



S P Setia Berhad

(8664 | SPSB MK) Main | Property

Earnings Lifted by Land Sale


KEY INVESTMENT HIGHLIGHTS

- **FY23 earnings above expectations**
- **Earnings lifted by land sale**
- **Strong new sales of RM5.1b in FY23**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM1.16**

FY23 earnings above expectations. S P Setia Berhad FY23 core net earnings of RM330.9m came in above expectations, making up 147% and 191% of our and consensus estimates. The positive deviation was mainly due to disposal gain on land and lower tax rate in 4QFY23. Meanwhile, S P Setia announced a dividend of 1.34sen for FY23 which translates into dividend yield of 1.6%.

Earnings lifted by land sale. Sequentially, 4QFY23 core net income jumped to RM177.5m (+314%qoq) due to land sales and lower tax rate. Tax rate was lower at 39% in 4QFY23 against tax rate of 53.7% in 3QFY23. Meanwhile, FY23 core net income was higher at RM330.9m (+13.9%yoy). The higher earnings in FY23 were contributed by land sales gain of ~RM110m and better margin. Gross profit margin improved to 31% from 24% in FY22 as land sales and cost savings upon project accounts finalisation widened gross profit margin. That has cushioned the impact of higher administrative expenses (+22%yoy) and higher finance costs (+34%yoy). Meanwhile, unbilled sales declined to RM5.6b in 4QFY23 from RM6.76b in 3QFY23.

Strong new sales of RM5.1b in FY23. S P Setia recorded new sales of RM1.2b in 4QFY23, lower than new sales of RM1.33b in 3QFY23. That brought total new sales to RM5.1b in FY23 which is ahead of its new sales target of RM4.2b for FY23. The stronger than expected new sales were mainly contributed by land sales of RM836m in FY23. Excluding land sales, new property sales are estimated at RM4.2b in FY23. Looking ahead, management set new sales target of RM4.4b for FY24. Meanwhile, key launch in FY24 include phase 1 of Setia Federal Hill which is a JV with Mitsui Fudosan. Project GDV is at RM1.4b and management targets to launch the project in 3QFY24.

Maintain BUY with an unchanged TP of RM1.16. We maintain our earnings forecast for FY24F/25F as we do not factor in land sales in our forecast. We also introduce our earnings forecast for FY26F. We maintain our **TP** for S P Setia at **RM1.16**, based on 73% discount to RNAV. We remain positive on S P Setia as new sales prospect is stable, supported by its township projects. Besides, valuation of S P Setia remains undemanding, trading at steep 75% discount to NTA per share of RM3.44. Hence, we maintain our **BUY** call on S P Setia. 

Maintain BUY**Unchanged Target Price: RM1.16**

RETURN STATISTICS

Price @ 29 Feb 2024 (RM)	0.845
Expected share price return (%)	37.3
Expected dividend yield (%)	1.9
Expected total return (%)	39.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.1	-8.1
3 months	5.6	6.6
12 months	36.3	28.2

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	4,150	4,155	4,320
Operating Profit	715	884	792
Profit Before Tax	434	488	510
Core PATAMI	281	340	356
Core EPS	6.71	8.10	8.48
DPS	1.65	1.80	1.90
Dividend Yield	1.9%	2.1%	2.2%

KEY STATISTICS

FBM KLCI	1,551.44
Issue shares (m)	4,067.98
Estimated free float (%)	29.29
Market Capitalisation (RM'm)	3,761
52-wk price range	RM0.51-RM1.06
3-mth average daily volume (m)	14.51
3-mth average daily value (RM'm)	12.63
Top Shareholders (%)	
Amanah Saham Nasional Bhd	31.93
Yawasan Pelaburan Bumiputra	23.82
KWAP	9.31

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SPSETIA: 4QFY23 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	4QFY23	%YoY	%QoQ	FY23	%YoY
Revenue	1383.8	-19.0%	28.2%	4373.6	-1.8%
Core EBIT	388.6	41.5%	64.1%	1084.4	31.0%
Core PBT	313.2	54.4%	147.1%	688.1	25.9%
Net Income	148.2	64.1%	186.1%	298.6	-3.1%
Core Net Income	122.5	23.7%	185.7%	220.9	-23.9%
EPS (sen)	3.53	59.2%	177.9%	7.2	-4.7%
Core EPS (sen)	2.92	19.9%	177.6%	6.7	1.9%
Net DPS (sen)	1.34	-8.8%	NA	1.3	-8.8%
NTA/share (RM)	3.440	NA	NA	3.4	NA
Net Gearing (x)	0.53	NA	NA	0.5	NA
Core EBIT Margin	28.1%	NA	NA	24.8%	NA
Core PBT Margin	22.6%	NA	NA	15.7%	NA

S P SETIA RNAV

S P Setia RNAV	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Projects				
Setia Alam	100%	1006.61	10%	62.53
Setia City	100%	8961	10%	407.47
Setia Alaman	100%	4177.98	10%	206.85
Setia Ecohill	100%	1883	10%	111.60
Setia Ecohill 2	100%	1883	10%	263.79
Glengowrie	100%	2160	10%	83.63
Setia Mayuri	100%	740.98	10%	46.03
Setia Eco Park	50%	1860	10%	42.29
Precinct Arundina @ Setia Eco Park	100%	230	10%	14.29
Setia Eco Glades	70%	853	10%	32.29
Setia Safiro	70%	784	10%	31.06
Setia Eco Templer	100%	833	10%	47.14
Setia Warisan Tropika	100%	558	10%	30.18
KL Eco City	100%	2203.62	10%	119.17
Setia Federal Hill	100%	20190	10%	533.56

Setia Alamsari North	100%	909.95	10%	51.50
Setia Alamsari South	100%	3198	10%	172.95
Putrajaya	60%	361.88	10%	13.49
Setia Trio	70%	1.2	10%	0.06
QSPH	50%	16298	10%	292.49
Bandar Kinrara	51%	2721	10%	75.05
Setia Bayuemas (I&P)	52%	2374	10%	56.03
Setia Bayuemas (PG)	100%	372.9	10%	19.29
Alam Damai	70%	629	10%	27.35
Setia AlamImpian	99.9%	7579	10%	344.29
Temasya Glenmarie	66%	2822	10%	75.10
Setia Fontaines	100%	11914	10%	314.85
Setia Eco Forest @ Tanjung Bungah	100%	960	10%	49.66
Setia Pearl Island	100%	635	10%	32.85
Bukit Dumbar	100%	539	10%	35.12
Setia Sky Vista	100%	450	10%	23.28
Setia Sky Hill	100%	341	10%	17.64
Seri Bayu	100%	240	10%	12.41
Setia Raintree Residence	100%	200	10%	10.34
Setia Sky Ville	100%	153	10%	7.91
Setia Miracca (Setia Sky Cubes)	100%	235	10%	13.93
Pangsapuri Rimbun	100%	18	10%	0.93
Setia Indah Johor	100%	229.36	10%	14.95
Setia Tropika	100%	1096	10%	56.69
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%	29.91
Setia Eco Gardens	70%	1248	10%	45.19
Setia Business Park I	70%	312	10%	11.30

Taman Perling	100%	222.49	10%	13.82
Taman Pelangi	100%	1658.7	10%	93.87
Taman Rinting	89%	763	10%	35.16
Taman Pelangi Indah I	100%	2004	10%	83.96
Taman Industri Jaya	100%	53.49	10%	3.17
Taman Pelangi Indah II	100%	7939	10%	274.65
Mukim Tanjung Kupang	100%	1763	10%	76.92
Mukim Serkat, Pontian	100%	311	10%	15.40
Aeropod @ Tanjung Aru	100%	1350	10%	73.01
Lintas Land	100%	925	10%	57.46
Shangri-La Melbourne Hotel	100%	1643	10%	107.07
Battersea Power Station	40%	28216	10%	535.30
EcoLakes, My Phuoc	57%	640	10%	22.76
EcoXuan, Lai Thieu	95%	608	10%	32.77
Setia Izumisano City Centre	100%	2488.49	10%	123.21
Unbilled sales		6760		397.87
Total				5,883.4
Shareholder Funds				14,217.5
Total RNAV				20,100.93
Fully Diluted Number of shares				4670
RNAV per share				4.30
Discount				73%
Target Price (RM)				1.16

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023E	2024E	2025F	2026F
Revenue	4,454	4,374	4,150	4,155	4,320
Core EBIT	828	1,084	715	884	792
Core PBT	547	688	434	488	510
Net Income	308	299	281	340	356
Core Net Income	290	331	281	340	356
Core EPS (sen)	6.6	8.0	6.7	8.1	8.5
Core PER (x)	3.5	10.6	12.6	10.4	10.0
NTA/share	3.50	3.44	3.46	3.49	3.52
P/NTA	0.24	0.25	0.24	0.24	0.24
Balance Sheet (RM'm)	2022A	2023E	2024E	2025F	2026F
Investment properties	2,058	1,980	1,999	2,019	2,040
Inventories	12,523	12,357	10,627	10,818	11,013
Total non-current assets	19,556	19,479	20,239	20,684	21,139
Inventories - Property dev cost	2,677	2,159	2,116	2,137	2,158
Short term deposits	774	441	196	148	342
Cash and bank balances	1,859	2,054	1,792	1,902	1,916
Other assets	4,954	4,873	6,206	7,168	6,745
Total Assets	29,819	29,006	30,549	32,038	32,301
LT Borrowings	6,959	7,102	7,457	7,979	8,538
ST Borrowings	4,420	3,043	3,743	4,604	4,503
Other Liabilities	3,093	3,198	3,464	3,362	2,954
Total Liability	14,473	13,344	14,664	15,945	15,995
Share capital	8,500	8,723	8,723	8,723	8,723
Other Equity	6,847	6,940	7,162	7,370	7,584
Total Equity	15,346	15,663	15,885	16,093	16,306
Equity + Liability	29,819	29,006	30,549	32,038	32,301
Cash Flow (RM'm)	2022A	2023E	2024E	2025F	2026F
Cash flows from operating activities					
Net income before taxation	564	656	434	488	510
Net cash from operating activities	1692	2301	2329	2282	2257
Cash flows from investing activities					
Addition to inventories	-306	-330	-251	-216	-185
Net cash used in investing activities	-122	-382	-340	-258	-145
Cash flows from financing activities					
Drawdown of bank borrowings	1951	1777	1209	1088	979
Net cash from/(used in) financing activities	-2052	-2163	-2256	-1963	-1904
Net increase/(decrease) in cash and cash equivalents	-482	-243	-267	61	209
Cash and cash equivalent at 1 January	2942	2495	2255	1988	2049
Cash and cash equivalent at 1 December	2495	2255	1988	2049	2258
Profitability Margins	2022A	2023E	2024E	2025F	2026F
Core EBIT margin	18.6%	24.8%	17.2%	21.3%	18.3%
Core PBT margin	12.3%	15.7%	10.5%	11.7%	11.8%
PAT margin	6.9%	6.8%	6.8%	8.2%	8.2%
Core PATAMI margin	6.5%	7.6%	6.8%	8.2%	8.2%
ROE	2.1%	2.3%	1.8%	2.1%	2.2%
ROA	1.0%	1.1%	0.9%	1.1%	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