

Result Snapshot

Suria Capital Holdings

Bloomberg: SURIA MK | Reuters: SURI.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

26 Aug 2014

BUY RM2.57 KLCI : 1,870.99

Price Target : 12-Month RM 3.75

Shariah Compliant: Yes

Analyst

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Result Summary

FY Dec (RM m)	2Q 2014	2Q 2013	1Q 2014	% Chg y-o-y	% Chg q-o-q
P&L Items					
Turnover	68.3	63.1	71.5	8.2	(4.5)
Gross Profit	28.9	31.0	27.0	(6.8)	6.9
Opg Profit	23.8	26.3	22.2	(9.7)	7.3
EBITDA	33.1	34.8	30.7	(4.9)	7.7
Net Profit	15.9	16.3	15.0	(2.2)	5.8
Other Data					
Gross Margin (%)	42.3	49.1	37.8		
Opg Margin (%)	34.8	41.7	31.0		
Net Margin (%)	23.3	25.8	21.0		

Financial Summary

FY Dec (RM m)	2013A	2014F	2015F	2016F
Turnover	263	268	300	340
Operating Profit	91	95	111	134
EBITDA	125	131	149	174
Net Pft (Pre Ex.)	61	65	77	94
EPS (sen)	21.6	22.9	27.3	33.0
EPS Pre Ex. (sen)	21.4	22.9	27.3	33.0
EPS Gth (%)	20	6	19	21
EPS Gth Pre Ex (%)	11	7	19	21
Net DPS (sen)	7.5	8.0	9.6	11.6
BV Per Share (sen)	295.9	310.8	328.5	350.0
PE (X)	11.9	11.2	9.4	7.8
PE Pre Ex. (X)	12.0	11.2	9.4	7.8
EV/EBITDA (X)	5.6	5.3	4.7	3.8
Net Div Yield (%)	2.9	3.1	3.7	4.5
P/Book Value (X)	0.9	0.8	0.8	0.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	7.5	7.6	8.5	9.7

At A Glance

Issued Capital (m shrs)	283
Mkt. Cap (RMm/US\$m)	728 / 231
Avg. Daily Vol. ('000)	209

Price Relative



Source: Company, AllianceDBS

2Q results in line

- **Awaiting key re-rating catalyst: launch of the Jesselton Quay project**
- **As expected, Suria did not declare a dividend in the quarter**
- **BUY, TP RM3.75**

Highlights

Results in line. Suria's 2QFY14 core profit fell 2% y-o-y but grew 6% q-o-q. The results are in line as 1HFY14 PAT (+7% y-o-y) is 48% of our/consensus' full-year forecasts.

2QFY14 revenue grew 8% y-o-y. Revenue fell 5% q-o-q due to seasonality, while y-o-y growth was driven by continuous improvements in the logistic and bunkering (L&B) division (+46% y-o-y) and ferry terminal division (+29% y-o-y). This takes 1HFY14 revenue to 52% of our full year estimate.

Margins squeezed by higher operating costs. Suria booked weaker PBT margin of 32.3% (-550bps y-o-y) in 2QFY14. This was mainly due to higher port operation expenditure (+19% y-o-y), especially depreciation, repair and maintenance costs, because of more equipment.

Our View

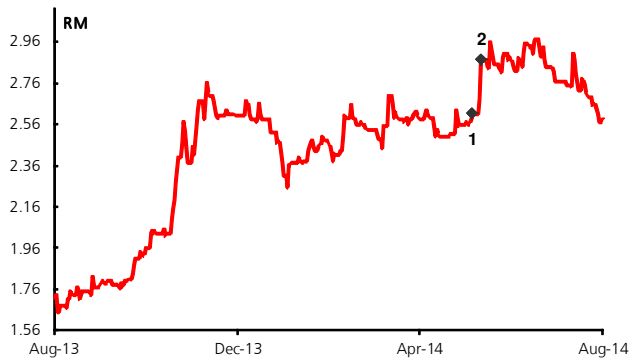
Awaiting key re-rating catalyst. Although the results are in line, Suria still needs a boost from a key re-rating catalyst, i.e. final approval for the development order to launch the Jesselton Quay (JQ) project in late 2014. This will underpin earnings growth for FY15 and FY16. We understand the relevant authority is still evaluating the final hurdle, the new traffic plan for the iconic waterfront project, which management now expects to be approved by November.

Recommendation

BUY, TP RM3.75 (DCF metric). We are retaining our recommendation and TP as 1HFY14 result are in line.

Suria Capital Holdings

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	30 May 14	2.61	3.75	Buy
2:	05 Jun 14	2.87	3.75	Buy

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

Source: AllianceDBS

DISCLOSURE

Stock rating definitions

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 > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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