



**AmInvestment Bank**

**Company report**

# SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

01 Mar 2023

*Jesselton Quay Central Phase 2 to commence soon*

**HOLD**

(Maintained)

**AmInvestment Bank**

Team Coverage

03-2070 2444

**Rationale for report: Company result**

Price	RM1.18
Fair Value	RM1.15
52-week High/Low	RM1.27/RM0.99

**Key Changes**

Fair value	↔
EPS	↔

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	302.6	718.0	342.6	354.2
Core net profit (RM mil)	48.9	48.5	49.5	50.8
FD Core EPS (sen)	14.1	14.0	14.3	14.7
FD Core EPS growth (%)	(17.1)	(0.8)	2.1	2.6
Consensus Net Profit (RM mil)	46.8	49.3	51.2	n/a
DPS (sen)	1.5	4.9	5.0	5.1
PE (x)	8.3	8.4	8.2	8.0
EV/EBITDA (x)	3.1	7.0	4.1	4.0
Div yield (%)	1.3	4.2	4.2	4.4
ROE (%)	5.1	4.1	4.0	4.0
Net Gearing (%)	nm	41.5	31.2	29.3

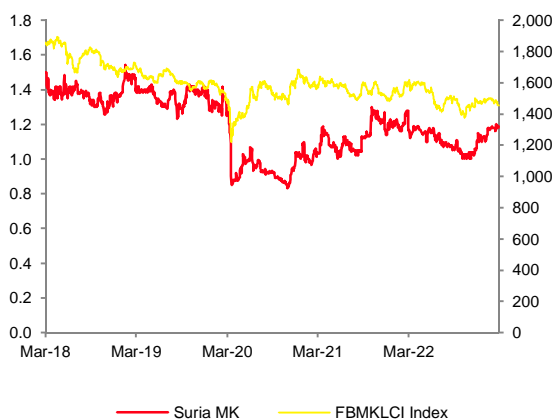
**Stock and Financial Data**

Shares Outstanding (million)	345.8
Market Cap (RM mil)	408.1
Book Value (RM/share)	3.41
P/BV (x)	0.3
ROE (%)	5.1
Net Gearing (%)	-

Major Shareholders	Warisan Harta (45.4%)
	Urusharta Jamaah (4.1%)
	Yayasan Sabah (3.7%)

Free Float	46.8
Avg Daily Value (RM mil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	11.3	11.3	(6.3)
Relative (%)	14.0	15.8	3.6



**Investment Highlights**

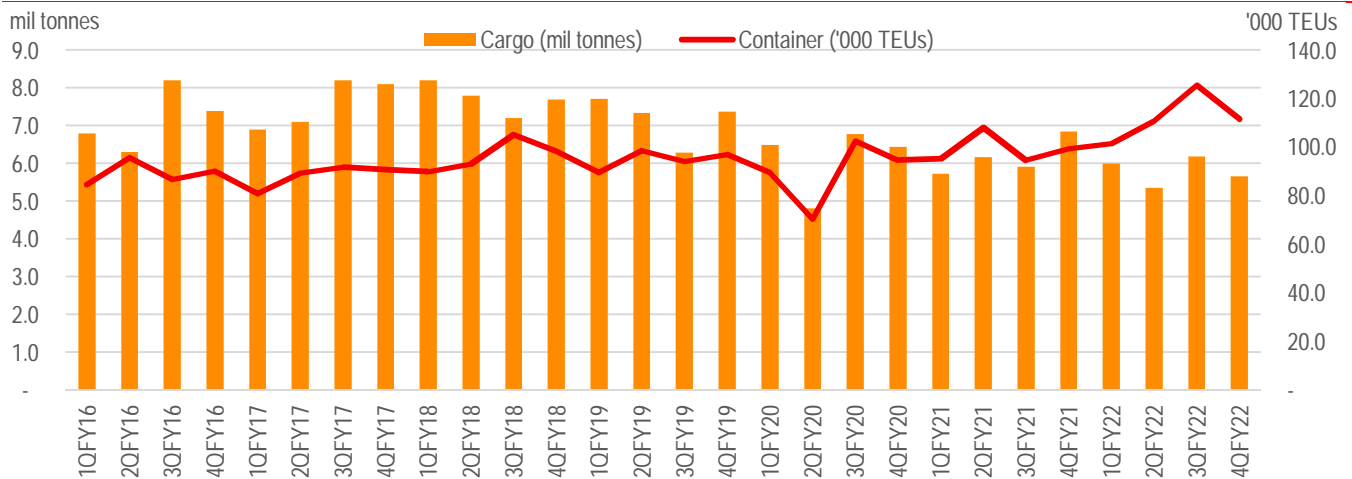
- We maintain **HOLD** on Suria Capital with an unchanged DCF-derived fair value (FV) of RM1.15/share. Our FV implies a FY23F PE of 8.2x, which is near its 5-year average PE of 8.5x. There is no FV adjustment for ESG based on our 3-star ESG rating.
- FY22 core net profit (CNP) of RM49mil was within expectations, slightly above our FY22F earnings by 2% and consensus estimates by 4%.
- On a YoY basis, port operating revenue fell by 14% to RM52mil in FY22 due to lower cargo throughput (-6%). This coupled with lower net interest income resulted in a 17% drop in CNP in FY22.
- Meanwhile, 4QFY22 CNP halved QoQ to RM10mil, dragged by lower throughput in container (-11% QoQ) and cargo (-9% QoQ) segments. On a positive note, property development earnings grew 8x QoQ to RM21mil due to a one-off entitlement exchange in the form of car park units in the Jesselton Quay project.
- Looking ahead, we believe that Suria's property development segment will continue to contribute positively as the second phase of Jesselton Quay Central (GDV of RM350mil) will be launched in 2HFY23. We are cautious on the outlook for the port operations due to global economic uncertainties.
- 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.
- A re-rating catalyst could come from a revision of port tariffs, which have been unchanged in the past 35 years.
- Suria currently trades at a fair FY23F PE of 8.4x, which is near its 5-year historical average of 8.5x.

EXHIBIT 1: QUARTERLY RESULTS

FYE 31 Dec, RM mil	4QFY21	3QFY22	4QFY22	QoQ %	YoY %	FY21	FY22	YoY %
Revenue	75.0	73.4	100.6	37.0	34.1	251.3	302.6	20.4
Operating Revenue	61.3	63.5	95.0	49.6	54.8	216.3	270.3	25.0
Construction Revenue	13.6	9.9	5.6	(43.5)	(59.0)	35.0	32.3	(7.7)
<b>EBITDA</b>	<b>25.3</b>	<b>35.7</b>	<b>19.7</b>	<b>(44.8)</b>	<b>(22.1)</b>	<b>115.7</b>	<b>115.0</b>	<b>(0.6)</b>
EBIT	17.3	23.7	3.3	(86.0)	(80.9)	67.1	55.6	(17.1)
Exceptional Items	(19.3)	0.3	9.9	>100.0	>100.0	(19.4)	10.6	>100.0
<b>PBT</b>	<b>11.7</b>	<b>23.2</b>	<b>18.0</b>	<b>(22.4)</b>	<b>53.1</b>	<b>58.6</b>	<b>67.8</b>	<b>15.8</b>
Taxation	(8.3)	(4.4)	1.7	>100.0	>100.0	(19.1)	(8.3)	56.4
<b>Net Profit</b>	<b>3.4</b>	<b>18.8</b>	<b>19.7</b>	<b>4.7</b>	<b>&gt;100.0</b>	<b>39.5</b>	<b>59.5</b>	<b>50.6</b>
<b>Core Net Profit</b>	<b>22.8</b>	<b>18.4</b>	<b>9.8</b>	<b>(47.1)</b>	<b>(57.1)</b>	<b>59.0</b>	<b>48.9</b>	<b>(17.1)</b>
Core EPS (sen)	6.6	5.3	2.8	(47.1)	(57.1)	17.0	14.1	(17.1)
DPS (sen)	4.0	-	1.5	-	-	4.0	1.5	-
EBITDA Margin %	33.7	48.6	19.6	-	-	46.0	38.0	-
EBIT Margin %	23.1	32.3	3.3	-	-	26.7	18.4	-
PBT Margin %	15.7	31.6	17.9	-	-	23.3	22.4	-
Effective Tax Rate %	70.7	19.0	(9.3)	-	-	32.5	12.3	-
Core Net Profit Margin %	30.4	25.1	9.7	-	-	23.5	16.2	-
<b>Port Throughput</b>								
Container ('000TEUs)	99.4	125.4	111.6	(11.0)	12.3	397.3	449.5	13.1
Cargo (mil MT)	6.9	6.2	5.7	(8.6)	(17.5)	24.7	23.2	(5.9)

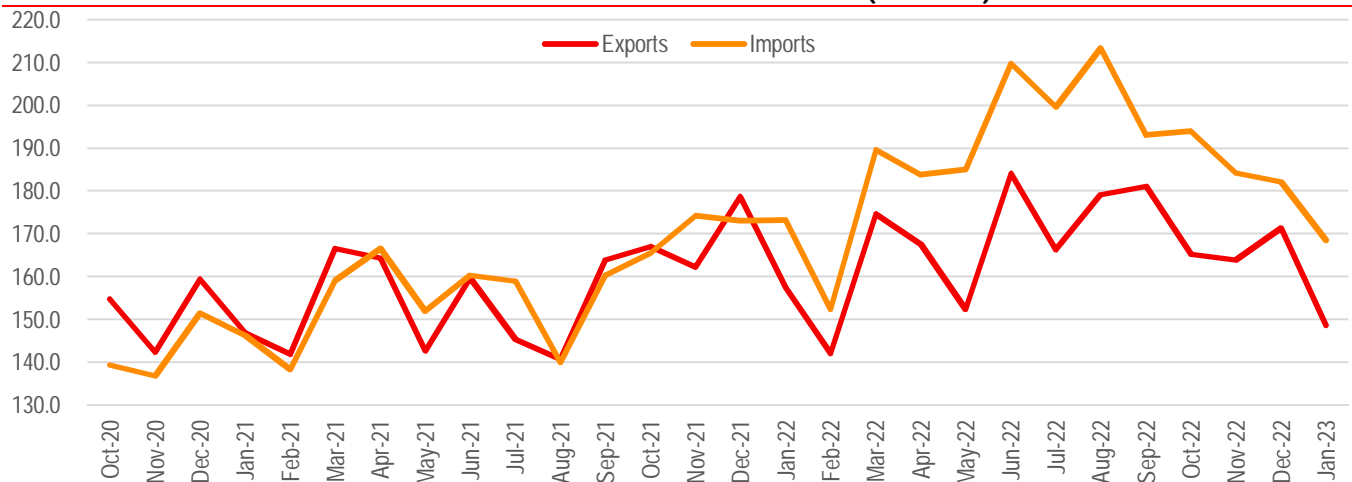
Source: Company

EXHIBIT 2: QUARTERLY THROUGHPUT TREND



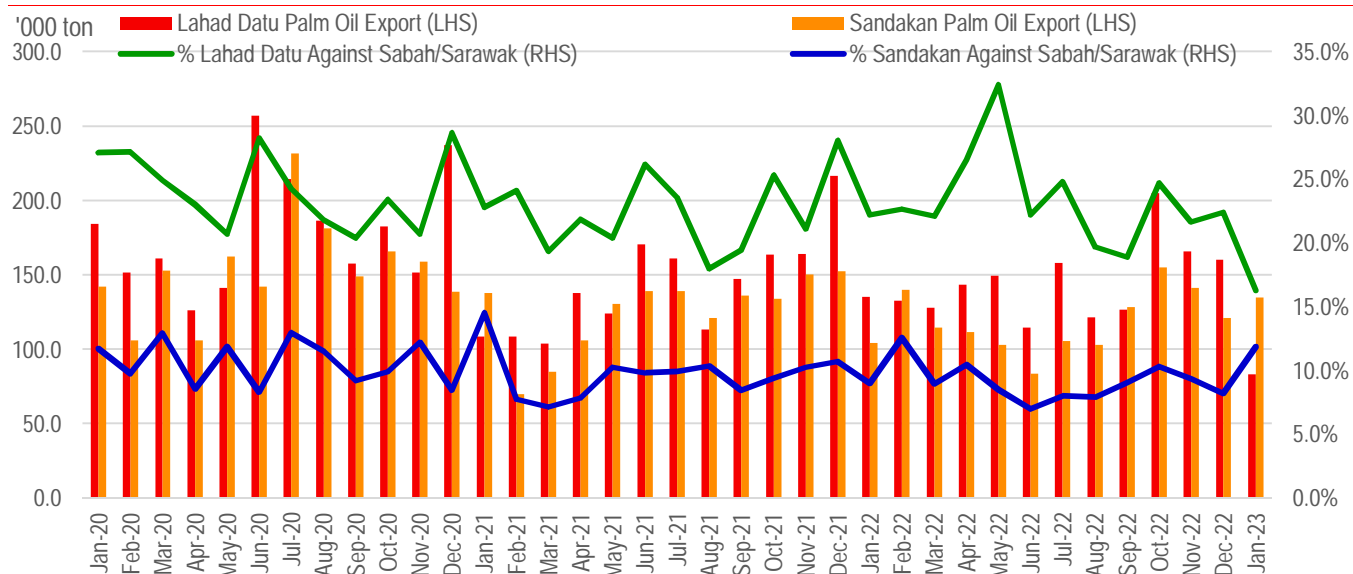
Source: Company

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**

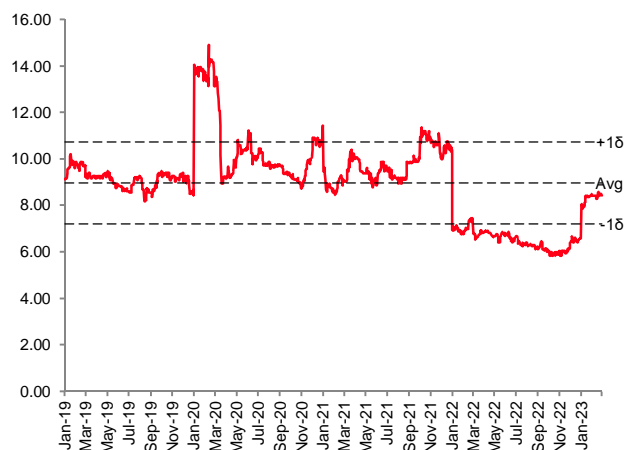


Source: Economics and Industry Development Division, Malaysian Palm Oil Board

**EXHIBIT 5: PB BAND CHART**



**EXHIBIT 6: PE BAND CHART**



**EXHIBIT 7: 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: AmlInvestment Bank

## EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	251.3	302.6	718.0	342.6	354.2
<b>EBITDA</b>	<b>115.7</b>	<b>115.0</b>	<b>129.2</b>	<b>196.1</b>	<b>195.9</b>
Depreciation/Amortisation	(48.6)	(59.4)	(62.7)	(82.1)	(86.2)
Operating income (EBIT)	67.1	55.6	66.4	114.0	109.7
Other income & associates	-	-	-	-	-
Net interest	10.9	1.6	(2.6)	(48.8)	(42.8)
Exceptional items	(19.4)	10.6	-	-	-
<b>Pretax profit</b>	<b>58.6</b>	<b>67.8</b>	<b>63.8</b>	<b>65.2</b>	<b>66.9</b>
Taxation	(19.1)	(8.3)	(15.3)	(15.6)	(16.0)
Minorities/pref dividends	-	-	-	-	-
<b>Net profit</b>	<b>39.5</b>	<b>59.5</b>	<b>48.5</b>	<b>49.5</b>	<b>50.8</b>
<b>Core net profit</b>	<b>59.0</b>	<b>48.9</b>	<b>48.5</b>	<b>49.5</b>	<b>50.8</b>
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	859.3	882.8	1,313.9	1,337.3	1,361.5
Intangible assets	-	-	-	-	-
Other long-term assets	219.0	288.9	288.9	288.9	288.9
<b>Total non-current assets</b>	<b>1,078.3</b>	<b>1,171.7</b>	<b>1,602.8</b>	<b>1,626.2</b>	<b>1,650.4</b>
Cash & equivalent	79.9	115.0	42.9	115.5	91.4
Stock	10.6	29.5	22.8	10.9	11.2
Trade debtors	115.8	34.6	187.7	89.6	92.4
Other current assets	115.2	136.4	150.8	137.8	131.0
<b>Total current assets</b>	<b>321.5</b>	<b>315.5</b>	<b>404.3</b>	<b>353.8</b>	<b>326.0</b>
Trade creditors	12.7	9.2	30.8	11.9	12.3
Short-term borrowings	-	9.4	301.9	279.0	257.7
Other current liabilities	53.2	57.4	45.5	46.5	47.8
<b>Total current liabilities</b>	<b>65.8</b>	<b>76.0</b>	<b>378.2</b>	<b>337.4</b>	<b>317.8</b>
Long-term borrowings	10.3	56.4	242.5	224.1	207.0
Other long-term liabilities	191.0	176.5	176.5	176.5	176.5
<b>Total long-term liabilities</b>	<b>201.3</b>	<b>232.8</b>	<b>419.0</b>	<b>400.6</b>	<b>383.5</b>
<b>Shareholders' funds</b>	<b>1,132.7</b>	<b>1,178.4</b>	<b>1,209.9</b>	<b>1,242.1</b>	<b>1,275.2</b>
Minority interests	-	-	-	-	-
BV/share (RM)	3.28	3.41	3.50	3.59	3.69
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	58.6	67.8	63.8	65.2	66.9
Depreciation/Amortisation	48.6	59.4	62.7	82.1	86.2
Net change in working capital	0.3	(37.0)	(124.8)	91.2	(2.8)
Others	(32.5)	(21.9)	(60.5)	(14.7)	(21.1)
<b>Cash flow from operations</b>	<b>75.0</b>	<b>68.3</b>	<b>(58.8)</b>	<b>223.8</b>	<b>129.3</b>
Capital expenditure	(35.2)	(34.2)	(481.4)	(99.0)	(103.9)
Net investments & sale of fixed assets	(17.0)	(40.4)	-	-	-
Others	6.5	1.6	11.5	11.5	11.5
<b>Cash flow from investing</b>	<b>(45.7)</b>	<b>(73.0)</b>	<b>(469.9)</b>	<b>(87.5)</b>	<b>(92.4)</b>
Debt raised/(repaid)	(8.4)	49.5	478.6	(41.4)	(38.3)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(13.1)	(8.6)	(17.0)	(17.3)	(17.8)
Others	(13.5)	(3.8)	(5.0)	(5.0)	(5.0)
<b>Cash flow from financing</b>	<b>(35.0)</b>	<b>37.0</b>	<b>456.7</b>	<b>(63.7)</b>	<b>(61.0)</b>
<b>Net cash flow</b>	<b>(5.8)</b>	<b>32.4</b>	<b>(72.0)</b>	<b>72.6</b>	<b>(24.2)</b>
Net cash/(debt) b/f	65.7	59.9	92.3	20.2	92.9
Net cash/(debt) c/f	59.9	92.3	20.2	92.9	68.7
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	10.2	20.4	137.3	(52.3)	3.4
EBITDA growth (%)	18.3	(0.6)	12.3	51.8	(0.1)
Pretax margin (%)	23.3	22.4	8.9	19.0	18.9
Net profit margin (%)	15.7	19.7	6.8	14.5	14.3
Interest cover (x)	nm	nm	25.4	2.3	2.6
Effective tax rate (%)	32.5	12.3	24.0	24.0	24.0
Dividend payout (%)	35.0	8.7	35.0	35.0	35.0
Debtors turnover (days)	151	91	57	148	94
Stock turnover (days)	14	24	13	18	11
Creditors turnover (days)	18	13	10	23	12

Source: Company, AmlInvestment Bank Bhd estimates

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