Corporate Update | Friday, 15 December 2023

Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

Maintain NEUTRAL

Anticipating Tariff Adjustments

Unchanged Target Price: RM1.70

KEY INVESTMENT HIGHLIGHTS

- **Encouraging progress in tariff talks**
- **FDIs set to boost container volume**
- **Minor setback in SBCP expansion timeline**
- **DP World partnership viewed positively**
- **Maintain NEUTRAL with an unchanged TP of RM1.70**

We recently conducted a call with Suria Capital Holdings Berhad (Suria), and here are the main highlights:

Expected broad-scale tariff revision. The state government granted initial approval for the review of port tariffs in CY20. However, implementation is still pending due to ongoing negotiations over the extent of the tariff increase. Notably, Suria might undergo a comprehensive revision, given that tariffs have remained unchanged for over three decades. Suria and the Sabah Ports Authority have initiated discussions with port users regarding potential tariff increases.

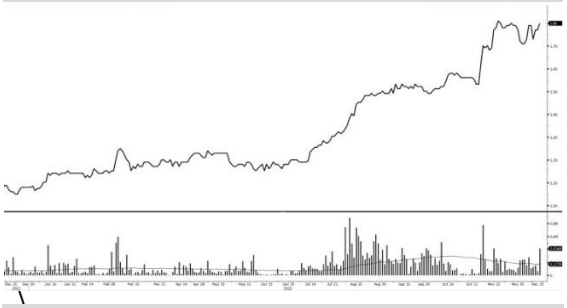
Projected contributions from FDIs. We anticipate a rise in FY24F container volumes as SK Nexilis and Kibing Group's new plants (operational since Oct-23) make gradual contributions. Kibing Group's solar glass manufacturing plant has an annual production capacity of 440,000 tonnes/annum and is estimated to contribute up to 36,000 TEUs/annum to SBCP. Meanwhile, SK Nexilis' twin plants are set to be the world's largest individual copper foil facility with a combined production capacity of 57,000 tonnes/annum. The second plant is scheduled for completion in 2QFY24. The anticipated containerised export volume from the plants is projected to reach 2,400 TEUs/annum.

Pending details on DP World collaboration. The ongoing expansion of Sapangar Bay Container Port (SBCP), set to more than double its capacity to 1.25m TEUs/annum, might encounter a slight delay in achieving the initial 1QFY25 completion target due to challenges in sourcing materials for land reclamation. Recall that earlier this year, the state cabinet approved a strategic collaboration between Sabah Ports Sdn Bhd and DP World, encompassing the management and operation of SBCP. Although details, including the equity structure, remain limited, discussions appear to be nearing completion. The collaboration holds the potential to attract major FDIs with plans to establish a free economic zone, logistics hub, and industrial parks.

Maintain NEUTRAL. We make no adjustments to our earnings and maintain our DCF-derived TP at **RM1.70** (WACC: 8.0%, g: 1%). The stock is trading at +1.0SD from its 5-year historical mean. A key upside risk is the implementation of the long-awaited revision of port tariffs.

RETURN STATISTICS	
Price @ 14th December 2023 (RM)	1.80
Expected share price return (%)	-5.6
Expected dividend yield (%)	+2.7
Expected total return (%)	**-2.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.3	4.9
3 months	18.4	15.6
12 months	57.9	60.8

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Operating revenue	239.6	262.4	270.3
EBIT	82.4	93.4	95.5
PBT	73.7	82.1	83.2
Core PATAMI	56.0	62.4	63.3
EPS (sen)	16.2	18.0	18.3
DPS (sen)	4.9	5.4	5.5
Dividend yield (%)	2.7%	3.0%	3.0%

KEY STATISTICS	
FBM KLCI	1,456.26
Issue shares (m)	345.8
Estimated free float (%)	41.7
Market Capitalisation (RM'm)	622.5
52-wk price range	RM1.09 - RM1.85
3-mth average daily volume (m)	0.18
3-mth average daily value (RM'm)	0.29
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.4
Yayasan Sabah	3.7
icapital.biz	3.4

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FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Operating revenue	205.3	237.2	239.6	262.4	270.3
EBIT	66.3	76.0	82.4	93.4	95.5
PBT	58.6	67.0	73.7	82.1	83.2
PATAMI	39.5	59.1	56.0	62.4	63.3
Core PATAMI	50.2	48.6	56.0	62.4	63.3
EPS (sen)	11.4	17.1	16.2	18.0	18.3
PER (x)	15.7x	10.5x	11.1x	10.0x	9.8x
DPS (sen)	3.8	4.0	4.9	5.4	5.5
Dividend yield (%)	2.1%	2.2%	2.7%	3.0%	3.0%

Note: Operating revenue excludes revenue from construction services for concession infrastructure.

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Concession assets	802.2	783.4	891.8	994.1	1,091.7
PPE	56.7	99.5	97.7	96.0	94.8
Non-current assets	**1,085.3**	**1,178.4**	**1,284.8**	**1,385.5**	**1,481.9**
Trade debtors	122.0	29.0	26.4	28.8	29.7
Cash	79.9	114.4	85.9	96.6	114.7
Current assets	**313.8**	**300.8**	**304.2**	**329.9**	**358.8**
Long-term debt	10.4	59.3	139.3	219.3	299.3
Non-current liabilities	**201.3**	**224.5**	**304.5**	**384.5**	**464.5**
Trade creditors	37.1	40.5	31.3	33.9	34.9
Short-term debt	0.1	6.6	6.6	6.6	6.6
Current liabilities	**65.8**	**76.6**	**67.4**	**70.0**	**71.0**
Share capital	358.8	358.8	358.8	358.8	358.8
Retained earnings	773.6	819.6	858.8	902.5	946.7
Equity	**1,132.1**	**1,178.0**	**1,217.2**	**1,260.9**	**1,305.2**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	58.2	67.0	73.7	82.1	83.2
Depreciation & amortisation	48.6	59.0	54.9	60.9	65.6
Changes in working capital	-8.5	-21.6	-15.4	-12.3	-9.9
Operating cash flow	**74.5**	**83.3**	**95.5**	**111.0**	**119.0**
Capital expenditure	-35.2	-57.3	-161.4	-161.5	-162.0
Investing cash flow	**-45.7**	**-111.7**	**-161.4**	**-161.5**	**-162.0**
Debt raised/(repaid)	-7.7	55.5	80.0	80.0	80.0
Dividends paid	-13.1	-8.3	-16.8	-18.7	-19.0
Financing cash flow	**-35.0**	**57.1**	**63.2**	**61.3**	**61.0**
Net cash flow	**-6.2**	**28.7**	**-2.7**	**10.7**	**18.1**
Beginning cash flow	**65.7**	**59.9**	**88.6**	**85.9**	**96.6**
Ending cash flow	**59.5**	**88.6**	**85.9**	**96.6**	**114.7**

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	30.7%	28.1%	33.4%	34.7%	34.4%
PBT margin	27.1%	24.7%	29.9%	30.5%	30.0%
PATAMI margin	18.3%	21.8%	22.7%	23.2%	22.8%
Core PATAMI margin	23.2%	18.0%	22.7%	23.2%	22.8%

Source: Suria Capital, MIDFR

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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 *rise* 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 *fall* 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