

# Stock Digest

## Company Update – Suria Capital Holdings Bhd

Wednesday, 05 Dec, 2018



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## Rewarding Shareholders

### Highlights

- Suria Capital Holdings Bhd's (Suria) has proposed a bonus issue of up to 58.3 mln new shares on the basis of one bonus share-for-every five existing shares held on the entitlement date to be determined later.
- As at 15th November 2018, Suria's share capital stood at RM288.2 mln comprising 288.2 mln shares and 3.2 mln outstanding options granted under the employees' share scheme (ESOS). Assuming all the outstanding ESOS options are exercised prior to the implementation of the proposed bonus issue, 58.3 mln bonus shares will be issued.
- This will result in an enlarged issued share capital of up to RM368.3 mln comprising 349.7 mln shares. (see below). The proposed bonus issue is expected to be completed by 31st January 2019.

**Recommendation: BUY**

**Share Price: RM1.63**

**Target Price: RM2.20**

**Expected Return: +35.0%**

**Expected Dividend Return: +4.3%**

**Expected Total Return: +39.3%**

**FBM KLCI: 1,694.99**

### Key Statistics

**Bursa Code:** 6521

**Bloomberg Ticker:** SURIA MK Equity

**Stock Information:** Engaged in the provision of port services and facilities and property development

**Listing Market:** Main Market

**Share Issued (mln):** 288.2

**Market Capital (RM mln):** 469.7

**Par Value (RM):** N/A

**52 week high/low:** RM1.94/RM1.51

**Estimated free float:** 35.9%

**Beta (x):** 0.5

**3-month average volume ('000):** 27.4

**Major Shareholders:**

Warisan Harta Sdn Bhd	45.4%
Lembaga Tabung Haji	9.3%
Yayasan Sabah	3.7%

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Financial Highlights					
FYE Dec (RM mln)	2015A	2016A	2017A	2018F	2019F
Revenue	496.7	258.5	332.7	406.7	425.2
EBITDA	193.1	126.9	111.2	128.9	140.7
Net Profit	126.4	66.7	48.9	59.6	68.3
Revenue Growth (%)	81.8	-47.9	28.7	22.3	4.5
EBITDA Growth (%)	57.0	-34.3	-12.4	16.0	9.1
Net Profit Growth (%)	142.6	-47.3	-26.6	21.8	14.5
EPS (sen)	43.9	23.1	17.0	20.7	23.7
P/E (x)	3.7	7.0	9.6	7.9	6.9
DPS (sen)	7.0	7.0	6.0	7.0	7.0
Dividend Yield (%)	4.3	4.3	3.7	4.3	4.3
P/BV (x)	0.5	0.5	0.4	0.4	0.4
ROE (%)	13.0	6.6	4.6	5.5	6.0

Source: Company Data & MSSB Research

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## Effects of the proposed bonus issue;

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
As at 15th November 2018	288,183,992	358,825,368	288,183,992	358,825,368
To be issued pursuant to ESOS options	-	-	3,208,000	9,504,662
Enlarged no. of shares after ESOS	288,183,992	358,825,368	291,391,992	368,330,030
To be issued pursuant to the proposed bonus issue	57,636,798	-	58,278,398	-
<b>Enlarged no. of shares issued ex-bonus issue</b>	<b>345,820,790</b>	<b>358,825,368</b>	<b>349,670,390</b>	<b>368,330,030</b>

## Valuation And Recommendation

We are positive on the proposed bonus issue announcement. The aforementioned corporate exercise serves as a reward for Suria's existing shareholders and it will also improve the trading liquidity of Suria's shares. Current 3-months average daily traded volume stood at 27,448 shares, representing an average of only 0.01% of the total no. of shares in issue.

There are no changes made to our earnings forecast. Therefore, we maintain our **BUY** recommendation on Suria with an unchanged target price of RM2.20 (ex-bonus adjusted price of RM1.83). We continue to like Suria for its position as the leading port operator in Sabah, having secured long-term concession agreements with Sabah State Government until 2034 (with an option to renew for another 30 years) and a relatively large-scale expansion plan in the pipeline.

We value Suria through a sum-of-parts (SOP) approach as we valued both its port operations and property development segments on a discounted cash flow approach (key assumptions include a WACC of 8.5%, terminal growth rate of 1.5%) to reflect its ability to generate recurring revenues and steady earnings growth over the longer term.

Income Statement					
FYE Dec (RM mln)	2015A	2016A	2017A	2018F	2019F
Revenue	496.7	258.5	332.7	406.7	425.2
EBITDA	193.1	126.9	111.2	128.9	140.7
Depreciation & Amortisation	-40.8	-39.8	-41.3	-48.5	-49.5
Net Interest Expense	-4.1	-3.5	-2.2	-2.0	-1.4
Associates	0.0	0.0	0.0	0.0	1.0
Pre-tax Profit	148.2	83.5	67.7	78.4	89.8
Effective Tax Rate	15.2%	20.2%	27.7%	24.0%	24.0%
Net Profit	126.4	66.7	48.9	59.6	68.3
EBITDA Margin	38.9%	49.1%	33.4%	31.7%	33.1%
PreTax Margin	29.8%	32.3%	20.4%	19.3%	21.1%
Net Margin	25.5%	25.8%	14.7%	14.7%	16.1%

Source: Company Data & MSSB Research

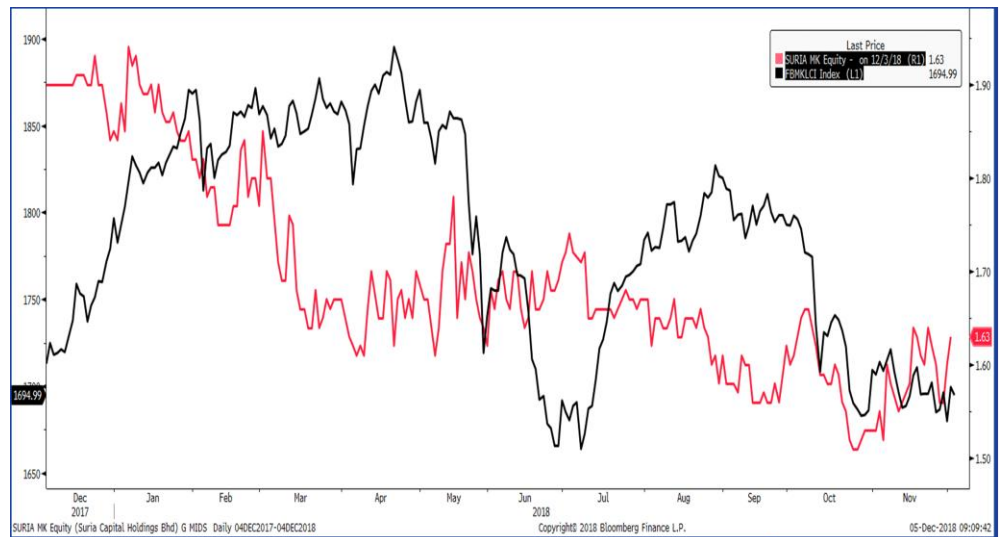
Balance Sheet					
FYE Dec (RM mln)	2015A	2016A	2017A	2018F	2019F
Total Assets	1332.3	1348.8	1346.2	1390.3	1435.0
Fixed Assets	63.4	62.2	60.7	59.7	57.7
Current Assets	352.1	262.4	187.4	218.3	253.8
Other LT Assets	916.8	1024.1	1098.1	1112.3	1123.5
Current Liabilities	89.3	92.2	85.0	70.7	71.9
LT Liabilities	272.1	241.1	208.3	227.3	222.7
Share Capital	288.2	288.2	358.8	358.8	358.8
Shareholder's Funds	971.0	1015.5	1052.9	1092.3	1140.4
Minority Interests	1.7	0.0	0.0	0.0	0.0

Source: Company Data & MSSB Research

Per Share Data					
FYE Dec	2015A	2016A	2017A	2018F	2019F
Book Value (Sen)	336.9	352.4	365.4	379.0	395.7
Cash Flow (Sen)	67.6	34.6	24.3	32.9	37.0
Net Earnings (sen)	43.9	23.1	17.0	20.7	23.7
Dividend (sen)	7.0	7.0	6.0	7.0	7.0
Payout Ratio (%)	16.0%	30.3%	35.3%	33.8%	29.6%
Dividend Yield (%)	4.3	4.3	3.7	4.3	4.3
PER (x)	3.7	7.0	9.6	7.9	6.9
P/Cash Flow (x)	2.4	4.7	6.7	5.0	4.4
P/Book Value (x)	0.5	0.5	0.4	0.4	0.4
ROA (%)	9.5	4.9	3.6	4.3	4.8
ROE (%)	13.0	6.6	4.6	5.5	6.0
Gearing (%)	12.7	8.7	6.8	6.2	5.3
Net Gearing (%)	0.9	2.7	0.0	Net Cash	Net Cash

Source: Company Data & MSSB Research

## Stock Price Performance vs KLCI



Price Performance	1 month	3 months	12 months
Absolute (%)	5.16%	3.16%	-14.21%
Relative (%)	6.26%	9.66%	-12.48%

Source: Company Data, Bloomberg

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