



AmInvestment Bank

Company report

SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

29 August 2023

Higher 2Q2023 container throughput

HOLD

(Maintained)

AmInvestment Bank

Team Coverage

+603-2036 2298

Rationale for Report: Company result

Investment Highlights

Price	RM1.50
Fair Value	RM1.40
52-week High/Low	RM1.51/RM0.99

Key Changes

Fair value	↔
EPS	⬇️

YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	302.0	318.4	328.2	339.6
Core net profit (RM mil)	48.7	61.9	63.3	65.1
FD Core EPS (sen)	14.1	17.9	18.3	18.8
FD Core EPS growth (%)	2.4	27.1	2.2	2.7
Consensus Net Profit (RM mil)	-	52.6	54.3	55.9
DPS (sen)	1.5	6.3	6.4	6.6
PE (x)	10.6	8.4	8.2	8.0
EV/EBITDA (x)	4.2	3.8	3.0	3.0
Div yield (%)	1.0	4.2	4.3	4.4
ROE (%)	5.1	5.2	5.1	5.1
Net Gearing (%)	nm	nm	nm	nm

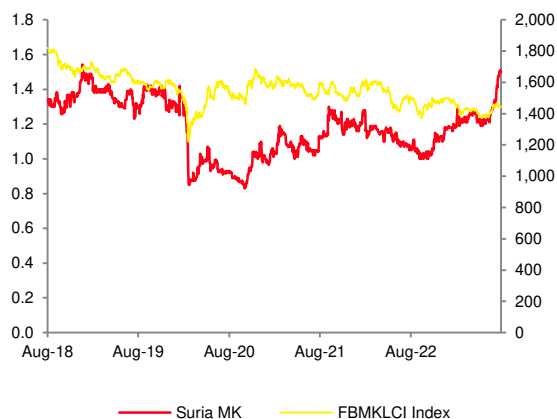
Stock and Financial Data

Shares Outstanding (million)	345.8
Market Cap (RM mil)	518.7
Book Value (RM/share)	3.41
P/BV (x)	0.4
ROE (%)	5.1
Net Gearing (%)	-

Major Shareholders	Warisan Harta (45.4%)
	Urusharta Jamaah (5.1%)
	Yayasan Sabah (3.7%)

Free Float	45.8
Avg Daily Value (RM mil)	0.2

Price performance	3mth	6mth	12mth
Absolute (%)	23.0	27.1	41.5
Relative (%)	19.5	28.0	47.0



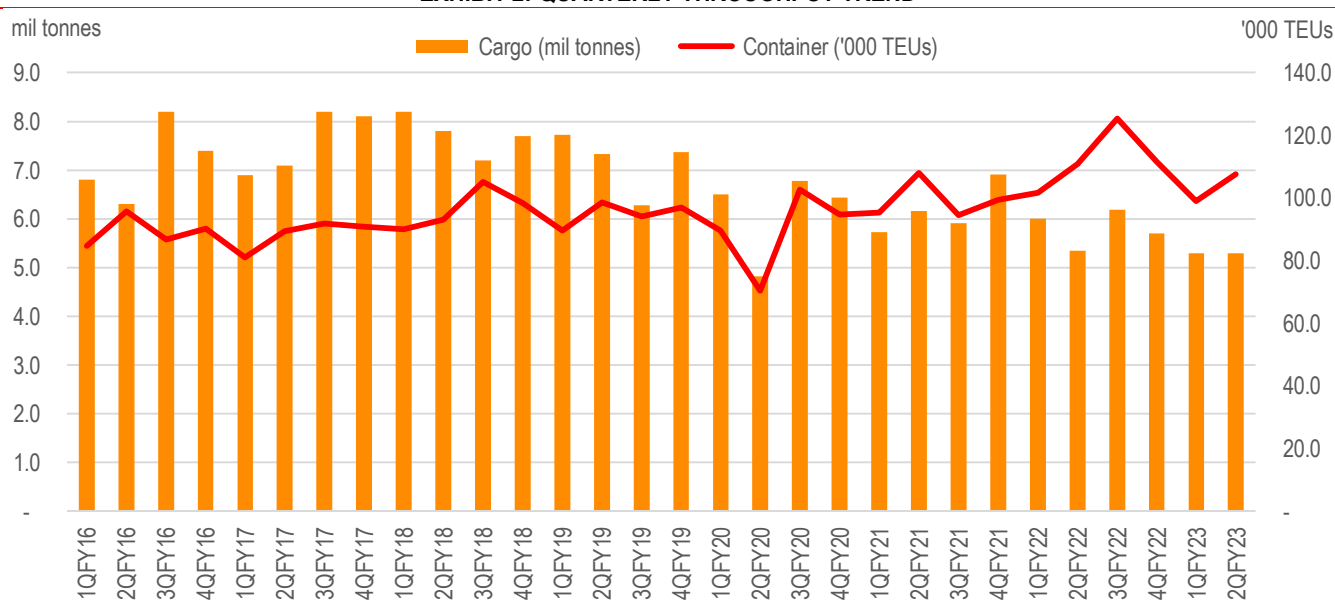
- We maintain HOLD on Suria Capital with an unchanged DCF-derived fair value (FV) of RM1.40/share, which implies a FY23F PE of 8x, close to its 5-year average of 8.5x. There is no FV adjustment for ESG based on our 3-star rating.
- 1HFY23 core net profit (CNP) of RM29mil (after adjusting for loss of RM7mil from disposal on concession assets) was within expectations, accounting for 46% of our FY23F earnings and 55% of consensus estimates.
- 1HFY23 CNP increased 39% YoY due to the halving depreciation/amortisation mainly from for concession asset and 8% increase in revenue contribution from port activities, partly offset by a 20% YoY decline in the revenue of other segments. This was partly offset by total TEUs handled declining by 3% to 207K TEUs in 1HFY23.
- Sequentially, 2QFY23 revenue increased 9% to RM70mil, driven by a significant 65% increase in logistics, bunkering and ferry terminal operations. The port operating revenue in 2QFY23 increased slightly by 3%, driven by an 8.7% QoQ growth in total containers handled to 107.6mil TEUs. However, 2QFY23 CNP dropped by 29% QoQ to RM12mil due to higher operating costs in the port segment.
- Despite a 2% YoY throughput volume decline in 2QFY23, we expect this to gradually recover in 2H. Looking ahead, we are optimistic on the long-term outlook for Sabah, which is a key palm oil and crude oil producing state.
- A rerating catalyst would come from a revision of port tariffs, which have been unchanged for the past 35 years. The review of its tariff rates was approved in principle by the state cabinet in 2020 for implementation at a later date.
- Additionally, the state cabinet also agreed for a 30-year extension to its port operating concession – expiring in 2034F – subject to terms and conditions yet to be finalised.
- Suria currently trades at a fair FY23F PE of 8x, 0.5-standard deviation below its 5-year historical given that valuations are likely to remain depressed amid weakening global economic headwinds that could lead to tepid recovery for throughput volumes.

EXHIBIT 1: QUARTERLY RESULTS

	2QFY22	1QFY23	2QFY23	QoQ %	YoY %	6MFY22	6MFY23	YoY %
Revenue	56.9	64.0	69.8	9.1	22.6	128.6	133.7	3.9
Port Operating Revenue	53.8	57.8	59.6	3.1	10.9	108.5	117.5	8.3
Other Revenue	3.2	6.1	10.1	65.3	>100	20.2	16.3	(19.5)
EBITDA	31.3	32.4	12.8	(60.4)	(59.0)	59.7	45.2	(24.2)
Depreciation and Amortisation	(16.7)	(11.2)	(7.4)	(33.9)	(55.7)	(31.1)	(15.3)	(50.9)
EBIT	14.6	21.2	8.8	(58.5)	(39.6)	28.6	30.0	4.9
Net Interest Income/(exp)	(5.6)	(1.0)	7.2	>100	>100	(2.3)	6.3	>100
Exceptional Items	0.2	(6.2)	0.5	>100	>100	0.4	(5.7)	(>100)
PBT	9.2	14.0	16.5	17.8	79.3	26.7	30.6	14.7
Taxation	(2.0)	(3.4)	(4.1)	(21.0)	>100	(5.6)	(7.5)	(35.2)
Minority interest	-	-	-	-	-	-	-	-
Net Profit	7.2	10.6	12.4	16.7	72.5	21.1	23.0	9.3
Core Net Profit	6.9	16.8	11.9	(29.1)	71.4	20.7	28.7	38.8
Core EPS (sen)	2.0	4.9	3.4	(29.1)	71.4	6.0	8.3	38.8
DPS (sen)	-	-	-	-	-	-	-	-
EBITDA Margin %	54.9	50.7	18.4			46.4	33.8	
EBIT Margin %	25.6	33.1	12.6			22.2	22.4	
PBT Margin %	16.2	22.0	23.7			20.7	22.9	
Effective Tax Rate %	22.1	24.3	25.0			20.9	24.7	
Core Net Profit Margin %	12.2	26.3	17.1			16.1	21.5	
Port Throughput								
Container ('000TEUs)	110.9	99.0	107.6	8.7	(2.9)	212.5	206.6	(2.8)
Cargo (mil MT)	5.4	5.3	5.3	-	(1.9)	11.4	10.6	(6.6)

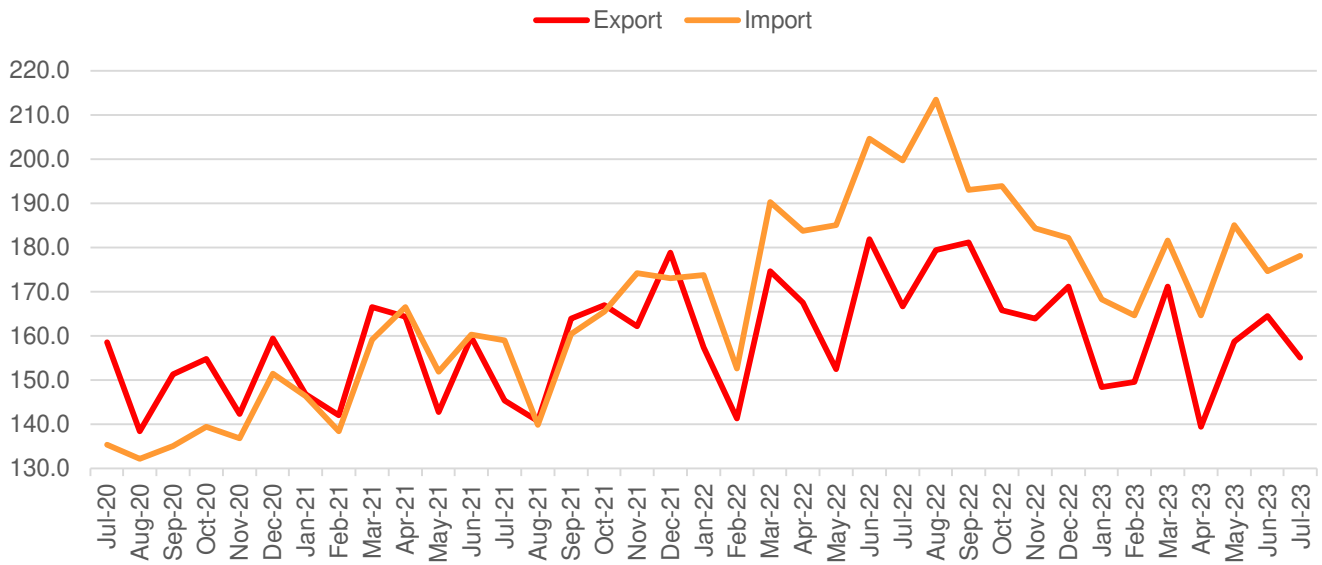
Source: Company

EXHIBIT 2: QUARTERLY THROUGHPUT TREND



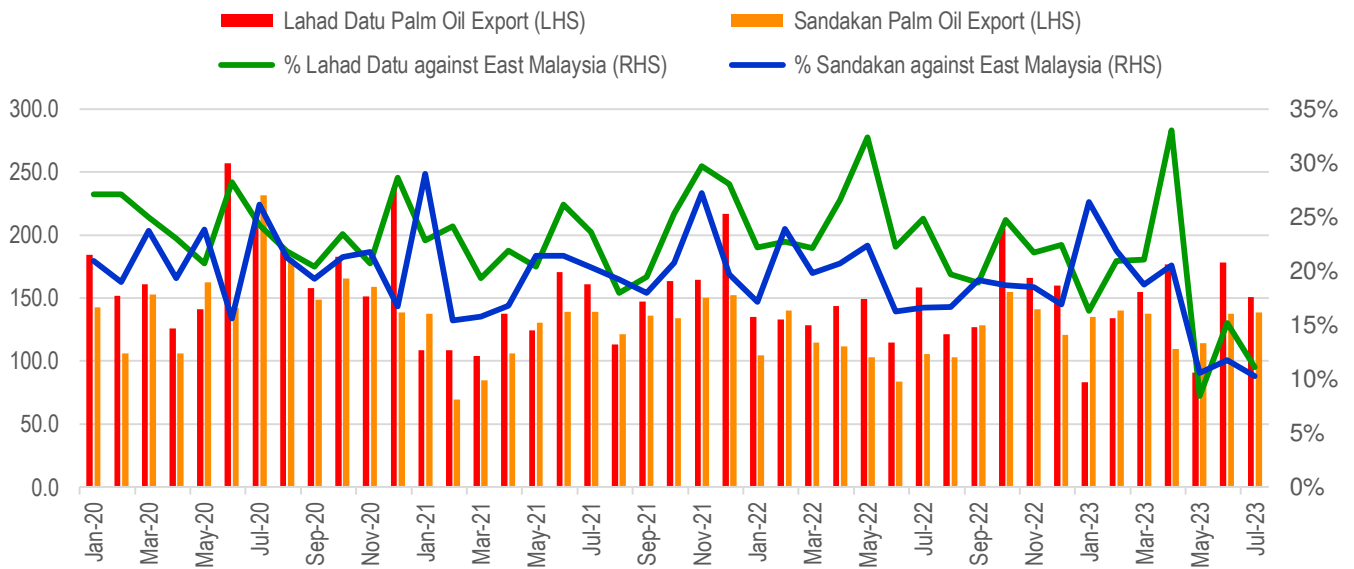
Source: Company

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

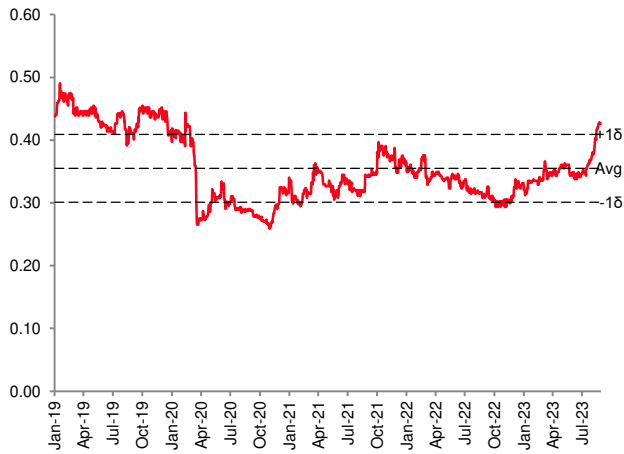


EXHIBIT 6: PE BAND CHART

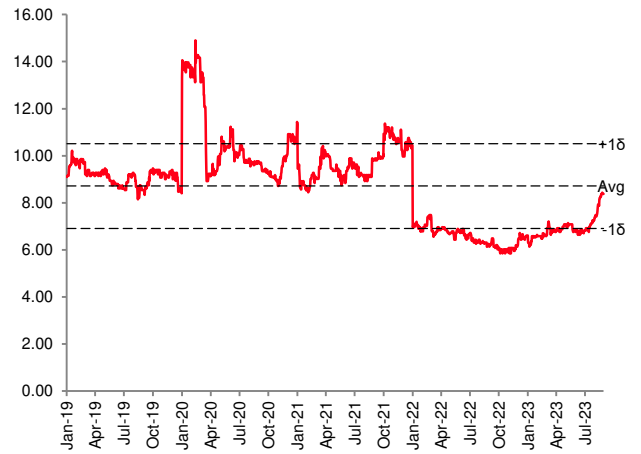


EXHIBIT 7: ESG RATING

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 8: FINANCIAL DATA

Income Statement (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	251.3	302.0	318.4	328.2	339.6
EBITDA	104.3	112.9	128.8	163.6	165.9
Depreciation/Amortisation	(48.6)	(59.0)	(44.7)	(47.0)	(49.4)
Operating income (EBIT)	55.7	53.9	84.1	116.6	116.5
Other income & associates	-	-	-	-	-
Net interest	10.9	2.7	(2.6)	(33.2)	(30.9)
Exceptional items	(8.0)	10.4	-	-	-
Pretax profit	58.6	67.0	81.5	83.3	85.6
Taxation	(19.1)	(7.9)	(19.6)	(20.0)	(20.5)
Minorities/pref dividends	-	-	-	-	-
Net profit	39.5	59.1	61.9	63.3	65.1
Core net profit	47.6	48.7	61.9	63.3	65.1
Balance Sheet (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	859.3	882.9	920.5	960.3	1,002.3
Intangible assets	-	-	-	-	-
Other long-term assets	219.0	295.4	295.4	295.4	295.4
Total non-current assets	1,078.3	1,178.4	1,215.9	1,255.7	1,297.7
Cash & equivalent	79.9	114.4	573.5	535.1	497.9
Stock	10.6	29.6	8.8	9.0	9.2
Trade debtors	115.8	24.6	70.3	71.9	73.7
Other current assets	115.2	132.2	132.2	132.2	132.2
Total current assets	321.5	300.8	784.8	748.2	713.0
Trade creditors	12.7	9.9	9.0	9.1	9.3
Short-term borrowings	-	6.5	300.6	279.6	260.1
Other current liabilities	53.1	60.1	60.1	60.1	60.1
Total current liabilities	65.8	76.5	369.6	348.8	329.5
Long-term borrowings	10.3	59.3	247.7	230.4	214.4
Other long-term liabilities	190.9	165.2	165.2	165.2	165.2
Total long-term liabilities	201.2	224.5	412.8	395.6	379.5
Shareholders' funds	1,132.7	1,178.0	1,218.3	1,259.5	1,301.7
Minority interests	-	-	-	-	-
BV/share (RM)	3.28	3.41	3.52	3.64	3.76
Cash Flow (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	58.6	67.0	81.5	83.3	85.6
Depreciation/Amortisation	48.6	59.0	44.7	47.0	49.4
Net change in working capital	(8.5)	(21.6)	(25.9)	(1.7)	(1.8)
Others	(23.7)	(21.2)	(16.9)	13.2	10.3
Cash flow from operations	75.0	83.3	83.4	141.9	143.6
Capital expenditure	(35.2)	(33.0)	(82.3)	(86.8)	(91.5)
Net investments & sale of fixed assets	(17.0)	(37.9)	-	-	-
Others	6.5	(40.8)	3.4	17.2	16.1
Cash flow from investing	(45.7)	(111.7)	(78.8)	(69.5)	(75.4)
Debt raised/(repaid)	(8.4)	24.7	482.3	(38.2)	(35.6)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(13.1)	(8.3)	(21.7)	(22.2)	(22.8)
Others	(13.5)	40.7	(6.1)	(50.4)	(46.9)
Cash flow from financing	(35.0)	57.1	454.6	(110.8)	(105.3)
Net cash flow	(5.8)	28.7	459.1	(38.4)	(37.2)
Net cash/(debt) b/f	65.7	59.9	88.6	547.7	509.3
Net cash/(debt) c/f	59.9	88.6	547.7	509.3	472.1
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	10.2	20.2	5.4	3.1	3.5
EBITDA growth (%)	6.7	8.2	14.1	27.0	1.4
Pretax margin (%)	23.3	22.2	25.6	25.4	25.2
Net profit margin (%)	15.7	19.6	19.5	19.3	19.2
Interest cover (x)	nm	nm	31.9	3.5	3.8
Effective tax rate (%)	32.5	11.8	24.0	24.0	24.0
Dividend payout (%)	35.0	8.8	35.0	35.0	35.0
Debtors turnover (days)	151	85	54	79	78
Stock turnover (days)	14	24	22	10	10
Creditors turnover (days)	18	14	11	10	10

Source: Company, AmlInvestment Bank Bhd estimates

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