

Headline	Penang land tender win a long term positive for S P Setia
Media Title	The Edge Financial Daily
Date	11 November 2016
Section	Home Business
Page Number	16

# Penang land tender win a 'long-term positive' for S P Setia

## S P Setia Bhd

(Nov 10, RM3.22)

**Maintain market perform call with an unchanged target price of RM3.40:** S P Setia Bhd has won a tender bid for 1,675 acres (677.85ha) in Seberang Prai Utara, Penang, for RM620 million. The eco-themed township's gross development value (GDV) is RM9.6 billion which increases our fully diluted revalued net asset value by 2.6%. The implied land cost to GDV ratio is 6.5%. The launch is likely to take place in 2020 and is a long-term positive for the group.

The land is located within the Butterworth-Sungai Petani Growth Corridor with access to the North-South Expressway via the Bertam interchange, and is 18km away from Butterworth and 32km from the Penang Bridge. We gather that the surrounding area is fairly established with existing townships, malls, a uni-

versity campus, a medical institute and a golf course. Due to the size of the land which requires comprehensive planning, the expected launch is likely in 2020 or onwards with a 15- to 20-year development period.

Land payment details are pending, although we believe it would be favourable to the group if payment is staggered given the long development period. Nonetheless, we have factored in a lump sum payment by financial year 2017 (FY17) which would increase FY17 estimate net gearing from 0.08 times to 0.15 times, which is still very comfortable for the group. We will adjust our net gearing assumptions if payment is staggered over a longer period.

The land cost to GDV ratio of 6.5% is fair, if not attractive, as a lot of land banks are transacted above 10% nowadays. The GDV per acre ratio

is reasonable, if not conservative, at RM5.7 million per acre versus other mainland developments which are going for RM5 million to RM8 million per acre, and there is still room for long-term GDV appreciation given the size of the project.

We gather that 40% to 50% of sales will be driven by the "10:90" scheme which has been well received in terms of take-up rates. Note that the group can recognise its local "10:90" sales in the typical stages of progress billings instead of "on completion" bases. The Islamic Redeemable Convertible Preference Share issuance of RM1.1 billion is expected to be completed by the fourth quarter of 2016 and given the bullet deliveries from Parque and Battersea, we expect net gearing of 0.27 times by year end. — *Kenanga Research, Nov 10*

## SP Setia Bhd

FYE DEC (RM MIL)	2015*	2016E	2017E
Turnover	6,746	4,245	4,007
Ebit	1,642	989	887
PBT	1,426	954	1,052
Net profit (NP)	918	692	744
Core NP	918	692	744
Consensus (NP)	na	672	735
Core EPS (sen)	34.9	26.3	28.3
Core EPS growth (%)	154	-25	8
NDPS (sen)	23.0	16.9	14.2
NTA/Share (RM)	2.81	2.91	3.43
Core PER (x)	9.0	12.0	11.2
Price/NTA (x)	1.1	1.1	0.9
Net gearing (x)	0.2	0.3	0.1
Dividend yield (%)	7.3	5.3	4.5

\*Note: Prior to FY15, FYE was on Oct 31. From FY15A, the group has changed FYE to Dec 31 i.e. 14 months for FY15A  
Source: Kenanga Research



A view of S P Setia's corporate headquarters in Setia Alam, Shah Alam. The company has won a tender bid for 1,675 acres in Seberang Perai Utara, Penang, for RM620 million.