SP Setia (SPSB MK)

3Q26: Results Miss; Slower Execution Timelines Drag Earnings

Highlights

- The results missed our expectations due to a weak performance from the property development segment.
- SP Setia has trimmed its 2026 launch target for the second consecutive quarter to RM3.99b amid softer residential demand, while pivoting towards industrial and commercial developments.
- Downgrade to HOLD with a lower target price of RM0.60 (from RM1.06), as we lift our discount to RNAV from 65% to 80% to reflect slower execution timelines, including its REIT listing that is now expected to happen in 3Q27.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Revenue	672.6	(18.1)	(22.9)	2,320.5	(10.3)
Gross Profit	254.3	(20.5)	(21.7)	817.7	(17.2)
EBIT	186.9	(32.9)	(30.6)	691.1	(15.2)
PBT	93.1	(51.1)	(42.1)	391.3	(21.4)
PATAMI	32.6	(66.7)	(52.1)	161.8	(31.1)
Core PATAMI (before RCPS)	37.9	(43.5)	(50.5)	151.2	(40.9)
Margins (%)	%	ppt	ppt	%	ppt
GP	37.8	(1.2)	0.6	35.2	(3.0)
EBIT	27.8	(6.1)	(3.1)	29.8	(1.7)
PBT	13.8	(9.3)	(4.6)	16.9	(2.4)
Core PATAMI (before RCPS)	5.6	(2.5)	(3.1)	6.5	(3.4)

Source: SP Setia, UOB Kay Hian

Analysis

- **Results miss.** SP Setia's 3Q26 core PATAMI was RM38m (-44% qoq, -51% yoy) on the back of RM672m in revenue (-18% qoq, -23% yoy). This brings 9M26 core PATAMI to RM151m (-41% yoy), accounting for 39%/46% of our and consensus full-year forecasts respectively. We attribute the results miss to its weak property development segment, including the slower-than-expected recognition of the Setia Alaman industrial land sales. As of end 3Q26, unbilled sales stood at RM3.9b (-1% qoq; -4% yoy).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	5,294	4,218	3,330	4,398	4,567
EBITDA	1,610	1,466	1,031	1,383	1,434
EBIT	1,564	1,426	991	1,344	1,396
Net profit (rep./act.)	576	510	280	432	449
Net profit (adj.)	622	697	280	432	449
Net profit (adj. after RCPS)	525	615	190	343	360
EPS (sen) (adj. after RCPS)	11.1	12.3	3.8	6.9	7.2
PE (x)	5.4	4.9	15.9	8.8	8.4
P/B (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	7.8	8.6	12.4	9.5	9.5
Dividend yield (%)	4.8	4.2	1.5	2.7	2.8
Net margin (%)	11.7	16.5	8.4	9.8	9.8
Net debt/(cash) to equity (%)	37.3	36.1	36.8	38.0	39.2
Interest cover (x)	5.5	5.7	4.0	4.8	4.8
ROE (%)	3.6	4.2	1.3	2.3	2.4
Consensus net profit			349	409	443
UOBKH/Consensus (x)			0.5	0.8	0.8

Source: SP Setia, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Downgraded)

Share Price	RM0.605
Target Price	RM0.600
Upside	-0.1%
Previous TP	RM1.060

Stock Data

Sector	Real Estate
Bloomberg ticker	SPSB MK
Shares issued (m)	5,003.4
Market cap ({{Curr}}m)	5,904.0
Market cap (US$m)	1,502.1
3-mth avg daily t'over (US$m)	2.9

Price Performance (%)

52-week high/low				RM1.3/RM0.72
1mth	**3mth**	**6mth**	**1yr**	**YTD**
39.6	24.9	44.8	1.7	61.6

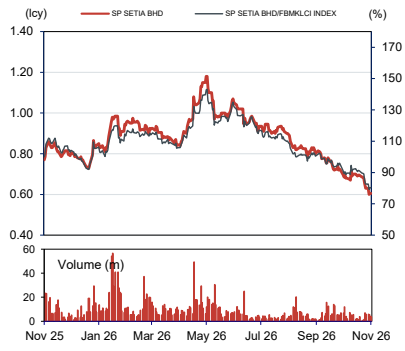
Major Shareholders (%)

PNB	48.8
EPF	15.7
KWAP	8.4

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.92
FY26 Net Debt/Share (RM)	1.07

Price Chart



Source: Bloomberg

Company Description

SP Setia is one of the leading property developers in Malaysia with vast landbanks in Klang Valley, Penang and Iskandar.

- **Management has cut its 2026 launch target for the second consecutive quarter** to RM3.99b from RM4.4b in 2Q26 and RM5.36b earlier this year, citing a softer residential market. Ytd sales stood at RM2.96b as of 10 Nov 26 (9M26: RM2.34b), representing 64% of its RM4.6b sales target. The remaining ~RM1b sales are expected from Vietnam (RM230m), Sapphire Tower 2 in Melbourne (RM183m), Setia Alam shoplots (RM180m), Setia Alaman industrial plots (>RM100m) and Setia EcoHill (RM88m). Looking into 2027, management expects the domestic market to remain soft and will only launch products with proven demand.
- **Property development margins weakened despite stable gross margins.** 3Q26 PBT margin for the property development segment dropped to 11.2% (-7.1ppt yoy; -13.8ppt qoq), despite a stable gross margin of 37% (3Q25: 37.4%). The drop was mainly due to the absence of land sales recognition and slower domestic sales conversion. Management expects to recognise the Glengowrie land sale to Mah Sing by year-end, with an estimated net gain of RM35m, alongside partial recognition of Setia Alaman land sales, subject to the issuance of land titles. Given the limited time remaining in 2026, we conservatively pencil in RM30m earnings from Setia Alaman in 4Q26, with the remaining recognition falling into 2027.
- **Long-term targets.** SP Setia expects domestic sales to remain stable at RM3b-4b a year over the next five years. International earnings will be lumpy, as recognition is largely tied to project completion. According to management, Vietnam projects recognise 50% progressively and the balance upon completion, while Australia's profit contribution will only come from 2029.
- **REIT listing pushed back again.** The listing is now targeted for 3Q27 (2Q27 previously), with submission to Securities Commission by year-end, as management opted to include a Johor asset jointly held with a partner, which should improve the REIT's target yield. The indicative initial portfolio would comprise six assets valued at slightly below RM2b. Beyond the initial portfolio, the pipeline includes a student accommodation tower at Carlton in Melbourne and industrial assets from its managed industrial parks, which should lift recurring income to ~10% of earnings by 2030.
- **Battersea Phase 3C: Steady sales progress.** Phase 3C, which was soft-launched in May 26, has achieved a take-up rate of 54% to date. Selling prices have risen to around £1,700psf from ~£800psf previously, commanding a premium to surrounding area, supported by demand from Middle Eastern buyers amid heightened geopolitical uncertainties. Management remains confident in clearing the remaining units in due course. Meanwhile, the completed inventory at Phases 2 and 3A are nearly cleared, with only two units remaining (Jul 26: eight units). On the commercial front, occupancy at 50 Electric Boulevard improved to 59% (2Q26: 53%), while the BPS mall remains 98% leased.

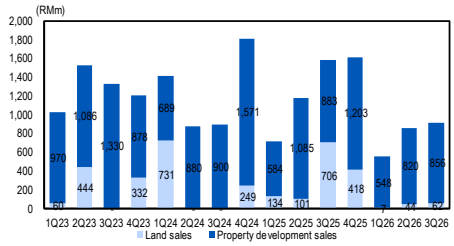
Valuation/Recommendation

- **Downgrade to HOLD with a lower target price of RM0.60 (from RM1.06),** as we increase our discount to RNAV from 65% to 80% to reflect the slower-than-expected execution timelines, including its REIT listing. Our target price implies 8.8x 2027F PE and 0.2x 2027F P/B.

Earnings Revision/Risk

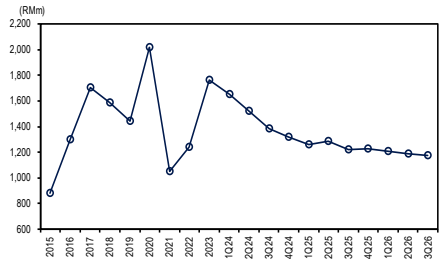
- We cut our earnings forecasts by 28%/14%/14% for 2026-28 respectively to factor in a slower launch pipeline.

Quarterly Sales



Source: SP Setia, UOB Kay Hian

Inventory Level



Source: SP Setia, UOB Kay Hian

RNAV-Based Valuation

NPV of Development Profits	(RMm)
Central Region	1,240.5
Northern Region	289.1
Southern Region	214.9
Eastern Region	71.5
Battersea Power Station	268.8
Australia, Vietnam & Others	144.3
Total	**2,229.2**
Shareholders' Funds	14,797.8
RNAV	**17,027.0**
Existing Share Base (m)	5,051.7
RCPS-i A	375.2
RCPS-i C	209.4
Enlarged Sharebase (m)	5,636.3
RNAV/share (RM)	3.02
Discount (%)	80%
Target Price (RM/share)	0.60

Source: SP Setia, UOB Kay Hian

Environment, Social, Governance (ESG) Updates

Environmental - Energy intensity ratio decreased to 12.6kW/h from 17.9kW/h.
Social - Total investment for communities by S P Foundation: RM405,154.
Governance - Good company transparency along with an anti-bribery and anti-corruption policy.

Profit & loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	4,217.8	3,330.0	4,398.4	4,567.0
EBITDA	1,465.6	1,030.7	1,382.9	1,434.4
Deprec. & amort.	40.1	39.3	38.9	38.6
EBIT	1,425.6	991.3	1,344.0	1,395.8
Associate contributions	(101.7)	(96.6)	(96.6)	(96.6)
Net interest income/(expense)	(256.3)	(257.0)	(286.6)	(301.2)
Pre-tax profit	969.1	637.8	960.9	998.1
Tax	(365.5)	(279.3)	(420.7)	(437.0)
Minorities	(93.6)	(78.9)	(108.0)	(112.2)
Net profit	510.0	279.6	432.1	448.8
Net profit (adj. after RCPS)	615.1	190.4	342.8	359.5

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	12,415.2	12,951.0	13,706.6	14,474.8
Other LT assets	3,799.2	3,702.6	3,606.0	3,509.4
Cash/ST investment	2,572.1	2,739.8	2,838.6	2,951.6
Other current assets	8,296.9	7,722.2	8,413.7	8,522.9
Total assets	27,083.4	27,115.6	28,564.9	29,458.8
ST debt	3,031.2	3,031.2	3,031.2	3,031.2
Other current liabilities	2,547.8	2,150.8	2,797.5	2,898.1
LT debt	4,887.0	5,174.6	5,571.8	5,975.3
Other LT liabilities	528.7	528.7	528.7	528.7
Shareholders' equity	16,088.7	16,230.3	16,635.7	17,025.5
Minority interest	1,290.8	1,369.7	1,477.7	1,589.9
Total liabilities & equity	27,083.4	27,115.6	28,564.9	29,458.8

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1,458.8	929.1	917.4	988.8
Pre-tax profit	969.1	637.8	960.9	998.1
Tax	(365.5)	(279.3)	(420.7)	(437.0)
Deprec. & amort.	40.1	39.3	38.9	38.6
Associates	101.7	96.6	96.6	96.6
Working capital changes	333.3	177.7	(44.8)	(8.5)
Other operating cashflows	380.2	257.0	286.6	301.2
Investing	(655.8)	(575.1)	(794.5)	(806.8)
Capex (growth)	(795.4)	(575.1)	(794.5)	(806.8)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	139.6	0.0	0.0	0.0
Financing	(1,291.9)	(186.3)	(24.1)	(69.0)
Dividend payments	(258.3)	(216.9)	(134.8)	(171.2)
Issue of shares	1.1	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(668.3)	287.5	397.3	403.4
Others/interest paid	(366.5)	(257.0)	(286.6)	(301.2)
Net cash inflow (outflow)	(489.0)	167.7	98.8	113.0
Beginning cash & cash equivalent	3,141.5	2,572.1	2,739.8	2,838.6
Changes due to forex impact	(80.4)	0.0	0.0	0.0
Ending cash & cash equivalent	2,572.1	2,739.8	2,838.6	2,951.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	34.7	31.0	31.4	31.4
Pre-tax margin	23.0	19.2	21.8	21.9
Net margin	12.1	8.4	9.8	9.8
ROA	2.2	0.7	1.2	1.2
ROE	4.2	1.3	2.3	2.4
Growth				
Turnover	(10.9)	(29.7)	(7.1)	(3.5)
EBITDA	143.3	71.1	129.6	138.1
Pre-tax profit	69.9	11.8	68.5	75.0
Net profit	22.0	(33.1)	3.4	7.4
Net profit (adj.)	17.2	(69.1)	80.1	4.9
EPS	17.2	(69.1)	80.1	4.9
Leverage				
Debt to total capital	49.2	50.6	51.7	52.9
Debt to equity	53.5	55.2	56.8	58.3
Net debt/(cash) to equity	36.1	36.8	38.0	39.2
Interest cover (x)	5.7	4.0	4.8	4.8

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