



AmInvestment Bank

Company report

SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

28 Jun 2022

Expansion of SBCP to underpin long-term outlook

HOLD

(Initiation)

AmInvestment Bank

Team Coverage

03-2070 2444

Rationale for report: Initiation

Price	RM1.11
Fair Value	RM1.05
52-week High/Low	RM1.35/RM1.02

Key Changes

Fair value	N/A
EPS	N/A

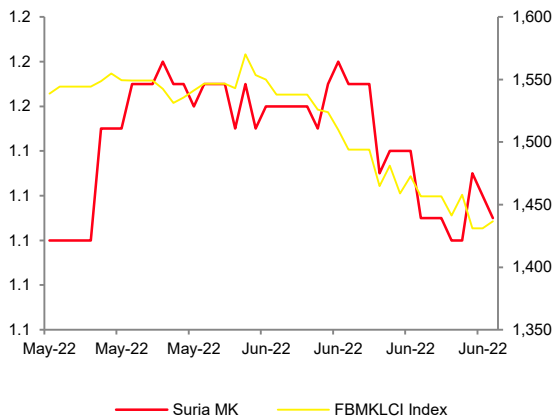
YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	251.3	742.9	318.9	327.1
Core net profit (RM mil)	59.0	47.5	48.2	49.1
FD Core EPS (sen)	17.0	13.7	13.9	14.2
FD Core EPS growth (%)	40.4	(19.5)	1.6	1.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	4.0	4.8	4.9	5.0
PE (x)	6.5	8.1	8.0	7.8
EV/EBITDA (x)	2.7	3.2	2.3	2.1
Div yield (%)	3.6	4.3	4.4	4.5
ROE (%)	3.5	4.1	4.1	4.1
Net Gearing (%)	nm	29.7	10.0	3.4

Stock and Financial Data

Shares Outstanding (million)	345.8
Market Cap (RMmil)	383.9
Book Value (RM/share)	3.28
P/BV (x)	0.3
ROE (%)	3.5
Net Gearing (%)	-

Major Shareholders	Qhazanah Sabah (45.4%) Urusharta Jamaah (4.1%) Yayasan Sabah (3.7%)
Free Float	37.4
Avg Daily Value (RMmil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	(5.1)	(8.3)	-
Relative (%)	5.9	(2.1)	8.6



Investment Highlights

- We initiate coverage on Suria Capital Holdings (Suria) with a HOLD recommendation and DCF-based fair value (FV) of RM1.05/share. Our DCF-based fair value is based on WACC of 11% and terminal growth rate of 5%, implying a FY23F PE of 8.0x. We ascribe a 3-star ESG rating to Suria.
- Suria embarked on the business of Sabah port operations after the privatisation of the state's ports from Sabah Ports Authority in 2004. Presently, Suria operates all 8 main seaports in the state with Sapangar Bay Container Port (SBCP) as the flagship port and main revenue generator.
- Suria is in the midst of expanding SBCP. Upon completion, SBCP's port handling capacity will increase to 1.25mil TEUs per year, allowing Suria to further capitalise on the strategic location of SBCP in the BIMP-EAGA region. Suria intends to develop SBCP to be the region's transshipment hub.
- As Suria monopolises port operations in Sabah, Suria is affected by the external trade of the state. Sabah's key export is palm oil (26% of the country's palm oil export) and crude oil (30% of the country's crude oil export). In FY21, Suria handled 5.5mil MT containers (or 397K TEUs), and 24.7mil MT of conventional cargos (64% comprised palm oil and crude oil products).
- Suria's FY23F PE of 8.0x currently is undemanding as we believe that the port industry would be facing geopolitical and macroeconomic headwinds amid the persistent Russia-Ukraine war, financial tightening in US, structural slowdown and worsening in supply-chain disruptions. As such, we forecast a modest annual throughput volume growth of 1% in FY22F, and 3% annually for FY23F and FY24F.
- On a positive note, Suria's dividend yields are decent. Based on Suria's dividend pay-out policy of 35%, we estimate dividend yields of 4.3% in FY22F, 4.4% in FY23F, and 4.5% in FY24F.
- In spite of short-term headwinds, we are optimistic on the long-term outlook for Sabah ports as the state is a key palm oil and crude oil producing state. Furthermore, the relocation of manufacturing bases by multinational companies out of China to Southeast Asia bodes well for SBCP as a premier transshipment hub for the BIMP-EAGA (Exhibit 30).

EXHIBIT 1 PEER VALUATION COMPARISON

Stock	Market Cap (RM'mil)	Price 25/06/22 (RM)	Trailing 12M EPS (RM)	P/E (Excl. EI) (x)	ROE (%)	Dividend Yield (%)	3-Year Avg EBTIDA Margin (%)
Suria	383.9	1.11	0.13	8.6	3.5	3.4	40.7
Local							
Westports	12,344.2	3.62	0.22	16.4	27.1	4.9	64.6
Bintulu Port (BiPort)	2,479.4	5.39	0.81	6.5	23.3	2.2	55.0
Simple Average (ex-Suria)				11.5	25.2	3.6	59.8
Other Markets							
Rizhao Port Jurong	446.8	0.27	0.07	4.0	7.3	5.9	55.3
Indonesia Kendaraan Terminal	339.4	0.19	0.01	14.8	5.3	N/A	20.7
Nusantara Pelabuhan Handal	466.8	0.17	-0.01	N/A	-6.1	N/A	18.0
Dinh Vu Port	385.4	9.64	1.26	7.3	21.0	9.8	51.4
Dong Nai Port	382.9	20.67	1.60	12.5	20.5	3.2	29.3
Quang Ninh Port	349.5	4.66	0.22	20.3	9.8	4.1	6.0
Danang Port	524.7	5.30	0.46	11.4	16.9	5.4	38.9
Sai Gon Port	794.3	3.67	0.74	4.7	39.4	3.1	35.7
Port Of Hai Phong	1,083.1	3.31	0.30	10.6	13.4	2.3	38.1
Simple Average				10.7	14.2	4.8	32.6
Total Simple Average (ex-Suria)				10.9	16.2	4.5	37.5

Source: Bloomberg, AmlInvestment Bank estimates

EXHIBIT 2 5-YEAR PE BAND CHART (EXCL. EI)



Source: Bloomberg

INITIATE COVERAGE WITH HOLD AND FAIR VALUE OF RM1.05/SHARE

We initiate coverage on Suria Capital Holdings (Suria) with a HOLD recommendation and fair value of RM1.05/share. We ascribe a 3-star ESG rating to Suria (Exhibit 3).

Our DCF-based fair value is based on a WACC of 11% and terminal growth of 5%, implying a FY23F PE of 8.0x.

Over the past 5 years, Suria's PE ranged from a low of 5.6x to a high of 12.7x. Average PE was 9.5x

PE is cheaper than Westports; dividends are higher than BiPort.

Suria is currently trading at a FY23F PE of 8.0x, lower than Westports' PE of 16.4x. We attribute the discounted PE to Suria's smaller scale of operations given that Westports is the 13th busiest seaport in the world by container traffic in 2020.

In terms of dividends, Suria's payout is higher than Bintulu Port but lower than Westport. Suria's dividend pay-out policy is 35% compared with Westport's 75%.

BiPort does not have a fixed dividend policy. However, BiPort's average payout ratios were 15%-64% from FY17 to FY21. Based on current share prices, Suria's dividend yield is 3.4%, higher than BiPort's 2.2%.

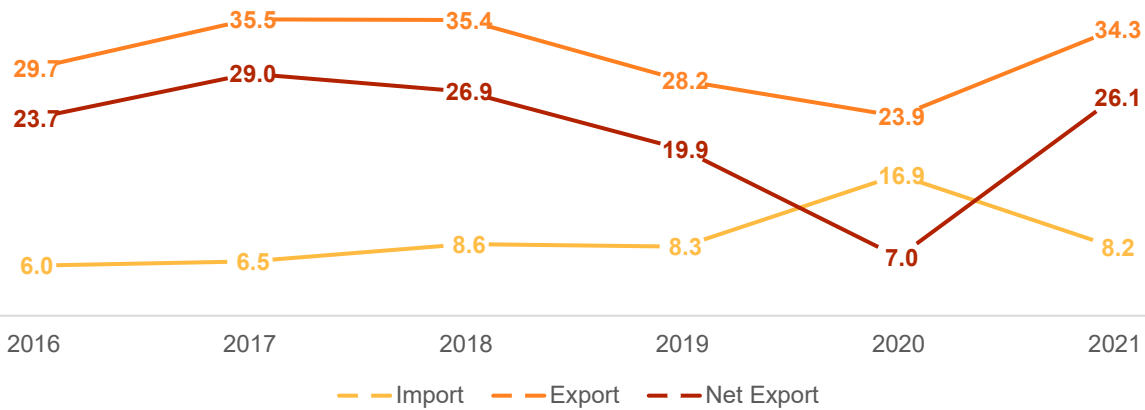
EXHIBIT 3 ESG RATING

Overall	★	★	★		
Zero-carbon initiatives	★	★	★	★	
Pollution control	★	★	★	★	
Sustainable industrialisation	★	★	★		
Diversity and inclusion	★	★	★		
Employee welfare	★	★	★	★	
Corporate social responsibilities	★	★	★	★	
Accessibility and transparency	★	★			
Supply chain auditing	★	★			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

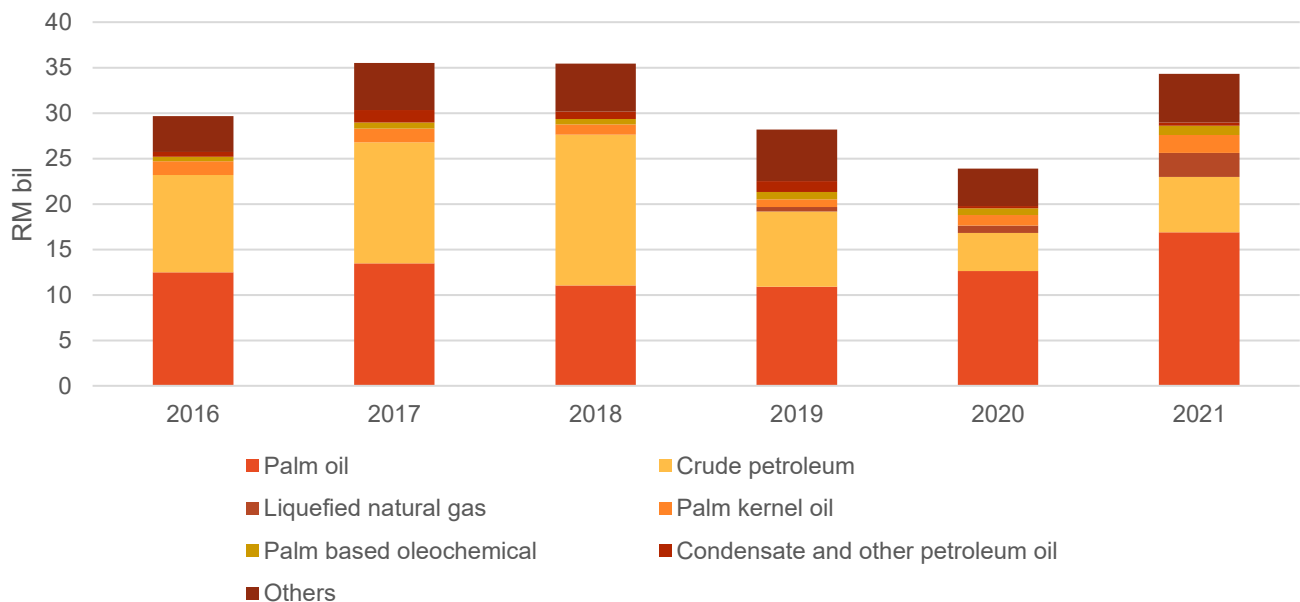
Source: AmlInvestment Bank

EXHIBIT 4 SABAH'S ANNUAL EXPORTS AND IMPORTS (RM BIL)



Source: Department of Statistics Malaysia (DOSM)

EXHIBIT 5 SABAH'S EXPORTS BY MERCHANDISE (RM BIL)



Source: Department of Statistics Malaysia (DOSM)

BRIEF INDUSTRY ANALYSIS

Throughput volumes depend on the economic activities of Sabah

As a port operator in Sabah, Suria's financial performance depends on the economic activities of the state. Countries contributing to Sabah's external trade include China, Australia, India, Netherlands, Philippines and Japan.

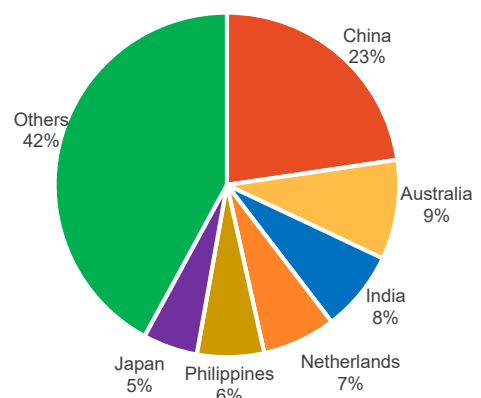
Among all of the trading partners, China is the largest. China accounted for 22.7% of Sabah's external trade in 2021. Australia was the second largest, making up another 9.3% of Sabah's external trade in 2021. China and Australia import mainly palm and petroleum products from Sabah. The 2 products accounted for 67% of Sabah's export revenue in 2021.

Throughput volume to soften in FY22F

Throughput volumes are envisaged to soften in FY22F due to uncertainties arising from supply chain disruptions partly led by stringent lockdown measures in Shanghai in 1HFY22.

Going forward, we believe that throughput volumes would recover on the back of higher production volumes and positive demand from China.

EXHIBIT 6 SABAH'S TOTAL TRADE BY COUNTRY



Source: Department of Statistics Malaysia (DOSM)

INVESTMENT ANALYSIS

□ Suria is owned by Sabah state government

Suria Capital Holdings (Suria) was incorporated in 1983, listing on the Main Market of Bursa Malaysia in 1996. Suria's major shareholder is Qhazanah Sabah, the investment arm of the Sabah state government.

Suria used to own Sabah Bank, which later merged with Alliance Financial Group during the consolidation and rationalisation of domestic banking institutions in 1999/2000.

Pursuant to the Privatisation Agreement dated 23 September 2003, Suria (via Sabah Ports Sdn Bhd) took over the operation, maintenance & management and provision of facilities & services of 7 ports in Sabah.

The salient details of the Privatisation Agreement are as follows:-

- Concession period of 30 years from 1 September 2004 to 31 August 2034.
- Development of the Sapangar Bay Container Port.
- Alienation of 23.3 acres of land in Kota Kinabalu Port, which is currently being developed into Jesselton Quay and One Jesselton Waterfront.
- To spend RM1.4bil on capital expenditure to enhance and build port facilities over the concession period. To date, Suria has spent capex of more than RM1bil.

□ Largest port operator in Sabah

Suria has a port monopoly in Sabah, operating all its 8 major international seaports. The ports are Sapangar Bay Container Port (SBCP), Sapangar Bay Oil Terminal (SBOT), Kota Kinabalu Port, Kudat Port, Sandakan Port, Lahad Datu Port, Kunak Port and Tawau Port (Exhibit 7).

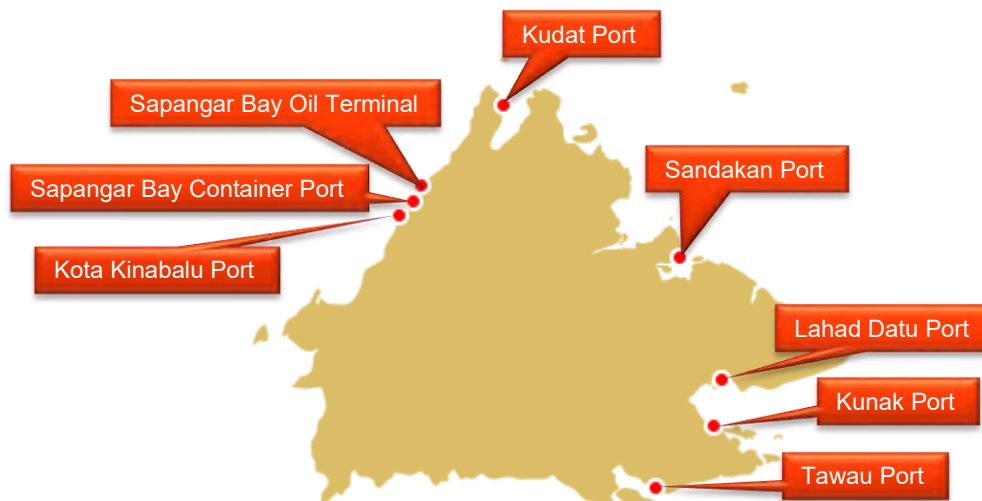
Suria's main port is Sapangar Bay, located north of Kota Kinabalu. The bay currently accommodates a container-dedicated terminal (SBCP), which may become a main transshipment hub for the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA) in future. Sapangar Bay also houses a dedicated oil terminal (SBOT) which handles several types of bulk liquids including refined petroleum products.

The upcoming development of Sapangar Bay Conventional Cargo Terminal may see the terminal taking over the conventional cargo operations from Kota Kinabalu Port. Kota Kinabalu Port is currently being transformed into a leisure destination operating a cruise terminal.

On the east side of Sabah, Sandakan and Tawau Ports are the state's second and third busiest multipurpose ports, handling both containerised and conventional cargoes. The ports are the main export hubs for the palm oil industry in Sabah.

Lahad Datu is expected to be the central hub for the imports of bulk fertiliser in Sabah. This is due to the development of the Palm Oil Industrial Cluster in the area. The remaining ports in Sabah are smaller sized palm oil and timber handling ports.

EXHIBIT 7 SEAPORTS OPERATED BY SABAH



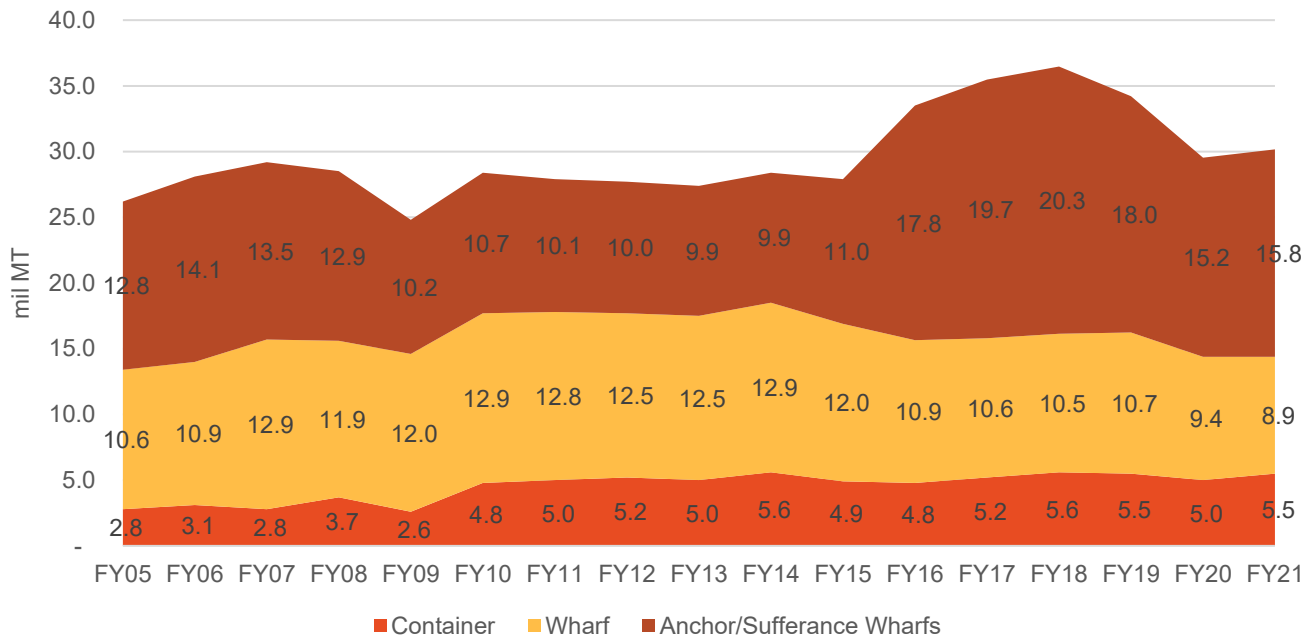
Source: Company

Analysis of cargo throughput volumes

Suria’s annual cargo throughput grew from 29.6mil MT in FY20 to 30.2mil MT in FY21. Cargo throughput at sufferance wharf/anchor increased by 3.9% YoY to 15.8mil MT in FY21 from 15.2mi MT in FY20 mainly due to operations at Sabah Oil & Gas Terminal (SOGT) .

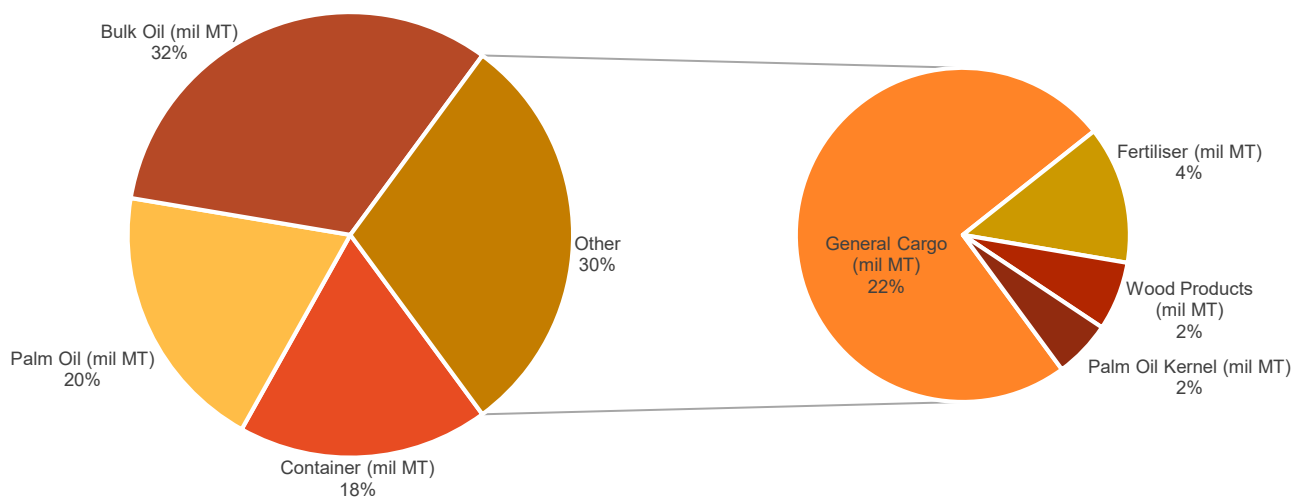
For wharfs, throughput including containers were unchanged YoY at 14.4mil MT in FY21. The main types of cargo handled at the wharfs include liquid cargo (petroleum and palm oil), which makes up 43% of total load. This was followed by containerised cargo (38%), dry bulk (fertilisers and palm oil kernel) (9%) and other general cargo (10%).

EXHIBIT 8 ANNUAL CARGO THROUGHPUT



Source: Company

EXHIBIT 9 BREAKDOWN OF CARGO THROUGHPUT IN FY21 (30.2MIL MT)



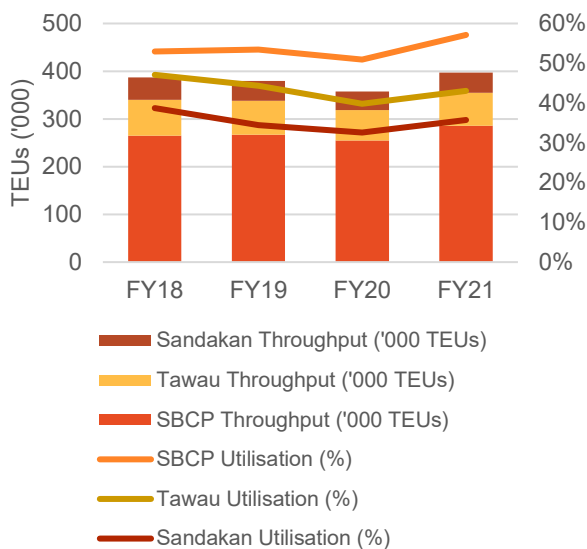
Source: Company

Container activities are handled by SBCP

SBCP handles the bulk of the state’s container throughput. With annual capacity of 500K TEU, the port operated at an utilisation rate of 57% in FY21. Going forward, Suria is planning to increase the annual capacity of SBCP from 500K TEU to 1.25mil TEU.

The contract was awarded to the WCT-CCCC JV in 2021. The project is slated to be completed in 2025F. Apart from SBCP, containers are also managed at Tawau Port and Sandakan Port. However, the volumes at the 2 ports are small.

EXHIBIT 10 CONTAINER THROUGHPUT & PORT UTILISATION

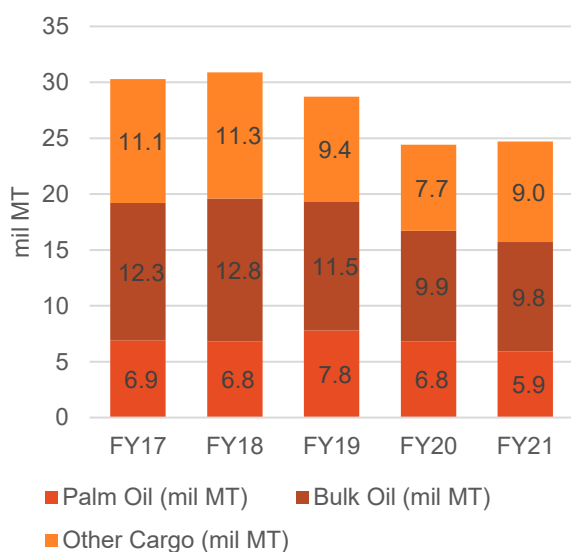


Source: Company

Conventional Cargoes are handled in Sandakan

Conventional cargoes are mainly handled at Sandakan port (3.0mil MT in FY21) and Tawau port (1.0mil MT in FY21), both of which are multipurpose ports. Majority of conventional cargoes handled are bulk oil (40%) and palm oil (24%).

EXHIBIT 11 CONVENTIONAL CARGO THROUGHPUT



Source: Company

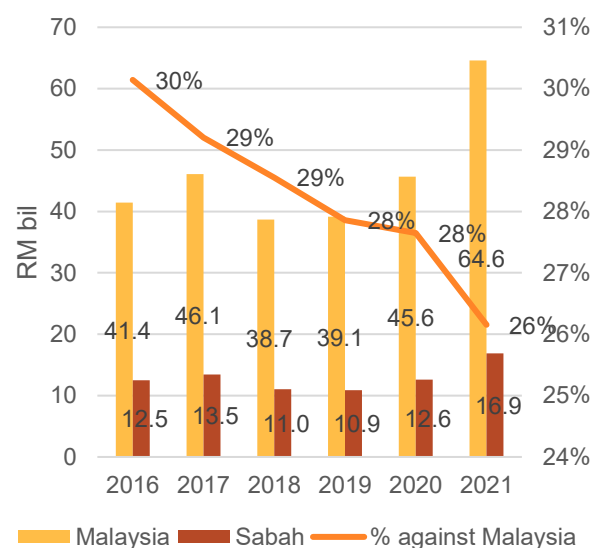
Palm oil products are handled mainly by ports in the east of Sabah

For conventional cargo, palm oil products are mainly handled by ports in the east of Sabah. These are Sandakan Port (2.0mil MT), Lahad Datu Port (1.0mil MT) and Kunak Port (1.0mil MT). According to MPOB, palm oil exports from Sandakan and Lahad Datu Ports expanded from 179K MT in Feb 2021 to 446K MT in Jul 2022.

Palm oil is also handled in Tawau port, albeit at a smaller scale (0.1mil MT in FY21). The Sabah state government established the Palm Oil Industrial Cluster (POIC) Lahad Datu in 2005 to spearhead the development of palm oil-based downstream activities.

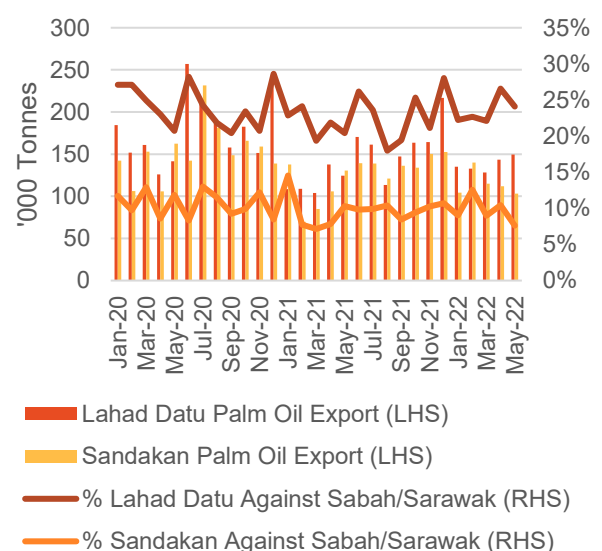
POIC consists of 4,400-acres of integrated industrial complexes designed to accommodate light-to-heavy industries. It also has an integrated port facility. As at 24 May 2022, there were 28 companies operating in POIC. Through the provision of adequate physical infrastructure and policies, POIC serves as a catalyst to accelerate the growth of the palm oil industry in the region.

EXHIBIT 12 SABAH PALM OIL EXPORTS



Source: Department of Statistics Malaysia (DOSM)

EXHIBIT 13 MONTHLY EXPORT OF PALM OIL BY PORT



Source: Malaysian Palm Oil Board (MPOB)

❑ Bulk oil products are handled by ports in the west of Sabah

As the only bulk oil terminal serving the West Coast of Sabah, SBOT handled 0.9mil MT of bulk oil in FY21 (53% of the Suria's total bulk oil throughput in FY21). The remainder are handled by Sandakan Port (24%) and Tawau Port (24%) on the east coast. SBOT is surrounded by major oil and gas facilities such as Shell, Esso, and Petronas.

EXHIBIT 14 OIL RESERVES (BIL BBL)

	Crude Oil	Condensates	Total
Pen. Malaysia	1.2	0.2	1.5
Sabah	1.4	0.1	1.5
Sarawak	1.2	0.5	1.7
Total	3.8	0.9	4.7

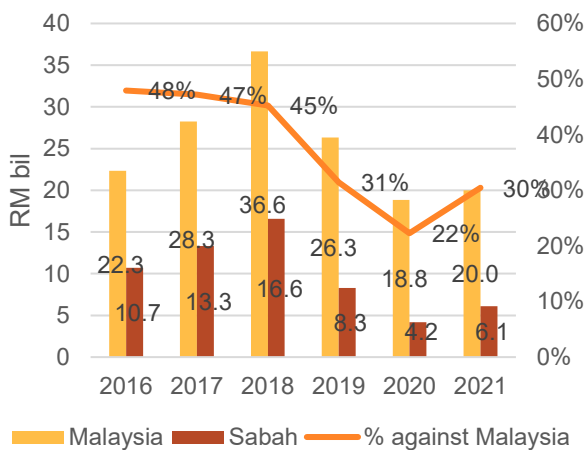
Source: National Energy Balance 2019

EXHIBIT 15 OIL PRODUCTION ('000 BBL/DAY)

	Crude Oil	Condensates	Total
Pen. Malaysia	165.1	31.0	196.2
Sabah	222.2	15.0	237.3
Sarawak	113.4	62.8	176.3
Total	500.8	108.9	609.7

Source: National Energy Balance 2019

EXHIBIT 16 SABAH CRUDE PETROLEUM EXPORTS



Source: Department of Statistics Malaysia (DOSM)

❑ Maiden entry into Liquefied Natural Gas (LNG) bunkering operations

Suria has also made its maiden entry into LNG bunkering operations after being appointed as the main service provider for Petronas' first LNG bunkering operations in Sabah in 2021.

With 25% of gas reserves in Malaysia, Sabah has been gradually increasing its LNG exports. Nonetheless, we do not expect contribution from this segment to be significant as volumes are still low compared to palm oil and crude oil.

EXHIBIT 17 LNG RESERVES (TRI CF)

	Associated	Non-Associated	Total
Pen. Malaysia	6.4	15.2	21.6
Sabah	2.1	9.6	11.7
Sarawak	1.4	44.4	45.9
Total	9.9	69.3	79.2

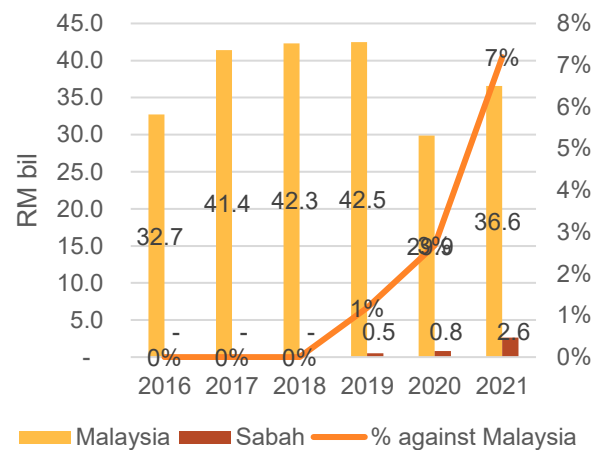
Source: National Energy Balance 2019

EXHIBIT 18 LNG PRODUCTION (MIL CF/DAY)

Pen. Malaysia	1,823.0
Sabah	740.3
Sarawak	4,085.8
Total	6,649.1

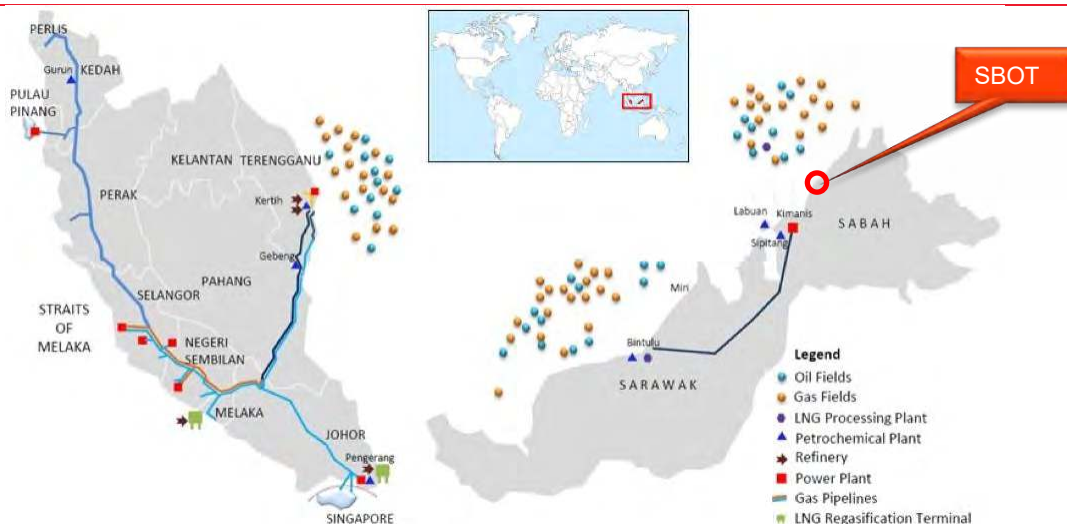
Source: National Energy Balance 2019

EXHIBIT 19 SABAH LNG EXPORTS



Source: Department of Statistics Malaysia (DOSM)

EXHIBIT 20 MALAYSIA'S OIL AND GAS INFRASTRUCTURE



Source: Petronas

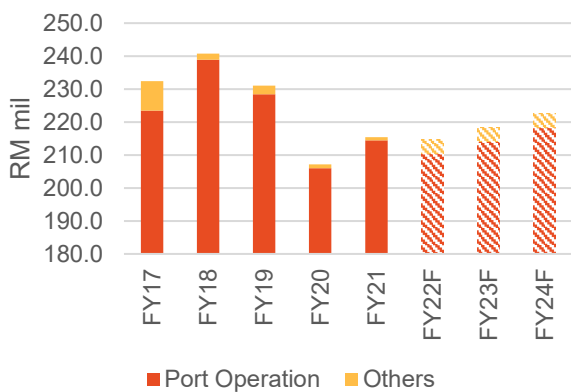
FINANCIALS

Revenue driver in container handling

Bulk of Suria's revenue and PBT are from port operations. Excluding port construction services, we estimate Suria's FY22F revenue to fall marginally (-0.3% YoY), before recovering by 2% annually for FY23F and FY24F.

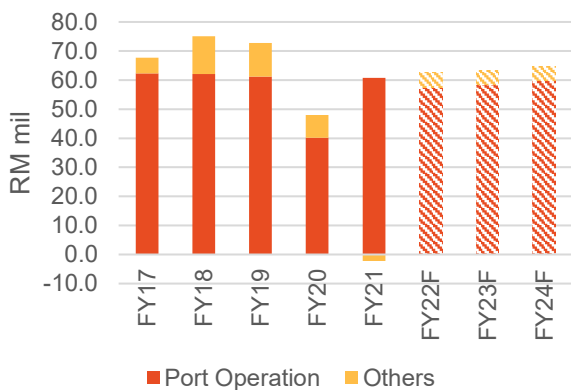
Meanwhile, we forecast PBT to grow 6% in FY22F and 2% annually for FY23F and FY24F. Under port operations, container handling is the main revenue driver. Container handling accounted for 49.7% of the revenue in FY21, followed by palm oil (14.2%) and bulk oil (11.9%) (Exhibit 23).

EXHIBIT 21 REVENUE (EXCL CONSTRUCTION SERVICE)



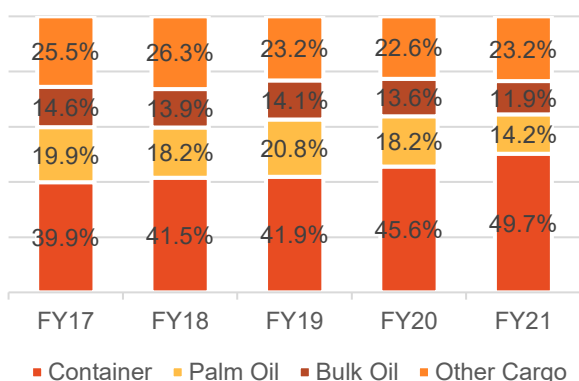
Source: Company, AmlInvestment Bank estimates

EXHIBIT 22 PBT BREAKDOWN



Source: Company, AmlInvestment Bank estimates

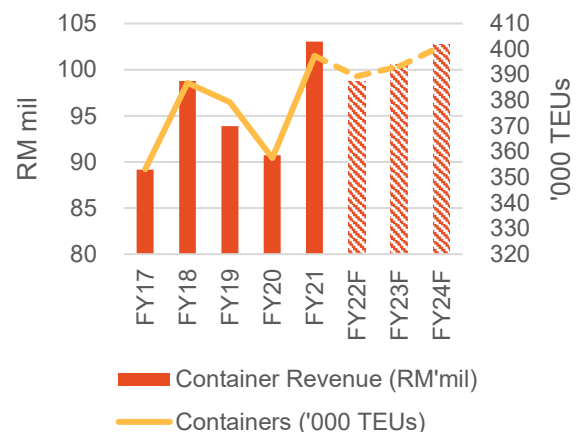
EXHIBIT 23 REVENUE BY THROUGHPUT



Source: Company

We expect container volumes to contract by 2% in FY22F due to China's lockdowns that have affected economic activities in 1HFY22. Looking ahead, we forecast modest recoveries of 1% in FY23F and 2% in FY24F.

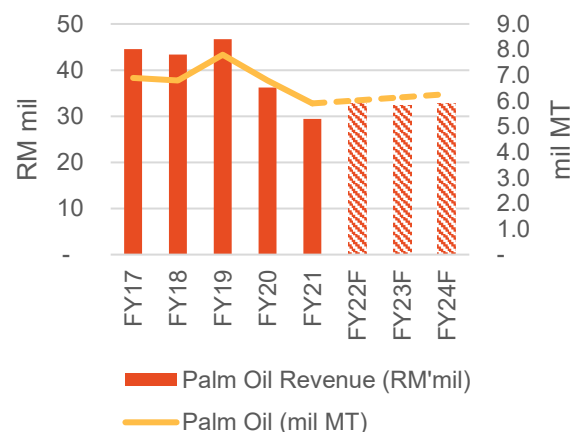
EXHIBIT 24 CONTAINER REVENUE



Source: Company, AmlInvestment Bank estimates

We forecast handling of palm products to increase by 2% annually from FY22F to FY24F on the back of higher production volumes and positive demand from China.

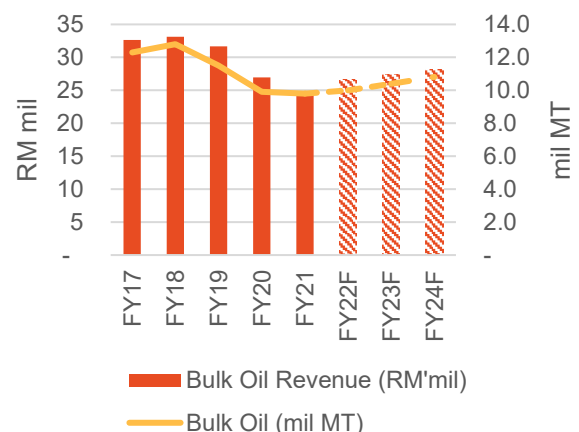
EXHIBIT 25 PALM OIL REVENUE



Source: Company, AmlInvestment Bank estimates

We forecast a 2% growth in bulk oil handling in FY22F and a higher growth 4% each in FY23F and FY24F as we expect supply shortages to prolong due to the Ukraine-Russia war.

EXHIBIT 26 BULK OIL REVENUE



Source: Company, AmlInvestment Bank estimates

PLANNED PORT DEVELOPMENT & EXPANSION

As per the privatisation agreement, Suria would be spending RM1.4bil on a capital expenditure program over the concession period. To date, Suria has spent more than RM1bil.

Sapangar Bay Container Port (SBCP)

The expansion works on SBCP, which costs RM1.3bil (RM1bil borne by federal government, RM0.3bil by Suria) was awarded to the WCT-CCCC JV in Jul 2021. The expansion comprises land reclamation, upgrading of transportation equipment, and extending the wharf length. Phase 1 of the expansion is slated for completion in Feb 2025. Groundwork at the site commenced Sep 2021 with FY22F capex at RM6.7mil.

EXHIBIT 27 PROPOSED DEVELOPMENT OF SBCP

SBCP	Current	Proposed
Quay Cranes	4 units	8 units
Terminal Depth	12 meters	15 meters
Quay Length	500 meters	1,000 meters
Capacity (TEUs)	500,000	1,250,000

Source: Company

Sapangar Bay Oil Terminal (SBOT) Jetty Expansion

As the only oil terminal serving the west coast of Sabah, SBOT handled 0.9mil MT of bulk oil in FY21 (53% of total bulk oil throughput in FY21).

Due to growing demand, Suria is expanding the jetty in Sapangar Bay Oil Terminal with FY22F capex estimated at RM133mi. As at Dec 2021, the percentage of completion of the project was 36% with completion expected in 4QFY22.

Upon completion, SBOT will be able to handle 2 vessels at a time, easing congestion and reducing vessel waiting time. The new twin-berth jetty can also accommodate vessels up to 60,000DWT from 30,000DWT previously.

Sapangar Bay Oil Storage and Distribution Depot

A Memorandum of Understanding for the development of Sabah Maju Jaya Renewable Energy Industrial Complex was signed on 14 Feb 2022 by the Group as landowner and Vandelay Ventures and partners including Sawit Kinabalu and SLDB as the raw material supplier.

The RM1bil complex will be constructed on a 25-acre piece of land in SBCP. Upon completion, it will house a centralised edible oil bulking terminal with a capacity of 30,000 MT/annum. There will also be a palm oil refinery complex with a capacity of 100,000 MT/annum, as well as the first hydrogenated vegetable oil (HVO) plant in Malaysia with a capacity of 250,000 MT/annum producing sustainable aviation fuel.

Sapangar Bay Conventional Cargo Terminal (SBCCT)

As at Dec 2021, the second stage of design for SBCCT was finalised. The project is expected to be completed in 3 years with FY22F capex of RM313mil.

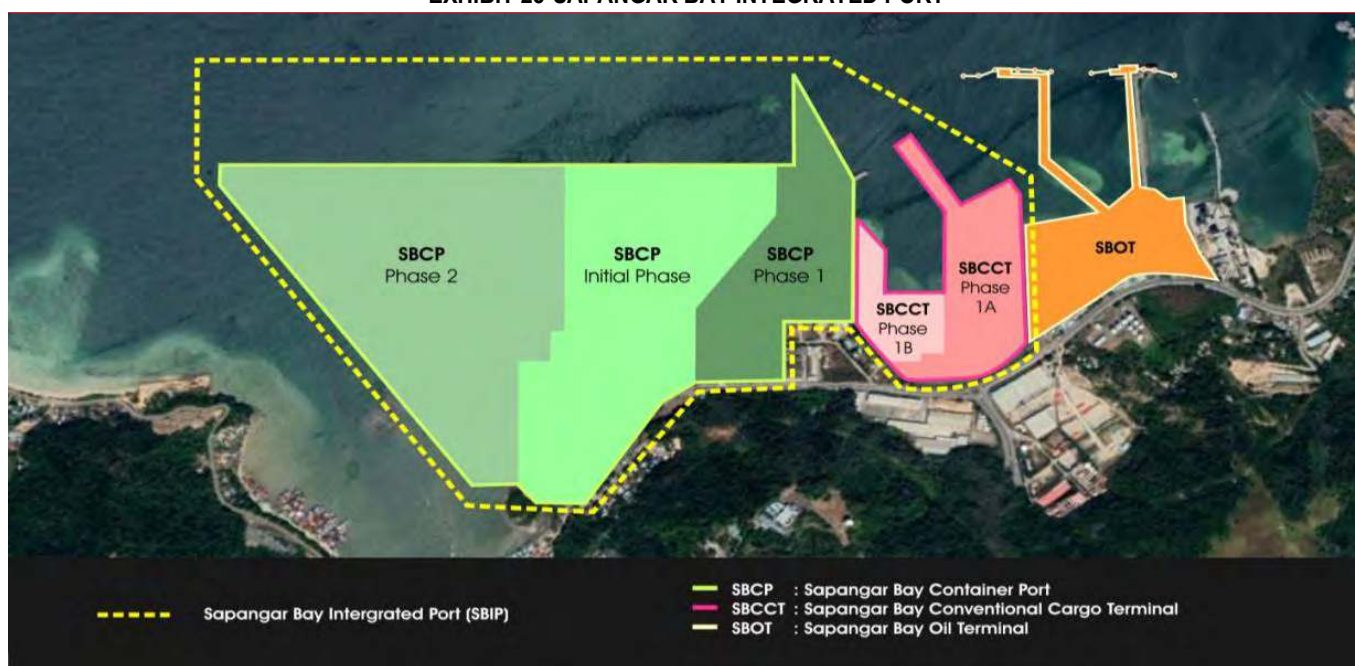
The conventional cargo operations from Kota Kinabalu port (throughput of 1.3mil MT in FY21) will be relocated to SBCCT once the terminal is completed.

Redevelopment of Tawau Jetty

Suria is currently planning to redevelop Tawau Jetty (East Coast) to cater to the ferry services between the mainland and Pulau Sebatik. The proposed redevelopment would involve the reconstruction of the existing building so that proper facilities can be provided for cargo and transit passengers.

The new building will house the ticketing counter, waiting area, as well as commercial outlets. The project, which carries an FY22F capex of RM9.2mil, is scheduled to be completed in 1QFY23.

EXHIBIT 28 SAPANGAR BAY INTEGRATED PORT



Source: Company

PROPERTY DEVELOPMENT & CRUISE OPERATIONS

As part of the Privatisation Agreement, Suria will alienate 23.3 acres of land in Kota Kinabalu Port (currently designated for development into Jesselton Quay and One Jesselton Waterfront).

Suria intends to develop an international cruise terminal supplemented with commercial facilities to serve as a home port or regular port of call for regional and international cruise liners in Kota Kinabalu Port.

Suria has relocated most of the port operations in Kota Kinabalu to Sapangar, except for handling break bulk and dry bulk, which will be moved to Sapangar Bay Conventional Cargo Terminal (SBCCT).

In 2013, Suria entered into a joint venture with SBC Corporation to develop Jesselton Quay at Tanjung Lipat. Jesselton Quay is a mixed development project on 16.3 acres of land, which carries an estimated GDV of RM1.8bil in total. The project is situated next to the Kota Kinabalu International Cruise Terminal and the Jesselton Point Ferry Terminal.

Out of the 16.3 acres of land, Jesselton Quay Central (JQC) will be on 4 acres. Phase 1 of JQC has been fully completed with certificate of occupancy obtained on 19 Jan 2022.

Phase 1 of JQC comprises 2 towers of commercial units known as CityPads and 37 blocks of Gallery Shoppes. Meanwhile, Phase 2 and Parcel A of Jesselton Quay will be developed on the remaining parcels of land. They are targeted to be launched in 2HFY22. Suria as a land owner will be entitled to 18% of JQC's GDV of RM324mil.

Suria, via a JV with Gabungan AQRS, was supposed to develop One Jesselton Waterfront on a 6.3-acre land in Kota Kinabalu Port. However, both parties terminated the JV in Sep 2021 due to uncertain market conditions post-Covid-19.

EXHIBIT 29 JESSELTON QUAY



Source: Company

SWOT ANALYSIS

STRENGTHS

□ *Monopoly of Sabah ports*

As Suria is the sole operator of all 8 ports in Sabah, the group's financial performance depends on the state's external trade performance. Exports of palm oil and petroleum products are expected to increase in future on the back of higher production volumes and demand. Facilitating the volume growth are continuing development of the Palm Oil Industrial Cluster at Lahad Datu, Sabah Oil and Gas Terminal at Kimanis and the Pan Borneo Highway.

□ *Stable earnings and dividend yield*

Suria's EBITDA margin is high, exceeding 30% over the past 5 years. Also, Suria is committed to a dividend payout of 35% every year. Hence, we forecast decent dividend yields of 4.3% for FY22F and 4.4% for FY23F.

□ *BIMP-EAGA's location is strategic*

Suria's flagship port, SBCP is positioned to be the regional hub for BIMP-EAGA due to its strategic location. SBCP also lies in the middle of Japan-Indonesia shipping route. Coupled with the Sapangar Bay Integrated Port expansion in the pipeline, we believe that Suria would be able to leverage on its location to enjoy higher throughput volumes in future.

WEAKNESSES

□ *No revision in port tariffs over the past 35 years*

Port tariffs, which were regulated under Sabah Port Enactment have remained the same over the past 35 years.

According to news reports, Suria has submitted a request to the Sabah Ports Authority for a review of its tariff rates. According to the Privatisation Agreement, an application for a revision is allowed after 5 years.

However management clarified that the tariff revision was approved in principle by the State Cabinet in 2020 for implementation at a later date, which will be decided by the state government. Roadshows will be conducted and implementation is planned this year.

□ *Development of One Jesselton Waterfront was scrapped*

Suria and Gabungan AQRS entered into an agreement in 2015 to jointly develop a mixed development project known as One Jesselton Waterfront on 6.3 acres of land in Kota Kinabalu Port. However, the JV fell through in Sep 2021 due to uncertain market conditions post-Covid-19. The absence of this development would dampen the growth prospects of the international cruise terminal in Kota Kinabalu Port.

OPPORTUNITIES

□ *Development of Sapangar Integrated Port*

The Sapangar Integrated Port is expected to consist of (i) SBCP, poised to be the region's transshipment hub; (ii) SBOT, the only oil terminal serving the west coast of Sabah; (iii) SBCCT, which will take over the general cargo operations in Kota Kinabalu and (iv) Sabah Maju Jaya Renewable Energy Industrial Complex which will house the state's first palm oil refinery complex with a capacity of 100,000 MT/annum and a hydrogenated vegetable oil (HVO) plant in Malaysia with capacity of 250,000 MT/annum.

□ *Development of Jesselton Quay*

The development of Jesselton Quay will position Kota Kinabalu as a regional and international cruise terminal. Jesselton Quay Central (JQC) sits on 4 acres of land Phase 1 of JQC was fully completed in Jan 2022. Meanwhile, Phase 2 and Parcel A of Jesselton Quay will be developed on the remaining parcel of land and will be launched in 2HFY22.

THREATS

□ *Inability to renew concessions of Sabah ports*

The concession agreement of the ports commenced in 2004 and will expire in FY34F. Inability to renew the concession would result in Suria losing its core business.

□ *Port congestion*

Suria's operational efficiencies could be affected due to port congestion or as shipping lines miss their port call schedules. The issue arises when vessels are held up too long during their calls in other ports.

For now, we do not expect this to be a major concern going forward as there is ample capacity at Suria's ports. Suria's container ports operated at utilisation rates of 36% to 57% in FY21.

□ *Aggressive expansion amid rising interest rates*

Suria's FY22F capex is estimated to be RM515mil. As Suria's cash was only RM80mil as at end-FY21, we believe that the capex will be partly funded by borrowings. This is not expected to be a major issue as Suria's net gearing was a low 0.9% as of end-FY21.

□ *Growing regulatory risks affecting palm oil*

The US Customs and Border Protection (CBP) has banned palm products from the Malaysian operations of Sime Darby Plantation and FGV holdings due to alleged forced labour abuse.

In the EU, palm biodiesel will be phased out to zero from 2025F to 2030F. Hence, the backlash against palm oil is growing. On a positive note, there have not been issues with China and India yet. Hence, the two countries would continue to buy palm products for now. In the long term, we believe that the EU market would be replaced by Africa and the Middle East.

EXHIBIT 30 BRUNEI-INDONESIA-MALAYSIA-PHILIPPINES EAST ASIAN GROWTH AREA (BIMP-EAGA)



Source: Global Infrastructure Connectivity Alliance

EXHIBIT 31 SHIPPING ROUTES IN SOUTHEAST ASIA



Source: National Institute for Environmental Studies

Green and Blue lines show the southbound (Japan-Indonesia) and northbound (Indonesia-Japan) respectively. The red line shows the northbound Borneo route (Indonesia-Japan). Regular berthing ports are shown as solid black circles.

EXHIBIT 32 YARD EQUIPMENT AND FACILITIES

Port	Berth	Length (M)	Depth (M)	Max Vessel Size (DWT)	Mechanical Equipment	
Sapangar Bay Container Port	Berth 1, 2, 3 (Outer Berth)	500	12	45,000	13 Gantry Cranes 6 Reach stackers	
	Berth 4 (Inner Berth)	145	12	45,000	9 Empty Container Handlers 27 Prime Movers 4 Forklift	
Sapangar Bay Oil Terminal	Main Berth	82.32	12	30,000	5 Marine Loading Arm	
	Inner Berth	45.73	12	1,000	6 Flexible Hose	
Kota Kinabalu Port	Berth 1, 2, 3	350	9.6 - 9.8	16,000	5 Tractors	
	Berth 4	120	6.2 - 9.5	16,000	18 Trailers	
	Berth 5, 6	200	5.3 - 6.7	16,000	15 Forklift	
	Berth 7	120	7.4 - 8.6	16,000		
Kudat Port	Inner Berth	112	6.2	N/A	6 Forklifts	
	Outer Berth	92	6.4	4,000		
	Passenger Ferry Terminal	24	3 - 4	1,000		
	Ferry Ramp (RoRo)	69	3 - 4	1,000		
Sandakan Port	Berth 1	213	10	20,000	2 Mobile Harbour Cranes	
	Berth 2A (Outer)	281	10		8 Reach stackers	
	Berth 2B (Inner)	241	6	N/A	3 Empty Stackers	
	Berth 3	76	6		11 Prime Movers	
	Berth 4	155	9		2 Towing Tractors	
	Karamunting Bulk Oil Terminal	170	9.4	30,000	15 Forklifts	
	Karamunting Palm Oil Terminal	200	11.1	45,000	18 Trailers	
	Mowtas Oil Terminal	130	10.2	8,000	7 Container Spreaders	
Tawau Port	Berth 6 & 7 (Inner Berth)	170	5.5	16,000	2 Mobile Harbour Cranes 6 Reach stackers 8 Prime Movers	
	Berth 3,4,5 (Outer Berth)	302	11	16,000	2 Empty Stacker 6 Forklifts 4 Trailers	
	Tanjung Batu Oil Jetty	76	9	30,000	6 Container Spreaders 3 Hoppers	
Lahad Datu Port	Main Wharf	Berth 3	100	9	9,000	1 Reach stacker
		Berth 4	190	12	45,000	1 Shuttle Carrier
		Berth 5	140	9	9,000	1 Container Spreader
	Old Wharf	Berth 1	97	9.3	25,000	11 Towing Trailers
		Berth 2	73	8.5	2,000	10 Forklifts 6 Hoppers
Kunak Port	Old Oil Jetty	97	11	28,000	1 PKE Conveyer Machine	
	New Oil Jetty	43.4	17	45,000	1 Conventional Forklift	

Source: Company

EXHIBIT 33 FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	228.0	251.3	742.9	318.9	327.1
EBITDA	97.8	115.7	225.2	222.6	205.9
Depreciation/Amortisation	(49.5)	(48.6)	(52.0)	(69.8)	(72.8)
Operating income (EBIT)	48.3	67.1	173.2	152.8	133.1
Other income & associates	-	-	-	-	-
Net interest	8.7	10.9	(110.8)	(89.4)	(68.5)
Exceptional items	(9.1)	(19.4)	-	-	-
Pretax profit	48.0	58.6	62.4	63.5	64.6
Taxation	(15.0)	(19.1)	(15.0)	(15.2)	(15.5)
Minorities/pref dividends	-	-	-	-	-
Net profit	32.9	39.5	47.5	48.2	49.1
Core net profit	42.0	59.0	47.5	48.2	49.1
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	861.5	859.3	1,325.8	1,345.6	1,366.3
Intangible assets	-	-	-	-	-
Other long-term assets	250.9	219.0	219.0	219.0	219.0
Total non-current assets	1,112.4	1,078.3	1,544.8	1,564.6	1,585.3
Cash & equivalent	75.0	79.9	120.4	262.4	272.0
Stock	8.7	10.6	18.8	8.1	8.3
Trade debtors	92.7	115.8	197.8	84.9	87.1
Other current assets	86.7	115.2	115.2	115.2	115.2
Total current assets	263.2	321.5	452.2	470.6	482.5
Trade creditors	12.2	12.7	12.7	12.7	12.7
Short-term borrowings	18.0	-	289.9	238.2	195.6
Other current liabilities	45.8	53.2	164.3	254.2	323.3
Total current liabilities	76.0	65.8	466.9	505.1	531.6
Long-term borrowings	-	10.3	175.5	144.2	118.4
Other long-term liabilities	193.2	191.0	191.0	191.0	191.0
Total long-term liabilities	193.2	201.3	366.5	335.2	309.4
Shareholders' funds	1,106.4	1,132.7	1,163.6	1,194.9	1,226.9
Minority interests	-	-	-	-	-
BV/share (RM)	3.20	3.28	3.36	3.46	3.55
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	48.0	58.6	62.4	63.5	64.6
Depreciation/Amortisation	49.5	48.6	52.0	69.8	72.8
Net change in working capital	(23.0)	(8.5)	(90.1)	123.6	(2.4)
Others	(17.8)	(23.7)	95.8	74.1	53.0
Cash flow from operations	56.7	75.0	120.1	331.0	188.0
Capital expenditure	(14.5)	(35.2)	(517.9)	(89.0)	(93.0)
Net investments & sale of fixed assets	(17.6)	(17.0)	-	-	-
Others	18.7	6.5	-	-	-
Cash flow from investing	(13.4)	(45.7)	(517.9)	(89.0)	(93.0)
Debt raised/(repaid)	(10.9)	(8.4)	455.0	(83.1)	(68.3)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(12.1)	(13.1)	(16.6)	(16.9)	(17.2)
Others	(1.0)	(13.5)	-	-	-
Cash flow from financing	(24.0)	(35.0)	438.4	(99.9)	(85.5)
Net cash flow	19.3	(5.8)	40.5	142.0	9.6
Net cash/(debt) b/f	46.4	65.7	59.9	100.4	242.4
Net cash/(debt) c/f	65.7	59.9	100.4	242.4	252.0
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(17.2)	10.2	195.6	(57.1)	2.6
EBITDA growth (%)	(22.4)	18.3	94.6	(1.2)	(7.5)
Pretax margin (%)	21.0	23.3	8.4	19.9	19.8
Net profit margin (%)	14.4	15.7	6.4	15.1	15.0
Interest cover (x)	nm	nm	1.6	1.7	1.9
Effective tax rate (%)	31.3	32.5	24.0	24.0	24.0
Dividend payout (%)	34.6	35.0	35.0	35.0	35.0
Debtors turnover (days)	173	151	77	162	96
Stock turnover (days)	13	14	7	15	9
Creditors turnover (days)	18	18	6	14	14

Source: Company, AmlInvestment Bank Bhd estimates

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