



S P Setia Berhad

(8664 | SPSB MK) Main | Property

Successful Land Monetisation in Johor


KEY INVESTMENT HIGHLIGHTS

- Land disposal in Johor completed
- Successful land monetisation
- Lower net gearing
- Earnings forecast maintained
- Maintain BUY with an unchanged TP of RM1.68

Land disposal in Johor completed. S P Setia Berhad (S P Setia) announced that the sale of its 959.72 acres of land in Tebrau, Johor by its subsidiary, Pelangi Sdn Bhd, to Senibong Island Sdn Bhd has been completed. Note that the sale and purchase agreement for the land deal was signed on 29th February 2024. Meanwhile, disposal consideration of the land is RM564m and S P Setia is expected to record a gain on disposal of RM333m.

Successful land monetisation. We view the completion of land disposal positively as S P Setia has finally been successful monetising its 959.72 acres of landbank in Johor. Note that S P Setia previously made two attempts to dispose the same parcel of land to Scientex Berhad. The first attempt for disposal of land to Scientex Berhad was in 2021 with disposal consideration of RM518m while second attempt for land disposal was in 2023 with higher disposal consideration of RM547.65m. However, the land deals did not go through as approval from Economic Planning Unit (EPU) was not obtained. Meanwhile, the successful land disposal to Senibong Island Sdn Bhd is positive to S P Setia as the disposal consideration is higher at RM564m.

Lower net gearing. The land disposal is in line with S P Setia's strategy to monetise its landbank and to reduce its net gearing. With the latest land disposal, we estimate net gearing to decline to 0.45x from 0.49x in 1QFY24. Meanwhile, S P Setia remains on active land monetisation with another ongoing land disposal in Johor. Note that S P Setia signed sale and purchase agreement with Maxim Pelangi Sdn Bhd in March 2024 for the disposal of 6.5 acres of land in Johor for disposal consideration of RM167m.

Maintain BUY with an unchanged TP of RM1.68. We maintain our earnings forecast for FY24F/25F/26F as disposal gain on land is excluded from our core net income forecast. Our **TP** for S P Setia is unchanged at **RM1.68**, based on 61% discount to RNAV. Valuation of S P Setia remains attractive, trading at 55% discount to latest NTA per share of RM3.30. Besides, the potential listing of its investment properties under REIT will unlock value of its investment properties. Hence, we maintain our **BUY** call on S P Setia. 

Maintain BUY

Unchanged Target Price: RM1.68

RETURN STATISTICS

Price @ 11 June 2024 (RM)	1.48
Expected share price return (%)	+13.5
Expected dividend yield (%)	+1.1
Expected total return (%)	+14.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.0	-2.6
3 months	0.7	45.7
12 months	169.1	131.6

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	1,611.49
Issue shares (m)	4,108.46
Estimated free float (%)	32.86
Market Capitalisation (RM'm)	7,038.46
52-wk price range	RM0.51-RM1.64
3-mth average daily volume (m)	24.46
3-mth average daily value (RM'm)	33.07
Top Shareholders (%)	
Amanah Saham Nasional Bhd	33.43
Yawasan Pelaburan Bumiputra	22.29
KWAP	9.11

Analyst

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

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

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

S P Setia RNAV				
	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
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	2023A	2024F	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	18.5	22.1	18.3	17.5
NTA/share	3.50	3.44	3.46	3.49	3.52
P/NTA	0.42	0.43	0.43	0.42	0.42
Balance Sheet (RM'm)	2022A	2023A	2024F	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	2023A	2024F	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	2023A	2024F	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%

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.

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