

Suria Capital Holdings Bhd

Sailing through long term growth prospects

Summary

- Suria Capital Holdings Bhd's (SURIA) long term prospects are expected to be supported by the (i) on-going ports expansion plans, (ii) higher domestic and international tourists' arrivals, (iii) commencement of the second phase of the Jesselton Quay project. We reckon that cargo volume, tonnage handled and containers of twenty-foot equivalent units (TEUs) will continue to be supported by gradual improvement in economic activities.
- We believe that the port operation, particularly Sapangar Bay Container Port (SBCP) will ride on the relocation of manufacturing plants by multinational companies out of China to Southeast Asia as a result from the US-China trade diversion. This is in line with SURIA's objective in transformation into a key transshipment hub for the Brunei-Indonesia-Malaysia-Philippines East ASEAN region.
- Still, challenges remain, owing to the rising Malaysia palm oil inventory level for the third straight month in July 2023 (+0.7% MoM) to 1.7m tonnes as reported by the Malaysia Palm Oil Board (MPOB). Despite palm oil exports rose 15.6% MoM as demand has picked up ahead of the Deepavali festive season, the stronger supplies continue to keep inventory remain at the higher end. Hence, we expect the ports operations segment which heavily relies onto palm oil products may remain flattish.
- SURIA has now commenced negotiation with the Sabah state government to extend the concession by another 30 years from 1st September 2034 to 31st August 2064. This will re-inforce their prospect of long-term income, whilst the prospects of overdue ports tariff revision will be another positive game changer for the group. Despite that, we are ceasing coverage on SURIA due to reallocation of internal resources.
- Our last recommendation on SURIA was **HOLD** with a fair value at RM1.20. The fair value was derived by sum-of-parts (SOP) 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 15.0%, terminal growth rate of 3.0%). 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.

Ceasing Coverage Note

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HOLD

Share price	RM1.46
Target price	-
Previous TP	RM1.20
Capital upside	-17.8%
Dividend return	2.7%
Total return	-15.1%

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)	504.9
52W High/Low	1.47/0.99
Est. Free float	41.7
Beta (x)	0.7
3-mth avg vol ('000)	132.0
Shariah compliant	Yes

Major shareholders

	%
Warisan Harta Sdn Bhd	45.4
Yayasan Sabah	3.7
Capital Dynamics	3.4

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	16.8	15.0	36.4
Relative	12.9	11.6	40.5

Earnings snapshot

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	59.1	45.5	49.4
EPS (sen)	17.1	13.2	14.3
P/E (x)	8.5	11.1	10.2

Relative performance chart



Financial Highlights

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	
Revenue	228.0	251.3	302.0	286.5	339.2	Cash	75.0	158.7	232.5	204.3	215.5	
EBITDA	103.8	109.2	131.3	132.9	136.5	Receivables	100.9	124.1	29.0	31.4	37.2	
EBIT	54.3	62.7	74.9	72.2	77.0	Inventories	8.7	10.6	29.6	34.0	37.9	
Net finance income/ (cost)	(6.3)	(4.2)	(7.9)	(12.3)	(12.0)	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	1,088.5	1,106.5	1,129.2	
Profit before tax	48.0	58.6	67.0	59.9	65.0	Assets	1,375.5	1,399.8	1,479.1	1,475.1	1,519.1	
Tax	(15.0)	(19.1)	(7.9)	(14.4)	(15.6)	Debts	134.3	111.8	85.2	131.9	124.8	
Net profit	32.9	39.5	59.1	45.5	49.4	Payables	44.4	37.1	40.5	28.9	30.6	
Minority interest	(0.0)	-	(0.0)	-	-	Others	101.5	119.2	98.7	87.6	95.1	
Core earnings	32.9	39.5	59.1	45.5	49.4	Liabilities	269.2	267.1	301.1	269.2	281.5	
Exceptional items	-	-	-	-	-	Shareholder's equity	358.8	358.8	358.8	358.8	358.8	
Reported earnings	32.9	39.5	59.1	45.5	49.4	Minority interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
Cash Flow Statement	FY20	FY21	FY22	FY23f	FY24f	Equity	1,106.3	1,132.7	1,178.0	1,209.7	1,245.3	
Profit before taxation	48.0	58.6	67.0	59.9	65.0	Valuation & Ratios	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Depreciation & amortisation	49.5	46.5	59.0	63.2	62.0	Core EPS (sen)	9.5	11.4	17.1	13.2	14.3	
Changes in working capital	(76.5)	(16.9)	(90.3)	(2.6)	15.6	P/E (x)	15.3	12.8	8.5	11.1	10.2	
Share of JV profits	-	-	-	-	-	DPS (sen)	4.0	4.0	4.0	4.0	4.0	
Taxation	-20.5	-15.0	-10.6	-6.1	-14.4	Dividend yield	2.7%	2.7%	2.7%	2.7%	2.7%	
Others	-	-	-	-	-	BVPS (RM)	3.20	3.28	3.41	3.50	3.60	
Operating cash flow	56.7	75.0	83.2	83.9	76.0	P/B (x)	0.5	0.4	0.4	0.4	0.4	
Net capex	(23.2)	7.0	49.7	19.5	19.5	EBITDA margin	45.5%	43.5%	43.5%	46.4%	40.2%	
Others	-	-	-	-	-	EBIT margin	23.8%	25.0%	24.8%	25.2%	22.7%	
Investing cash flow	(13.4)	(45.7)	(111.7)	(49.9)	(49.9)	PBT margin	21.0%	23.3%	22.2%	20.9%	19.2%	
Changes in borrowings	(2.9)	(22.4)	(26.6)	46.7	(7.0)	PAT margin	14.4%	15.7%	19.6%	15.9%	14.6%	
Issuance of shares	-	-	-	-	-	Core PAT margin	14.5%	15.7%	19.6%	15.9%	14.6%	
Dividends paid	(12.1)	(13.1)	(8.3)	(13.8)	(13.8)	ROE	3.0%	3.5%	5.0%	3.8%	4.0%	
Others	-	-	-	-	-	ROA	2.4%	2.8%	4.0%	3.1%	3.3%	
Financing cash flow	(24.0)	(35.0)	57.1	(15.5)	(15.5)	Net gearing	5.4%	Net Cash	Net Cash	Net Cash	Net Cash	
Net cash flow	19.3	(5.8)	28.7	18.6	10.6							
Forex	-	-	-	-	-							
Others	-	-	-	-	-							
Beginning cash	46.4	65.7	59.9	88.6	102.2							
Ending cash	65.7	59.9	88.6	102.2	107.8							

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As of **Wednesday, 16 Aug, 2023**, the analyst(s), Kenneth Leong, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned