

# Malaysia Company Focus

## Suria Capital Holdings

Bloomberg: SURIA MK | Reuters: SURI.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 May 2015

### BUY RM2.33 KLCI : 1,755.56

Price Target : 12-Month RM 3.55

Reason for Report : 1QFY15 results

Potential Catalyst: Launch of Jesselton Quay project  
Where we differ: Inline with consensus

#### Analyst

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#### Result Summary

FY Dec (RM m)	1Q 2015	1Q 2014	4Q 2014	yoy % chg	qoq % chg
<b>P&amp;L Items</b>					
Turnover	61.8	71.5	72.2	(13.6)	(14.4)
Gross Profit	23.2	27.0	28.4	(14.1)	(18.3)
Opg Profit	19.1	22.2	17.6	(13.9)	8.6
EBITDA	29.1	30.7	29.8	(5.3)	(2.2)
Net Profit	13.4	15.0	9.9	(10.9)	35.6
<b>Other Data</b>					
Gross Margin (%)	37.6	37.8	39.4		
Opg Margin (%)	30.9	31.0	24.4		
Net Margin (%)	21.7	21.0	13.7		

#### Financial Summary

FY Dec (RM m)	2014A	2015F	2016F	2017F
Turnover	274	300	340	353
Operating Profit	86	104	127	135
EBITDA	125	142	167	175
Net Pft (Pre Ex.)	55	72	88	95
EPS (sen)	19.6	25.4	31.1	33.7
EPS Pre Ex. (sen)	19.6	25.4	31.1	33.7
EPS Gth (%)	(9)	30	23	8
EPS Gth Pre Ex (%)	(9)	30	23	8
Net DPS (sen)	7.0	8.9	10.9	11.8
BV Per Share (sen)	309.6	326.1	346.4	368.2
PE (X)	11.9	9.2	7.5	6.9
PE Pre Ex. (X)	11.9	9.2	7.5	6.9
EV/EBITDA (X)	5.0	4.5	3.6	3.1
Net Div Yield (%)	3.0	3.8	4.7	5.1
P/Book Value (X)	0.8	0.7	0.7	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	6.5	8.0	9.3	9.4

#### At A Glance

Issued Capital (m shrs)	283
Mkt. Cap (RMm/US\$m)	660 / 181
Avg. Daily Vol. ('000)	63

ICB Industry : Industrials

ICB Sector: Industrial Transportation

**Principal Business** : Suria Capital (Suria) is a Sabah state-owned investment holding company which is involved in four business segments, namely port operations, logistics & bunkering services, contract engineering, and property development & ferry terminal.

Source: Company, AllianceDBS, Bloomberg Finance L.P.

### Within expectation

- 1QFY15 earnings fell mainly dragged by lower CPO exports; this is within expectations
- Launch of Jesselton Quay property project remains the key catalyst
- Maintain BUY with RM3.55 TP

#### Highlights

##### Within expectation

- Suria Capital (Suria) reported 1QFY15 profit of RM13.4m (-11% y-o-y), mainly dragged by lower CPO exports from Sabah in 1Q15 compared with the corresponding period last year – as highlighted in our results preview write up. According to statistics from the Malaysia Palm Oil Board (MPOB), CPO production in Sabah dropped by 17.5% y-o-y in 1Q15 to 1,132.8k tonnes.
- Although this only accounted for 19% of our full year earnings target, we maintain our earnings forecasts as we expect stronger port operations and property operations to start contributing in the coming quarters.

#### Outlook

##### Expect property launches this year

- Although the group has obtained the development order (DO) for the Jesselton Quay project, management is currently revising its building plan for submission. We understand that they are targeting to submit these documents to the authority by 1H and approvals are expected in 3Q. As such, we understand that the project development remains on track to be launched in the later part of this year.

#### Valuation

Maintain BUY with an unchanged RM3.35 TP. We forecast FY15 net earnings of RM72m for the group (RM60m port operations and RM12m property development). While we believe that the port operations are on track to meet our expectations despite the slow 1Q earnings, unforeseen delays in its property launches could pose a downside risk to our earnings forecasts.

#### Risks

##### Palm oil output drop in Sabah

- Given that Suria's port earnings are highly sensitive to palm oil exports from Sabah, any surprise contraction in palm oil output in Sabah would be a major risk to our cash flow projection.

## Suria Capital Holdings

### Delay risk on Jesselton Quay

- Jesselton Quay's cash flows make up 12% of Suria's DCF.

The property division earnings are expected to have a significant impact on our forecasts for FY15 and FY16.

Delays in the project could undermine the group's growth prospects, DCF value, our valuation and recommendation.

### Target Price & Ratings History



*Note: Share price and Target price are adjusted for corporate actions.*

Source: AllianceDBS

AllianceDBS recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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