14,139.0
Total RNAV				19,514.37
Fully Diluted Number of shares				4670
RNAV per share				4.18
Discount				83%
Target Price (RM)				0.71

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	3,763	4,454	4,206	4,150	4,155
Core EBIT	735	828	598	734	697
Core PBT	557	547	419	452	519
Net Income	284	308	273	316	367
Core Net Income	299	290	273	316	367
Core EPS (sen)	7.3	6.6	7.0	8.1	9.4
Core PER (x)	7.7	3.5	8.1	7.0	6.0
NTA/share	3.47	3.50	3.53	3.55	3.59
P/NTA	0.16	0.16	0.16	0.16	0.16
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Investment properties	2,046	2,058	2,088	2,109	2,130
Inventories	12,534	12,523	11,020	9,477	9,648
Total non-current assets	19,920	19,556	20,201	20,989	21,451
Inventories - Property dev cost	2,895	2,677	2,623	2,571	2,596
Short term deposits	206	774	1,508	1,929	2,412
Cash and bank balances	1,463	1,859	1,516	1,613	1,662
Other assets	6,700	4,954	4,971	5,680	6,504
Total Assets	31,184	29,819	30,819	32,781	34,625
LT Borrowings	9,309	6,959	7,586	7,965	8,522
ST Borrowings	3,247	4,420	5,304	6,525	8,025
Other Liabilities	2,997	3,093	2,432	2,571	2,147
Total Liability	15,553	14,473	15,322	17,060	18,695
Share capital	8,490	8,500	8,500	8,500	8,500
Other Equity	7,142	6,847	6,997	7,221	7,431
Total Equity	15,632	15,346	15,497	15,721	15,930
Equity + Liability	31,184	29,819	30,819	32,781	34,625
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
Cash flows from operating activities					
Net income before taxation	542	564	419	452	519
Net cash from operating activities	1118	1692	1675	1696	1662
Cash flows from investing activities					
Addition to inventories	-345	-306	-309	-235	-202
Net cash used in investing activities	-1010	-122	-125	-111	-84
Cash flows from financing activities					
Drawdown of bank borrowings	1428	1951	1658	1128	1015
Net cash from/(used in) financing activities	7	-2052	-1023	-1066	-1044
Net increase/(decrease) in cash and cash equivalents	115	-482	528	518	533
Cash and cash equivalent at 1 January	2821	2942	2495	3024	3542
Cash and cash equivalent at 1 December	2942	2495	3024	3542	4074
Profitability Margins	2021A	2022A	2023E	2024F	2025F
Core EBIT margin	19.5%	18.6%	14.2%	17.7%	16.8%
Core PBT margin	14.8%	12.3%	10.0%	10.9%	12.5%
PAT margin	7.6%	6.9%	6.5%	7.6%	8.8%
Core PATAMI margin	7.9%	6.5%	6.5%	7.6%	8.8%
ROE	2.1%	2.1%	1.8%	2.0%	2.3%
ROA	1.0%	1.0%	0.9%	1.0%	1.1%

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology