

Suria Capital Holdings (SURIA MK)

Transport - Logistics

Market Cap: USD226m

Buy (Maintained)

Target Price: MYR3.50

Price: MYR2.57

A Good Year Ahead

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	0.27m/0.08m
Cons. Upside (%)	36.2
Upside (%)	36.2
52-wk Price low/high (MYR)	1.65 - 2.76
Free float (%)	30
Share outstanding (m)	283
Shareholders (%)	
Warisan Harta	46.2
Lembaga Tabung Haji	9.2

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.0)	(2.3)	6.6	(3.8)	35.3
Relative	(3.3)	(3.0)	4.6	(7.1)	30.4

Shariah compliant

Jerry Lee 603 9207 7622

jerry.lee@rhbgroup.com

Suria Capital began FY14 with a set of good numbers, which was within our expectations. All the business segments improved in 1Q on a y-o-y basis except for the contract and engineering segment, due to the lack of major projects. Jesselton Quay's development is on track and that would benefit Suria Capital in the long run. There is no change to our earnings forecast. We keep its FV at MYR3.50 and maintain BUY.

- ◆ **Stronger 1Q results.** Suria Capital reported a stronger net profit of MYR15m (+31% y-o-y) on the back of higher revenue of MYR72m (+21% y-o-y). All its business segments reported stronger contributions except for the contract and engineering division. Net margin improved by 1.6 ppts y-o-y due to lower expenditures as well as finance costs.
- ◆ **Segmental review.** In 1Q14, there was an increase in containerised cargo throughput by 22% y-o-y to 95,169 twenty-foot equivalent unit (TEU) from 78,194 TEUs, mainly attributed to the increase in transshipment containers received at the ports. However, the total tonnage decreased by 0.4% y-o-y mainly because of lower fertiliser, wood products and palm oil throughput. Logistics and bunkering division improved y-o-y mainly due to increased sales of fuel volume for the supply of bunkering fuel for cruise ships in the Kota Kinabalu Port. This division also resumed the heavy lifting and shuttling business with the commencement of Sabah Ammonia Urea (SAMUR) project. Revenue for ferry terminal operation improved as more revenue was generated from ferry transportation and cruise ship's passenger fees, rental of retail space and operation of indoor soccer centre. Contract & engineering segment did not do well largely due to the lack of major external projects.
- ◆ **Jesselton Quay update.** The project reached a key milestone on 16 May whereby SBC Corp (SBC MK, NR) signed the loan agreement with RHB Bank, and Suria Capital announced ownership of the land title. Hence, the joint venture (JV) agreement is now unconditional. (Please see [Suria Capital - A Witness To Jesselton Quay's Key Milestone](#)).
- ◆ **Maintain BUY.** We keep our earnings forecast unchanged at this juncture. We believe that there is more upside to the earnings as our assumptions remain on the conservative side. Maintain BUY with DCF derived-FV of MYR3.50 unchanged.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	276	263	263	264	274
Reported net profit (MYRm)	53.6	65.1	61.8	65.1	69.4
Recurring net profit (MYRm)	53.6	53.2	61.5	65.1	69.4
Recurring net profit growth (%)	(4.4)	(0.7)	15.5	5.8	6.7
Recurring EPS (MYR)	0.19	0.19	0.22	0.23	0.25
DPS (MYR)	0.06	0.06	0.06	0.08	0.09
Recurring P/E (x)	13.6	13.7	11.8	11.2	10.5
P/B (x)	0.95	0.91	0.86	0.83	0.79
P/CF (x)	6.93	5.33	4.89	6.14	5.86
Dividend Yield (%)	2.3	2.4	2.4	3.1	3.3
EV/EBITDA (x)	5.92	5.01	4.64	5.12	4.87
Return on average equity (%)	7.2	8.3	7.5	7.5	7.7
Net debt to equity (%)	18.2	7.0	net cash	13.1	14.2
Our vs consensus EPS (adjusted) (%)				0.0	0.0

Source: Company data, RHB estimates

Figure 1: 1QFY14 results table

FYE Dec (MYRm)	1QFY13	4QFY13	1QFY14	q-o-q (%)	y-o-y (%)	Comments
Revenue	59.0	73.2	71.5	(2.3)	21.3	All business segments contributed positively except for contract and engineering division.
EBITDA	26.9	30.7	31.3	1.8	16.3	
<i>EBITDA Margin (%)</i>	45.7	42.0	43.8			
Depreciation	(8.4)	(8.6)	(9.1)	6.9	8.5	
EBIT	18.5	22.2	22.2	(0.1)	19.8	
<i>EBIT Margin (%)</i>	31.4	30.3	31.0	-80.4%	76.5%	
Interest expense	(2.9)	(2.7)	(2.4)	(9.9)	(16.0)	
Interest income	0.3	0.6	0.6	(0.8)	75.5	
Associates	0.0	0.0	0.0	nm	nm	
El/Others	0.0	0.0	0.0	nm	nm	
Pretax profit	16.0	20.1	20.4	1.1	27.4	
<i>Pretax Margin (%)</i>	27.1	27.5	28.5			
Tax	(4.4)	(4.3)	(5.4)	25.2	21.4	
<i>Effective tax rate (%)</i>	(27.8)	(21.4)	(26.5)			
Minority Interest	(0.1)	(0.2)	0.1	(131.0)	(181.4)	
Net Profit	11.5	15.6	15.0	(3.7)	31.3	In line
Core Profit	11.5	15.6	15.0	(3.5)	31.3	
<i>Net Margin (%)</i>	19.4	21.3	21.0			

Source: Company data

Financial Exhibits

Profit & Loss (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover	276	263	263	264	274
Cost of sales	(166)	(155)	(149)	(143)	(149)
Gross profit	110	108	115	120	125
Other operating costs	(22)	(11)	(22)	(19)	(20)
Operating profit	88	97	92	101	105
Operating EBITDA	127	133	126	142	152
Depreciation of fixed assets	(33)	(31)	(30)	(35)	(40)
Amortisation of intangible assets	(5)	(6)	(4)	(6)	(8)
Operating EBIT	88	97	92	101	105
Interest income	1	1	2	1	1
Interest expense	(15)	(13)	(11)	(15)	(13)
Pre-tax profit	74	84	83	87	93
Taxation	(21)	(19)	(21)	(22)	(23)
Minority interests	(0)	(0)	(0)	(0)	(0)
Profit after tax & minorities	54	65	62	65	69
Reported net profit	54	65	62	65	69
Recurring net profit	54	53	62	65	69

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	88	97	92	101	105
Depreciation & amortisation	38	36	34	40	47
Change in working capital	(42)	(14)	20	2	1
Other operating cash flow	6	6	(5)	(18)	(18)
Operating cash flow	91	125	141	126	135
Interest received	(1)	(1)	(3)	(1)	(1)
Interest paid	15	13	11	15	13
Tax paid	0	(1)	(1)	(22)	(23)
Cash flow from operations	105	137	149	119	124
Capex	(18)	(11)	(35)	(171)	(100)
Other investing cash flow	(58)	39	9	1	1
Cash flow from investing activities	(76)	28	(26)	(170)	(99)
Dividends paid	(17)	(17)	(18)	(23)	(24)
Proceeds from issue of shares	0	(11)	-	-	-
Increase in debt	(10)	(61)	(43)	(28)	(27)
Other financing cash flow	42	(53)	(14)	(38)	(14)
Cash flow from financing activities	15	(143)	(74)	(89)	(66)
Cash at beginning of period	171	205	216	252	94
Total cash generated	44	22	49	(140)	(41)
Implied cash at end of period	215	227	265	112	54

Source: Company data, RHB estimates

Financial Exhibits

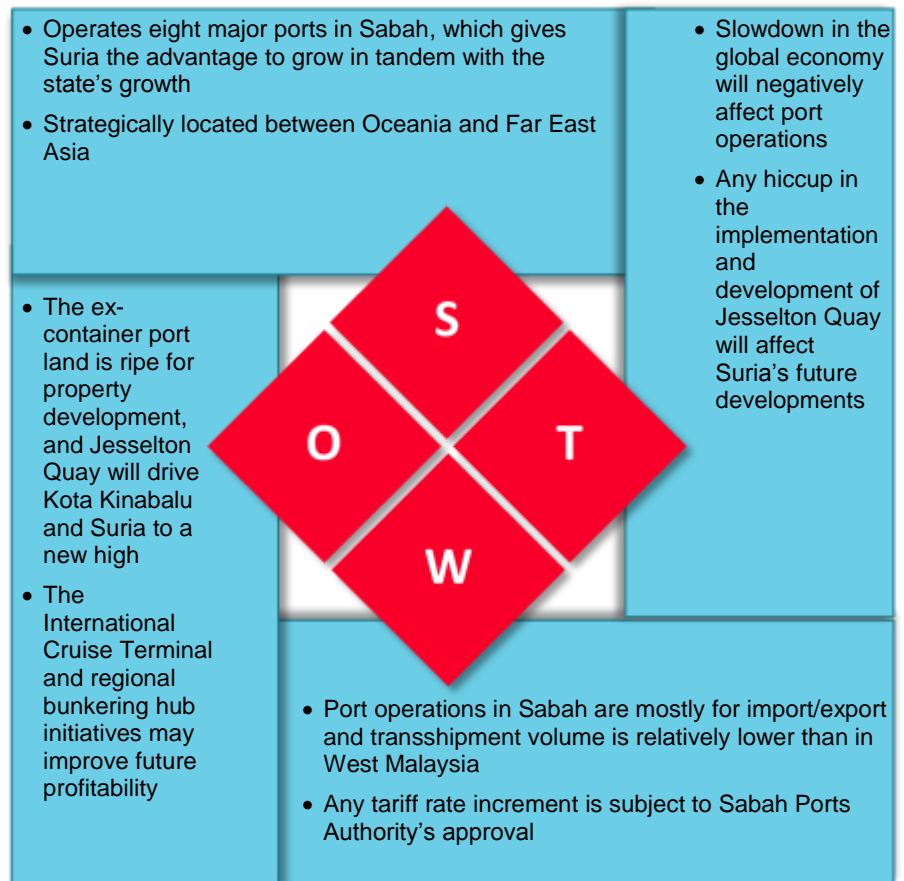
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	205	216	252	94	45
Inventories	4	7	5	7	7
Accounts receivable	33	39	29	39	41
Other current assets	33	27	21	27	27
Total current assets	276	289	308	167	120
Total investments	122	120	121	120	120
Tangible fixed assets	688	660	664	810	878
Intangible assets	90	85	81	73	66
Total other assets	44	26	5	26	26
Total non-current assets	945	890	871	1,028	1,089
Total assets	1,220	1,178	1,179	1,196	1,209
Short-term debt	78	44	39	27	22
Accounts payable	37	31	102	28	29
Other current liabilities	0	4	0	4	4
Total current liabilities	115	78	141	59	55
Total long-term debt	267	229	190	183	155
Other liabilities	70	70	0	70	70
Total non-current liabilities	336	298	191	252	224
Total liabilities	451	376	332	311	279
Share capital	283	283	283	283	283
Retained earnings reserve	420	454	499	536	581
Other reserves	63	63	63	63	63
Shareholders' equity	767	800	845	882	927
Minority interests	3	2	2	2	2
Other equity	(0)	0	(0)	0	-
Total equity	769	802	847	884	929
Total liabilities & equity	1,220	1,178	1,179	1,196	1,209

Source: Company data, RHB estimates

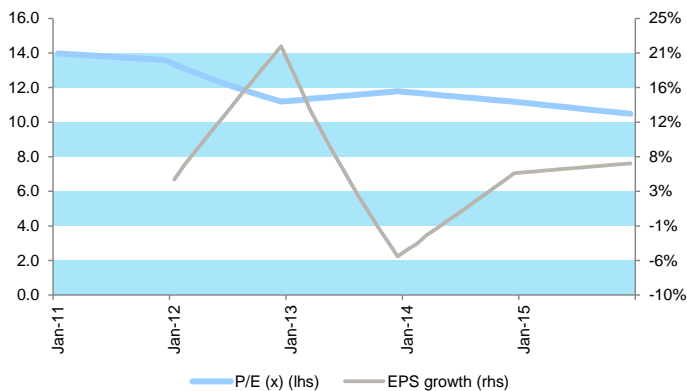
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	8.3	(4.7)	0.2	0.2	3.9
Operating profit growth (%)	(4.7)	9.4	(4.4)	9.6	3.7
Net profit growth (%)	(4.8)	21.5	(5.1)	5.4	6.7
EPS growth (%)	(4.8)	21.5	(5.1)	5.4	6.7
Bv per share growth (%)	5.0	4.4	5.5	4.4	5.1
Operating margin (%)	32.0	36.8	35.1	38.4	38.4
Net profit margin (%)	19.4	24.7	23.4	24.7	25.3
Return on average assets (%)	4.4	5.4	5.2	5.5	5.8
Return on average equity (%)	7.2	8.3	7.5	7.5	7.7
Net debt to equity (%)	18.2	7.0	(2.7)	13.1	14.2
DPS	0.06	0.06	0.06	0.08	0.09
Recurrent cash flow per share	0.37	0.48	0.53	0.42	0.44

Source: Company data, RHB estimates

SWOT Analysis

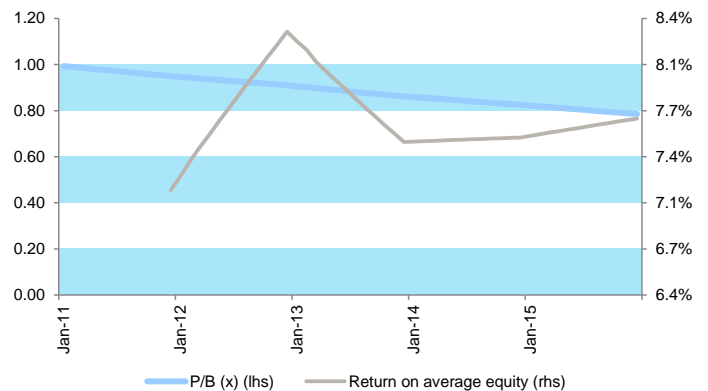


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Suria Capital (Suria)'s main core business is in operating the eight major ports in Sabah, namely Kota Kinabalu Port, Sapangar Bay Oil Terminal, Sandakan Port, Lahad Datu Port, Kunak Port, Kudat Port, Tawau Port and Sapangar Bay Container Port. The group also operates other businesses, such as equipment supply and maintenance, logistics and bunkering services, contract and engineering, as well as ferry terminal operations. Suria is looking for opportunities to diversify its operations into the property and tourism sectors.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2014-03-03	Buy	3.50	2.43
2013-11-26	Buy	3.50	2.41
2013-11-19	Buy	3.50	2.57

Source : RHB estimates, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of RHB and RHB accepts no liability whatsoever for the actions of third parties in this respect.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 28 May 2014, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd do not have proprietary positions in the securities covered in this report, except for:

a) -

As of 28 May 2014, none of the analysts who covered the securities in this report has an interest in such securities, except for:

a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBSHK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHBSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.) 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia) Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax : +(66) 2 108 0999</p>		