

Suria Capital Holdings Bhd

Deemed in line

Summary

- Suria Capital Holdings Bhd's 3QFY21 net profit declined 13.2% YoY to RM10.4m, due to lower contribution from ports operation segment and higher operational costs. Revenue for the quarter fell 2.8% YoY to RM59.3m. An interim dividend of 1.5 sen per share, payable on 20th December 2021 was declared.
- For 9MFY21, cumulative net profit rose 27.8% YoY to RM36.1m. Revenue for the period gained 7.2% YoY to RM176.3m. The reported earnings make up to 64.9% of our full year net profit forecast RM55.6m, which we deem to be in line as we expect better performance in the final quarter alongside with economic recovery.
- In 3QFY21, Suria handled a total of 92,640 (-9.8% YoY) TEUs, bringing 9MFY21 TEUs at 296,015 which amounted to 78.9% of our assumption of 375,000 TEUs for FY21f. In the meantime, the group's total tonnage handled fell 12.0% YoY to 5.9m tonnes due to weaker palm oil and palm kernel oil throughput.
- Moving forward, the gradual re-opening of economic activities will keep port activities busy, and that may meet our projected total tonnage of 25.0m tonnes in FY21f. We also note that the construction of a new jetty at Sapangar Bay Oil Terminal (SBOT) is on track for completion in 1H22. The move will boost the capacity to undertaking additional port activities as current utilisation rate is averaging at 80.0-90.0%.
- Elsewhere, the relatively large-scale expansion of the Sapangar Bay Container Port (SBCP) may accelerate in 2022 after WCT Holdings Bhd 60:40 joint venture (JV) with China Communications Construction Co (M) Sdn Bhd (CCCC) was appointed as the main contractor in mid-2021. Upon completion by end-2024, this will boost existing capacity of 500,000 TEUs to 1,250,000 TEUs per annum.
- On the property development segment, the current phase (Phase 1) of Jesselton Quay Central (JQC) project is slated for completion in 1Q22 (97.3% completion as of 30th September 2021). The current phase comprises two towers of 25-storey commercial suites (CityPads), one tower of 25-storey i-hotel, Gallery Shoppes, a tropical-themed recreation club at the podium top and carparks.

Quarterly performance

FYE Dec (RM m)	3QFY20	2QFY21	3QFY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)
Revenue	61.0	62.4	59.3	(4.9)	(2.8)	164.5	176.3	7.2
EBITDA	28.3	21.7	25.3	16.9	(10.5)	63.1	71.1	12.6
PBT	14.8	21.9	13.5	(38.5)	(8.9)	36.3	46.8	29.2
PAT	11.9	16.8	10.4	(38.2)	(13.2)	28.2	36.1	27.9
Core PATMI	11.9	16.8	10.4	(38.2)	(13.2)	28.2	36.1	27.8
Reported PATMI	11.9	16.8	10.4	(38.2)	(13.2)	28.2	36.1	27.8
Core EPS (sen)	3.4	4.8	3.0	(38.2)	(13.2)	8.2	10.4	27.8
EBITDA margin (%)	46.5	34.8	42.8			38.4	40.3	
PBT margin (%)	24.3	35.2	22.7			22.0	26.6	
Core PATMI margin (%)	19.6	26.9	17.5			17.2	20.5	

Results Note – 3QFY21

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BUY

Share price	RM1.15
Target price	RM1.28
Previous TP	RM1.28
Capital upside	11.3%
Dividend return	3.5%
Total return	14.8%

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)	397.7
52W High/Low	1.23/0.95
Est. Free float	38.3
Beta (x)	0.7
3-mth avg vol ('000)	635.0
Shariah compliant	Yes

Major shareholders

	%
Qhazanah Sabah	45.4
Urusharta Jamaah Sdn Bhd	4.1
Yayasan Sabah	3.7

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	-8.0	2.7	20.4
Absolute	-4.8	8.1	28.2
Relative			

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI (m)	32.7	55.6	63.7
EPS (sen)	9.5	16.1	18.4
P/E (x)	12.2	7.2	6.2

Relative performance chart



Valuation & Recommendation

- With the reported earnings deemed to be in line, we made no changes to our forecasted figures. Following the recent weakness in share price, we think that valuations have now turned slightly appealing and we upgrade Suria to **BUY** (from Hold) with an unchanged higher target price of RM1.28.
- 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 FY22f.
- 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)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	400.5	275.2	225.4	254.3	278.2	Cash	56.3	70.9	75.0	76.5	97.7
EBITDA	125.2	125.6	96.0	124.4	149.2	Receivables	47.8	135.7	183.8	174.2	190.5
EBIT	76.2	74.6	46.4	74.3	99.2	Inventories	6.4	7.0	8.7	9.5	8.5
Net finance income/ (cost)	(1.1)	(1.9)	1.3	1.1	1.3	PPE	60.7	8.2	58.6	61.0	63.6
Associates & JV	1.0	2.0	3.0	4.0	4.0	Others	1,246.0	1,154.8	1,049.2	1,107.2	1,131.0
Profit before tax	75.1	72.7	47.7	75.4	100.6	Assets	1,417.1	1,376.5	1,375.3	1,428.5	1,491.3
Tax	(22.2)	(20.5)	(15.0)	(19.8)	(36.9)	Debts	95.0	137.1	134.3	68.4	60.3
Net profit	52.9	52.2	32.7	55.6	63.7	Payables	55.0	53.4	45.8	48.8	49.0
Minority interest	(0.0)	(0.0)	(0.0)	-	-	Others	77.6	72.6	100.1	98.3	104.6
Core earnings	53.0	52.2	32.7	55.6	63.7	Liabilities	338.7	263.1	269.2	280.6	279.6
Exceptional items	-	-	-	-	-	Shareholder's equity	358.8	358.8	358.8	358.8	358.8
Reported earnings	53.0	52.2	32.7	55.6	63.7	Minority interest	(0.0)	(0.0)	(0.0)	-	-
Cash Flow Statement						Equity	1,078.5	1,113.4	1,106.1	1,147.9	1,211.7
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	Valuation & Ratios					
Profit before taxation	75.1	72.7	47.7	75.4	100.6	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Depreciation & amortisation	49.0	53.5	52.0	52.6	52.4	Core EPS (sen)	15.3	15.1	9.5	16.1	18.4
Changes in working capital	49.7	103.5	4.2	2.0	22.5	P/E (x)	7.5	7.6	12.2	7.2	6.2
Share of JV profits	-	-	-	-	-	DPS (sen)	7.0	5.0	4.0	4.0	3.0
Taxation	-18.8	-22.2	-20.5	-15.0	-19.8	Dividend yield	6.1%	4.3%	3.5%	3.5%	2.6%
Others	-	-	-	-	-	BVPS (RM)	3.12	3.22	3.20	3.32	3.50
Operating cash flow	132.1	193.8	74.5	71.3	102.5	P/B (x)	0.4	0.4	0.4	0.3	0.3
Net capex	(70.5)	12.0	25.4	32.0	12.0	EBITDA margin	31.3%	45.6%	42.6%	48.9%	53.6%
Others	-	-	-	-	-	EBIT margin	19.0%	27.1%	20.6%	29.2%	35.7%
Investing cash flow	(128.4)	(164.3)	(19.3)	(29.3)	(49.3)	PBT margin	18.8%	26.4%	21.2%	29.6%	36.2%
Changes in borrowings	23.5	42.1	(2.9)	(65.9)	(8.1)	PAT margin	13.2%	19.0%	14.5%	21.9%	22.9%
Issuance of shares	-	-	-	-	-	Core PAT margin	13.2%	19.0%	14.5%	21.9%	22.9%
Dividends paid	(27.4)	(17.3)	(13.8)	(13.8)	(10.4)	ROE	4.9%	4.7%	3.0%	4.8%	5.3%
Others	-	-	-	-	-	ROA	3.7%	3.8%	2.4%	3.9%	4.3%
Financing cash flow	(6.9)	(29.0)	4.5	(45.5)	(42.1)	Net gearing	3.6%	5.9%	5.4%	Net Cash	Net Cash
Net cash flow	(3.2)	0.6	59.7	(3.5)	11.2						
Forex	(0.1)	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	43.5	40.3	40.8	75.0	71.5						
Ending cash	40.3	40.8	75.0	71.5	82.7						

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