

## Suria Capital Holdings Bhd

### Smooth sailing

#### Summary

- Suria Capital Holdings Bhd's (SURIA) 3QFY22 net profit improved 81.3% YoY to RM18.8m, driven by higher contribution from the port operation segment. Revenue for the quarter rose 23.8% YoY to RM73.4m.
- For 9MFY22, cumulative net profit added 10.5% YoY to RM39.9m. The reported earnings make up to 86.8% of our full year net profit forecast RM45.9m and 89.0% of consensus forecast of RM44.8m. The variance was attributable to the lower-than-expected effective tax rate. Nevertheless, the reported pretax profit at RM49.8m came in line at 73.1% of our expected pretax profit of RM68.2m.
- In 3QFY22, SURIA handled a total of 125,441 (+32.6% YoY) TEUs. This brings 337,903 TEUs handled in 9M22, which makes up to 80.5% of our assumption of 420,000 TEUs for FY22f. Meanwhile, SURIA's total tonnage handled was at 17.5m tonnes in 9M22; which was slightly below our expectations of 25.5m for the year.
- SURIA stands as of the biggest beneficiaries under the previous tabling of Budget 2023. Recall that the Federal Government has allocated RM250.0m to fund the expansion of the Sapangar Bay Container Port (SBCP). Upon completion tentatively in February 2025, the aforementioned port will be able to handle 1,250,000 twenty-foot equivalent units, from 500,000 at present. Meanwhile, the construction of a new jetty at Sapangar Bay Oil Terminal is on track for completion in 4Q22.
- On the property development segment, Phase 2 of Jesselton Quay Central (JQC) project will see works commencement at end-2022 and will be completed in 2030. We are sanguine on the project that saw Phase 1 having impressive take up rates.
- Meanwhile, the rising foreign direct investment (FDI) and domestic direct investment (DDI) at Sabah amounting to RM7.75bn as of September 2022 (RM4.47bn in 2021) bodes well to bridge the gap of trade imbalances. Amongst the major investors include South Korea's SK Nexilis Malaysia Sdn Bhd as well as a solar glass production facility at Kota Kinabalu Industrial Park (KKIP) that is under construction and is expected to be complete in June 2023.

Quarterly performance									
FYE Dec (RMm)	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YoY (%)	
Revenue	59.3	57.7	73.4	27.2	23.8	176.3	202.0	14.6	
EBITDA	27.2	29.0	36.0	24.2	32.6	72.9	96.1	31.8	
PBT	13.5	9.2	23.2	151.2	71.9	46.8	49.8	6.4	
PAT	10.4	7.2	18.8	161.0	81.3	36.1	39.9	10.5	
Core PATMI	10.4	7.2	18.8	161.0	81.3	36.1	39.9	10.5	
Reported PATMI	10.4	7.2	18.8	161.0	81.3	36.1	39.9	10.5	
Core EPS (sen)	3.0	2.1	5.4	161.0	81.3	10.4	11.5	10.5	
EBITDA margin (%)	45.8	50.3	49.1			41.4	47.6		
PBT margin (%)	22.7	16.0	31.6			26.6	24.7		
Core PATMI margin (%)	17.5	12.5	25.6			20.5	19.7		

#### Results Note – 3QFY22

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#### HOLD

Share price	RM1.06
Target price	RM1.16
Previous TP	RM1.12
Capital upside	9.4%
Dividend return	3.8%
Total return	13.2%

#### 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)	366.6
52W High/Low	1.29/0.99
Est. Free float	37.4
Beta (x)	0.7
3-mth avg vol ('000)	66.2
Shariah compliant	Yes

#### Major shareholders

Warisan Harta Sdn Bhd	45.4
Urusharta Jamaah Sdn Bhd	4.1
Yayasan Sabah	3.7

#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	1.9	0.0	-7.0
Relative	-1.0	0.2	-6.5

#### Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	39.5	50.0	51.9
EPS (sen)	11.4	14.5	15.0
P/E (x)	9.3	7.3	7.1

#### Relative performance chart



## Valuation & Recommendation

- With the reported earnings coming above expectations, we raised our earnings forecast by 8.9% and 8.7% to RM50.0m and RM51.9m for FY22f and FY23f respectively, adjusting for the lower effective tax rate. Following the earnings revision, we maintained **HOLD** on SURIA with a slightly higher target price of RM1.16.
- We adopted 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 10.0%, terminal growth rate of 2.0%). Meanwhile, we ascribed a 10.0x 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 FY23f.
- 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)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
<b>Revenue</b>	275.2	228.0	251.3	269.5	275.6	Cash	70.9	75.0	79.9	85.1	102.7
EBITDA	125.6	103.8	111.4	132.5	130.8	Receivables	135.7	100.9	124.1	140.3	147.2
EBIT	74.6	54.3	62.7	72.4	71.2	Inventories	7.0	8.7	10.6	14.1	14.1
Net finance income/ (cost)	(1.9)	(6.3)	(4.2)	(4.2)	(2.9)	PPE	8.2	58.6	56.7	57.3	57.7
Associates & JV	2.0	3.0	4.0	4.0	4.0	Others	1,154.8	1,132.3	1,128.5	1,117.7	1,118.5
<b>Profit before tax</b>	<b>72.7</b>	<b>48.0</b>	<b>58.6</b>	<b>68.2</b>	<b>68.3</b>	<b>Assets</b>	<b>1,376.5</b>	<b>1,375.5</b>	<b>1,399.8</b>	<b>1,414.5</b>	<b>1,440.2</b>
Tax	(20.5)	(15.0)	(19.1)	(18.2)	(16.4)	Debts	137.1	134.3	111.8	95.3	87.4
<b>Net profit</b>	<b>52.2</b>	<b>32.9</b>	<b>39.5</b>	<b>50.0</b>	<b>51.9</b>	Payables	53.4	44.4	37.1	26.6	29.6
Minority interest	(0.0)	(0.0)	-	-	-	Others	72.6	101.5	119.2	95.8	88.3
<b>Core earnings</b>	<b>52.2</b>	<b>32.9</b>	<b>39.5</b>	<b>50.0</b>	<b>51.9</b>	<b>Liabilities</b>	<b>263.1</b>	<b>269.2</b>	<b>267.1</b>	<b>243.8</b>	<b>231.4</b>
Exceptional items	-	-	-	-	-	Shareholder's equity	358.8	358.8	358.8	358.8	358.8
Reported earnings	52.2	32.9	39.5	50.0	51.9	Minority interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Cash Flow Statement</b>						<b>Equity</b>	<b>1,113.4</b>	<b>1,106.3</b>	<b>1,132.7</b>	<b>1,170.7</b>	<b>1,208.8</b>
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	<b>Valuation &amp; Ratios</b>					
Profit before taxation	72.7	48.0	58.6	68.2	68.3	<b>FYE Dec (RM m)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22f</b>	<b>FY23f</b>
Depreciation & amortisation	53.5	49.5	48.6	62.7	62.1	Core EPS (sen)	15.1	9.5	11.4	14.5	13.8
Changes in working capital	103.5	(76.5)	62.0	8.5	5.7	P/E (x)	7.0	11.1	9.3	7.3	7.7
Share of JV profits	-	-	-	-	-	DPS (sen)	5.0	4.0	4.0	4.0	4.0
Taxation	-22.2	-20.5	-15.0	-10.6	-16.4	Dividend yield	4.7%	3.8%	3.8%	3.8%	3.8%
Others	-	-	-	-	-	BVPS (RM)	3.22	3.20	3.28	3.39	3.50
<b>Operating cash flow</b>	<b>193.8</b>	<b>56.7</b>	<b>75.0</b>	<b>95.2</b>	<b>82.5</b>	P/B (x)	0.3	0.3	0.3	0.3	0.3
Net capex	12.0	(23.2)	14.9	14.5	19.5	EBITDA margin	45.6%	45.5%	44.3%	49.2%	47.5%
Others	-	-	-	-	-	EBIT margin	27.1%	23.8%	25.0%	26.9%	25.8%
<b>Investing cash flow</b>	<b>(164.3)</b>	<b>(13.4)</b>	<b>(45.7)</b>	<b>(49.5)</b>	<b>(49.5)</b>	PBT margin	26.4%	21.0%	23.3%	25.3%	24.8%
Changes in borrowings	42.1	(2.9)	(22.4)	(16.6)	(7.9)	PAT margin	19.0%	14.4%	15.7%	18.6%	18.8%
Issuance of shares	-	-	-	-	-	Core PAT margin	19.0%	14.5%	15.7%	18.6%	18.8%
Dividends paid	(17.3)	(12.1)	(13.1)	(13.8)	(13.8)	ROE	4.7%	3.0%	3.5%	4.3%	4.3%
Others	-	-	-	-	-	ROA	3.8%	2.4%	2.8%	3.5%	3.6%
<b>Financing cash flow</b>	<b>(23.4)</b>	<b>(24.0)</b>	<b>(35.0)</b>	<b>(35.5)</b>	<b>(15.5)</b>	Net gearing	5.9%	5.4%	2.8%	0.9%	Net Cash
<b>Net cash flow</b>	<b>6.1</b>	<b>19.3</b>	<b>(5.8)</b>	<b>10.2</b>	<b>17.6</b>						
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	40.3	46.4	65.7	59.9	70.1						
Ending cash	46.4	65.7	59.9	70.1	87.7						

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