

## Suria Capital Holdings Bhd

### Above expectations

#### Summary

- Suria Capital Holdings Bhd's (SURIA) 4QFY22 net profit surged 470.8% YoY to RM19.7m, driven by higher contribution from the property development segment. Revenue for the quarter rose 34.1% YoY to RM100.6m.
- For FY22, cumulative net profit added 50.6% YoY to RM59.5m. The reported earnings came above expectations, amounting to 119.0% of our full year net profit forecast RM50.0m and 127.2% of consensus forecast of RM46.8m. The better-than-expected numbers was attributable to the lower-than-expected effective tax rate. Nevertheless, the reported pretax profit at RM67.8m came largely in line at 99.5% of our expected pretax profit of RM68.2m.
- In 4QFY22, SURIA handled a total of 111,585 (+10.1% YoY) TEUs. This brings 449,488 TEUs handled in 2022, which makes up to 107.0% of our assumption of 420,000 TEUs for the year. Moving forward, we have penciled in 460,000 TEUs in FY23f. Meanwhile, SURIA's total tonnage handled was at 23.2m tonnes in 2022; which came slightly below our expectations of 25.5m for the year.
- We note that the construction of new jetty at Sapangar Bay Oil Terminal was completed and its timely to cater for the higher demand for liquid bulk cargo. The move has improved efficiency as it will now accommodate 2 additional berths designed with capacity of 60,000 deadweight tonnage (DWT) to handle 2 vessels at the same time. Elsewhere, the expansion of the Sapangar Bay Container Port (SBCP) is on track and is expected to be completed in 1Q25.
- On the property development segment, Phase 2 of Jesselton Quay Central (JQC) project comprising waterfront service suites that carries a gross development value of RM250.0m is expected to launch in 2023.
- We reckon that East Malaysia remain one of the biggest beneficiaries under the re-tableting of Budget 2023. An allocation of RM6.50bn was allocated for Sabah state developments, while more than RM2.50bn was set aside for the implementation of various public infrastructure projects, which indirectly boost economic activities in East Malaysia.

#### Quarterly performance

FYE Dec (RM m)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	12MFY21	12MFY22	YoY (%)
Revenue	75.0	73.4	100.6	37.0	34.1	251.3	302.6	20.4
EBITDA	38.5	36.0	39.0	8.3	1.5	111.4	135.1	21.3
PBT	11.7	23.2	18.0	(22.4)	53.1	58.6	67.8	15.8
PAT	3.4	18.8	19.7	4.7	470.8	39.5	59.5	50.6
Core PATMI	3.4	18.8	19.7	4.7	470.8	39.5	59.5	50.6
Reported PATMI	3.4	18.8	19.7	4.7	470.8	39.5	59.5	50.6
Core EPS (sen)	1.0	5.4	5.7	4.7	470.8	11.4	17.2	50.6
EBITDA margin (%)	51.3	49.1	38.8			44.3	44.7	
PBT margin (%)	15.7	31.6	17.9			23.3	22.4	
Core PATMI margin (%)	4.6	25.6	19.5			15.7	19.7	

#### Results Note – 4QFY22

**Kenneth Leong**  
[kennethleong@msec.com.my](mailto:kennethleong@msec.com.my)  
(603) 2201 2100

#### BUY (from Hold)

Share price	RM1.06
Target price	RM1.34
Previous TP	RM1.16
Capital upside	13.6%
Dividend return	3.4%
Total return	17.0%

#### Company profile

Provision of port services and facilities and property development

#### Stock information

Bursa Code	6521
Bloomberg ticker	SURIA MK
Listing market	Main
Share issued (m)	345.8
Market Cap (m)	408.1
52W High/Low	1.27/0.99
Est. Free float	37.4
Beta (x)	0.8
3-mth avg vol ('000)	103.3
Shariah compliant	Yes

#### Major shareholders

	%
Warisan Harta Sdn Bhd	45.4
Urusharta Jamaah Sdn Bhd	4.1
Yayasan Sabah	3.7

#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	0.0	4.0	2.8
Relative	2.1	14.2	2.8

#### Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	59.5	64.1	66.4
EPS (sen)	17.2	18.5	15.7
P/E (x)	6.9	6.4	7.5

#### Relative performance chart



## Valuation & Recommendation

- With the reported earnings coming above expectations, we raised our earnings forecast by 23.5% and 22.5% to RM64.1m and RM66.4m for FY23f and FY24f respectively, adjusting for the higher contribution from the property segment and better margins. Following the earnings revision, we upgrade SURIA to **BUY** (from Hold) with a higher target price of RM1.34.
- We adopt a sum-of-parts (SOP) approach as we valued both its port operations and property development segments on a discounted cash flow approach (key assumptions include a WACC of 10.0%, terminal growth rate of 0.5%). Meanwhile, we ascribed a 10.0x target PER to both its logistics and bunkering contracts as well as engineering and ferry terminal operations businesses, based on their potential earnings contribution in FY23f.
- Risks to our recommendation include dependency and sensitivity to commodity prices (mainly crude oil and crude palm oil). The port operation business is highly regulated by the State and Sabah Ports Authority that requires a number of approvals, licenses, registrations and permits from various regulatory authorities.

## Key Financial Data

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
<b>Revenue</b>	<b>228.0</b>	<b>251.3</b>	<b>302.6</b>	<b>327.6</b>	<b>384.3</b>	Cash	75.0	158.7	233.1	232.5	296.4
EBITDA	103.8	111.4	132.2	151.5	153.0	Receivables	100.9	124.1	37.1	35.9	42.1
EBIT	54.3	62.7	75.7	90.8	93.5	Inventories	8.7	10.6	29.5	21.3	24.1
Net finance income/ (cost)	(6.3)	(4.2)	(7.9)	(6.4)	(6.2)	PPE	58.6	56.7	99.5	98.8	99.3
Associates & JV	3.0	4.0	4.0	4.0	4.0	Others	1,132.3	1,049.7	1,087.9	1,045.2	1,011.3
<b>Profit before tax</b>	<b>48.0</b>	<b>58.6</b>	<b>67.8</b>	<b>84.4</b>	<b>87.4</b>	<b>Assets</b>	<b>1,375.5</b>	<b>1,399.8</b>	<b>1,487.2</b>	<b>1,433.8</b>	<b>1,473.3</b>
Tax	(15.0)	(19.1)	(8.3)	(20.3)	(21.0)	Debts	134.3	111.8	85.2	81.9	74.8
<b>Net profit</b>	<b>32.9</b>	<b>39.5</b>	<b>59.5</b>	<b>64.1</b>	<b>66.4</b>	Payables	44.4	37.1	23.3	30.9	30.8
Minority interest	(0.0)	-	-	-	-	Others	101.5	119.2	219.7	167.3	151.4
<b>Core earnings</b>	<b>32.9</b>	<b>39.5</b>	<b>59.5</b>	<b>64.1</b>	<b>66.4</b>	<b>Liabilities</b>	<b>269.2</b>	<b>267.1</b>	<b>308.8</b>	<b>205.1</b>	<b>192.0</b>
Exceptional items	-	-	-	-	-	Shareholder's equity	358.8	358.8	358.8	358.8	358.8
Reported earnings	32.9	39.5	59.5	64.1	66.4	Minority interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
						<b>Equity</b>	<b>1,106.3</b>	<b>1,132.7</b>	<b>1,178.4</b>	<b>1,228.7</b>	<b>1,281.3</b>
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	48.0	58.6	67.8	84.4	87.4	Core EPS (sen)	9.5	11.4	17.2	18.5	15.7
Depreciation & amortisation	49.5	48.6	59.4	63.2	62.0	P/E (x)	12.4	10.3	6.9	6.4	7.5
Changes in working capital	(76.5)	(16.9)	(79.6)	(8.4)	13.7	DPS (sen)	4.0	4.0	4.0	4.0	4.0
Share of JV profits	-	-	-	-	-	Dividend yield	3.4%	3.4%	3.4%	3.4%	3.4%
Taxation	-20.5	-15.0	-10.6	-6.5	-20.3	BVPS (RM)	3.20	3.28	3.41	3.55	3.71
Others	-	-	-	-	-	P/B (x)	0.4	0.4	0.3	0.3	0.3
<b>Operating cash flow</b>	<b>56.7</b>	<b>75.0</b>	<b>68.3</b>	<b>90.0</b>	<b>98.0</b>	EBITDA margin	45.5%	44.3%	43.7%	46.3%	39.8%
Net capex	(23.2)	9.2	26.3	19.5	19.5	EBIT margin	23.8%	25.0%	25.0%	27.7%	24.3%
Others	-	-	-	-	-	PBT margin	21.0%	23.3%	22.4%	25.8%	22.7%
<b>Investing cash flow</b>	<b>(13.4)</b>	<b>(45.7)</b>	<b>(73.0)</b>	<b>(50.5)</b>	<b>(50.5)</b>	PAT margin	14.4%	15.7%	19.7%	19.6%	17.3%
Changes in borrowings	(2.9)	(22.4)	(26.6)	(3.3)	(7.0)	Core PAT margin	14.5%	15.7%	19.7%	19.6%	17.3%
Issuance of shares	-	-	-	-	-	ROE	3.0%	3.5%	5.0%	5.2%	5.2%
Dividends paid	(12.1)	(13.1)	(8.6)	(13.8)	(13.8)	ROA	2.4%	2.8%	4.0%	4.5%	4.5%
Others	-	-	-	-	-	Net gearing	5.4%	Net Cash	Net Cash	Net Cash	Net Cash
<b>Financing cash flow</b>	<b>(24.0)</b>	<b>(35.0)</b>	<b>37.0</b>	<b>(15.5)</b>	<b>(15.5)</b>						
<b>Net cash flow</b>	<b>19.3</b>	<b>(5.8)</b>	<b>32.4</b>	<b>24.0</b>	<b>32.0</b>						
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	46.4	65.7	59.9	92.3	116.3						
Ending cash	65.7	59.9	92.3	116.3	148.2						

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