

02 March 2026

S P Setia

Bumpy Land Sale Gains in 4Q

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SPSETIA's FY25 earnings were above expectations due to RM430m PAT gain from land monetisation in FY25. The group exceeded its FY25 sales target achieving RM5.1b sales, and has a lower sales target of RM4.6b for FY26 from fewer land sales activities. Battersea is also reporting narrowing sequential losses, thanks to improving sales performance. FY26 outlook will be powered by Setia Alaman's progress billings, Setia Fontaines targeted launch in 2QFY26 and the ongoing development in Setia Federal Hill. Maintain OUTPERFORM and TP of RM1.43. SPSETIA is one of our sector Top Picks.

Above expectations. SPSETIA's FY25 net profit (adjusted for a total RCPS dividend distribution of RM81.8m as well as lumpy inventories write down of RM189m in 4QFY25 pertaining to the collective reconciliation of past projects over the past three years), made up 219% of our full-year forecast and 163% of consensus estimate. This was primarily due to huge land sales gains of about RM420m in FY25; excluding this, its net profit would have come in at 73% of our full-year forecast, following weakness in property development recognition.

YoY, FY25 revenue fell by 20%, largely due to significantly larger land sales recognition in FY24 of RM1.46b against FY25's RM838m. Excluding land sales, revenue would have still declined by 12% owing to an overall lower take-up rate in its property development launches and significant handovers from international projects (Australia, Vietnam) in the preceding year. On the flipside, after excluding a one-off write-down of inventories of RM189.3m in 4QFY25, its core net profit surged by 46%, largely thanks to the RM420m PAT recognition. This largely consists of the monetisation of Tanjung Kupang which concluded in 4QFY25, contributing to PAT of RM300m. This was further supported by narrowing losses from its Battersea JV.

QoQ, 4QFY25 turnover and PBT were higher by 87% and 193%, respectively, attributed to the Tanjung Kupang land sales, coupled with stronger property development sales performance in 4QFY25. Separately, the group has achieved 70% take-up rate for its Vietnam project Phase 1 since its launching in Dec 2025.

Highlights. The group achieved total sales of RM5.1b in FY25, exceeding its RM4.8b full-year target. That said, without land bank optimisation, FY25 property development sales of RM3.8b would be 7% lower than FY24 property development sales instead. More launches are anticipated in FY26, which we opine would be anchored by Setia Federal Hill (GDV: RM21b), Setia Alaman (target GDV: RM4b over six years), and Setia Fontaines (GDV: RM12b). The group also unveiled its FY26 sales target of RM4.6b which is slightly lower than its FY25 sales target due to fewer expected land monetisation exercises.

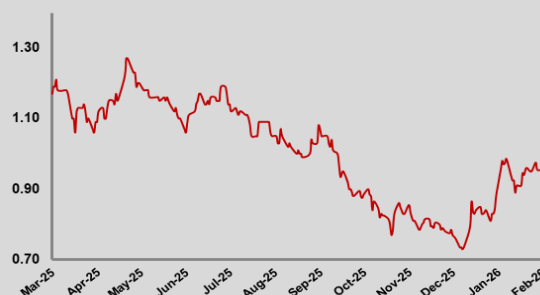
Gearing for the group was reduced to 0.33x from 0.36x versus previous highs of 0.6x-0.7x following land monetisation initiatives. This financial flexibility should better enable the group to undertake new high value projects such as Setia Federal Hill, targeting the more affluent customer segment. Meanwhile, SPSETIA may continue to explore data centre deals in its industrial pipeline. Further information with regards to any potential partnership structure remains scarce. In relation to its proposed REIT listing, the latest estimated listing date is set to be in 1QFY27, on a RM2b+ asset size comprised of eight diversified assets.

Forecasts. We lift our FY26F earnings by 28% post results to reflect some potential land sales gains in FY26, more industrial launches together with anticipated narrowing Battersea losses. Meanwhile, we introduce our new FY27F earnings that imply a 10% net profit growth stemming from ongoing oversea expansion and a better product mix.

OUTPERFORM ↔

Price : RM0.915
Target Price : RM1.43 ↔

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	25.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SPSB MK EQUITY
Market Cap (RM m)	4,578.0
Shares Outstanding	5003.3
52-week range (H)	1.33
52-week range (L)	0.72
3-mth avg. daily vol.	11,399,730
Free Float	51%
Beta	1.0

Major Shareholders

Amanah Saham Nasional	27.7%
Yayasan Pelaburan Bumiputra	20.9%
Employees Provident Fund	9.6%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	4,217.8	4,450.5	5,285.4
EBIT	1,327.0	1,094.0	1,219.2
PBT	969.1	983.4	1,106.3
Net Profit (NP)	510.0	520.6	585.7
Core NP	629.1	438.9	484.2
Consensus (CNP)	-	452.3	467.6
Earnings Revision (%)	-	+28.4	NEW
Core EPS (sen)	12.6	8.8	9.7
Core EPS Growth (%)	37.5	-30.2	10.3
NDPS (sen)	2.6	2.5	3.0
NTA/Share (RM)	3.22	3.29	3.38
Core PER (x)	7.3	10.4	9.5
Price/NTA (x)	0.28	0.28	0.27
Net Gearing (x)	0.36	0.30	0.29
Dividend Yield (%)	2.8	2.7	3.3

* Note our CNP forecast is based on **profit attributable to ordinary shareholders** i.e. after deducting Perpetual Bonds and RCPS interest costs. Note that consensus' forecasts have defined their CNP as before RCPS interest costs, resulting in higher forecasts.

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Maintain OUTPERFORM and TP of RM1.43. Our TP is based on a 60% discount to RNAV (vs. 50% applied average for the sector) to reflect greater market conservatism on the stock's perceived low realisability of SPSETIA's GDV and debt management in the previous quarters. In spite of this, we believe SPSETIA is well-positioned in the market to capture the shift in market dynamics, which is more favourable towards higher-end developments. Meanwhile, we also expect better performance from its JV projects in the medium-term as positive traction gradually picks up. There is no adjustment to our TP based on ESG given a 3-star ESG rating as appraised by us. **SPSETIA is one of our Top Picks for the Property Sector.**

Risks to our call include: (i) weak demand in the property sector, (ii) changes mortgage rates boosting affordability, (iii) construction costs increase, and (iv) risks associated with overseas operations.

Results Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	1,631.2	872.3	87.0%	1,064.3	53.3%	4,217.8	5,293.6	-20.3%
Cost of Sales	-956.1	-547.5	74.6%	-647.9	47.6%	-2,554.8	-3,492.4	-26.8%
Gross Profits	675.0	324.8	107.8%	416.3	62.1%	1,663.1	1,801.1	-7.7%
Other Income	118.9	62.5	90.3%	112.9	5.4%	304.3	310.2	-1.9%
Sales and Marketing	-18.0	-6.8	163.3%	-14.1	27.6%	-40.8	-43.9	-7.1%
Administrative Exp.	-173.9	-111.2	56.4%	-166.1	4.7%	-509.5	-503.0	1.3%
Forex Gains/(Losses)	-13.1	-6.3	106.5%	-4.0	224.1%	-11.8	11.6	-201.6%
Operating Profit	588.8	262.9	124.0%	344.9	70.7%	1,405.3	1,575.9	-10.8%
Joint Venture	-111.9	-36.1	209.8%	-3.2	3362.5%	-213.1	-181.3	17.5%
Associates	90.6	6.3	1342.6%	38.6	134.6%	111.4	55.1	102.3%
Finance Cost	-96.5	-80.5	19.9%	-111.7	-13.6%	-343.0	-384.1	-10.7%
Other Gains	0.0	8.5	-100.0%	0.0	N.M.	8.5	56.3	-85.0%
Profit before tax	471.0	161.0	192.5%	268.6	75.4%	969.1	1,121.9	-13.6%
Taxation	-176.5	-62.4	182.7%	-157.9	11.8%	-365.5	-491.2	-25.6%
Minority interest	-19.4	-30.5	-36.5%	-7.1	174.1%	-93.6	-54.7	71.1%
Net Profit	275.1	68.0	304.4%	103.6	165.6%	510.0	576.0	-11.5%
RCPS-i A dividends	0.0	-35.3	-100.0%	0.0	N.M.	-70.7	-70.7	0.0%
RCPS-i B dividends	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
RCPS-i C dividends	0.0	-5.6	-100.0%	0.0	N.M.	-11.1	-26.1	-57.4%
One-off Adjustments *	202.4	6.3	3092.6%	4.0	4909.9%	201.0	-47.9	-519.5%
Core Net Profit	477.5	33.5	1326.4%	107.6	343.7%	629.2	431.2	45.9%
Gross Profit Margin	41.4%	37.2%		39.1%		39.4%	34.0%	
Operating Margin	36.1%	30.1%		32.4%		33.3%	29.8%	
Pretax Margin	28.9%	18.5%		25.2%		23.0%	21.2%	
Core Net Margin	29.3%	3.8%		10.1%		14.9%	8.1%	
Effective Tax Rate	37.5%	38.8%		58.8%		37.7%	43.8%	
Effective Net Gearing (x)	0.36	0.38		0.37		0.36	0.37	

* Relates to adjustments for: (i) forex gains/(losses) for other quarters; and (ii) other one-off gains from divestment

Source: Company, Kenanga Research

SPSETIA's RNAV

	Remaining Land Bank (acres)	Outstanding GDV (RM b)	NPV of profits (RM m effective)
Region			
Central	3,003.2	64.4	1,750.5
Northern	1,229.0	15.7	614.2
Southern	1,119.9	10.4	673.3
Eastern	43.7	3.1	281.0
International	56.0	35.0	505.9
	5,451.8	128.6	3,825.0
Unbilled Sales		3.9	239.7
Shareholders Fund			14,597.1
Total RNAV (RM m)			18,661.8
Discount to RNAV			60%
Discounted RNAV			7,464.7
Number of shares (including RCPS) (m)			5,215.5
Target Price (RM)			1.43

Source: Company, Kenanga Research

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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)		
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	
PROPERTY DEVELOPERS																				
ECO WORLD DEVELOPMENT GROUP	OP	2.25	2.24	-0.4%	7,240.9	Y	10/2026	15.9	16.2	14.9%	1.5%	14.1	13.9	1.1	7.7%	7.5	3.3%			
IOI PROPERTIES GROUP BHD	UP	3.45	3.00	-13.0%	18,996.2	Y	06/2026	13.5	14.3	154.5%	5.9%	25.6	24.2	0.7	5.0%	6.0	1.7%			
LBS BINA BHD	OP	0.470	0.640	36.2%	719.8	Y	12/2026	7.1	8.1	66.7%	15.1%	6.7	5.8	0.4	6.1%	3.3	7.0%			
MAH SING GROUP BHD	OP	1.17	1.78	52.1%	2,995.4	Y	12/2026	10.5	11.0	12.0%	4.7%	11.2	10.7	0.7	6.4%	5.0	4.3%			
MALAYSIAN RESOURCES CORP BHD	MP	0.310	0.560	80.6%	1,384.9	Y	12/2026	1.8	1.4	19.2%	-18.9%	43.7	23.5	0.3	1.7%	1.0	3.2%			
PARAMOUNT CORPORATION BHD	OP	1.08	1.47	36.1%	672.6	Y	12/2026	21.0	22.0	82.8%	4.7%	5.1	4.9	0.4	8.6%	9.0	8.3%			
S P SETIA BHD	OP	0.915	1.43	56.3%	4,578.0	Y	12/2026	12.6	12.6	0.0%	0.0%	7.3	7.3	0.3	2.9%	2.5	2.7%			
SIME DARBY PROPERTY BHD	OP	1.45	1.97	35.9%	9,861.2	Y	12/2026	8.2	9.2	8.0%	11.4%	17.6	15.8	0.9	5.1%	3.3	2.3%			
SUNWAY BHD	UP	5.86	4.98	-15.0%	39,616.1	Y	12/2026	20.5	19.4	7.8%	-5.4%	28.5	30.2	2.2	7.8%	6.5	1.1%			
UOA DEVELOPMENT BHD	OP	1.89	1.91	1.1%	5,018.0	Y	12/2026	13.7	14.5	18.1%	6.0%	13.8	13.0	0.8	5.8%	12.0	6.3%			
SECTOR AGGREGATE					91,083.1					27.7%	1.7%	21.4	21.0	0.7	5.5%					

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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