



AmInvestment Bank

Company report

SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

01 Dec 2022

Better-than-expected container throughput

HOLD

(Maintained)

AmInvestment Bank

Team Coverage

03-2070 2444

Rationale for report: Company result

Price	RM1.06
Fair Value	RM1.15
52-week High/Low	RM1.29/RM0.99

Key Changes

Fair value	⬇️
EPS	⬇️

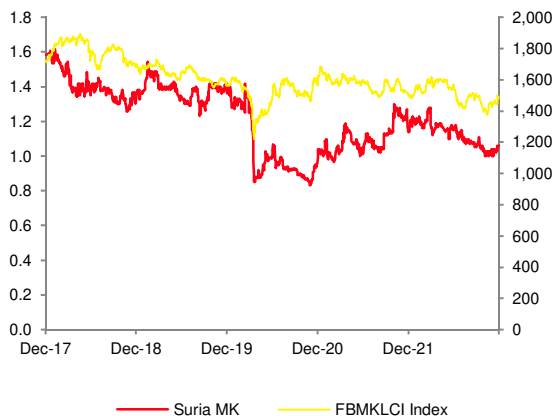
YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	251.3	764.2	348.3	357.9
Core net profit (RM mil)	59.0	47.8	49.9	50.8
FD Core EPS (sen)	17.0	13.8	14.4	14.7
FD Core EPS growth (%)	40.4	(19.0)	4.5	1.9
Consensus Net Profit (RM mil)	-	44.8	47.1	49.1
DPS (sen)	4.0	4.8	5.1	5.1
PE (x)	6.2	7.7	7.3	7.2
EV/EBITDA (x)	2.6	6.9	3.7	3.7
Div yield (%)	3.8	4.6	4.8	4.9
ROE (%)	3.5	4.2	4.2	4.2
Net Gearing (%)	nm	40.5	29.2	27.2

Stock and Financial Data

Shares Outstanding (million)	345.8
Market Cap (RM mil)	366.6
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 (%)	-	(9.4)	(7.0)
Relative (%)	1.6	(4.5)	(5.4)



Investment Highlights

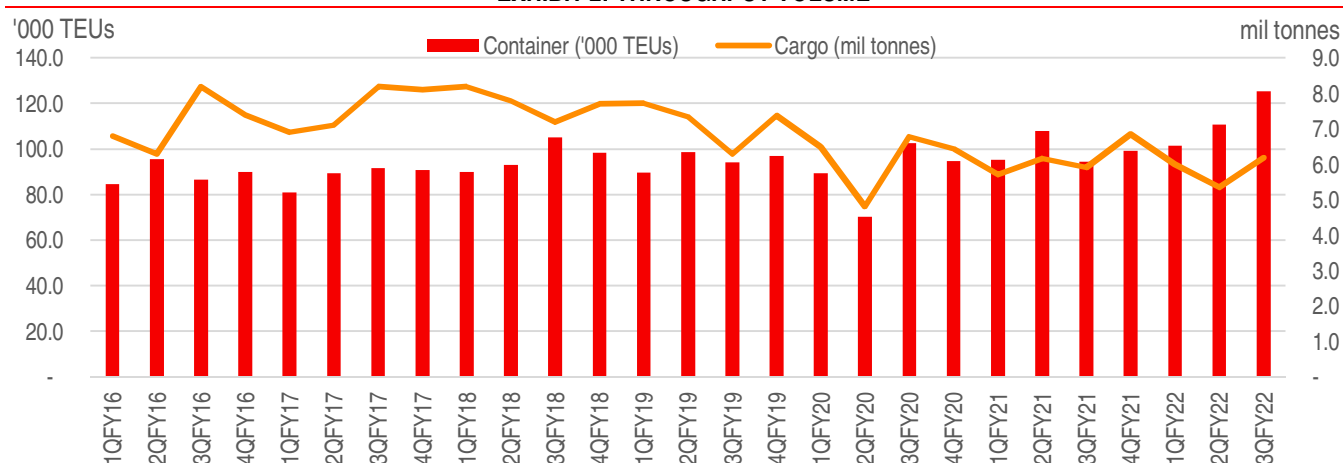
- We maintain **HOLD** on Suria Capital (Suria) with a higher DCF-derived fair value (FV) of RM1.15/share (vs RM1.00/share). Our FV implies a FY23F PE of 8x and an unchanged 3-star ESG rating.
- 9MFY22 core net profit (CNP) of RM39mil was above expectations as it accounted for 90% of our FY22F earnings and 87% of consensus estimates. The deviation was largely due to higher-than-expected container throughput volumes. As such, we raise our earnings for FY22F-24F by 9%.
- YoY, CNP grew 8% to RM39mil as operating revenue expanded by 13% to RM175mil on the back of stronger container volumes (+13%), partially weighed down by a dip in cargo volumes (-2%).
- QoQ, CNP improved by 2.7x to RM18mil in tandem with 15% operating revenue growth to RM64mil, supported by stronger container (+13%) and cargo (16%) throughput.
- According to Department of Statistics Malaysia, export volume shrank 8.7% MoM in Oct 2022 while import volumes were flat.
- We remain cautious on Suria's short term outlook due to global recessionary risks and geopolitical tensions. Other risks include port congestions, which may depress throughput volume.
- Despite short term headwinds, we are optimistic on the long-term outlook for Sabah, which 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 the growth of Sapangar Bay Container Port as a premier transshipment hub for the Brunei-Indonesia-Malaysia-Philippines East ASEAN growth area.
- We believe rerating catalysts could stem from a revision of port tariffs, which was unchanged over the past 35 years. Suria currently trades at a fair 7.3x FY23F PE, near its 5-year historical average of 7.9x.

EXHIBIT 1: QUARTERLY RESULTS

FYE 31 Dec, RM mil	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
Operating Revenue	50.5	55.5	63.5	14.5	25.6	155.0	175.4	13.1
Construction Revenue	8.7	2.2	9.9	>100.0	13.0	21.3	26.7	25.0
EBITDA	26.9	28.8	35.7	24.0	32.6	90.4	95.3	5.4
EBIT	13.4	12.1	23.7	96.6	77.0	49.8	52.3	5.0
Exceptional Items	0.3	0.2	0.3	32.8	18.6	(0.1)	0.7	>100.0
PBT	13.5	9.2	23.2	>100.0	71.9	46.8	49.8	6.4
Taxation	(3.1)	(2.0)	(4.4)	>100.0	40.6	(10.8)	(10.0)	(7.2)
Net Profit	10.4	7.2	18.8	>100.0	81.3	36.1	39.9	10.5
Core Net Profit	10.1	6.9	18.4	>100.0	83.0	36.2	39.1	8.1
Core EPS (sen)	2.9	2.0	5.3	>100.0	83.0	10.5	11.3	8.1
EBITDA Margin %	45.4	49.9	48.6			51.3	47.2	
EBIT Margin %	22.6	20.9	32.3			28.2	25.9	
PBT Margin %	22.7	16.0	31.6			26.6	24.7	
Effective Tax Rate %	23.2	22.1	19.0			23.0	20.0	
Core Net Profit Margin %	17.0	12.0	25.1			20.5	19.4	
Port Throughput								
Container (TEUs)	94,616	110,865	125,441	13.1	32.6	297,991	337,903	13.4
Cargo (mil MT)	5.9	5.4	6.2	15.7	4.7	17.8	17.5	(1.5)

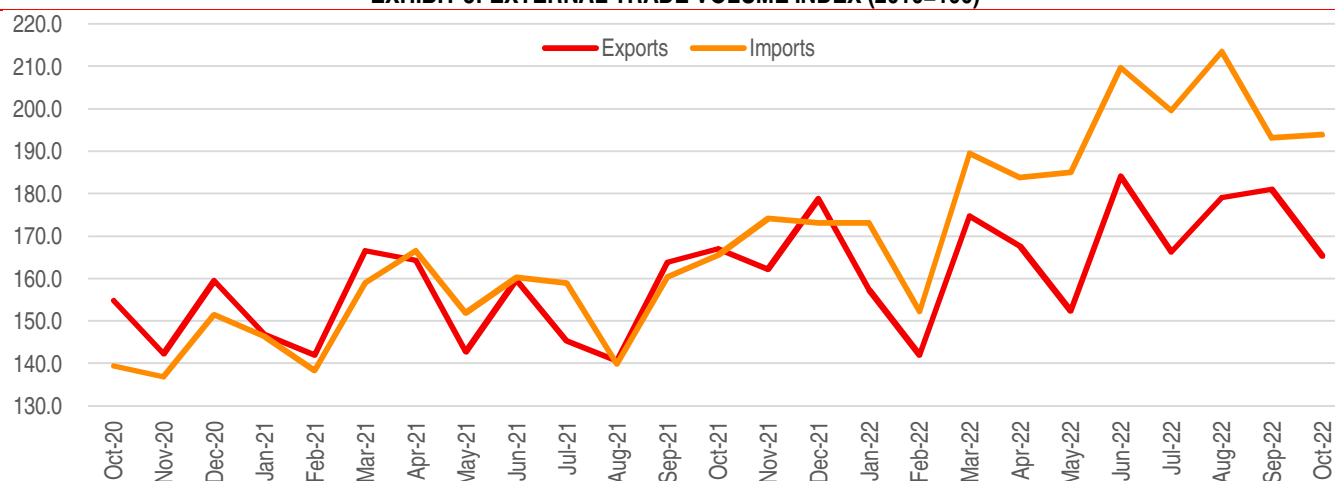
Source: Company

EXHIBIT 2: THROUGHPUT VOLUME



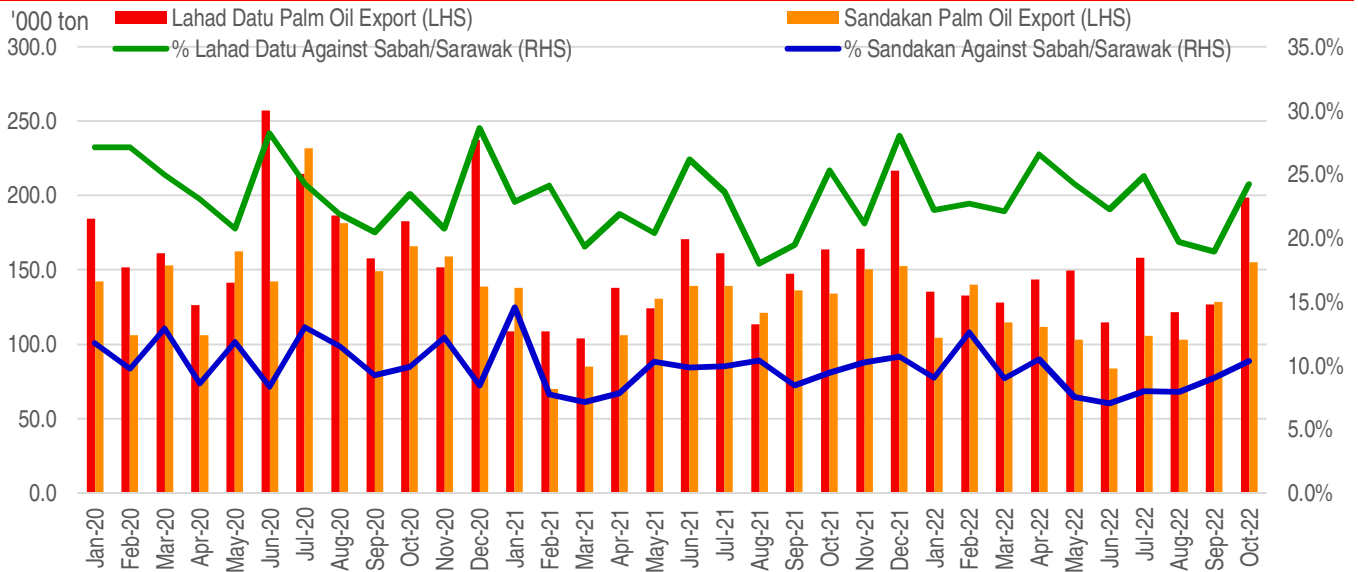
Source: Company

EXHIBIT 3: EXTERNAL TRADE VOLUME INDEX (2010=100)



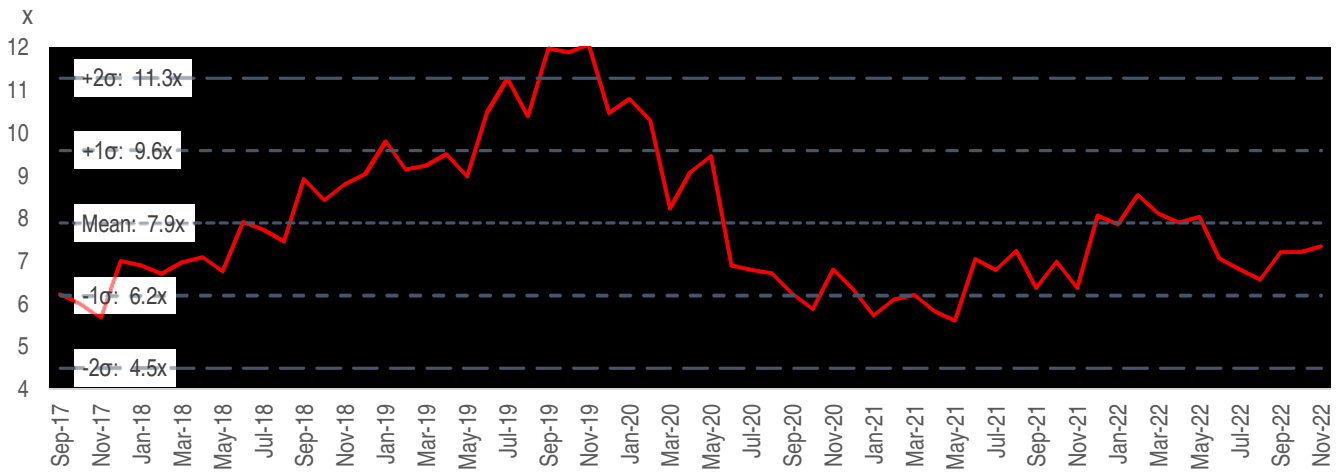
Source: External Trade Indices, Department of Statistics Malaysia

EXHIBIT 4: EXPORT OF PALM OIL VIA LAHAD DATU AND SANDAKAN



Source: Economics and Industry Development Division, Malaysian Palm Oil Board

EXHIBIT 5: PE BAND



Source: Bloomberg

EXHIBIT 6: 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 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	228.0	251.3	764.2	348.3	357.9
EBITDA	97.8	115.7	121.2	191.2	192.0
Depreciation/Amortisation	(49.5)	(48.6)	(60.0)	(80.7)	(84.6)
Operating income (EBIT)	48.3	67.1	61.2	110.5	107.3
Other income & associates	-	-	-	-	-
Net interest	8.7	10.9	1.6	(44.8)	(40.4)
Exceptional items	(9.1)	(19.4)	-	-	-
Pretax profit	48.0	58.6	62.8	65.7	66.9
Taxation	(15.0)	(19.1)	(15.1)	(15.8)	(16.1)
Minorities/pref dividends	-	-	-	-	-
Net profit	32.9	39.5	47.8	49.9	50.8
Core net profit	42.0	59.0	47.8	49.9	50.8
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	861.5	859.3	1,317.8	1,336.5	1,356.2
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	1,536.8	1,555.5	1,575.2
Cash & equivalent	75.0	79.9	23.2	133.5	136.8
Stock	8.7	10.6	19.0	8.7	8.9
Trade debtors	92.7	115.8	201.8	92.0	94.5
Other current assets	86.7	115.2	161.5	153.8	151.1
Total current assets	263.2	321.5	405.6	388.0	391.3
Trade creditors	12.2	12.7	32.0	11.8	12.1
Short-term borrowings	18.0	-	308.1	300.8	293.7
Other current liabilities	45.8	53.2	61.1	61.6	62.7
Total current liabilities	76.0	65.8	401.1	374.2	368.5
Long-term borrowings	-	10.3	186.5	182.1	177.8
Other long-term liabilities	193.2	191.0	191.0	191.0	191.0
Total long-term liabilities	193.2	201.3	377.5	373.1	368.8
Shareholders' funds	1,106.4	1,132.7	1,163.8	1,196.2	1,229.3
Minority interests	-	-	-	-	-
BV/share (RM)	3.20	3.28	3.37	3.46	3.55
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	48.0	58.6	62.8	65.7	66.9
Depreciation/Amortisation	49.5	48.6	60.0	80.7	84.6
Net change in working capital	(23.0)	(8.5)	(75.1)	100.0	(2.4)
Others	(17.8)	(23.7)	(61.8)	(16.0)	(20.7)
Cash flow from operations	56.7	75.0	(14.1)	230.3	128.4
Capital expenditure	(14.5)	(35.2)	(518.0)	(98.9)	(103.8)
Net investments & sale of fixed assets	(17.6)	(17.0)	-	-	-
Others	18.7	6.5	13.1	13.1	13.1
Cash flow from investing	(13.4)	(45.7)	(504.9)	(85.7)	(90.7)
Debt raised/(repaid)	(10.9)	(8.4)	484.2	(11.6)	(11.5)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(12.1)	(13.1)	(16.7)	(17.5)	(17.8)
Others	(1.0)	(13.5)	(5.2)	(5.2)	(5.2)
Cash flow from financing	(24.0)	(35.0)	462.3	(34.3)	(34.4)
Net cash flow	19.3	(5.8)	(56.7)	110.3	3.3
Net cash/(debt) b/f	46.4	65.7	59.9	3.2	113.6
Net cash/(debt) c/f	65.7	59.9	3.2	113.6	116.8
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(17.2)	10.2	204.1	(54.4)	2.7
EBITDA growth (%)	(22.4)	18.3	4.8	57.7	0.4
Pretax margin (%)	21.0	23.3	8.2	18.9	18.7
Net profit margin (%)	14.4	15.7	6.2	14.3	14.2
Interest cover (x)	nm	nm	nm	2.5	2.7
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	76	154	95
Stock turnover (days)	13	14	7	14	9
Creditors turnover (days)	18	18	11	23	12

Source: Company, AmlInvestment Bank Bhd estimates

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