Corporate Update | Thursday, 06 June 2024

Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

***Maintain* SELL**

Kota Kinabalu Mixed Commercial Project JV Inked

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

KEY INVESTMENT HIGHLIGHTS

- **Formalising the development of Jesselton Docklands 1 Project**
- **Entitled to at least 18% of the estimated NDV of RM1.0b**
- **Estimated development period of 6 years**
- **No changes to earnings estimates**
- **Maintain SELL with an unchanged TP of RM1.60**

JV inked for Kota Kinabalu mixed commercial project. Suria Capital Holdings Berhad (Suria) has entered into a Joint Development Agreement 1 ("JDA 1") with Jesselton Docklands 1 Sdn Bhd ("JD 1") for the development of approximately 2.543 hectares of land ("Land 1") within the Kota Kinabalu Port area. Back in Feb-24, Suria revealed a partnership with BEDI Development (a 75%-owned unit of EXSIM Development Sdn Bhd) to develop two plots of land spanning 14.23 hectares in Kota Kinabalu. This collaboration resulted in the establishment of JD 1 and Jesselton Docklands 2 Sdn Bhd, aimed at executing an integrated mixed commercial project valued at RM4.20b.

Background on Jesselton Docklands 1 Project. The Jesselton Docklands 1 Project ("JD 1 Project"), the foundation of the Docklands development, involves three phases:

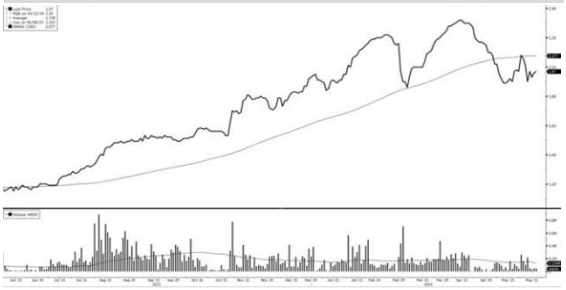
1. Phase 1: A 3-floor commercial shop lots, 1-floor mixed-retail spaces, 7-floor office tower and two 25-floor commercial suites towers.
2. Phase 2: A 2-floor shop lots and a single 29-floor commercial suites tower.
3. Phase 3: A 2-floor shop lots, 7-floor hotel tower and 21-floor commercial services suites tower.

Suria's proposed entitlement. Suria's proposed entitlement for the JD 1 Project stands at a minimum of RM180.0m, constituting 18% of the estimated NDV of RM1.0b. This entitlement is to be met with RM45.0m in cash and RM135.0m in in-kind payment, which could include hotel, retail units, car parks, and/or other commercial components, to be provided before JD 1 proceeds with its sale. Suria will also receive any surplus entitlement if the realised NDV for Land 1 surpasses RM1.0b. This excess entitlement, if applicable, will be fulfilled through in-kind payment, such as retail units, parking spaces, or other commercial components on Land 2. s

Maintain SELL. No changes were made to our earnings estimates. The development plan for the JD 1 Project is contingent upon obtaining the necessary approvals and is anticipated to have a development period of 6 years. The stock trades at +1.5 SD above its 5-year historical mean, suggesting a profit-taking opportunity. The awaited tariff revision could serve as a catalyst, which has yet to be factored into our analysis.

RETURN STATISTICS	
Price @ 5th June 2024 (RM)	1.97
Expected share price return (%)	-18.8
Expected dividend yield (%)	+2.3
Expected total return (%)	**-16.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.3	-5.9
3 months	-11.3	0.8
12 months	61.5	38.9

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 (%)	2.3%	2.4%	2.5%

KEY STATISTICS	
FBM KLCI	1,608.53
Issue shares (m)	345.82
Estimated free float (%)	36.68
Market Capitalisation (RM'm)	681.27
52-wk price range	RM1.18 - RM2.32
3-mth average daily volume (m)	0.13
3-mth average daily value (RM'm)	0.28
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Yayasan Sabah	4.37
icapital.biz	3.67

MIDF Research Team
research@midf.com.my

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)	11.5x	19.5x	12.9x	12.6x	12.2x
DPS (sen)	4.0	4.5	4.6	4.7	4.9
Dividend yield (%)	2.0%	2.3%	2.3%	2.4%	2.5%

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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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