

12 June 2024

S P Setia

Sells 960-acre Johor Land for RM564m

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SPSETIA has sold 959.7-acre land in Tebrau, Johor, for RM564m cash. We believe the pricing is fair as it is in line with the transacted market price within the area. We are positive on the latest development which in-line with its strategy to monetise selected land parcels to de-gear. We raise our FY24-25F earnings forecasts by 0.7% and 0.4%, respectively, lift our TP by 6% to RM0.85 (from RM0.80) but maintain our UNDERPERFORM call.

SPSETIA has sold 959.7-acre land in Tebrau to Senibong Island Sdn Bhd (reportedly linked to tycoon Tan Sri Syed Mokhtar) for RM564m cash. The land was previously intended for sale to SCIENTX (UP; TP: RM3.95) at RM547.7m but fell through as a waiver for Bumiputera equity conditions was refused.

At RM13.50 per sq ft (psf), the price tag is within the market price range of RM11-RM14psf. SPSETIA reported RM332.0m gains from the disposal.

We are positive on the latest development which in-line with the group's strategy to monetise selected land parcels to de-gear its balance sheet. The proceeds will reduce its net debt and gearing of RM7.1b and 0.49x as at end-Mar 2024 to RM6.5b and 0.45x, respectively.

Separately, SPSETIA said that it has commenced pre-IPO preparatory work for a REIT to unlock value of its property investment portfolio, which we believe, comprises among others, Setia City Mall, Setia Convention Centre and Amari KL Hotel.

Forecasts. While we consider the transaction as one-off item, we raise our FY24-25F earnings forecasts by 0.7% and 0.4%, respectively, to reflect interest savings from the proceeds.

Valuations. We also raise our TP by 6% to RM0.85 (from RM0.80), having reflected gains from the disposal. We continue to apply an RNAV discount of 75%, vs. 55% average for the sector, to reflect the low realisability of SPSETIA's GDV. There is no adjustment to our TP based on ESG given a 3-star ESG rating as appraised by us (see Page 4).

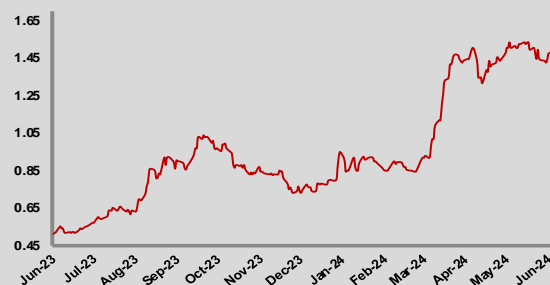
Investment case. We remain cautious on SPSETIA due to: (i) its significant exposure to the high-end landed and high-rise residential segments, which are not highly sought after by buyers at present, (ii) its high gearing and hence debt servicing obligation amidst a high interest environment, and (iii) losses at its JV projects. Maintain **UNDERPERFORM**.

Risks to our call include: (i) strong recovery in the property sector, (ii) changes mortgage rates boosting affordability, (iii) construction costs stabilise/decline, and (iv) risks associated with overseas operations.

UNDERPERFORM ↔

Price : **RM1.48**
Target Price : **RM0.85** ↑

Share Price Performance



KLCI 1,611.49
YTD KLCI chg 10.8%
YTD stock price chg 85.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SPSB MK Equity
Market Cap (RM m)	7,038.5
Shares Outstanding	4,755.7
52-week range (H)	1.54
52-week range (L)	0.52
3-mth avg. daily vol.	24,457,090
Free Float	33%
Beta	1.0

Major Shareholders

Amanah Saham Nasional	33.4%
Yayasan Pelaburan Bumiputra	22.3%
Kumpulan Wang Persaraan	9.1%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	4,374	4,533	4,627
Operating Profit	953	943	957
Profit Before Tax	656	669	682
Net Profit (NP)	299	304	311
Core NP (CNP)	209	245	251
Consensus (CNP)	-	480	328
Earnings Revision	-	+0.7%	+0.4%
FD EPS (sen)	5.1	5.9	6.1
FD EPS growth (%)	86.5	17.0	2.5
NDPS (sen)	5.3	4.5	6.0
BV/Share (RM)	3.5	3.5	3.6
FD PER (x)	29.1	24.9	24.3
Price/BV (x)	0.4	0.4	0.4
Net Gearing (x)	0.6	0.6	0.5
Dividend Yield (%)	3.6	3.0	4.1

* CNP : Defined as core net profit to attributable to ordinary shareholders i.e. net of hybrid capital financing costs (e.g. Perpetual bonds). But note that our CNP excludes one-offs and non-cash adjustments.

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE		Net Div. (sen)		Net Div Yld	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
PROPERTY DEVELOPERS																					
ECO WORLD DEVELOPMENT GROUP	UP	1.63	1.37	-16.0%	4,800.9	Y	10/2024	9.7	10.3	5.2%	5.8%	16.8	15.9	1.0	5.9%	6.0	3.7%				
IOI PROPERTIES GROUP BHD	UP	2.47	1.75	-29.1%	13,600.2	N	06/2024	14.1	14.4	23.5%	2.0%	17.5	17.1	0.6	3.4%	4.5	1.8%				
MAH SING GROUP BHD	OP	1.79	1.87	4.5%	4,582.6	Y	12/2024	10.2	11.0	14.6%	8.5%	17.6	16.2	1.1	6.5%	4.0	2.2%				
MKH BHD	OP	1.34	2.11	57.5%	773.7	Y	09/2024	18.0	20.1	41.8%	11.2%	7.4	6.7	0.4	5.3%	6.0	4.5%				
S P SETIA BHD	UP	1.48	0.850	-42.6%	7,038.5	Y	12/2024	5.9	6.1	17.0%	2.5%	24.9	24.3	0.4	1.9%	4.5	3.0%				
SIME DARBY PROPERTY BHD	MP	1.34	1.08	-19.4%	9,113.1	Y	12/2024	6.3	6.5	7.1%	3.8%	21.4	20.6	0.9	4.1%	3.0	2.2%				
SUNWAY BHD	UP	3.67	2.47	-32.7%	20,678.0	Y	12/2024	14.6	14.7	26.0%	1.2%	25.2	24.9	1.4	6.0%	6.0	1.6%				
UOA DEVELOPMENT BHD	MP	2.04	1.79	-12.3%	5,080.5	Y	12/2024	10.6	10.4	19.3%	-2.1%	19.2	19.6	0.9	4.5%	6.5	3.2%				
SECTOR AGGREGATE					65,667.5					18.8%	2.9%	20.5	19.9	0.8	4.7%		2.8%				

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	☆		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent/Water Management	★	★	★	☆	
	Waste Management	★	★	★		
	Biodiversity & Conservation	★	★	★	☆	
	Green Building	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published by:

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