



AmInvestment Bank

Company report

SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

17 Jan 2023

Strategic collaboration with DP World

HOLD

Price: RM1.17

Fair Value: RM1.15

AmInvestment Bank

Team Coverage

03-2070 2444

Rationale for report: Company update

YE to Dec	FY21	FY22F	FY23F	FY24F
FD Core EPS (sen)	17.0	13.8	14.4	14.7
PE (x)	6.9	8.5	8.1	8.0

Source: AmInvestment Bank

- The Sabah government has approved Suria Capital's plan to enter into a strategic collaboration with DP World. Key areas of the collaboration are in the areas of management and operation of Sapangar Bay Container Port (SBCP) and investments in the logistics and supply chain infrastructure in Sabah.
- Dubai-based DP World is the 5th largest company in the world terms of container terminal operations. The group processes and handles close to 10% of global container trade volume annually. In 2021, DP World moved over 77.9mil TEUs (or 45.4mil TEUs at a consolidated level), utilising 84.9% of its gross capacity of 91.7mil TEUs.
- As Suria Capital's flagship port, SBCP is positioned to be the main transshipment hub for the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area (BIMP-EAGA) due to its strategic location. With annual capacity of 500K TEUs, the port operated at an utilisation rate of 57% in FY21. Suria Capital intends to expand the port's annual handling capacity to 1.25mil TEUs and Phase 1 of the expansion is slated for completion in Feb 2025.
- We positively view this collaboration, which allows Suria Capital to tap into the vast resources of DP World. Recall in Jul 2019, DP World was eyeing a stake in Sabah Ports. We keep our earnings unchanged as the specifics are still under negotiation while any impact is likely to be over the longer term.
- Suria Capital currently trades at a fair 8.1x FY23F PE, near its 5-year historical average of 7.9x. Hence, we maintain our HOLD call with an unchanged DCF-based fair value of RM1.15/share, which implies a FY23F PE of 8x.

Quick Take

EXHIBIT 1 VALUATION MATRIX

YE 31 Dec	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	228.0	251.3	764.2	348.3	357.9
Core net profit (RM mil)	42.0	59.0	47.8	49.9	50.8
FD Core EPS (sen)	12.1	17.0	13.8	14.4	14.7
FD Core EPS growth (%)	(20.2)	40.4	(19.0)	4.5	1.9
Consensus Net Profit (RM mil)	-	-	47.8	49.9	50.8
DPS (sen)	3.3	4.0	4.8	5.1	5.1
PE (x)	9.6	6.9	8.5	8.1	8.0
EV/EBITDA (x)	3.6	2.9	7.2	3.9	3.9
Div yield (%)	3.1	3.8	4.6	4.8	4.9
ROE (%)	3.0	3.5	4.2	4.2	4.2
Net Gearing (%)	nm	nm	40.5	29.2	27.2

Source: Company, AmlInvestment Bank estimates

EXHIBIT 2 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

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