



S P Setia Berhad

(8664 | SPSB MK) Main | Property

Started FY24 on a Positive Note


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings within expectations**
- **Started FY24 on a positive note**
- **New sales at RM1.42b in 1QFY24**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM1.68**

1QFY24 earnings within expectations. S P Setia Berhad 1QFY24 core net earnings of RM72.6m came in within expectations, making up 26% and 21% of ours and consensus full year estimates. Note that we have excluded mainly the forex gain and fair value adjustment in our core net income calculations.

Started FY24 on a positive note. Sequentially, 1QFY24 core net income eased to RM72.6m (-59.1%qoq) despite higher topline (+6.7%qoq) as earnings were partly dragged by higher tax rate of 48% in 1QFY24 against tax rate of 39% in 4QFY23. On yearly basis, 1QFY24 core net income was higher (+43.7%yoy), in tandem with the higher revenue (+52.5%yoy) as earnings was lifted by land sales gain mainly from land disposal in Semenyih to Mah Sing Group. Besides, earnings were supported by higher contribution from Vietnam operations following handover of Eco Xuan. That has more than enough to offset the higher administrative and market expenses as well as higher finance costs.

New sales at RM1.42b in 1QFY24. S P Setia recorded total new sales of RM1.42b in 1QFY24, higher than new sales of RM1.2b in 4QFY23. The higher new sales were mainly supported by land sales of RM731m in 1QFY24. New sales in 1QFY24 are on track to meet management new sales target of RM4.4b for FY24. Meanwhile, management expects new property sales to pick up in the remaining quarters due to ramp up in launches. Meanwhile, unbilled sales declined to RM5.38b in 1QFY24 from RM5.6b in 4QFY23, providing more than one year earnings visibility.

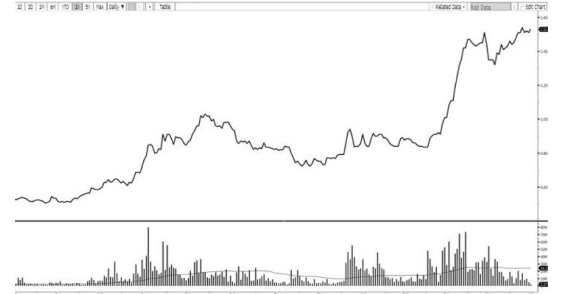
Maintain BUY with a revised TP of RM1.68. We maintain our earnings forecast for FY24F/25F/26F. We revise our **TP** for S P Setia to **RM1.68** from RM1.16 as we narrow our RNAV discount to 61% from 73%. The narrower RNAV discount is premised on stable new sales prospect and improving balance sheet position. Note that net gearing of S P Setia reduced to 49% in 1QFY24 from 53% in FY23 due to its asset monetisation exercise. Meanwhile, valuation of S P Setia remains attractive, trading at 54% discount to latest NTA per share of RM3.30. Hence, we maintain our **BUY** call on S P Setia. 

Maintain BUY**Revised Target Price: RM1.68**
(Previously RM1.16)

RETURN STATISTICS

Price @ 16 May 2024 (RM)	1.53
Expected share price return (%)	+9.8
Expected dividend yield (%)	+1.1
Expected total return (%)	+10.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.2	2.0
3 months	4.1	64.4
12 months	183.3	149.9

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	1.1%	1.2%	1.2%

KEY STATISTICS

FBM KLCI	1,611.11
Issue shares (m)	4,067.98
Estimated free float (%)	31.83
Market Capitalisation (RM'm)	7,249
52-wk price range	RM0.51-RM1.56
3-mth average daily volume (m)	23.94
3-mth average daily value (RM'm)	29.60
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.28
Yawasan Pelaburan Bumiputra	22.37
KWAP	9.19

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SPSETIA: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	1476.0	52.5%	6.7%	1476.0	52.5%
Core EBIT	280.3	35.4%	-27.9%	280.3	35.4%
Core PBT	176.4	58.9%	-43.7%	176.4	58.9%
Net Income	77.3	39.5%	-47.8%	77.3	39.5%
Core Net Income	72.6	43.7%	-59.1%	72.6	43.7%
EPS (sen)	1.75	29.0%	-50.3%	1.8	29.0%
Core EPS (sen)	1.65	32.9%	-61.1%	1.6	32.9%
Net DPS (sen)	0.0	NA	NA	0.0	NA
NTA/share (RM)	3.269	NA	NA	3.3	NA
Net Gearing (x)	0.49	NA	NA	0.5	NA
Core EBIT Margin	19.0%	NA	NA	19.0%	NA
Core PBT Margin	12.0%	NA	NA	12.0%	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

S P Setia RNAV					
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)	
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	

S P Setia RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
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				61%
Target Price (RM)				1.68

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	19.1	22.8	18.9	18.0
NTA/share	3.50	3.44	3.46	3.49	3.52
P/NTA	0.44	0.44	0.44	0.44	0.43
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