



## S P Setia Berhad

(8664 | SPSB MK) Main | Property

### Visit to Setia iHome

#### KEY INVESTMENT HIGHLIGHTS

- **Visit to S P Setia's iHome**
- **Moving towards green and sustainable home**
- **Expanding presence in Australia**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM1.04**

**Visit to S P Setia's iHome.** We visited S P Setia's iHome located at Setia Alamsari, Kajang and came away feeling positive on sustainable home and smart features of its upcoming projects. Key takeaways from the visit as below:

**Features of Setia iHome.** Setia iHome is S P Setia's latest collection of smart and sustainable home. Key features of Setia iHome include (1) smart home system that allows home owners to control multiple switches and power plugs remotely via mobile apps, (2) green switch which is a master switch to activate and deactivate all lights and non-essential electrical points, (3) smart lock, (4) solar PV conduit ready, (5) EV port ready, (6) Box 366 which is a contactless drop box for food deliveries and parcels, and (7) rainwater harvesting system which connected to outdoor taps. The features of iHome will be introduced in future landed residential projects which comes in different packages. Meanwhile, cost of iHome packages will be factored in at property selling price.

**Moving towards green and sustainable home.** Most of the features of iHome are for energy savings namely smart home system, green switch and solar PV. Smart home system and green switch help reduce energy consumption as all appliances will be able to switch off with one touch. Similarly, homeowners of Setia iHome with solar panels installed will be able to track electricity savings from using solar power via a mobile app. Meanwhile, rainwater harvesting system helps homeowners leverage on renewable energy resources. Besides, Box366 is an innovative feature of S P Setia as it provides contactless food deliveries and parcel amid growing trend of food deliveries and parcel. Overall, we think that the green and sustainable features of iHome to provide competitive edge to S P Setia and attract buying interest of property buyers.

**Expanding presence in Australia.** On a separate note, S P Setia announced that it has acquired a 1,374sqm prime land site in Sydney, New South Wales at cost of AUD73.3m (RM220m). The new venture is S P Setia's maiden foray into Sydney. S P Setia plans to develop a residential development and secondary commercial and retail use with estimated GDV of AUD236m (RM708m) which translates into land cost to GDV ratio of 31%. We estimate net gearing of S P Setia to go up marginally to 0.62x from 0.6x in June 2023. Nevertheless, we expect net gearing to be manageable as S P Setia is actively monetising its non-strategic landbank to lower net gearing.

**Maintain BUY****Revised Target Price: RM1.04**  
(Previously RM0.92)

#### RETURN STATISTICS

Price @ 4th Sept 2023 (RM)	0.895
Expected share price return (%)	+16.2
Expected dividend yield (%)	1.8
<b>Expected total return (%)</b>	<b>+18.0</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	42.5	40.7
3 months	66.1	62.7
12 months	24.0	26.3


#### 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	1.79%	1.84%	2.01%

#### KEY STATISTICS

FBM KLCI	1,462.72
Issue shares (m)	4,067.98
Estimated free float (%)	22.92
Market Capitalisation (RM'm)	3,652
52-wk price range	RM0.41-RM0.98
3-mth average daily volume (m)	13.44
3-mth average daily value (RM'm)	10.07
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.83
Yawasan Pelaburan Bumiputra	25.98
KWAP	9.98

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**Maintain BUY with a revised TP of RM1.04.** Post visit, we make no changes to our earnings estimates for FY23F/24F/25F. Meanwhile, we revise our **TP** to **RM1.04** from RM0.92 as we narrowed RNAV discount to 75% from 78% in view of the innovative and smart features of iHome that provide competitive edge to S P Setia. Besides, valuation of S P Setia remains undemanding, trading at 75% discount to NTA per share of RM3.51. Hence, we maintain our **BUY** call on S P Setia. 

**Figure 1: Setia iHome at Setia Alamsari**



Source: Company, MIDF Research

**Figure 2: Setia Box 366**



Source: Company, MIDF Research

**Figure 3: Rainwater Harvesting System**



Source: Company, MIDF Research

## 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
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
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	75%
<b>Target Price (RM)</b>	<b>1.04</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)	12.2	3.5	12.8	11.0	9.5
NTA/share	3.47	3.50	3.53	3.55	3.59
P/NTA	0.26	0.26	0.25	0.25	0.25
<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%

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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