

06 December 2012 | Company update

## SP Setia Berhad

*A quick turnaround project in Jalan Ampang*

**Maintain BUY**

**Unchanged Target Price (TP): RM3.86**

### INVESTMENT HIGHLIGHTS

- **Won tender for The British High Commission Land in Ampang**
- **Strategic location on the famous “Embassy Row”**
- **A quick turnaround project**

**Won tender for The British High Commission Land:** SP Setia Berhad (SP Setia), through its wholly-owned subsidiary Setia Hicon Sdn Bhd, had won a tender for the purchase of a piece of freehold land at Jalan Ampang (Ampang land) via acceptance by The Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom of Great Britain and Northern Ireland (The British High Commission). SP Setia had entered into a sales & purchase agreement for the Ampang land at RM295m, which translates to about RM2,200 psf.

**Prime location:** Measuring approximately 12,456 sq mtr, the land is occupied by The British High Commission. It is located on the well-known “Embassy Row” along Jalan Ampang, right next to Menara HSC and a low-rise luxury condominium named 183 Ampang. In the vicinity is high-end residential enclave of Ampang Hilir / U-Thant which is characterized by low-density luxury apartment developments as well as large, individually-designed detached houses. KLCC is located less than one km distance on the west of the land.

**A quick turnaround project:** Unlike recent acquisitions which are mainly large scale projects with long development lifespan, The Ampang land will be a quick turnaround mixed development with a total gross development value (GDV) of about RM1.04b. Subject to authority approval, we believe the launching could be in 2014.

**Land price slightly on the high side:** Acquisition price appears to be on a high side as the land cost will translate to about 28% of total GDV. According to media reports, transaction prices of prime land in Jalan Sultan Ismail, Jalan Raja Chulan and Jalan Stonor ranging from about RM1,700 psf to RM1,900 psf in 2011. A quick check on several property portals also indicate asking price for commercial land along Jalan Ampang to be within the range of RM1900psf. We believe the premium for the land in the competitive tender is premised on better location on Jalan Ampang with closer proximity to KLCC, grade A offices and 5 star Hotels, wide road frontage, and avoidance of heavier traffic further down to the western side of Ampang.

Return Stats	
Price (05 Dec 12)	RM 3.08
Target Price	RM 3.86
Expected Share Price Return	+25.32%
Expected Dividend Yield	+4.80%
<b>Expected Total Return</b>	<b>+ 30.13%</b>

STOCK INFO	
KLCI	1613.79
Bursa / Bloomberg	8664/ SPSB MK
Board / Sector	Main/ Property
Syariah Compliant	YES
Issued shares (mil)	2005.80
Par Value (RM)	0.75
Market cap. (RM'm)	6177.90
Price over NA	1.54x
52-wk price Range	RM3.04-RM4.01
Beta (against KLCI)	1.03
3-mth Avg Daily Vol	1.24m
3-mth Avg Daily Value	RM4.39m
Major Shareholders	
PNB	51.50
ASB	18.49
EPF	5.63

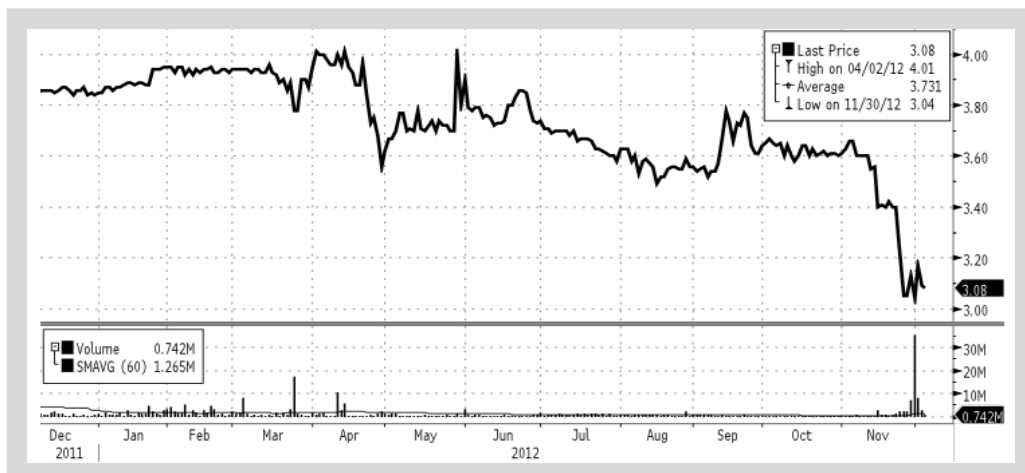
## INVESTMENT STATISTICS

FY Oct	FY11	FY12F	FY13F	FY14F
Revenue	2,232.5	2,670.4	3,156.8	3,431.5
EBIT	442.0	541.7	650.7	701.0
Pretax Profit	430.5	533.7	642.7	693.0
Net Profit	321.9	368.1	451.5	487.2
EPS	18.1	19.1	19.4	19.7
EPS growth	-26.8	5.6	1.8	1.4
PER (x)	17.3	16.4	16.1	15.9
DPS (sen)	14.0	14.8	15.0	15.3
Dividend Yield (%)	4.5	4.7	4.8	4.9

Source: Company, Forecasts by MIDFR

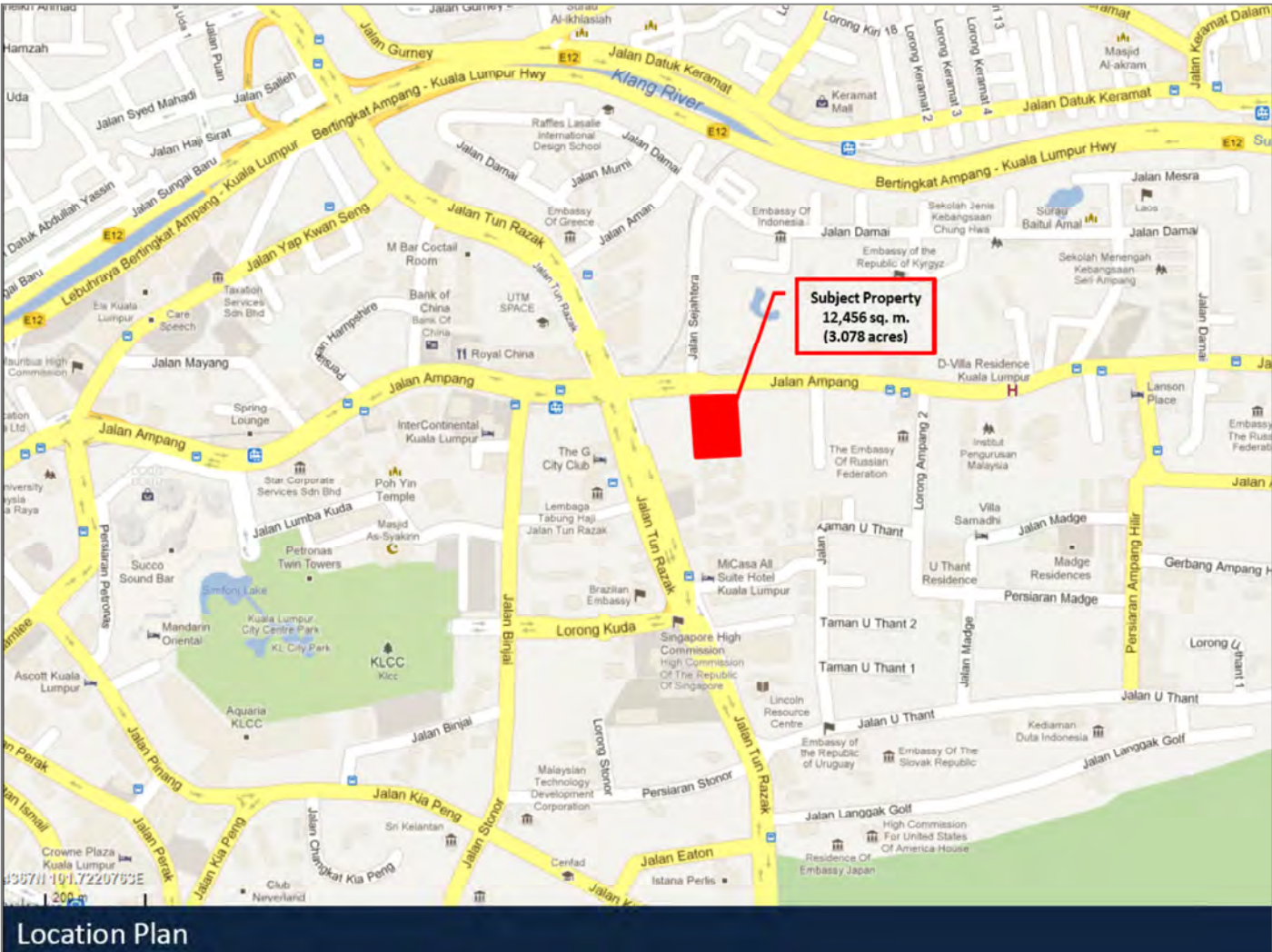
**Valuation:** We are maintaining BUY recommendation for SP Setia with an unchanged target price of RM3.86. We ascribed PE of 19.9X against our FY13 forecast EPS of 19.4sen. PE ratio of 19.9X is equivalent to its 5-year historical average. SP Setia's share price had retraced rapidly for the past 2 weeks following the reports on the removal of the company from MSCI Malaysia Index. We are upgrading our recommendation as we believe at current price level the shares are valued at about 16X which is relatively low as compared to the historical average of about 19.9X.

## DAILY PRICE CHART



Syed Muhammed Kifni  
 Sean Liong Cheng Fatt  
 Sean.Liong@midf.com.my  
 03-2173 8227

## Appendix



MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.