

Suria Capital Holdings Bhd

Recovery in line with expectations

Summary

- Suria Capital Holdings Bhd's (SURIA) 1QFY22 net profit rose 54.8% YoY to RM13.9m; the highest since 2QFY19, mainly underpinned by the higher contribution from the port operations segment that is supported by increase in cargo throughput following the recovery in Sabah state's economic activities. Revenue for the quarter added 29.8% YoY to RM71.0m.
- The reported earnings are in line with our expectations, accounting to 25.6% of our full year net profit forecast RM54.3m. Meanwhile, the reported revenue came in at 26.3% of our expectations of RM269.5m.
- In 1QFY22, SURIA handled a total of 101,597 (+6.6% YoY) TEUs. This accounts to 24.2% of our assumption of 420,000 TEUs for FY22f. Meanwhile, Suria's total tonnage handled rose 5.3% YoY to 6.0m tonnes; largely on track to meet the expectations of 25.5m for the year.
- We note that the construction of the second jetty at Sapangar Bay Oil Terminal (SBOT) is on track for completion in 4Q22 in bid to ease the current congestion and reduce vessel waiting time. This move will boost the capacity to undertake additional port activities as current existing facilities are already accommodating approximately at 90.0% of total capacity.
- Elsewhere, the relatively large-scale expansion of the Sapangar Bay Container Port (SBCP) that is expected to be completed in 1Q25 will boost existing capacity of 500,000 TEUs to 1,250,000 TEUs per annum. Ground works have commenced since late 2021.
- On the property development segment, the occupation certificate (OC) for the current phase (Phase 1) of Jesselton Quay Central (JQC) project was obtained in January 2022, while Phase 2 is in planning stage. Meanwhile, we also expect the contract and engineering and ferry terminal operations to generate improved contribution in coming quarters following the re-opening of borders, albeit the contribution will be miniscule against the SURIA's total revenue.

Quarterly performance					
FYE Dec (RM m)	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
Revenue	54.7	68.5	71.0	3.7	29.8
EBITDA	24.1	18.6	31.0	67.0	29.0
PBT	11.4	11.3	17.4	54.0	52.7
PAT	9.0	2.8	13.9	403.7	54.8
Core PATMI	9.0	2.8	13.9	403.7	54.8
Reported PATMI	9.0	2.8	13.9	403.7	54.8
Core EPS (sen)	2.6	0.8	4.0	403.7	54.8
EBITDA margin (%)	44.0	27.2	43.7		
PBT margin (%)	20.9	16.5	24.6		
Core PATMI margin (%)	16.4	4.0	19.6		

Results Note – 1QFY22

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HOLD

Share price	RM1.15
Target price	RM1.20
Previous TP	RM1.20
Capital upside	6.1%
Dividend return	3.5%
Total return	9.6%

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	1.35/0.96
Est. Free float	38.3
Beta (x)	0.7
3-mth avg vol ('000)	151.1
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	-1.7	-9.4	9.5
Relative	0.3	-6.3	11.7

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	39.5	54.3	56.5
EPS (sen)	11.4	15.7	16.4
P/E (x)	10.1	7.3	7.0

Relative performance chart



Valuation & Recommendation

- With the reported earnings coming within expectations, we made no changes to our earnings forecast. Consequently, we maintained **HOLD** on SURIA with an unchanged target price of RM1.20.
- 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 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 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
Revenue	275.2	228.0	251.3	269.5	275.6	Cash	70.9	75.0	79.9	85.1	92.0
EBITDA	125.6	103.8	111.4	132.5	130.8	Receivables	135.7	100.9	124.1	140.3	143.5
EBIT	74.6	54.3	62.7	84.4	83.9	Inventories	7.0	8.7	10.6	14.1	14.1
Net finance income/ (cost)	(1.9)	(6.3)	(4.2)	(4.2)	(3.1)	PPE	8.2	58.6	56.7	66.8	72.4
Associates & JV	2.0	3.0	4.0	4.0	4.0	Others	1,154.8	1,132.3	1,128.5	1,129.7	1,136.4
Profit before tax	72.7	48.0	58.6	80.2	80.8	Assets	1,376.5	1,375.5	1,399.8	1,436.1	1,458.4
Tax	(20.5)	(15.0)	(19.1)	(25.9)	(24.2)	Debts	137.1	134.3	111.8	95.3	87.4
Net profit	52.2	32.9	39.5	54.3	56.5	Payables	53.4	44.4	37.1	26.6	29.6
Minority interest	(0.0)	(0.0)	-	-	-	Others	72.6	101.5	119.2	113.1	96.9
Core earnings	52.2	32.9	39.5	54.3	56.5	Liabilities	263.1	269.2	267.1	261.0	240.7
Exceptional items	-	-	-	-	-	Shareholder's equity	358.8	358.8	358.8	358.8	358.8
Reported earnings	52.2	32.9	39.5	54.3	56.5	Minority interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Cash Flow Statement						Equity	1,113.4	1,106.3	1,132.7	1,175.0	1,217.7
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	Valuation & Ratios					
Profit before taxation	72.7	48.0	58.6	80.2	80.8	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Depreciation & amortisation	53.5	49.5	48.6	50.6	49.4	Core EPS (sen)	15.1	9.5	11.4	15.7	16.4
Changes in working capital	103.5	(76.5)	62.0	8.5	8.5	P/E (x)	7.6	12.1	10.1	7.3	7.0
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)	(24.1)	Dividend yield	4.3%	3.5%	3.5%	3.5%	3.5%
Others	-	-	-	-	-	BVPS (RM)	3.22	3.20	3.28	3.40	3.52
Operating cash flow	193.8	56.7	75.0	95.2	71.9	P/B (x)	0.4	0.4	0.4	0.3	0.3
Net capex	12.0	(23.2)	14.9	12.0	12.0	EBITDA margin	45.6%	45.5%	44.3%	49.2%	47.5%
Others	-	-	-	-	-	EBIT margin	27.1%	23.8%	25.0%	31.3%	30.4%
Investing cash flow	(164.3)	(13.4)	(45.7)	(49.5)	(49.5)	PBT margin	26.4%	21.0%	23.3%	29.8%	29.3%
Changes in borrowings	42.1	(2.9)	(22.4)	(16.6)	(7.9)	PAT margin	19.0%	14.4%	15.7%	20.2%	20.5%
Issuance of shares	-	-	-	-	-	Core PAT margin	19.0%	14.5%	15.7%	20.2%	20.5%
Dividends paid	(17.3)	(12.1)	(13.1)	(13.8)	(13.8)	ROE	4.7%	3.0%	3.5%	4.6%	4.6%
Others	-	-	-	-	-	ROA	3.8%	2.4%	2.8%	3.8%	3.9%
Financing cash flow	(23.4)	(24.0)	(35.0)	(35.5)	(15.5)	Net gearing	5.9%	5.4%	2.8%	0.9%	Net Cash
Net cash flow	6.1	19.3	(5.8)	10.2	6.9						
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	40.3	46.4	65.7	59.9	70.1						
Ending cash	46.4	65.7	59.9	70.1	77.0						

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