Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

Results Met Expectations

***Maintain* SELL**

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

KEY INVESTMENT HIGHLIGHTS

- **2QFY24 core PATAMI met our estimate**
- **KKIP's new plants fuel growth in container throughput**
- **New oil jetty at SBOT appears to have commenced operations**
- **No changes to earnings estimates**
- **Maintain SELL with an unchanged TP of RM1.60**

Within expectations. In 2QFY24, Suria Capital Holdings Berhad (Suria) reported a core PATAMI of RM14.6m, resulting in a total core PATAMI of RM28.7m for 1HFY24. This result was in line with our forecasts, making up 55%/53% of our/consensus full-year estimates.

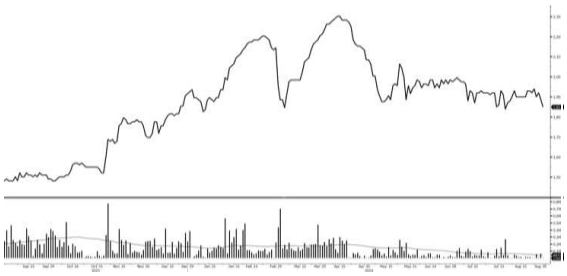
Quarterly. The +13.0%yoy increase in operating revenue in 2QFY24 was largely fueled by an +11.9%yoy rise in container throughput, driven by the start of operations at SK Nexilis and Kibing Group's plants in 4QFY23. The rise in conventional throughput (+14.3%qoq, +7.7%yoy) likely reflects increased bulk oil volume, possibly due to the new oil jetty at Sapangar Bay Oil Terminal (SBOT) beginning operations as anticipated during the reporting quarter. Core PATAMI saw a nearly fivefold increase due to adjustments in the amortisation of concession assets according to the initial concession period. Sequentially, core PATAMI (+2.1%qoq) saw a modest rise, primarily driven by the growth in the conventional business.

Outlook. We anticipate an improved performance this year, mainly due to the full-year impact of the new foreign direct investments (FDIs) established at Kota Kinabalu Industrial Park (KKIP), which are expected to add around 38,400 TEUs annually to Suria's operations. We also expect the new oil jetty at SBOT to provide additional support for steady growth in conventional cargo volume. Our forecasts show a +7.0%yoy rise in container throughput and a +3.0%yoy increase in conventional throughput for this year. Notably, through 1HFY24, container and conventional throughput have achieved 50% and 48% of our full-year projections, respectively.

Maintain SELL. Our earnings forecasts and **RM1.60** target price (WACC: 9%, g: 1%), remain unchanged. We maintain a **SELL** rating due to valuation, as it trades at 12.2x FY25F or +1.0 SD above its 5-year historical average. We see the potential for further gains if there is a definitive decision on the long-anticipated tariff revision and more clarity on the strategic partnership between Suria and DP World for developing the flagship Sapangar Bay Container Port.

RETURN STATISTICS	
Price @ 30th August 2024 (RM)	1.90
Expected share price return (%)	-15.8
Expected dividend yield (%)	+2.4
Expected total return (%)	**-13.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.6	-6.2
3 months	-7.5	-6.4
12 months	22.5	6.8

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 (%)	2.4%	2.5%	2.6%

KEY STATISTICS	
FBM KLCI	1,678.80
Issue shares (m)	345.82
Estimated free float (%)	36.68
Market Capitalisation (RM'm)	639.77
52-wk price range	RM1.47 - RM2.32
3-mth average daily volume (m)	0.05
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Amanah Raya	4.37
Yayasan Sabah	3.67

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SURIA CAPITAL: 2Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**2QFY24**	**1QFY24**	**2QFY23**	**QoQ**	**YoY**	**6MFY24**	**6MFY23**	**YoY**
Operating revenue	69.0	66.9	61.1	3.1%	13.0%	135.9	120.4	12.9%
EBIT	21.3	22.4	10.0	-4.7%	113.1%	43.7	26.1	67.6%
Finance cost	-2.6	-2.6	-2.1	0.6%	-23.7%	-5.2	-4.1	-26.9%
PBT	18.7	19.7	7.9	-5.2%	137.0%	38.5	21.9	75.3%
Tax expense	-3.8	-4.9	-4.1	22.2%	8.0%	-8.7	-7.5	-15.2%
PATAMI	14.9	14.9	3.8	0.3%	296.2%	29.8	14.4	106.8%
Core PATAMI	14.6	14.3	3.0	2.1%	389.7%	28.7	12.8	124.0%
				ppts	**ppts**			**ppts**
EBIT margin (%)	30.9%	33.4%	16.4%	-2.5	14.5	32.2%	21.7%	10.5
PBT margin (%)	27.1%	29.5%	12.9%	-2.4	14.2	28.3%	18.2%	10.1
Core PATAMI margin (%)	21.2%	21.4%	4.9%	-0.2	16.3	21.1%	10.6%	10.5
Effective tax rate (%)	-20.3%	-24.8%	-52.3%	4.4	32.0	-22.6%	-34.4%	11.8

SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**2QFY24**	**1QFY24**	**2QFY23**	**QoQ**	**YoY**	**6MFY24**	**6MFY23**	**YoY**
Port operations	66.4	64.2	59.5	3.5%	11.6%	130.7	117.3	11.3%
Property development & leasing	1.0	0.9	0.3	14.7%	247.0%	1.9	0.5	299.1%
Logistics & bunkering services	0.4	0.5	0.5	-10.2%	-11.1%	0.9	0.8	2.7%
Contract and engineering & ferry terminal operations	1.4	1.6	1.1	-14.0%	21.8%	3.0	2.4	26.2%
Operating Profit	**2QFY24**	**1QFY24**	**2QFY23**	**QoQ**	**YoY**	**6MFY24**	**6MFY23**	**YoY**
Port operations	17.1	18.7	9.0	-8.6%	90.6%	35.8	23.9	49.6%
Property development & leasing	2.1	2.2	0.2	-2.7%	>100%	4.3	0.5	763.9%
Logistics & bunkering services	0.2	0.2	0.3	-7.5%	-29.8%	0.4	0.4	-13.4%
Contract and engineering & ferry terminal operations	0.4	0.5	-0.04	-35.4%	977.5%	0.9	-0.2	506.4%
Operational Statistics	**2QFY24**	**1QFY24**	**2QFY23**	**QoQ**	**YoY**	**6MFY24**	**6MFY23**	**YoY**
Container throughput (TEU)	120,416	117,804	107,605	2.2%	11.9%	238,220	206,585	15.3%
Conventional throughput (m MT)	5.6	4.9	5.2	14.3%	7.7%	11.1	10.6	4.7%

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	12.8	28.7	52.6	54.0	56.1
EPS (sen)	17.1	10.1	15.2	15.6	16.2
PER (x)	11.1x	18.8x	12.5x	12.2x	11.7x
DPS (sen)	4.0	4.5	4.6	4.7	4.9
Dividend yield (%)	2.1%	2.4%	2.4%	2.5%	2.6%

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