Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

KKIP Boosted Volume with New Plants

***Maintain* SELL**

***Unchanged* Target Price: RM1.60**

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core PATAMI met our estimate**
- **Port throughput were boosted by KKIP's new plants**
- **Anticipating new oil jetty completion at SBOT**
- **No changes to earnings estimates**
- **Stock is trading at +1.5SD above its 5-year historical mean, good opportunity to take profit. Maintain SELL with an unchanged TP of RM1.60**

Within expectation. In 1QFY24, Suria Capital Holdings Berhad (Suria) disclosed a core PATAMI of RM14.3m. This aligns with our expectations, constituting 27%/28% of our/consensus full-year estimates.

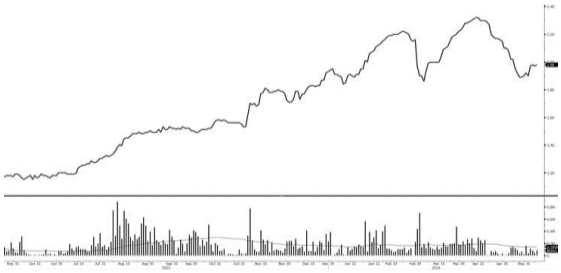
Quarterly. The core port operations saw an uptick of +11.1%yoy in revenue, largely driven by a substantial +19.0%yoy boost in container throughput. This can be attributed to the operational commencement of plants by SK Nexilis and Kibing Group in the preceding quarter. The container and conventional throughput reported in 1QFY24 accounted for 24% and 21% respectively of our projected full-year volumes. Core PATAMI surged by +45.9%yoy, benefiting from margin enhancements. Sequentially, revenue remained relatively flat as the increase in container throughput (+6.9%qoq) was balanced out by a decline in conventional throughput (-14.0%qoq). The notable margin improvement compared to 4QFY23 was attributed to an adjustment in the amortisation period in the previous quarter, in accordance with MFRS138 guidelines.

Outlook. Anticipating an improved performance this year, we attribute it primarily to the full-year contribution of SK Nexilis and Kibing Group's new plants in Kota Kinabalu Industrial Park (KKIP). These facilities are expected to add around 38,400 TEUs annually to Suria's operations. Furthermore, with the completion of the new oil jetty at Sapangar Bay Oil Terminal (SBOT) by 2QFY24 due to the existing jetty nearing its maximum handling capacity, we foresee an increase in bulk oil volume and consequently, a rise in conventional cargo volume. Our projections indicate a +7.0%yoy increase in container throughput and a +3.0%yoy increase in conventional throughput for this year.

Maintain SELL. Our earnings estimates and DCF-derived target price of **RM1.60** (WACC: 8%, g: 1%) remain unchanged. Given that the stock is trading at +1.5SD above its 5-year historical mean, we believe it could be a good opportunity for investors to take profit. Hence, we are reaffirming our **SELL** call on it. A key catalyst for the stock would be the long-awaited tariff revision, which has not yet been incorporated into our model.

RETURN STATISTICS	
Price @ 24th May 2024 (RM)	2.08
Expected share price return (%)	-23.1
Expected dividend yield (%)	+2.2
Expected total return (%)	**-20.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.3	-10.9
3 months	-9.9	-13.4
12 months	65.3	43.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Operating revenue	301.2	315.7	327.7
EBIT	80.6	83.3	85.6
PBT	69.3	71.1	73.8
Core PATAMI	52.6	54.0	56.1
EPS (sen)	15.2	15.6	16.2
DPS (sen)	4.6	4.7	4.9
Dividend yield (%)	2.2%	2.3%	2.3%

KEY STATISTICS	
FBM KLCI	1,619.40
Issue shares (m)	345.82
Estimated free float (%)	36.68
Market Capitalisation (RM'm)	691.64
52-wk price range	RM1.18 - RM2.32
3-mth average daily volume (m)	0.14
3-mth average daily value (RM'm)	0.30
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Yayasan Sabah	4.37
icapital.biz	3.67

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SURIA CAPITAL: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q24**	**4Q23**	**1Q23**	**QoQ**	**YoY**
Operating revenue	66.9	65.7	59.3	1.8%	12.8%
EBIT	21.9	6.6	15.3	232.2%	43.2%
Finance cost	-2.6	-2.1	-2.0	-23.0%	-30.3%
PBT	19.7	2.1	14.0	848.1%	40.6%
Tax expense	-4.9	-1.7	-3.4	-180.9%	-43.2%
PATAMI	14.9	-2.0	10.6	834.8%	39.8%
Core PATAMI	14.3	0.3	9.8	4093.9%	45.9%
EBIT margin (%)	32.7%	10.0%	25.7%		
PBT margin (%)	29.5%	3.2%	23.7%		
Core PATAMI margin (%)	21.4%	0.5%	16.6%		
Effective tax rate (%)	-24.8%	-83.6%	-24.3%		

SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS

FYE Dec (RM'm)	Quarterly				
Revenue	**1Q24**	**4Q23**	**1Q23**	**QoQ**	**YoY**
Port operations	64.2	63.5	57.8	1.1%	11.1%
Property development & leasing	0.9	0.9	0.2	-7.2%	384.9%
Logistics & bunkering services	0.5	0.4	0.4	3.9%	19.5%
Contract and engineering & ferry terminal operations	1.6	1.3	1.2	21.9%	30.3%
Operating Profit	**1Q24**	**4Q23**	**1Q23**	**QoQ**	**YoY**
Port operations	18.7	-2.4	14.9	869.5%	25.0%
Property development & leasing	2.2	2.4	-0.02	-8.6%	9095.8%
Logistics & bunkering services	0.2	0.2	0.2	-12.6%	10.4%
Contract and engineering & ferry terminal operations	0.5	0.9	-0.2	-41.7%	401.7%
Operational Statistics	**1Q24**	**4Q23**	**1Q23**	**QoQ**	**YoY**
Container throughput (TEU)	117,804	110,182	98,980	6.9%	19.0%
Conventional throughput (m MT)	4.9	5.7	4.7	-14.0%	4.3%

Source: Suria Capital, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Operating revenue	237.2	241.3	301.2	315.7	327.7
EBIT	76.0	57.7	80.6	83.3	85.6
PBT	67.0	49.3	69.3	71.1	73.8
PATAMI	59.1	34.9	52.6	54.0	56.1
Core PATAMI	48.9	34.9	52.6	54.0	56.1
EPS (sen)	17.1	10.1	15.2	15.6	16.2
PER (x)	12.2x	20.6x	13.7x	13.3x	12.8x
DPS (sen)	4.0	4.5	4.6	4.7	4.9
Dividend yield (%)	1.9%	2.2%	2.2%	2.3%	2.3%

Note: Operating revenue excludes revenue from construction services for concession infrastructure.

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Concession assets	717.2	693.8	719.3	684.2	647.9
PPE	70.8	72.1	99.2	98.9	98.4
Non-current assets	**1,106.3**	**1,080.9**	**1,133.4**	**1,098.0**	**1,061.2**
Trade debtors	29.0	32.7	40.6	42.5	44.1
Cash	114.4	131.5	235.2	378.7	436.1
Current assets	**300.8**	**342.9**	**475.4**	**632.5**	**701.8**
Long-term debt	59.3	67.9	219.3	299.3	289.3
Non-current liabilities	**259.8**	**219.5**	**370.9**	**450.9**	**440.9**
Trade creditors	40.5	84.9	83.9	87.8	91.1
Short-term debt	6.6	8.8	6.6	6.6	6.6
Current liabilities	**76.6**	**114.3**	**111.0**	**115.0**	**118.2**
Share capital	358.8	358.8	358.8	358.8	358.8
Retained earnings	712.2	731.5	768.4	806.2	845.4
Equity	**1,070.6**	**1,090.0**	**1,126.8**	**1,164.6**	**1,203.9**

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	67.0	49.3	69.3	71.1	73.8
Depreciation & amortisation	59.0	65.9	66.3	67.6	69.0
Changes in working capital	-21.6	-17.8	-24.6	-9.6	-8.7
Operating cash flow	**83.3**	**74.7**	**94.4**	**112.0**	**116.3**
Capital expenditure	-57.3	-34.5	-31.8	-32.3	-32.1
Investing cash flow	**-111.7**	**-50.3**	**-31.8**	**-32.3**	**-32.1**
Debt raised/(repaid)	55.5	12.3	80.0	80.0	-10.0
Dividends paid	-8.3	-15.6	-15.8	-16.2	-16.8
Financing cash flow	**57.1**	**-4.7**	**64.2**	**63.8**	**-26.8**
Net cash flow	**28.7**	**19.7**	**126.8**	**143.5**	**57.4**
Beginning cash flow	**59.9**	**88.6**	**108.3**	**235.2**	**378.7**
Ending cash flow	**88.6**	**108.3**	**235.2**	**378.7**	**436.1**

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	28.1%	23.2%	26.1%	25.8%	25.6%
PBT margin	24.7%	19.9%	22.5%	22.0%	22.0%
PATAMI margin	21.8%	14.1%	17.1%	16.7%	16.7%
Core PATAMI margin	18.1%	14.1%	17.1%	16.7%	16.7%

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 *rise* 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 *fall* 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