



**AmInvestment Bank**

**Company report**

# SURIA CAPITAL HOLDINGS

(SURIA MK EQUITY, SURI.KL)

13 April 2023

## Short-term headwinds

**HOLD**

(Maintained)

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**Rationale for report: Company Update**

### Investment Highlights

Price	RM1.24
Fair Value	RM1.15
52-week High/Low	RM1.29/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)	-	50.6	51.9	50.8
DPS (sen)	1.5	4.9	5.0	5.1
PE (x)	8.8	8.8	8.7	8.4
EV/EBITDA (x)	3.3	6.1	4.0	3.9
Div yield (%)	1.2	4.0	4.0	4.1
ROE (%)	5.1	4.1	4.0	4.0
Net Gearing (%)	nm	29.5	27.6	25.9

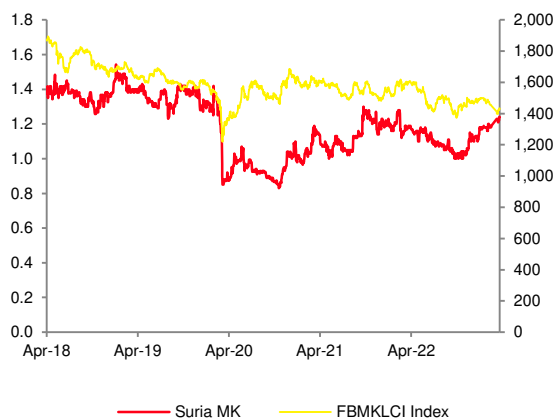
#### Stock and Financial Data

Shares Outstanding (million)	345.8
Market Cap (RM mil)	428.8
Book Value (RM/share)	3.41
P/BV (x)	0.4
ROE (%)	5.1
Net Gearing (%)	-

Major Shareholders	Warisan Harta (45.4%) Urusharta Jamaah (4.1%) Yayasan Sabah (3.7%)
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Free Float	46.8
Avg Daily Value (RM mil)	0.1

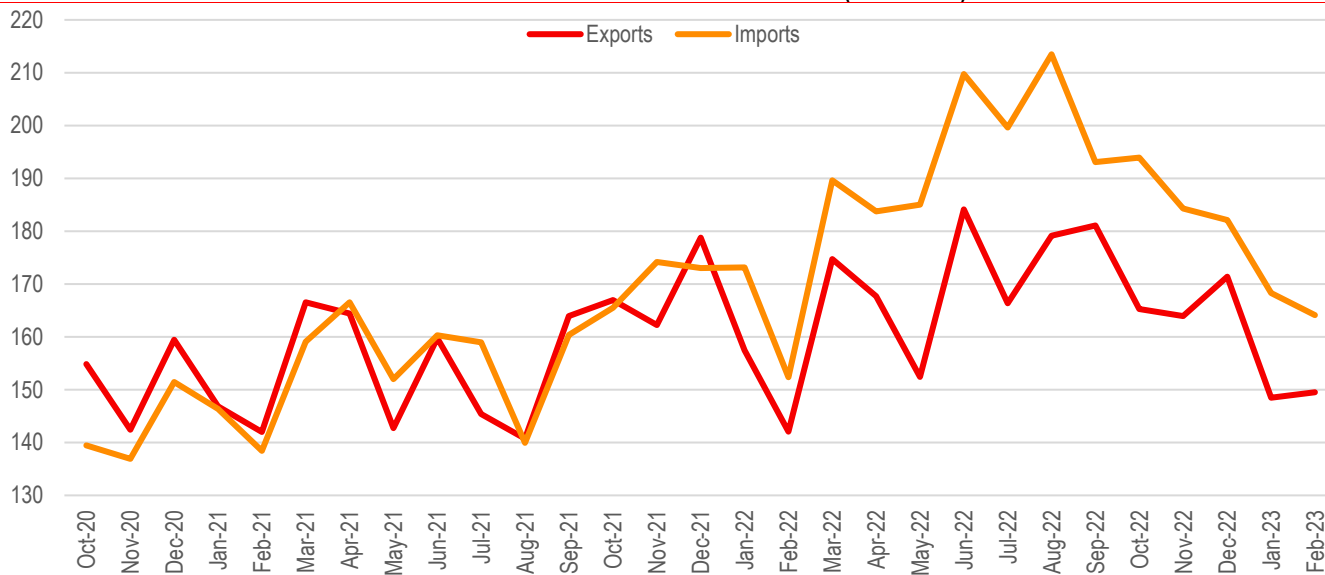
Price performance	3mth	6mth	12mth
Absolute (%)	10.7	22.8	4.2
Relative (%)	13.8	21.0	16.5



- 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 close to its 5-year average PE of 8.5x. There is no FV adjustment for ESG based on our 3-star rating.
- We are cautious on the short-term outlook for Suria's port operations. The export volume index fell 13% to 149.5 points in Feb 2023 from 171.4 points in Dec 2022. Likewise, the import volume index fell 10% to 164.1 points in Feb 2023 from 182.1 points in Dec 2022 (Exhibit 1).
- Exports of palm oil from East Malaysia were 19% lower at 1.9mil tonnes in 1QFY23 against 2.3mil tonnes in 4QFY22. Although East Malaysia's exports of palm oil declined QoQ in 1QFY23, this was within expectations as palm oil production is usually seasonally weaker in 1Q. On a positive note, exports were 5% higher than 1.8mil tonnes in 1QFY22 (Exhibit 2).
- Despite the short-term headwinds, we are optimistic on the long-term outlook for Sabah, which is a key palm oil and crude oil producing state.
- Also, 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.
- We also think the strategic collaboration with DP World, which will undertake the management and operations of Sapangar Bay Container Port, is positive as it would allow Suria to tap into the vast resources of DP World. The specifics of the collaboration are still under negotiation.
- On Suria's Sapangar Bay Integrated Port, Sapangar Bay Container Port (SBCP)'s expansion works are scheduled for completion in 2025F. Upon completion, the port's handling capacity will increase by 2.5x to 1.25mil TEUs from 500k TEUs annually. Meanwhile, the expansion of Sapangar Bay Oil Terminal (SBOT) will be completed in Sep 2023. This will allow SBOT to handle 2 vessels at one time (Exhibit 3).

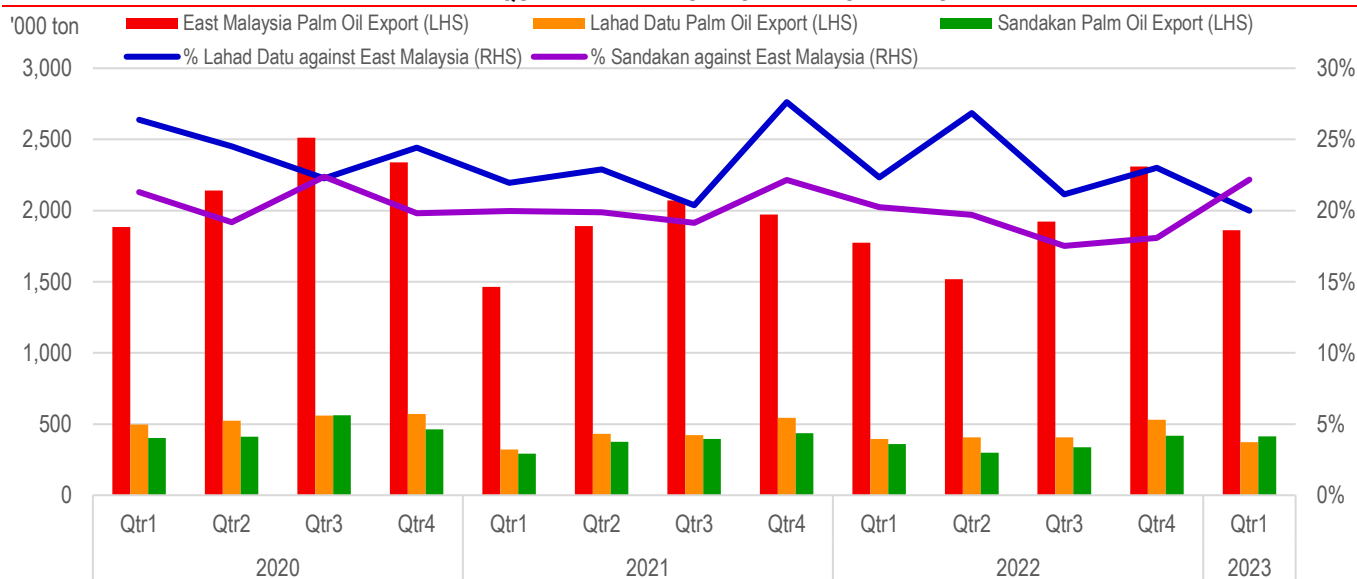
- A rerating catalyst would come from a revision of port tariffs, which have been unchanged in the past 35 years. Suria has submitted request for a review of its tariff rates, and it was approved in principle by the State Cabinet since 2020 for implementation at a later date, which remains uncertain at this stage.
- Additionally, negotiations with the Sabah state government for a 30-year extension to the current concession has commenced. As a recap, the current concession is expected to end in 2034.
- Suria currently trades at a fair FY23F PE of 8.5x, at parity to its 5-year historical average, and offers a decent dividend yield of 4%.

EXHIBIT 1: EXTERNAL TRADE VOLUME INDEX (2010 = 100)



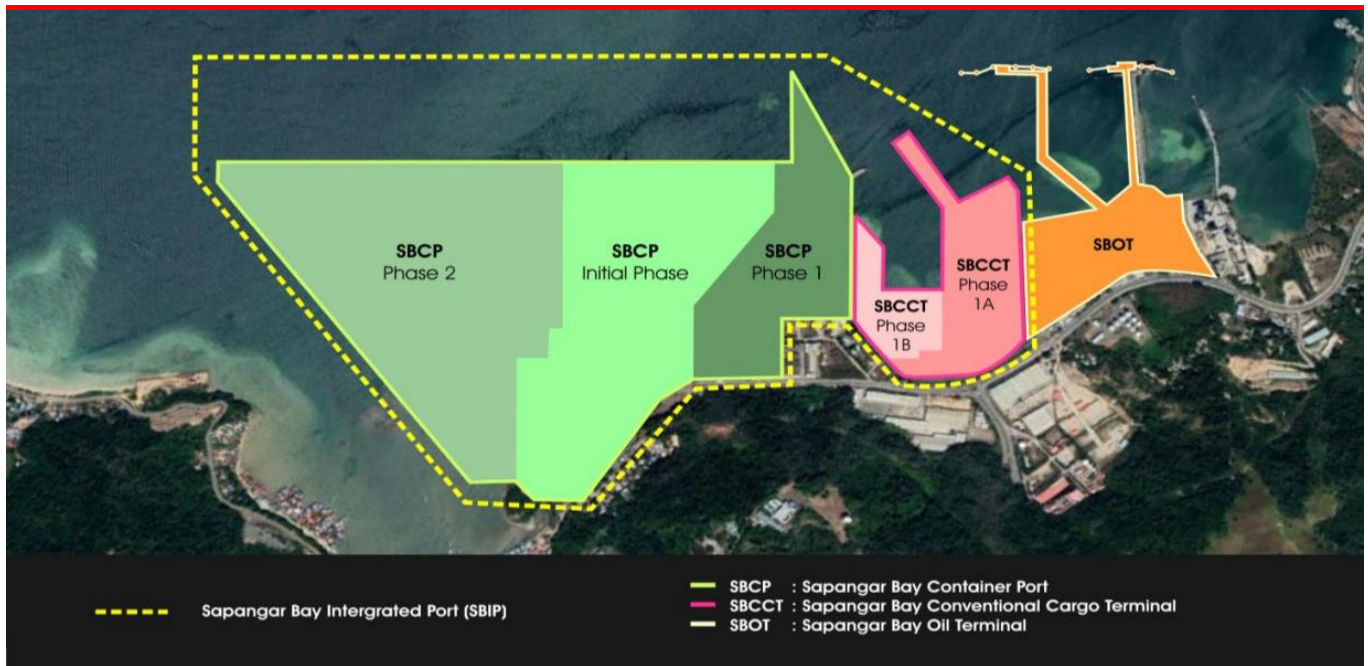
Source: DOSM

EXHIBIT 2: QUARTERLY EXPORT OF PALM OIL BY PORT



Source: MPOB

EXHIBIT 3: SAPANGAR BAY INTEGRATED PORT



Source: Company

EXHIBIT 4: PB BAND CHART



EXHIBIT 5: PE BAND CHART



EXHIBIT 6: 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: AmInvestment Bank

## EXHIBIT 7: FINANCIAL DATA

Income Statement (RM mil, 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>191.6</b>	<b>194.3</b>
Depreciation/Amortisation	(48.6)	(59.4)	(62.7)	(82.0)	(85.9)
Operating income (EBIT)	67.1	55.6	66.4	109.6	108.4
Other income & associates	-	-	-	-	-
Net interest	10.9	1.6	(2.6)	(44.5)	(41.5)
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 (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	859.3	882.8	1,301.5	1,318.5	1,336.5
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>1,590.4</b>	<b>1,607.4</b>	<b>1,625.4</b>
Cash & equivalent	79.9	115.0	187.8	159.8	134.7
Stock	10.6	29.5	9.3	9.5	9.8
Trade debtors	115.8	34.6	73.4	75.0	76.9
Other current assets	115.2	136.4	136.4	136.4	136.4
<b>Total current assets</b>	<b>321.5</b>	<b>315.5</b>	<b>407.0</b>	<b>380.8</b>	<b>357.7</b>
Trade creditors	12.7	9.2	9.1	9.1	9.3
Short-term borrowings	-	9.4	301.9	279.0	257.7
Other current liabilities	53.2	57.4	57.4	57.4	57.4
<b>Total current liabilities</b>	<b>65.8</b>	<b>76.0</b>	<b>368.5</b>	<b>345.5</b>	<b>324.5</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 (RM mil, 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	82.0	85.9
Net change in working capital	0.3	(37.0)	(18.6)	(1.8)	(1.9)
Others	(32.5)	(21.9)	(12.7)	28.8	25.4
<b>Cash flow from operations</b>	<b>75.0</b>	<b>68.3</b>	<b>95.2</b>	<b>174.1</b>	<b>176.3</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	3.4	5.6	4.8
<b>Cash flow from investing</b>	<b>(45.7)</b>	<b>(73.0)</b>	<b>(477.9)</b>	<b>(93.3)</b>	<b>(99.1)</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)	(6.1)	(50.1)	(46.3)
<b>Cash flow from financing</b>	<b>(35.0)</b>	<b>37.0</b>	<b>455.6</b>	<b>(108.8)</b>	<b>(102.3)</b>
<b>Net cash flow</b>	<b>(5.8)</b>	<b>32.4</b>	<b>72.9</b>	<b>(28.1)</b>	<b>(25.1)</b>
Net cash/(debt) b/f	65.7	59.9	92.3	165.2	137.1
Net cash/(debt) c/f	59.9	92.3	165.2	137.1	112.0
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	48.3	1.4
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	2.5	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	27	79	78
Stock turnover (days)	14	24	10	10	10
Creditors turnover (days)	18	13	5	10	10

Source: Company, AmlInvestment Bank Bhd estimates

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