

Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

Greater Potential in the Long Run

KEY INVESTMENT HIGHLIGHTS

- **Core PATAMI in 1QFY23 came in within expectation**
- **Drop in container (-2.6%yoy) and conventional (-11.7%yoy) volumes**
- **Expecting higher containerised cargoes from 4QFY23 onwards**
- **Earnings estimates remain unchanged**
- **Downgrade to NEUTRAL with an unchanged TP of RM1.30**

Within expectation. Suria Capital Holdings Berhad (Suria) reported core PATAMI of RM16.4m in 1QFY23. This accounted for 31%/32% of our/consensus full-year estimates. We deem this to be in line with our expectation for now, considering the possibility of reduced port throughput in the coming quarters due to the potential impact of the El Nino phenomenon on the state's palm oil production.

Quarterly. Core PATAMI was up by +19.8%yoy as compared to 1QFY22. We have excluded the loss on disposal of concession asset amounting to RM6.8m in 1QFY23. Revenue from the main port operations business was up by +5.7%yoy despite declines in container (-2.6%yoy) and conventional (-11.7%yoy) volumes. This could be due to the upward revision in container crane hire charges which came into effect in 3QFY22. On a sequential basis, core PATAMI was up by +66.7%qoq after excluding a RM10.2m reversal of impairment loss that occurred in 4QFY22.

Outlook. We remain cautious on the possible impact of the El Nino phenomenon on the state's palm oil production. This commodity makes up close to 25% of the total cargo volume handled by the ports on the East Coast of Sabah. Meanwhile, the volume of containerised exports is expected to receive an additional uplift from the mega investment projects in Kota Kinabalu Industrial Park (KKIP) by China's Kibing Group (glass manufacturer) and South Korea's SK Nexilis (copper foil producer for EV battery manufacturer) from 4QFY23 onwards.

Downgrade to NEUTRAL. We maintain our earnings estimates at this juncture. However, we have downgraded our call from BUY to **NEUTRAL** with an unchanged DCF-derived TP of **RM1.30** (WACC: 9%, g: 2%) due to the run-up in share price since our last report. The stock is trading at a fair FY24F PE of 8.1x, which is almost at par with its 5-year historical average of 8.3x. We think this is justified given the lack of major near-term catalysts for Suria as the additional capacity from its port expansion and development plan is only expected to come on stream in FY25F. A key upside risk would be the long-awaited revision of port tariffs, which has been approved in principle in CY20.

Downgrade to NEUTRAL

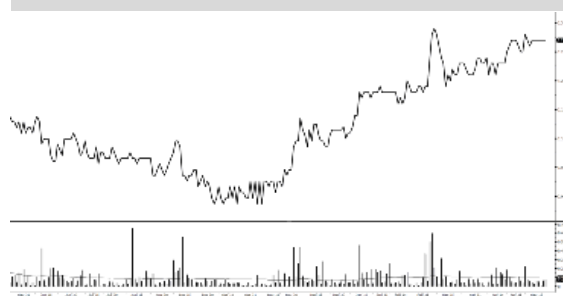
(previously BUY)

Unchanged Target Price: RM1.30

RETURN STATISTICS

Price @ 19 th May 2023 (RM)	1.27
Expected share price return (%)	+2.4
Expected dividend yield (%)	+3.6
Expected total return (%)	+6.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.6	1.1
3 months	4.1	10.3
12 months	8.5	17.7

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	735.6	375.3	398.3
EBIT	89.7	90.9	91.8
PBT	69.2	71.5	73.6
Core PATAMI	52.6	54.3	55.9
EPS (sen)	15.2	15.7	16.2
DPS (sen)	4.6	4.7	4.9
Dividend yield (%)	3.6%	3.7%	3.8%

KEY STATISTICS

FBM KLCI	1,428.54
Issue shares (m)	345.8
Estimated free float (%)	41.7
Market Capitalisation (RM'm)	439.2
52-wk price range	RM0.99 - RM1.29
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	0.11
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.4
Yayasan Sabah	3.7
icapital.biz	3.4

SURIA CAPITAL: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
Income Statement					
Operating revenue	59.3	95.0	57.2	-37.6%	3.8%
Gross profit	21.8	44.5	20.6	-51.0%	6.0%
EBIT	16.1	47.3	17.5	-66.1%	-8.2%
Finance cost	-2.0	-3.4	-0.1	41.3%	-3431.6%
PBT	14.0	18.0	17.4	-21.9%	-19.5%
Tax expense	-3.4	1.7	-3.5	-303.3%	3.7%
PATAMI	10.6	19.7	13.9	-45.9%	-23.5%
Core PATAMI	16.4	9.9	13.7	66.7%	19.8%
EBIT margin (%)	27.1%	49.8%	30.6%		
PBT margin (%)	23.7%	18.9%	30.5%		
Core PATAMI margin (%)	27.7%	10.4%	24.0%		
Effective tax rate (%)	-24.3%	9.3%	-20.3%		

SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS

FYE Dec (RM'm)	Quarterly				
	1Q23	4Q22	1Q22	QoQ	YoY
Revenue					
Port operations	57.8	65.0	54.7	-11.0%	5.7%
Property development	0.2	29.0	n.a.	-99.4%	n.a.
Logistics & bunkering services	0.4	0.4	0.3	6.8%	21.1%
Contract and engineering & ferry terminal operations	1.2	0.9	2.4	43.7%	-48.5%
Operating Profit					
Port operations	14.9	9.4	13.5	58.3%	10.6%
Property development	-0.5	20.9	2.5	-102.4%	-120.5%
Logistics & bunkering services	0.2	0.1	0.1	30.9%	34.8%
Contract and engineering & ferry terminal operations	-0.2	-1.5	0.9	88.2%	-119.7%
Operational Statistics					
Container throughput (TEU)	98,980	111,585	101,593	-11.3%	-2.6%
Conventional throughput (m MT)	5.3	5.7	6.0	-7.0%	-11.7%

Source: Suria Capital, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue*	251.3	302.0	735.6	375.3	398.3
EBIT	66.3	76.0	89.7	90.9	91.8
PBT	58.6	67.0	69.2	71.5	73.6
PATAMI	39.5	59.1	52.6	54.3	55.9
Core PATAMI	50.2	48.6	52.6	54.3	55.9
EPS (sen)	11.4	17.1	15.2	15.7	16.2
PER (x)	11.1x	7.4x	8.4x	8.1x	7.9x
DPS (sen)	3.8	4.0	4.6	4.7	4.9
Dividend yield (%)	3.0%	3.1%	3.6%	3.7%	3.8%

Note: *including revenue from construction services for concession infrastructure.

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Concession assets	802.2	783.4	1,208.0	1,257.6	1,322.2
PPE	56.7	99.5	99.1	98.7	98.3
Non-current assets	1,085.3	1,178.4	1,602.5	1,651.8	1,715.9
Trade debtors	122.0	29.0	26.9	27.3	27.8
Cash	79.9	114.4	167.0	115.2	50.7
Current assets	311.6	300.8	385.8	345.0	290.7
Long-term debt	10.4	59.3	348.3	338.3	328.3
Non-current liabilities	201.3	224.5	513.4	503.4	493.4
Trade creditors	37.1	40.5	31.3	31.8	32.4
Short-term debt	0.1	6.6	199.2	179.2	159.2
Current liabilities	65.8	76.6	260.0	240.5	221.1
Share capital	358.8	358.8	358.8	358.8	358.8
Retained earnings	773.6	819.6	856.4	894.4	933.6
Equity	1,132.1	1,178.0	1,214.8	1,252.9	1,292.0

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	58.2	67.0	69.2	71.5	73.6
Depreciation & amortisation	48.6	59.0	60.4	71.1	74.8
Changes in working capital	-8.5	-21.6	-15.9	-10.6	-9.6
Operating cash flow	74.5	83.3	97.1	114.9	121.1
Capital expenditure	-35.2	-57.3	-484.6	-120.4	-138.9
Investing cash flow	-45.7	-111.7	-484.6	-120.4	-138.9
Debt raised/(repaid)	-7.7	55.5	481.6	-30.0	-30.0
Dividends paid	-13.1	-8.3	-15.8	-16.3	-16.8
Financing cash flow	-35.0	57.1	465.8	-46.3	-46.8
Net cash flow	-6.2	28.7	78.3	-51.8	-64.5
Beginning cash flow	65.7	59.9	88.6	167.0	115.2
Ending cash flow	59.5	88.6	167.0	115.2	50.7

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	30.7%	28.1%	35.7%	35.6%	35.4%
PBT margin	27.1%	24.7%	27.6%	28.0%	28.3%
PATAMI margin	18.3%	21.8%	20.9%	21.3%	21.5%
Core PATAMI margin	23.2%	18.0%	20.9%	21.3%	21.5%

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 <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