



## Company report

# SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

24 Aug 2022

## Muted short-term outlook

# HOLD

(Maintained)

### AmInvestment Bank

Team Coverage

03-2070 2444

### Rationale for report: Company results

Price	RM1.08
Fair Value	RM1.00
52-week High/Low	RM1.35/RM1.03

#### Key Changes

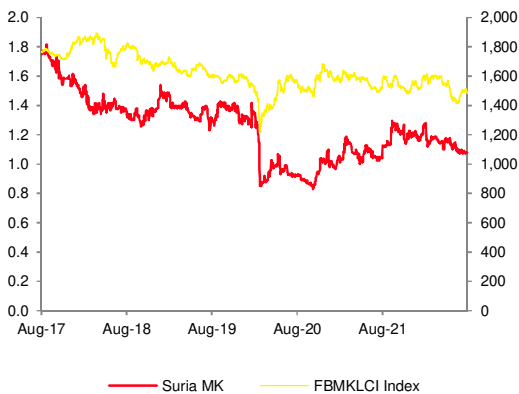
Fair value	⬇️
EPS	⬇️

YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	251.3	742.9	326.6	335.7
Core net profit (RM mil)	59.0	43.7	45.6	46.5
FD Core EPS (sen)	17.0	12.6	13.2	13.4
FD Core EPS growth (%)	40.4	(25.9)	4.4	1.8
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	4.0	4.4	4.6	4.7
PE (x)	6.3	8.5	8.2	8.0
EV/EBITDA (x)	2.6	7.1	3.8	3.6
Div yield (%)	3.7	4.1	4.3	4.4
ROE (%)	3.5	3.8	3.9	3.9
Net Gearing (%)	nm	38.9	24.1	20.6

#### Stock and Financial Data

Shares Outstanding (million)	345.8
Market Cap (RM mil)	373.5
Book Value (RM/share)	3.28
P/BV (x)	0.3
ROE (%)	3.5
Net Gearing (%)	-
Major Shareholders	Warisan Harta (45.4%) Urusharta Jamaah (4.1%) Yayasan Sabah (3.7%)
Free Float	(52.2)
Avg Daily Value (RM mil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	(8.5)	(15.6)	3.8
Relative (%)	(4.8)	(9.7)	6.6



#### Investment Highlights

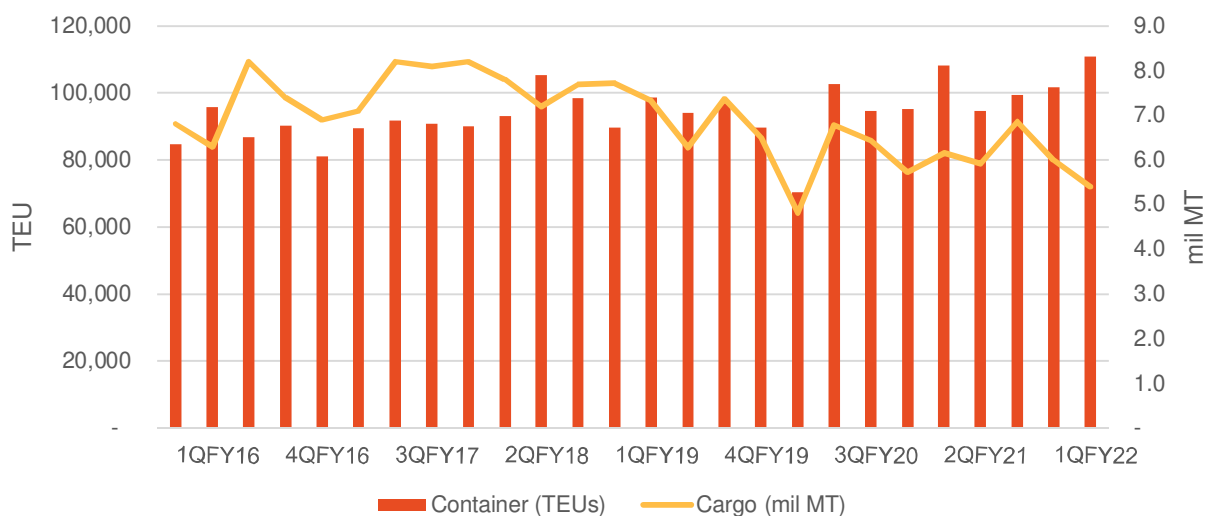
- We maintain HOLD on Suria Capital (Suria) with a lower DCF-derived fair value (FV) of RM1.00/share (vs. RM1.05/share). Our FV implies FY23F PE of 8.1x and an unchanged 3-star ESG rating.
- We reduce our core net profit forecasts for FY22F by 8%, and FY23F–24F by 5% as our throughput growth assumption has been fine-tuned to account for inflationary and recessionary fears. Additionally, we reduce our margin assumptions to take consideration of higher costs resulting from fuel and labour.
- Suria's 1HFY22 CNP of RM21mil was below expectations, accounting for 43% of our FY22F earnings and 45% of consensus estimates. The deviation came largely from higher-than-expected fuel and labour costs.
- Suria's operating revenue grew 7% YoY in 1HFY22 mainly due to an increase in container throughput. This partly compensated for a decrease in cargo throughput. Nevertheless, CNP fell 20% YoY to RM21mil in 1HFY22 due to higher fuel and labour costs.
- In 1HFY22, container throughput volume rose 5% YoY to 212K TEUs, making up 54% of our FY22F assumption. Meanwhile, cargo throughput slid 4% YoY to 11.4mil MT, accounting for 46% of our FY22F estimate.
- Although Suria said its container throughput has improved in July 2022, we are cautious on the outlook for FY23F due to the ongoing disruption in supply chains and macroeconomic headwinds. As such, we maintain our assumption for throughput growth of 1% for FY22F and 3% for FY24F, but lowered 2% to 1% for FY23F.
- QoQ, Suria's 2QFY22 operating revenue slipped by 2% due to lower cargo throughput (-10% QoQ). Together with higher costs of fuel, labour and interest expense, CNP halved QoQ.
- Despite the short-term headwinds, we are optimistic on the long-term outlook for Sabah ports supporting 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 Sapangar Bay Container Port as a premier transshipment hub for the Brunei-Indonesia-Malaysia-Philippines East ASEAN growth area.
- We believe potential rerating catalyst could come from a revision on port tariffs, which was unchanged over the past 35 years. Suria is currently trading at a fair FY23F PE of 8.1x, although 1 SD below its 5-year mean, due to concerns over inflationary and recessionary impact to trade flows.

## EXHIBIT 1 QUARTERLY RESULTS

RM mil, FYE 31 Dec	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	QoQ %	YoY %	6MFY21	6MFY22	YoY %
Revenue	62.4	59.3	75.0	71.0	57.7	(18.7)	(7.5)	117.0	128.6	9.9
Operating Revenue	54.1	50.5	61.3	56.4	55.5	(1.6)	2.5	104.5	111.9	7.1
Construction Revenue	8.2	8.7	13.6	14.6	2.2	(84.9)	(73.2)	12.6	16.8	33.4
EBITDA	39.4	21.4	30.8	30.9	28.7	(7.1)	(27.2)	63.5	59.6	(6.2)
EBIT	25.2	7.9	22.9	16.5	12.0	(27.5)	(52.4)	36.4	28.5	(21.7)
PBT	21.9	13.5	11.7	17.4	9.2	(47.1)	(57.9)	33.4	26.7	(20.1)
Taxation	(5.2)	(3.1)	(8.3)	(3.5)	(2.0)	(42.6)	(60.7)	(7.6)	(5.6)	(26.8)
Minority interest	-	-	-	-	-	-	-	-	-	-
Net Profit	16.8	10.4	3.4	13.9	7.2	(48.2)	(57.1)	25.7	21.1	(18.1)
Exceptional Items	(0.3)	0.3	(19.3)	0.2	0.3			(0.4)	0.5	
Core Net Profit	17.0	10.1	22.8	13.7	6.9	(50.0)	(59.7)	26.1	20.6	(21.1)
Core EPS (sen)	4.9	2.9	6.6	4.0	2.0	(50.0)	(59.7)	7.5	6.0	(21.1)
DPS (sen)	-	-	4.0	-	-			-	-	
						<u>bps</u>	<u>bps</u>			<u>bps</u>
EBITDA Margin	63.2%	36.1%	41.1%	43.5%	49.7%	6.2	(13.5)	54.3%	46.3%	(8.0)
EBIT Margin	40.4%	13.3%	30.5%	23.3%	20.8%	(2.5)	(19.6)	31.1%	22.1%	(8.9)
PBT Margin	35.2%	22.7%	15.7%	24.6%	16.0%	(8.6)	(19.2)	28.5%	20.7%	(7.8)
Effective Tax Rate	23.6%	23.2%	70.7%	20.3%	22.1%	1.7	(1.6)	22.9%	20.9%	(1.9)
Core Net Profit Margin	27.3%	17.0%	30.4%	19.4%	11.9%	(7.4)	(15.4)	22.3%	16.0%	(6.3)
<b>Port Throughput</b>										
Container (TEUs)	108,082	94,616	99,355	101,597	110,865	9.1	2.6	203,375	212,462	4.5
Cargo (mil MT)	6.2	5.9	6.9	6.0	5.4	(10.0)	(12.4)	11.9	11.4	(4.1)

Source: Company, AmlInvestment

## EXHIBIT 2 THROUGHPUT VOLUME

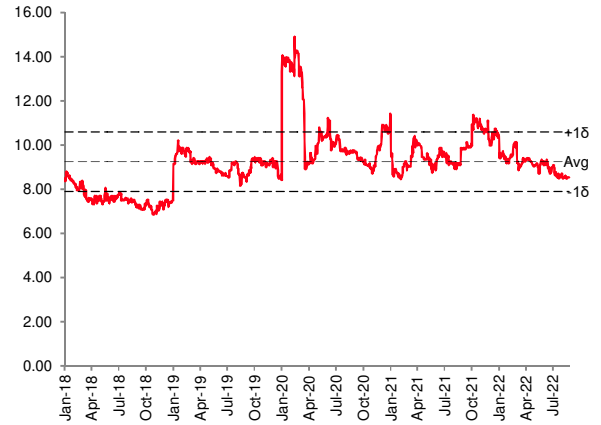


Source: Company

**EXHIBIT 3 PB BAND CHART**



**EXHIBIT 4 PE BAND CHART**



**EXHIBIT 5 ESG RATING**

<b>Overall</b>	★	★	★		
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: AmInvestment Bank

## EXHIBIT 6 FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	228.0	251.3	742.9	326.6	335.7
EBITDA	97.8	115.7	115.9	172.9	172.5
Depreciation/Amortisation	(49.5)	(48.6)	(60.0)	(80.7)	(84.6)
Operating income (EBIT)	48.3	67.1	55.8	92.2	87.8
Other income & associates	-	-	-	-	-
Net interest	8.7	10.9	1.7	(32.1)	(26.7)
<b>Exceptional items</b>	<b>(9.1)</b>	<b>(19.4)</b>	-	-	-
Pretax profit	48.0	58.6	57.5	60.0	61.1
Taxation	(15.0)	(19.1)	(13.8)	(14.4)	(14.7)
<b>Minorities/pref dividends</b>	-	-	-	-	-
Net profit	32.9	39.5	43.7	45.6	46.5
Core net profit	42.0	59.0	43.7	45.6	46.5
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Fixed assets	861.5	859.3	1,317.8	1,336.4	1,356.0
Intangible assets	-	-	-	-	-
<b>Other long-term assets</b>	<b>250.9</b>	<b>219.0</b>	<b>219.0</b>	<b>219.0</b>	<b>219.0</b>
Total non-current assets	1,112.4	1,078.3	1,536.7	1,555.4	1,575.0
Cash & equivalent	75.0	79.9	12.6	165.7	189.1
Stock	8.7	10.6	18.8	8.3	8.5
Trade debtors	92.7	115.8	197.8	87.0	89.4
<b>Other current assets</b>	<b>86.7</b>	<b>115.2</b>	<b>115.2</b>	<b>115.2</b>	<b>115.2</b>
Total current assets	263.2	321.5	344.4	376.1	402.2
Trade creditors	12.2	12.7	12.7	12.7	12.7
Short-term borrowings	18.0	-	289.3	281.9	274.6
<b>Other current liabilities</b>	<b>45.8</b>	<b>53.2</b>	<b>51.9</b>	<b>84.6</b>	<b>111.8</b>
Total current liabilities	76.0	65.8	353.9	379.1	399.0
Long-term borrowings	-	10.3	175.2	170.6	166.2
<b>Other long-term liabilities</b>	<b>193.2</b>	<b>191.0</b>	<b>191.0</b>	<b>191.0</b>	<b>191.0</b>
<b>Total long-term liabilities</b>	<b>193.2</b>	<b>201.3</b>	<b>366.1</b>	<b>361.6</b>	<b>357.2</b>
Shareholders' funds	1,106.4	1,132.7	1,161.1	1,190.8	1,221.0
Minority interests	-	-	-	-	-
BV/share (RM)	3.20	3.28	3.36	3.44	3.53
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Pretax profit	48.0	58.6	57.5	60.0	61.1
Depreciation/Amortisation	49.5	48.6	60.0	80.7	84.6
Net change in working capital	(23.0)	(8.5)	(90.1)	121.3	(2.7)
<b>Others</b>	<b>(17.8)</b>	<b>(23.7)</b>	<b>(15.5)</b>	<b>17.7</b>	<b>12.0</b>
Cash flow from operations	56.7	75.0	11.9	279.8	155.1
Capital expenditure	(14.5)	(35.2)	(517.9)	(98.8)	(103.7)
Net investments & sale of fixed assets	(17.6)	(17.0)	-	-	-
<b>Others</b>	<b>18.7</b>	<b>6.5</b>	-	-	-
Cash flow from investing	(13.4)	(45.7)	(517.9)	(98.8)	(103.7)
Debt raised/(repaid)	(10.9)	(8.4)	454.0	(12.0)	(11.7)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(12.1)	(13.1)	(15.3)	(16.0)	(16.3)
<b>Others</b>	<b>(1.0)</b>	<b>(13.5)</b>	-	-	-
<b>Cash flow from financing</b>	<b>(24.0)</b>	<b>(35.0)</b>	<b>438.7</b>	<b>(27.9)</b>	<b>(28.0)</b>
<b>Net cash flow</b>	<b>19.3</b>	<b>(5.8)</b>	<b>(67.3)</b>	<b>153.1</b>	<b>23.4</b>
<b>Net cash/(debt) b/f</b>	<b>46.4</b>	<b>65.7</b>	<b>59.9</b>	<b>(7.4)</b>	<b>145.7</b>
Net cash/(debt) c/f	65.7	59.9	(7.4)	145.7	169.1
<b>Key Ratios (YE 31 Dec)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Revenue growth (%)	(17.2)	10.2	195.6	(56.0)	2.8
EBITDA growth (%)	(22.4)	18.3	0.1	49.2	(0.2)
Pretax margin (%)	21.0	23.3	7.7	18.4	18.2
Net profit margin (%)	14.4	15.7	5.9	14.0	13.8
Interest cover (x)	nm	nm	nm	2.9	3.3
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	159	96
Stock turnover (days)	13	14	7	15	9
Creditors turnover (days)	18	18	6	14	14

Source: Company, AmInvestment Bank Bhd estimates

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