



## S P Setia Berhad

(8664 | SPSB MK) Main | Property

**Maintain BUY**

### Higher Tax Rate in 1HFY23

**Revised Target Price: RM0.92**  
(Previously RM0.79)


#### KEY INVESTMENT HIGHLIGHTS

- **1HFY23 earnings deemed within expectations**
- **Higher tax rate in 1HFY23**
- **1HFY23 new sales at RM2.56b**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM0.92**

**1HFY23 earnings deemed within expectations.** S P Setia Berhad 1HFY23 core net earnings of RM110.9m deemed within expectations, despite it made up 41% and 39% of our and consensus full year estimates as we expect progress billing to pick up in 2HFY23.

**Higher tax rate in 1HFY23.** Sequentially, 2QFY23 core net earnings were higher at RM60.4m (+19.6%qoq) despite lower topline (-2.6%qoq) mainly due to cost savings realised from certain completed projects. That was more than enough to mitigate the impact of higher general expenses and higher financing cost. On yearly basis, 2QFY23 core net income was lower (-16.9%yoy), bringing cumulative core net income to RM110.9m (-13%yoy). 1HFY23 earnings were lower despite marginally higher topline as earnings were dragged by higher tax rate, higher finance cost and weaker contribution from JV. Tax rate was high at 49% in 1HFY23 against that of 27% in 1HFY22 due to certain non-tax-deductible expenses and non-recognition of deferred tax assets. Finance cost was higher due to increase in interest rate. Meanwhile, unbilled sales fell to RM6.82b in 2QFY23 from RM7.2b in 1QFY23.

**1HFY23 new sales at RM2.56b.** S P Setia recorded higher new sales of RM1.5b in 2QFY23 than new sales of RM1.03b in 1QFY23. That brought total new sales in 1HFY23 to RM2.56b, which was ahead of management new sales target of RM4.2b for FY23. Note that RM2b of total new sales were contributed by property sales while RM500m was from land sales. New sales momentum was encouraging in 1HFY23, driven mainly by sale of local projects which contributed to 86% to total new sales. Looking forward, new sales of S P Setia is expected to remain encouraging as S P Setia secured bookings of RM470m as of June 2023. On the other hand, net gearing of S P Setia stood at 0.6x in June 2023. We expect balance sheet of S P Setia to improve going forward as S P Setia is actively monetising its non-strategic landbank to lower net gearing.

**Maintain BUY with a revised TP of RM0.92.** We maintain our earnings estimates for FY23F/24F/25F. We revise our **TP** for S P Setia from RM0.79 to **RM0.92** as we narrowed RNAV discount to 78% from 81% as new sales prospect is positive while balance sheet is expected to improve. We maintain our **BUY** call on S P Setia as valuation of S P Setia remains undemanding, trading at steep 77% discount to NTA per share of RM3.51. 

#### RETURN STATISTICS

Price @ 16 <sup>th</sup> Aug 2023 (RM)	0.79
Expected share price return (%)	+16.5
Expected dividend yield (%)	2.0
<b>Expected total return (%)</b>	<b>+18.5</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	26.1	21.8
3 months	37.6	36.6
12 months	-2.6	1.2

#### 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	2.03%	2.09%	2.28%

#### KEY STATISTICS

FBM KLCI	1,463.51
Issue shares (m)	4,067.98
Estimated free float (%)	22.91
Market Capitalisation (RM'm)	3,223
52-wk price range	RM0.41-RM0.78
3-mth average daily volume (m)	7.52
3-mth average daily value (RM'm)	4.72
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.83
Yawasan Pelaburan Bumiputra	25.98
KWAP	9.98

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

## SPSETIA: 2QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	942.7	-7.4%	-2.6%	1910.4	1.3%
Core EBIT	251.3	24.6%	21.3%	569.4	57.8%
Core PBT	137.4	7.5%	23.8%	359.4	54.2%
Net Income	43.1	-46.2%	-22.3%	98.5	-33.3%
Core Net Income	60.4	-16.9%	19.6%	110.9	-13.0%
EPS (sen)	1.06	-46.4%	-22.4%	2.4	-33.4%
Core EPS (sen)	1.48	-17.2%	19.4%	2.7	-13.2%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	3.506	NA	NA	3.5	NA
Net Gearing (x)	0.60	NA	NA	0.6	NA
Core EBIT Margin	26.7%	NA	NA	29.8%	NA
Core PBT Margin	14.6%	NA	NA	18.8%	NA

## S P SETIA RNAV

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Projects</b>				
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
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

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
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
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

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
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
<b>Total RNAV</b>				<b>19,514.37</b>
Fully Diluted Number of shares				4670
RNAV per share				4.18
Discount				78%
<b>Target Price (RM)</b>				<b>0.92</b>

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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)	10.8	3.5	11.3	9.8	8.4
NTA/share	3.47	3.50	3.53	3.55	3.59
P/NTA	0.23	0.23	0.22	0.22	0.22
<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Total Assets</b>	<b>31,184</b>	<b>29,819</b>	<b>30,819</b>	<b>32,781</b>	<b>34,625</b>
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
<b>Equity + Liability</b>	<b>31,184</b>	<b>29,819</b>	<b>30,819</b>	<b>32,781</b>	<b>34,625</b>
<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
<b>Cash flows from operating activities</b>					
Net income before taxation	542	564	419	452	519
Net cash from operating activities	1118	1692	1675	1696	1662
<b>Cash flows from investing activities</b>					
Addition to inventories	-345	-306	-309	-235	-202
Net cash used in investing activities	-1010	-122	-125	-111	-84
<b>Cash flows from financing activities</b>					
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
<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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%

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (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 (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

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 MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment 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. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

Source: Bloomberg, MIDFR

### 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