

Headline	S P Setia to get revenue boost from overseas projects
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S P Setia to get revenue boost from overseas projects

S P Setia Bhd
(July 21, RM3.05)

Maintain buy with an unchanged target price of RM4.10. We continue to like S P Setia for its strong earnings visibility which is supported by RM11 billion in unbilled sales, representing 2.1 times of financial year 2015 (FY15) property development revenue.

The group booked RM1.8 billion in property sales in the first half of financial year 2015 (1HFY15), of which RM840 million is attributed to the Battersea Power Station project in London.

This is also on track to achieve

a RM4 billion sales target for FY15.

Meanwhile, its township products, such as Setia Alam, Setia Eco Hill and Setia Eco Glades, will continue to do well given strong demand for lifestyle landed properties with good infrastructure and amenities.

S P Setia is set to enjoy a boost in revenues from its overseas projects with RM1.5 billion and RM2.3 billion unbilled sales to be recognised progressively in FY15 and FY16, respectively.

FY15 will be mainly driven by the RM1.4 billion Fulton Lane project in Australia, which had

been handed over recently, and will boost third quarter (3QFY15) earnings significantly.

The concerns about the succession plan continue to drag down share price performance, but we understand operations are intact and property sales remain encouraging despite the softer sentiment.

The group's solid fundamentals are a strong investment merit.

On the potential assets injection by Pemodal Nasional Bhd, the pricing will be a concern, along with culture differences.

Bigger may not necessarily be better as S P Setia already has its

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FYE OCT (RM MIL)	2014A	2015F	2016F	2017F
Revenue	3,810	5,520	4,535	4,285
Ebitda	716	1,106	875	952
Pre-tax profit	722	965	982	856
Net profit	406	599	634	539
Net profit (pre ex)	366	599	634	539
EPS (sen)	16.0	23.6	25.0	21.2
EPS pre ex (sen)	14.4	23.6	25.0	21.2
EPS growth (%)	(3)	48	6	(15)
EPS growth pre ex (%)	(13)	64	6	(15)
Diluted EPS (sen)	16.0	23.6	25.0	21.2
Net DPS (sen)	9.7	14.2	15.0	12.7
BV per share (sen)	230.8	240.3	250.3	258.8
PER (x)	19.3	13.1	12.3	14.5
PER pre ex (x)	21.4	13.1	12.3	14.5
P/CF (x)	17.4	8.3	9.1	12.6
EV/Ebitda (x)	14.9	9.4	11.8	11.0
Net div yield (%)	3.1	4.6	4.9	4.1
P/BV (x)	1.3	1.3	1.2	1.2
Net debt/Equity (x)	0.3	0.2	0.2	0.2
ROAE (%)	7.2	10.0	10.2	8.3

Source of all data: Company, AllianceDBS, Bloomberg Finance LP

hands full with at least 4,000 acres (1,618.74ha) of RM70 billion in gross development value (GDV). sentiment towards property market, the relatively soft property market could lead to weaker sales.

Risks to our call include weak — *AllianceDBS Research, July 21*