

## Malaysia

### ADD (no change)

Consensus ratings\*: Buy 5 Hold 10 Sell 2

Current price:	RM1.28
Target price:	RM1.84
Previous target:	RM1.81
Up/downside:	43.8%
CGS-CIMB / Consensus:	28.4%

Reuters:	SETI.KL
Bloomberg:	SPSB MK
Market cap:	US\$1,239m
	RM5,207m
Average daily turnover:	US\$0.86m
	RM3.58m
Current shares o/s:	4,068m
Free float:	20.1%

\*Source: Bloomberg

### Key changes in this note

- FY22-23F EPS raised by 13-54% to reflect higher sales and new launches.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.2	-1.5	39.9
Relative (%)	-2.6	-7.9	38

Major shareholders	% held
PNB	61.0
KWAP	10.0
EPF	6.0

### Analyst(s)



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# SP Setia

## Targets FY22 new property sales of RM4bn

- FY21 core earnings came in above our expectations due to stronger-than-expected revenue. FY21 new property sales exceeded its RM3.8bn target.
- It targets new property sales of RM4bn and RM4.25bn worth of new projects in FY22.

### Key results highlights

SP Setia's FY21 core net profit (excluding forex movement and reversal impairments) came in above our expectation at 152% of our forecast on stronger-than-expected revenue and lower-than-expected finance cost, but below Bloomberg consensus forecast at 84%. FY21 core net profit improved to RM167m vs. RM49m yoy, largely driven by stronger revenue recognition from its property development division (+17% yoy) and lower finance cost (-8% yoy). Qoq, 4Q21 core net profit came in at RM127m vs. core net loss of RM73m in 3Q21 as development activities picked up post movement control order (MCO). Total unbilled sales stood higher at RM10.2bn as at end-Dec 2021 vs. RM10bn at end-Dec 2020 on stronger property sales.

### FY22F new property sales target at RM4bn

SP Setia recorded new property sales (excluding RM200m land sales) of c.RM4.06bn in FY21 vs. RM3.82bn in FY20, exceeding its FY21 sales target of RM3.8bn. 82% of new property sales came from local projects, while the remaining 18% were from international projects. The group set its FY22 new property sales target at RM4bn. As at end-FY21, it had a booking pipeline of RM555m. The group declared a final DPS of 0.65 sen, which is unexpected, representing a 17% payout of its adjusted earnings.

### More aggressive new launches in FY22F

We gather that SP Setia plans to launch projects worth up to RM4.25bn in gross development value (GDV) in FY22F vs. RM2.24bn in FY21. Some 58% of the total new launches would be projects with properties priced below RM1m each, with the rest comprising properties priced above RM1m each. In terms of product mix, 65% will be landed residential units, followed by affordable housing (13%), commercial units (12%), serviced apartments (5%), condominiums and apartments (3%), and industrial units (2%).

### Reiterate Add

Our TP is revised to RM1.84, now based on FY23F P/BV of 0.6x as we update its historical mean P/BV and peg to its 5-year mean P/BV (vs. its 3-year mean P/BV previously). We use a 5-year mean P/BV to reflect its trading range pre- and post-lockdowns following business normalisation. We like SP Setia for its: i) strong FY22F EPS growth due to the handover of overseas projects, (ii) massive land bank, allowing it to cater to changes in consumer preferences, and (iii) cheap FY22-24F valuation of 0.42x P/BV, which is below its peers' 0.48x. It is also a likely beneficiary of rising demand for green-certified buildings as it has experience obtaining green certifications for buildings and possesses in-house industrialised building system (IBS) manufacturing facilities.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues (RMm)	3,228	3,763	4,499	4,350	4,072
Operating EBITDA (RMm)	316.9	610.9	699.1	631.0	565.7
Net Profit (RMm)	(452.8)	152.3	371.0	231.7	177.8
Core EPS (RM)	0.012	0.041	0.091	0.057	0.043
Core EPS Growth	(71%)	242%	122%	(38%)	(24%)
FD Core P/E (x)	106.8	31.3	14.1	22.7	29.6
DPS (RM)	-	0.007	0.018	0.011	0.009
Dividend Yield	0.00%	0.51%	1.42%	0.89%	0.68%
EV/EBITDA (x)	54.34	29.03	25.61	27.79	29.61
P/FCFE (x)	9.39	NA	13.15	5.73	3.91
Net Gearing	72.6%	74.5%	73.5%	69.7%	63.4%
P/BV (x)	0.44	0.43	0.42	0.42	0.41
ROE	0.34%	1.19%	2.59%	1.59%	1.21%
% Change In Core EPS Estimates			12.5%	54.1%	
CGS-CIMB/Consensus EPS (x)			0.97	0.72	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results Comparison**

FYE Dec 31	4Q	4Q	yoy %	qoq %	4QFY21	4QFY20	yoy %	Prev. Comments
(RM m)	FY21	FY20	chg	chg	Cum	Cum	chg	FY21
Revenue	1,033	1,114	-7%	74%	3,763	3,228	17%	3,564 Stronger yoy on higher revenue recognition and new property sales
Operating costs	(859)	(955)	-10%	65%	(3,149)	(2,422)	30%	(2,960)
EBITDA	174	159	9%	>100%	614	806	-24%	604
EBITDA margin (%)	17	14			16	25		17
Deprn & amort.	(6)	(8)	-25%	-19%	(30)	(30)	0%	(33)
EBIT	168	151	11%	>100%	584	776	-25%	571
Interest expense	(43)	(22)	97%	-20%	(194)	(212)	-8%	(206)
Interest & invt inc	39	39	2%	10%	153	153	0%	-
Associates' contrib	28	(18)	>100%	>100%	15	(371)	>100%	86
Exceptionals	(3)	(26)	-88%	>100%	(15)	(501)	-97%	- Refers mainly to forex movement and one-off gains
<b>Pretax profit</b>	189	123	53%	>100%	542	(157)	>100%	<b>452</b>
Tax	(62)	(39)	58%	>100%	(195)	(88)	>100%	(146)
Tax rate (%)	33	32			36	(56)		32
Minority interests	(3)	(27)	-88%	-96%	(195)	(208)	-6%	(196)
<b>Net profit</b>	123	57	>100%	>100%	152	(453)	>100%	<b>110</b> Include exceptional items
<b>Core net profit</b>	127	83	53%	>100%	167	49	>100%	<b>110</b> FY21 core net profit at 152% of our full-year forecast
EPS (sen)	3	1	>100%	>100%	4	(11)	>100%	3
Core EPS (sen)	3	2	52%	>100%	1	(1)	>100%	3


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

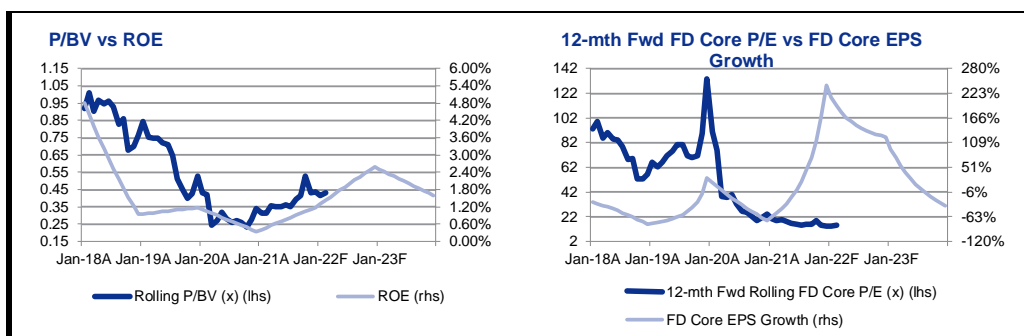
**Re-rating catalysts and key downside risks to our call.** Stronger earnings delivery in FY22F and undemanding valuations are the key potential re-rating catalysts. Further deterioration in Malaysia's property market is a key downside risk to our call.

**Figure 2: Earnings revision**

RM m	2022F			2023F		
	Old	New	chg	Old	New	chg
Revenue	4,501	4,499	0%	4,148	4,350	5%
EBITDA	711	699	-2%	581	631	9%
Core pretax profit	666	731	10%	452	586	30%
Core net profit	329	371	13%	150	232	54%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores					
		B- ESG Score	A+ ESG Controversies Score	B- ESG Combined Score	C+ ESG Environment Pillar Score	B+ ESG Social Pillar Score	B- ESG Government Pillar Score
<p>SP Setia established its sustainability framework in 2019 and formed a sustainability management unit in 2020. Occupational health/safety and environmental compliance are key material issues for the group.</p>							
<b>Keep your eye on</b>	<b>Implications</b>						
<p>SP Setia will form a sustainability policy/initiative in 2021-22 and fully integrate sustainability into business strategies in 2023-24.</p>	<p>We believe more developers will increase their focus on ESG issues and establish sustainability frameworks in order to ensure their businesses meet sustainability goals.</p>						
<b>ESG highlights</b>	<b>Implications</b>						
<p>SP Setia is ranked among the top 26-50% in ESG ratings among the public listed companies in FBM Emas that have been assessed by FTSE Russell as of Jun 2021.</p>	<p>While there is currently no empirical evidence to show that better ESG ratings result in better share price performance, we believe that adopting better ESG practices is positive for the long term, especially given the growing awareness of its importance in Malaysia.</p>						
<b>Trends</b>	<b>Implications</b>						
<p>SP Setia will identify new areas of improvement (innovative and sustainable solutions) to be implemented across its project developments.</p>	<p>We expect more developers to work towards reducing their carbon footprint by monitoring and identifying significant sources of greenhouse gas emissions.</p>						
<p>SOURCES: CGS-CIMB RESEARCH, REFINITIV, BURSA MALAYSIA, COMPANY REPORTS</p>							

**BY THE NUMBERS**

**Profit & Loss**

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>3,228</b>	<b>3,763</b>	<b>4,499</b>	<b>4,350</b>	<b>4,072</b>
<b>Gross Profit</b>	<b>696</b>	<b>1,007</b>	<b>1,102</b>	<b>1,048</b>	<b>958</b>
<b>Operating EBITDA</b>	<b>317</b>	<b>611</b>	<b>699</b>	<b>631</b>	<b>566</b>
Depreciation And Amortisation	-30	-30	-33	-36	-38
<b>Operating EBIT</b>	<b>287</b>	<b>581</b>	<b>666</b>	<b>595</b>	<b>527</b>
Financial Income/(Expense)	-212	-194	-254	-260	-266
Pretax Income/(Loss) from Assoc.	-371	15	105	19	9
Non-Operating Income/(Expense)	140	141	214	232	271
<b>Profit Before Tax (pre-EI)</b>	<b>-157</b>	<b>542</b>	<b>731</b>	<b>586</b>	<b>541</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>-157</b>	<b>542</b>	<b>731</b>	<b>586</b>	<b>541</b>
<b>Taxation</b>	<b>-88</b>	<b>-195</b>	<b>-175</b>	<b>-159</b>	<b>-149</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>-245</b>	<b>347</b>	<b>556</b>	<b>427</b>	<b>392</b>
Minority Interests	-76	-63	-53	-64	-82
Prof. & Special Div	-132	-132	-132	-132	-132
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>-453</b>	<b>152</b>	<b>371</b>	<b>232</b>	<b>178</b>
Recurring Net Profit	49	167	371	232	178
<b>Fully Diluted Recurring Net Profit</b>	<b>49</b>	<b>167</b>	<b>371</b>	<b>232</b>	<b>178</b>

**Cash Flow**

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	316.9	610.9	699.1	631.0	565.7
Cash Flow from Invt. & Assoc.					
Change In Working Capital	55.7	572.5	(285.7)	272.7	725.5
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	204.5	76.4	213.8	232.4	270.8
Net Interest (Paid)/Received	21.4	21.1	(254.1)	(260.1)	(266.1)
Tax Paid	(164.0)	(162.8)	(175.2)	(158.9)	(149.0)
<b>Cashflow From Operations</b>	<b>434.6</b>	<b>1,118.1</b>	<b>197.9</b>	<b>717.1</b>	<b>1,146.9</b>
Capex	(91.2)	(57.1)	(100.0)	(100.0)	(100.0)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(514.6)	(953.0)	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(605.9)</b>	<b>(1,010.2)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>
Debt Raised/(repaid)	724.9	(220.2)	300.0	300.0	300.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(40.4)	0.0	(74.2)	(46.3)	(35.6)
Preferred Dividends	(132.0)	(132.0)	(132.0)	(132.0)	(132.0)
Other Financing Cashflow	(526.5)	358.9	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>25.9</b>	<b>6.7</b>	<b>93.8</b>	<b>121.6</b>	<b>132.4</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	2,919	3,071	3,263	4,002	5,181
Properties Under Development	3,127	2,895	2,960	3,010	2,633
Total Debtors	2,352	2,262	2,434	2,119	1,785
Inventories	1,434	1,708	2,105	2,047	1,931
Total Other Current Assets	1,269	1,327	1,327	1,327	1,327
<b>Total Current Assets</b>	<b>11,101</b>	<b>11,265</b>	<b>12,090</b>	<b>12,504</b>	<b>12,857</b>
Fixed Assets	704	726	793	857	919
<b>Total Investments</b>	<b>18,216</b>	<b>18,878</b>	<b>18,983</b>	<b>19,002</b>	<b>19,011</b>
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	330	316	316	316	316
<b>Total Non-current Assets</b>	<b>19,250</b>	<b>19,920</b>	<b>20,092</b>	<b>20,175</b>	<b>20,245</b>
Short-term Debt	2,583	3,247	3,247	3,247	3,247
Current Portion of Long-Term Debt					
Total Creditors	2,410	2,420	2,768	2,716	2,615
Other Current Liabilities	27	30	30	30	30
<b>Total Current Liabilities</b>	<b>5,021</b>	<b>5,697</b>	<b>6,045</b>	<b>5,994</b>	<b>5,892</b>
Total Long-term Debt	9,358	9,309	9,609	9,909	10,209
Hybrid Debt - Debt Component	37	38	38	38	38
Total Other Non-Current Liabilities	70	63	63	63	63
<b>Total Non-current Liabilities</b>	<b>9,466</b>	<b>9,409</b>	<b>9,709</b>	<b>10,009</b>	<b>10,309</b>
Total Provisions	465	446	446	446	446
<b>Total Liabilities</b>	<b>14,951</b>	<b>15,553</b>	<b>16,200</b>	<b>16,449</b>	<b>16,647</b>
<b>Shareholders' Equity</b>	<b>13,981</b>	<b>14,176</b>	<b>14,472</b>	<b>14,658</b>	<b>14,800</b>
Minority Interests	1,418	1,456	1,509	1,573	1,655
<b>Total Equity</b>	<b>15,400</b>	<b>15,632</b>	<b>15,981</b>	<b>16,230</b>	<b>16,455</b>

**Key Ratios**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(17.8%)	16.6%	19.6%	(3.3%)	(6.4%)
Operating EBITDA Growth	(51.3%)	92.8%	14.4%	(9.7%)	(10.4%)
Operating EBITDA Margin	9.8%	16.2%	15.5%	14.5%	13.9%
Net Cash Per Share (RM)	-2.76	-2.87	-2.88	-2.77	-2.54
BVPS (RM)	2.93	2.97	3.03	3.07	3.09
Gross Interest Cover	1.35	2.99	2.62	2.29	1.98
Effective Tax Rate	0.0%	36.0%	24.0%	27.1%	27.5%
Net Dividend Payout Ratio	NA	17.3%	20.0%	20.0%	20.0%
Accounts Receivables Days	247.4	223.8	190.5	191.0	175.4
Inventory Days	209.8	208.1	204.9	229.5	233.7
Accounts Payables Days	234.7	198.0	179.3	200.9	204.5
ROIC (%)	3.46%	6.51%	7.46%	6.34%	5.78%
ROCE (%)	0.96%	1.91%	2.14%	1.88%	1.63%
Return On Average Assets	(0.28%)	1.61%	2.36%	1.93%	1.81%

**Key Drivers**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Sales of development properties	3,047.3	3,577.1	4,248.5	4,050.1	3,772.4
Contract revenue	26.1	17.4	50.0	100.0	100.0
Other sales	154.8	168.2	200.0	200.0	200.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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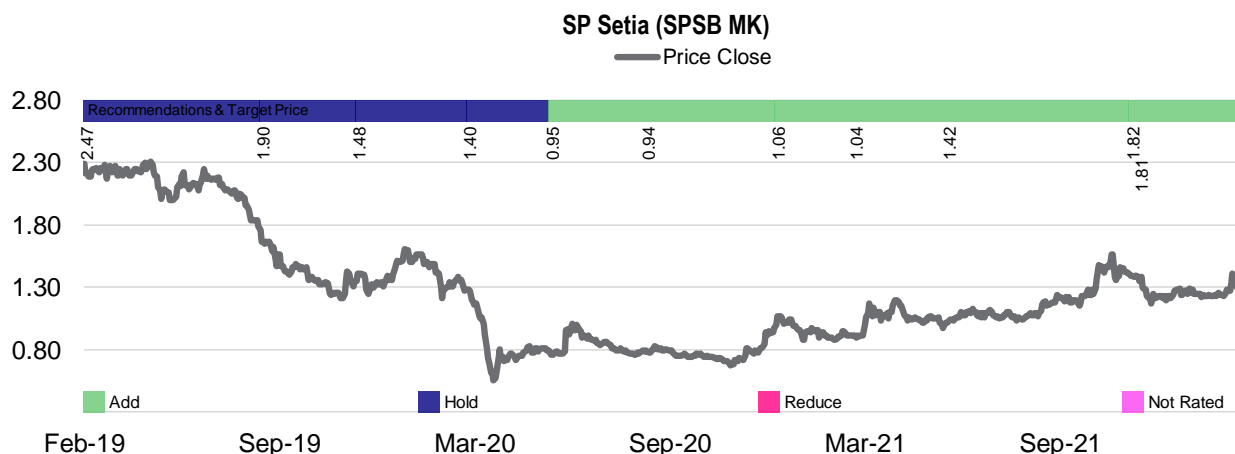
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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

**Spitzer Chart for stock being researched ( 2 year data )**

**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

**Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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**Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

**Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

**Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

**Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

**Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

