

# Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

**Maintain BUY**

**Unchanged Target Price: RM1.24**

**Results matched our estimate**

## KEY INVESTMENT HIGHLIGHTS

- **Results met our expectations**
- **Earnings improved due to higher throughput and better cost control**
- **Beneficiary of notable FDIs in the state**
- **Earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM1.24**

**Within expectation.** Suria Capital Holdings Berhad's (Suria) core PATAMI of RM36.6m came in within expectation at 79% of our estimate, but was above consensus estimate at 82%.

**Quarterly.** The Group's core PATAMI of RM17.6m (+107.2%yoy) saw a significant improvement in 3QFY22. Operationally, Suria has handled higher conventional throughput of 6.2m tonnes (+5.1%yoy) attributed to increased bulk oil and general cargo volumes, while the container throughput was also higher at 125,441 TEUs (+32.6%yoy). The uptick could be partly driven by the handling of construction materials and machineries off-loading to build SK Nexilis' first overseas production base in Kota Kinabalu Industrial Park (KKIP), which is expected to commence operations in 4QFY23. On a quarter-on-quarter basis, core PATAMI was up by +172.0%qoq on the back of higher throughput and lower operating costs. Both conventional and container throughput increased by +17.0%qoq and +13.1%qoq respectively.

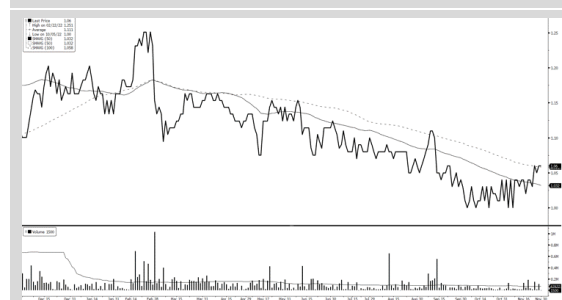
**Cumulatively.** For the 9-month period, Suria posted core PATAMI of RM36.6m (+18.5%yoy), which saw margin expand by +1.0% due to better cost control. Under the main port business, conventional throughput fell marginally by -2.2%yoy owing to lower palm oil, PKE and fertiliser. However, this was more than offset by the container throughput which was +13.4%yoy as business sectors resumed their operations. The conventional and container throughput matched our FY22E assumptions at 79% and 80% respectively.

**Maintain BUY.** Our earnings estimates were left unchanged as the results were within our expectation. We like Suria as it is a proxy to the state's economy given that it holds a monopoly over the main ports in Sabah. In the near to intermediate term, port throughput would be boosted by the foreign direct investments (FDIs) made by China's Kibing Group and South Korea's SK Nexilis, while the large-scale expansion of SBCP, which is to be completed in Feb-25, would support its longer term growth. Overall, we maintain our **BUY** call on Suria with an unchanged TP of **RM1.24** (WACC: 9%, g: 3%). Dividend yield is attractive at 4.6%.

## RETURN STATISTICS

Price @ 30 <sup>th</sup> November 2022 (RM)	1.06
Expected share price return (%)	+16.9
Expected dividend yield (%)	+4.6
<b>Expected total return (%)</b>	<b>+21.5</b>

## SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.9	0.0
3 months	1.9	1.6
12 months	-7.0	-5.4

## KEY STATISTICS

FBM KLCI	1,488.80
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	345.82
Estimated free float (%)	37.35
Market Capitalisation (RM'm)	366.57
52-wk price range	RM0.99-RM1.29
Beta vs FBM KLCI (x)	0.71
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.07
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Urusharta Jamaah Sdn Bhd	4.09
Yayasan Sabah	3.67



**INVESTMENT STATISTICS**

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Operating revenue	213.8	216.3	241.8	245.0	248.7
Gross profit	72.6	78.4	87.1	88.2	89.5
EBITDA	88.8	96.1	125.4	135.6	137.6
EBIT	39.2	47.6	65.3	66.2	67.1
PATAMI	32.9	39.5	45.8	48.6	51.6
Core PATAMI	33.3	39.5	45.8	48.6	51.6
Core EPS (sen)	9.6	11.4	13.2	14.1	14.9
PER (x)	11.0x	9.3x	8.0x	7.5x	7.1x
DPS (sen)	3.5	3.8	4.6	4.9	5.2
Dividend yield (%)	3.3%	3.6%	4.4%	4.6%	4.9%

Sources: Company, MIDFR

**SURIA: 3Q22 RESULTS SUMMARY**

Income Statement	Quarterly					Cumulatively		
	3Q22	2Q22	3Q21	QoQ	YoY	9M22	9M21	YoY
Operating revenue	63.5	55.5	50.5	14.5%	25.6%	175.4	155.0	13.1%
Gross profit	28.5	17.9	14.6	59.4%	95.0%	66.9	50.9	31.3%
EBIT	16.9	6.7	6.3	151.9%	166.9%	34.3	30.9	10.9%
Finance cost	(1.8)	(3.6)	(1.9)	49.3%	1.3%	(5.5)	(5.8)	4.8%
PBT	23.2	9.2	13.5	151.2%	71.9%	49.8	46.8	6.4%
Tax expense	(4.4)	(2.0)	(3.1)	-116.6%	-40.6%	(10.0)	(10.8)	7.2%
PATAMI	18.8	7.2	10.4	161.0%	81.3%	39.9	36.1	10.5%
Core PATAMI	17.6	6.5	8.5	172.0%	107.2%	36.6	30.9	18.5%
EBIT margin (%)	26.6%	12.1%	12.5%			19.6%	20.0%	
PBT margin (%)	36.5%	16.6%	26.7%			28.4%	30.2%	
Core PATAMI margin (%)	27.6%	11.6%	16.8%			20.9%	19.9%	
Effective tax rate (%)	-19.0%	-22.1%	-23.2%			-20.0%	-23.0%	

Sources: Company, MIDFR

**SEGMENTAL BREAKDOWN AND OPERATIONAL STATISTICS**

Revenue	Quarterly					Cumulatively		
	3Q22	2Q22	3Q21	QoQ	YoY	9M22	9M21	YoY
Port operations	62.1	54.5	50.0	13.8%	24.2%	170.5	150.4	13.4%
Logistics & bunkering services	0.4	0.3	0.4	42.7%	17.7%	1.1	0.8	28.4%
Contract and engineering & ferry terminal operations	1.1	1.0	0.5	16.4%	139.0%	4.4	4.3	2.5%
<b>Operating Profit</b>	<b>3Q22</b>	<b>2Q22</b>	<b>3Q21</b>	<b>QoQ</b>	<b>YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>YoY</b>
Port operations	22.3	7.1	10.5	212.9%	112.3%	42.9	38.6	11.3%
Property development	2.6	2.6	3.9	3.0%	-32.6%	7.7	10.8	-28.3%
Logistics & bunkering services	0.2	0.1	0.2	98.3%	23.3%	0.5	0.4	34.3%
Contract and engineering & ferry terminal operations	(0.4)	(0.4)	(1.0)	4.6%	65.8%	0.2	(1.6)	111.4%
<b>Operational Statistics</b>	<b>3Q22</b>	<b>2Q22</b>	<b>3Q21</b>	<b>QoQ</b>	<b>YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>YoY</b>
Container throughput (TEU)	125,441	110,865	94,616	13.1%	32.6%	337,903	297,991	13.4%
Conventional throughput (m MT)	6.2	5.3	5.9	17.0%	5.1%	17.5	17.9	-2.2%

Sources: Company, 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