

Suria Capital Holdings (SURIA MK)

Transport - Logistics

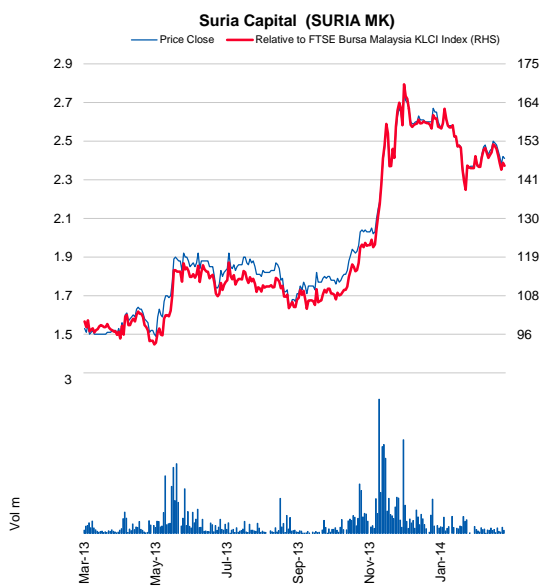
Market Cap: USD208m

Buy (Maintained)

Target Price: MYR3.50

Price: MYR2.41

Staying In Line

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	0.48m/0.15m
Cons. Upside (%)	45.2
Upside (%)	45.2
52-wk Price low/high (MYR)	1.49 - 2.76
Free float (%)	30

Shareholders (%)	
Warisan Harta	46.2
Lembaga Tabung Haji	9.2

Shariah compliant

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Suria's FY13 core net profit met our earnings forecast, with its port operation remaining as the group's main earnings contributor. Revenue grew slightly despite lower throughput volume due to higher contributions from palm and bulk oil handling. We make no changes in our FY14F earnings forecast. The Jesselton Quay project remains a key near-term catalyst. Maintain BUY, with MYR3.50 FV.

- ◆ **Results spot on.** Suria's FY13 core net profit of MYR62m met our earnings forecast, with its port operations remaining as the key contributor, generating 88% of group revenue, followed by logistics & bunkering services, which contributed 11%. The remainder was from the contract & engineering and ferry terminal operations. Suria declared a 3 sen dividend for the quarter under review, bringing the full year FY13 dividend to 6.15 sen, for a 28% payout ratio.
- ◆ **Operations overview.** In FY13, Suria's overall throughput volume declined (cargo: -0.1% y-o-y, container: -0.4% y-o-y), but revenue from port operations grew 3% y-o-y, mainly attributed to heightened palm oil and bulk oil handling at the port, as well as a MYR2.8m increase in sale of machinery. This, coupled with a 3% y-o-y drop in operating expenses (repair and maintenance, dredging and stevedoring), translated into a 13% y-o-y jump in FY13 operating profit. Meanwhile, the logistics business improved on y-o-y basis, boosted by the supply of bunkering fuel to cruise ships in Kota Kinabalu Port, as well as the commencement of the Samur project in June 2013. This led to narrowing losses at its bunkering division.
- ◆ **Maintaining forecasts.** We adjust higher the company's topline and operating costs for FY14F but maintain our bottomline forecast, to be on the prudent side. The Jesselton Quay project remains the key catalysts in the near future.
- ◆ **Maintain BUY and MYR3.50 FV.** We maintain our BUY rating on Suria, with our FV at MYR3.50, based on DCF valuation, with an assumed WACC of 7.2%. At a forward FY14 P/E of 10.5x, Suria is the cheapest port operator compared to others, which are trading at a range of 13-18x.

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)	12.7	12.8	11.1	10.5	9.8
P/B (x)	0.89	0.85	0.81	0.77	0.74
P/CF (x)	6.50	5.00	4.59	5.76	5.50
Dividend Yield (%)	2.5	2.6	2.6	3.3	3.6
EV/EBITDA (x)	5.56	4.67	4.28	4.80	4.57
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 (%)				6.9	11.4

Source: Company data, RHB estimates

Figure 1: Review of FY13 results

FYE Dec (MYRm)	2QFY12	3QFY13	4QFY13	q-o-q (%)	y-o-y (%)	FY12	FY13	y-o-y (%)	Comments
Revenue	63.0	68.0	73.2	7.6	16.2	262.5	263.3	0.3	Higher contributions from all business segments except engineering
EBITDA	25.3	34.0	30.7	(9.6)	21.3	133.2	126.2	(5.3)	
<i>EBITDA Margin (%)</i>	0.0	50.0	42.0			50.7	47.9		
Depreciation & Amortisation	(8.9)	(8.6)	(8.6)	(0.2)	(4.1)	(36.4)	(34.0)	(6.6)	
EBIT	16.4	25.5	22.2	(12.8)	35.1	96.8	92.2	(4.8)	
<i>EBIT Margin (%)</i>	0.0	37.4	30.3			36.9	35.0		
Interest expense	(3.3)	(2.8)	(2.7)	(3.1)	(18.5)	(13.4)	(11.1)	(17.5)	
Interest income	0.3	0.4	0.6	42.9	97.0	1.0	1.7	62.4	
Associates	0.0	0.0	0.0	nm	nm	0.0	0.0	nm	
EI	(0.0)	0.1	0.0	(72.2)	(164.1)	(2.3)	0.3	(114.2)	
Pretax profit	13.4	23.2	20.1	(13.2)	50.2	70.1	83.2	18.7	Higher other income, lower finance costs
<i>Pretax margin (%)</i>	0.0	34.1	27.5			26.7	31.6		
Tax	(4.0)	(4.9)	(4.3)	(12.3)	6.5	(19.2)	(21.7)	13.3	
<i>Effective tax rate (%)</i>	(30.1)	(21.2)	(21.4)			(27.3)	(26.1)		
Minority Interest	0.1	0.2	(0.2)	(196.6)	(296.5)	(0.1)	(0.2)	116.5	
Net Profit	9.5	18.5	15.6	(15.8)	64.6	50.9	61.8	21.6	
Core Profit	9.5	18.4	15.6	(15.5)	63.7	53.1	61.5	15.8	Margin improved due to lower interest expenses and higher interest income. Within estimates.
<i>Net Margin (%)</i>	0.0	27.1	21.3			20.2	23.4		

Source: RHB estimates

Financial Exhibits

- ◆ The FY13 numbers are based on Suria's unaudited quarterly results.

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

Key Assumptions	FY14F	FY15F
Cargo throughput growth (%)	0.5%	1.0%
Container throughput growth (%)	0.0%	1.0%

Source: RHB estimates

Financial Exhibits

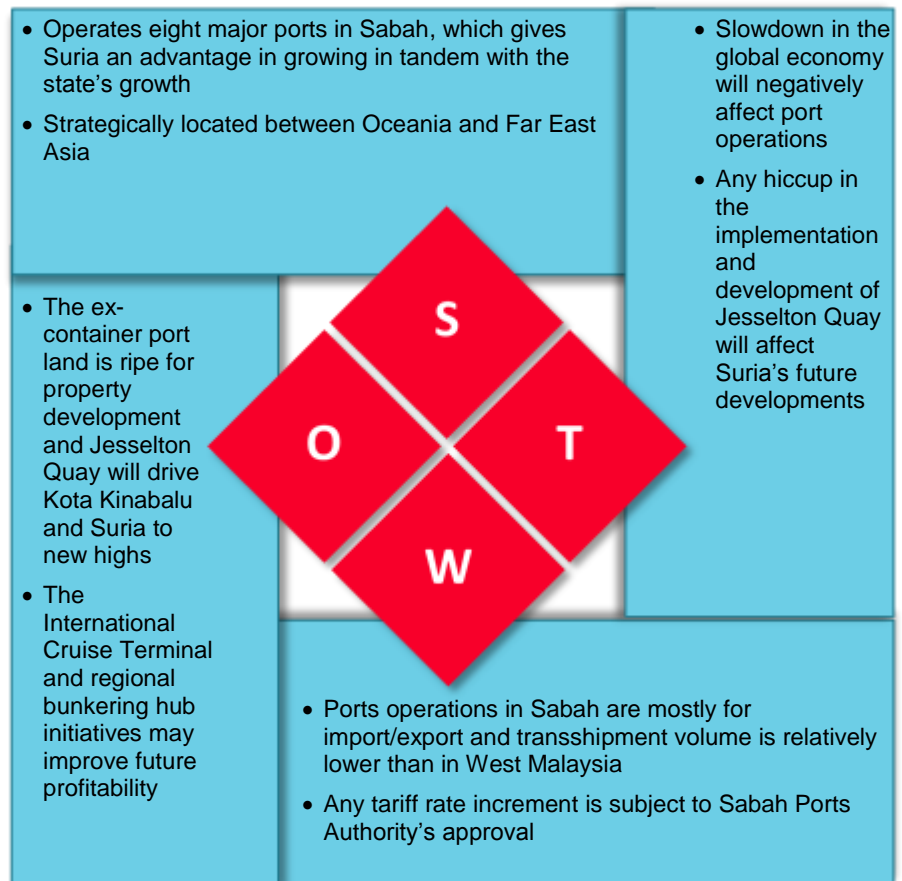
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	205	216	252	94	45
Inventories	4	7	5	7	7
Accounts receivable	33	39	29	39	41
Other current assets	33	27	21	27	27
Total current assets	276	289	308	167	120
Total investments	122	120	121	120	120
Tangible fixed assets	688	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

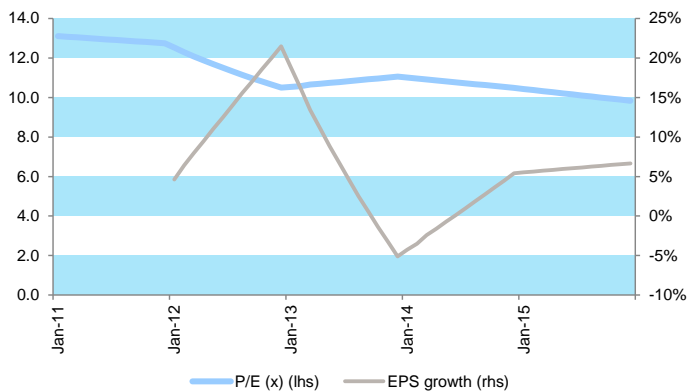
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	8.3	(4.7)	0.2	0.2	3.9
Operating profit growth (%)	(4.7)	9.4	(4.4)	9.6	3.7
Net profit growth (%)	(4.8)	21.5	(5.1)	5.4	6.7
EPS growth (%)	(4.8)	21.5	(5.1)	5.4	6.7
Bv per share growth (%)	5.0	4.4	5.5	4.4	5.1
Operating margin (%)	32.0	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

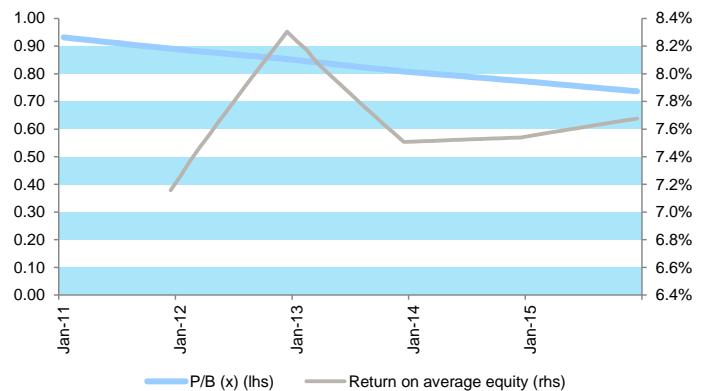


P/E (x) vs EPS growth



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 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, and 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
2013-11-26	Buy	3.50	2.41
2013-11-19	Buy	3.50	2.57

Source : RHB estimates, Bloomberg

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- 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
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