

Suria Capital Holdings Berhad

Port activities turning busy again

Summary

- Suria Capital Holdings Bhd's 3QFY20 net profit rose 6.4% YoY to RM11.9m, lifted by the lower effective tax rate at 19.5% vis-a-vis 24.7% recorded in the previous corresponding quarter. Revenue for the quarter, however, decreased 6.6% YoY to RM61.0m. For 9MFY20, cumulative net profit contracted 31.7% YoY to RM28.2m. Revenue for the period declined 19.6% YoY to RM164.5m.
- The reported earnings came in line, accounting to 74.1% of our full year net profit forecast RM38.1m. The reported revenue, however, only amounted to 65.6% of our full year estimate of RM250.7m.
- Suria continues to maintain a healthy balance sheet with a net cash position of RM34.1m in 3QFY20. An interim dividend of 1.0 sen per share was declared and payable on 21st December 2020.
- In 3QFY20, Suria handled a total of 102,649 (+9.0% YoY) TEUs, which brings cumulative 9MFY20 TEUs at 262,567; accounting to 75.0% of our assumption of 350,000 TEUs for FY20f. In the meantime, the group's total tonnage handled fell 62.4% YoY to 6.8m tonnes due to drop in throughput of all types of commodities handled by the ports as the global supply chain disruption has yet to see a strong recovery towards before pre-Covid-19 pandemic levels.
- Moving forward, we reckon that a recovery is largely remained in place following the improvement in shipments amid the recovery in economic activities that sent commodity prices (CPO) to multi-year high. We note that the installation of 80 reefer points at Sapangar Bay Container Port was completed in September 2020, bringing the total to 292. Meanwhile, the construction of a new jetty at Sapangar Bay Oil Terminal will commence in December 2020 and is targeted for completion by end-March 2022.
- On the property development, construction for the joint venture with SBC Corporation Bhd for the Jesselton Quay Central (JQC) project (current phase) has reached 82.0% completion as of end-September 2020. Due to the implementation of MCO in 4Q2020, the construction works will resume tentatively in 1Q2021.

Quarterly performance

FYE Dec (RM m)	3QFY19	2QFY20	3QFY20	QoQ (%)	YoY (%)	9MFY19	9MFY20	YoY (%)
Revenue	65.3	46.5	61.0	31.7	(6.6)	204.6	164.5	(19.6)
EBITDA	27.7	21.7	28.3	30.5	2.3	71.6	63.1	(11.8)
PBT	14.9	8.6	14.8	72.4	(0.5)	56.2	36.3	(35.5)
PAT	11.2	5.8	11.9	107.3	6.4	41.3	28.2	(31.7)
Core PATMI	11.2	5.8	11.9	107.3	6.4	41.3	28.2	(31.7)
Reported PATMI	11.2	5.8	11.9	107.3	6.4	41.3	28.2	(31.7)
Core EPS (sen)	3.2	1.7	3.4	107.3	6.4	11.9	8.2	(31.7)
EBITDA margin (%)	42.4	46.6	46.5			35.0	38.4	
PBT margin (%)	22.8	18.5	24.3			27.5	22.0	
Core PATMI margin (%)	17.2	12.4	19.6			20.2	17.2	

Results Note – 3QFY20

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HOLD

Share price	RM0.955
Target price	RM1.02
Previous TP	RM1.02
Capital upside	6.8%
Dividend return	4.2%
Total return	11.0%

Company profile

Provision of port services and facilities and property development

Stock information

Bursa Code	6521
Bloomberg ticker	SURIA MK
Listing market	Main
Share issued (m)	345.8
Market Cap (m)	330.3
52W High/Low	1.42/0.82
Est. Free float	40.7
Beta (x)	0.8
3-mth avg vol ('000)	202.9
Shariah compliant	Yes

Major shareholders

Warisan Harta SB	45.4
Urusharta Jamaah SB	4.1
Yayasan Sabah	3.7

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	11.7	3.8	-32.3
Relative	4.2	0.4	-33.1

Earnings summary

FYE (Dec)	FY19	FY20f	FY21f
PATMI (m)	52.2	38.1	40.1
EPS (sen)	15.1	11.0	11.6
P/E (x)	6.3	8.7	8.2

Relative performance chart



Valuation & Recommendation

- With the reported earnings coming within our expectations, we made no changes to our earnings forecast. Given that the recent recovery in share prices has reflected part of its fundamentals, we downgrade our recommendation on Suria to **HOLD** (from Buy) at an unchanged target price of RM1.02.
- 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 5.0%) to reflect its ability to generate recurring revenues and steady earnings growth over the longer term. Meanwhile, we ascribed a 10.0x (unchanged) target PER to both its logistics and bunkering contracts as well as engineering and ferry terminal operations businesses, based on their potential earnings contribution in FY21f.
- Risks to our recommendation include dependency and sensitivity to commodity prices (mainly crude oil and crude palm oil). The port operation business is highly regulated by the State and Sabah Ports Authority that requires a number of approvals, licenses, registrations and permits from various regulatory authorities.

Key Financial Data

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY17	FY18	FY19	FY20f	FY21f	FYE Dec (RM m)	FY17	FY18	FY19	FY20f	FY21f
Revenue	332.7	400.5	275.2	250.7	257.9	Cash	71.4	56.3	70.9	72.4	65.5
EBITDA	111.2	125.2	125.6	102.0	106.2	Receivables	37.9	47.8	135.7	85.8	106.0
EBIT	69.9	76.2	74.6	51.8	56.2	Inventories	4.7	6.4	7.0	7.0	9.5
Net finance income/ (cost)	(2.2)	(1.1)	(1.9)	(1.1)	(1.1)	PPE	60.7	60.7	8.2	64.5	67.0
Associates & JV	-	1.0	2.0	3.0	4.0	Others	1,171.6	1,246.0	1,154.8	1,156.4	1,158.1
Profit before tax	67.7	75.1	72.7	50.6	55.0	Assets	1,346.2	1,417.1	1,376.5	1,386.1	1,406.1
Tax	(18.8)	(22.2)	(20.5)	(12.7)	(13.8)	Debts	71.5	95.0	137.1	76.9	68.4
Net profit	48.9	52.9	52.2	38.0	41.3	Payables	42.3	55.0	53.4	49.0	52.3
Minority interest	-	(0.0)	(0.0)	(0.1)	1.1	Others	65.9	77.6	72.6	79.2	81.2
Core earnings	48.9	53.0	52.2	38.1	40.1	Liabilities	293.3	338.7	263.1	265.5	273.0
Exceptional items	-	1.0	2.0	3.0	4.0	Shareholder's equity	358.8	358.8	358.8	358.8	358.8
Reported earnings	48.9	53.0	52.2	38.1	40.1	Minority interest	-	(0.0)	(0.0)	-	-
						Equity	1,052.9	1,078.5	1,113.4	1,137.6	1,165.0
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY17	FY18	FY19	FY20f	FY21f	FYE Dec (RM m)	FY17	FY18	FY19	FY20f	FY21f
Profit before taxation	67.7	75.1	72.7	50.6	55.0	Core EPS (sen)	14.1	15.3	15.1	11.0	11.6
Depreciation & amortisation	41.3	49.0	53.5	52.7	52.5	P/E (x)	6.8	6.2	6.3	8.7	8.2
Changes in working capital	(89.4)	49.7	103.5	(49.9)	31.2	DPS (sen)	6.0	7.0	5.0	4.0	4.0
Share of JV profits	-	-	-	-	-	Dividend yield	6.3%	7.3%	5.2%	4.2%	4.2%
Taxation	(19.0)	(19.7)	(5.0)	(5.0)	(5.0)	BVPS (RM)	3.04	3.12	3.22	3.29	3.37
Others	-	-	-	-	-	P/B (x)	0.3	0.3	0.3	0.3	0.3
Operating cash flow	81.6	132.1	193.8	18.9	82.9	EBITDA margin	33.4%	31.3%	45.6%	40.7%	41.2%
Net capex	(1.1)	(70.5)	12.0	32.0	32.0	EBIT margin	21.0%	19.0%	27.1%	20.7%	21.8%
Others	-	-	-	-	-	PBT margin	20.4%	18.8%	26.4%	20.2%	21.3%
Investing cash flow	(11.7)	(128.4)	(164.3)	(19.3)	(29.3)	PAT margin	14.7%	13.2%	19.0%	15.2%	16.0%
Changes in borrowings	(40.9)	23.5	42.1	(60.3)	(8.4)	Core PAT margin	14.7%	13.2%	19.0%	15.2%	15.6%
Issuance of shares	-	-	-	-	-	ROE	4.6%	4.9%	4.7%	3.3%	3.4%
Dividends paid	(11.5)	(27.4)	(17.3)	(13.8)	(13.8)	ROA	3.6%	3.7%	3.8%	2.7%	2.9%
Others	-	-	-	-	-	Net gearing	0.0%	3.6%	5.9%	0.4%	0.2%
Financing cash flow	(57.2)	(6.9)	(29.0)	24.5	(25.5)						
Net cash flow	12.7	(3.2)	0.6	24.1	28.1						
Forex	(0.9)	(0.1)	-	-	-						
Others	-	-	-	-	-						
Beginning cash	31.7	43.5	40.3	40.8	42.4						
Ending cash	43.5	40.3	40.8	42.4	50.5						

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