

Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

Maintain BUY

Unchanged Target Price: RM1.24

In line with expectation


KEY INVESTMENT HIGHLIGHTS

- **Suria's core PATAMI of RM21.2m in 6MFY22 met our estimate**
- **Lower earnings due to higher opex and administrative expense**
- **SBOT's new twin-berth oil jetty is on track to complete by end-FY22**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.24**

Within expectations. Suria Capital Holdings Berhad's (Suria) core PATAMI of RM21.2m in 6MFY22 came in within expectations as it made up 46% of ours and consensus full-year estimates.

Quarterly. The Group's core PATAMI fell to RM7.3m (-57.4%yoy) mainly on the back of higher operational and administrative expenses. Operationally, the cargo volume that Suria has handled declined to 5.3m MT (-14.5%yoy), while its container throughput was higher at 110,865 TEUs (+2.6%yoy). On a quarter-on-quarter basis, core PATAMI was down by -47.9%qoq due to abovementioned reasons. In terms of volume, cargo throughput was lower by -11.7%qoq from 6.0m MT, while its container throughput saw an uptick of +9.1%qoq from 101,597 TEUs.

Cumulatively. For the 6-month period, Suria posted core PATAMI of RM21.2m (-19.0%yoy). Similarly, the margin contraction was attributed to higher opex and administrative costs. Under its main port business, conventional throughput fell to 11.4m MT (-4.2%yoy), while the container throughput was higher at 212,462 TEUs (+4.5%yoy). The volumes matched our FY22E assumptions at 45% and 52% respectively.

Maintain BUY. Our earnings estimates were left unchanged as the results were within our expectation. As such, we maintain our **BUY** call with an unchanged DCF-derived TP of **RM1.24** (WACC 9%, g: 3%). The new twin-berth oil jetty at Sapangar Bay Oil Terminal (SBOT) is on track to be completed in 4QFY22 and this would help ease the congestion at the terminal which was overutilised during pre-pandemic. Key catalyst for Suria would be it getting the state government's approval for the port tariff revision whereby we are looking at an estimated increase of 20% during Phase 1. Downside risks include: (1) any delays in its planned expansion and development plans and (2) lower crude oil and crude palm oil production which would affect the port throughput. 

RETURN STATISTICS

Price @ 23 rd August 2022 (RM)	1.08
Expected share price return (%)	+14.8
Expected dividend yield (%)	+4.6
Expected total return (%)	+19.4

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.8	-2.9
3 months	-6.1	-5.6
12 months	2.9	5.7

KEY STATISTICS

FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	345.82
Estimated free float (%)	37.35
Market Capitalisation (RM'm)	370.03
52-wk price range	RM1.03-RM1.35
Beta vs FBM KLCI (x)	0.78
Monthly velocity (%)	40.23
Monthly volatility (%)	14.35
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Urusharta Jamaah Sdn Bhd	4.09
Yayasan Sabah	3.67

INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Operating Revenue	213.8	216.3	241.8	245.0	248.7
Gross Profit	72.6	78.4	87.1	88.2	89.5
EBITDA	88.8	96.1	125.4	135.6	137.6
EBIT	39.2	47.6	65.3	66.2	67.1
PATAMI	32.9	39.5	45.8	48.6	51.6
Core PATAMI	33.3	39.5	45.8	48.6	51.6
Core EPS (sen)	9.6	11.4	13.2	14.1	14.9
PER (x)	11.2	9.4	8.2	7.7	7.2
DPS (sen)	3.5	3.8	4.6	4.9	5.2
Dividend Yield (%)	3.2%	3.5%	4.3%	4.6%	4.8%

Sources: Company, MIDFR

SURIA: 2Q22 RESULTS SUMMARY

Income Statement	Quarterly					Cumulatively		
	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Revenue from operations	55.5	56.4	54.1	-1.6%	2.5%	111.9	104.5	7.1%
Gross profit	17.9	20.5	27.9	-12.5%	-35.8%	38.3	41.8	-8.4%
EBIT	12.8	17.5	25.8	-26.6%	-50.1%	30.3	37.3	-18.6%
Finance cost	(3.6)	(0.1)	(3.8)	<-100.0%	5.3%	(3.7)	(3.9)	6.4%
PBT	9.2	17.4	21.9	-47.1%	-57.9%	26.7	33.4	-20.1%
Tax expense	(2.0)	(3.5)	(5.2)	42.6%	60.7%	(5.6)	(7.6)	26.8%
PATAMI	7.2	13.9	16.8	-48.2%	-57.1%	21.1	25.7	-18.1%
Core PATAMI	7.3	13.9	17.1	-47.9%	-57.4%	21.2	26.2	-19.0%
EBIT margin (%)	23.2%	31.0%	47.6%			27.1%	35.7%	
PBT margin (%)	16.6%	30.9%	40.5%			23.8%	31.9%	
Core PATAMI margin (%)	13.1%	24.7%	31.5%			19.0%	25.1%	
Effective tax rate (%)	-22.1%	-20.3%	-23.6%			-20.9%	-22.9%	

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN AND OPERATIONAL STATISTICS

Revenue	Quarterly					Cumulatively		
	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Port operations	54.5	53.9	53.5	1.1%	1.9%	108.5	100.4	8.0%
Logistics & bunkering services	0.3	0.3	0.3	-1.9%	3.4%	0.6	0.5	37.2%
Contract and engineering & ferry terminal operations	1.0	2.4	0.6	-60.1%	59.9%	3.3	3.9	-13.9%
Operating Profit	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Port operations	7.1	13.5	19.6	-47.2%	-63.7%	20.6	28.1	-26.5%
Property development	2.6	2.5	3.6	3.0%	-27.9%	5.1	6.8	-25.9%
Logistics & bunkering services	0.1	0.1	0.1	-11.1%	-18.4%	0.3	0.2	46.6%
Contract and engineering & ferry terminal operations	(0.4)	0.9	(1.3)	-140.8%	71.3%	0.5	(0.6)	192.0%
Operational Statistics	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Container throughput (k TEU)	110.9	101.6	108.1	9.1%	2.6%	212.5	203.4	4.5%
Conventional throughput (m MT)	5.3	6.0	6.2	-11.7%	-14.5%	11.4	11.9	-4.2%

Sources: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology