

Suria Capital Holdings Bhd

Starting the year slow

Summary

- Suria Capital Holdings Bhd's (SURIA) 1QFY23 net profit fell 23.5% YoY to RM10.6m, dragged down by the weaker contribution from the port operations segment. Revenue for the quarter decreased 9.9% YoY to RM64.0m.
- The reported earnings came below expectations, amounting to 16.6% of our full year net profit forecast RM64.1m and 21.0% of consensus forecast of RM50.6m. The weaker-than-expected numbers was attributable to the decrease in cargo throughput and tonnage handled. We reckon that with commodities prices (particularly crude oil and crude palm oil) remain volatile, demand may continue to weaken in subsequent quarters.
- In 1QFY22, SURIA handled a total of 98,980 (-2.6% YoY) TEUs, which makes up to 21.5% of our assumption of 460,000 TEUs for the year. Meanwhile, SURIA's total tonnage handled was at 5.3m tonnes (-11.7% YoY); which accounted to 22.3% of our expectations of 23.8m for the year.
- Meanwhile, SURIA has entered into a strategic collaboration with DP World (DPW), a leading provider of worldwide smart end-to-end supply chain logistics in mid-January 2023. We are sanguine on the move in bid to improve operational efficiency and potentially strengthen contribution from the port operation segment. On the port expansion progress, we note that progress is well underway whereby the Sapangar Bay Container Port (SBCP) is well on track for completion in 2025.
- On the property development segment, Phase 2 of Jesselton Quay Central (JQC) project comprising waterfront service suites that carries a gross development value of RM250.0m is expected to launch in 2023. This is based on revised terms stated in the Amended and Restated Agreement dated 30 November 2022.
- Meanwhile, we gather that tourist arrival to Sabah demonstrated strong growth in 2022, premised to the re-opening of international borders. Moving into 2023, we reckon that the positive trend may continue to be supported by China's border re-opening. This may in turn beef up contribution from the contract and engineering & ferry terminal operations business segment that remained in red in 1QFY23.

Quarterly performance

FYE Dec (RM m)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)	3MFY22	3MFY23	YoY (%)
Revenue	71.0	100.6	64.0	(36.4)	(9.9)	71.0	64.0	(9.9)
EBITDA	31.0	39.0	26.2	(32.8)	(15.5)	31.0	26.2	(15.5)
PBT	17.4	18.0	14.0	(21.9)	(19.5)	17.4	14.0	(19.5)
PAT	13.9	19.7	10.6	(45.9)	(23.5)	13.9	10.6	(23.5)
Core PATMI	13.9	19.7	10.6	(45.9)	(23.5)	13.9	10.6	(23.5)
Reported PATMI	13.9	19.7	10.6	(45.9)	(23.5)	13.9	10.6	(23.5)
Core EPS (sen)	4.0	5.7	3.1	(45.9)	(23.5)	4.0	3.1	(23.5)
EBITDA margin (%)	43.7	38.8	41.0			43.7	41.0	
PBT margin (%)	24.6	17.9	22.0			24.6	22.0	
Core PATMI margin (%)	19.6	19.5	16.6			19.6	16.6	

Results Note – 1QFY23

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HOLD (from Buy)

Share price	RM1.27
Target price	RM1.20
Previous TP	RM1.34
Capital upside	-5.5%
Dividend return	3.1%
Total return	-2.4%

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)	439.2
52W High/Low	1.29/0.99
Est. Free float	41.7
Beta (x)	0.7
3-mth avg vol ('000)	73.2
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	3.3	6.7	14.5
Relative	1.1	10.3	17.7

Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	59.1	45.5	49.4
EPS (sen)	17.1	13.2	14.3
P/E (x)	7.4	9.7	8.9

Relative performance chart



Valuation & Recommendation

- Following the weaker-than-expected reported numbers, we trimmed our earnings forecast by 29.0% and 25.7% to RM45.5m and RM49.4m for FY23f and FY24f respectively, adjusting for the slower contribution from the port operation segment. Following the earnings revision, we downgrade SURIA to **HOLD** (from Buy) with a lower target price of RM1.20.
- We adopt a 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.
- Risks to our recommendation include dependency and sensitivity to commodity prices (mainly crude oil and crude palm oil). The port operation business is highly regulated by the State and Sabah Ports Authority that requires a number of approvals, licenses, registrations and permits from various regulatory authorities.

Key Financial Data

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)	Debits	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)
						Equity	1,106.3	1,132.7	1,178.0	1,209.7	1,245.3
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	48.0	58.6	67.0	59.9	65.0	Core EPS (sen)	9.5	11.4	17.1	13.2	14.3
Depreciation & amortisation	49.5	46.5	59.0	63.2	62.0	P/E (x)	13.3	11.1	7.4	9.7	8.9
Changes in working capital	(76.5)	(16.9)	(90.3)	(2.6)	15.6	DPS (sen)	4.0	4.0	4.0	4.0	4.0
Share of JV profits	-	-	-	-	-	Dividend yield	3.1%	3.1%	3.1%	3.1%	3.1%
Taxation	-20.5	-15.0	-10.6	-6.1	-14.4	BVPS (RM)	3.20	3.28	3.41	3.50	3.60
Others	-	-	-	-	-	P/B (x)	0.4	0.4	0.4	0.4	0.4
Operating cash flow	56.7	75.0	83.2	83.9	76.0	EBITDA margin	45.5%	43.5%	43.5%	46.4%	40.2%
Net capex	(23.2)	7.0	49.7	19.5	19.5	EBIT margin	23.8%	25.0%	24.8%	25.2%	22.7%
Others	-	-	-	-	-	PBT margin	21.0%	23.3%	22.2%	20.9%	19.2%
Investing cash flow	(13.4)	(45.7)	(111.7)	(49.9)	(49.9)	PAT margin	14.4%	15.7%	19.6%	15.9%	14.6%
Changes in borrowings	(2.9)	(22.4)	(26.6)	46.7	(7.0)	Core PAT margin	14.5%	15.7%	19.6%	15.9%	14.6%
Issuance of shares	-	-	-	-	-	ROE	3.0%	3.5%	5.0%	3.8%	4.0%
Dividends paid	(12.1)	(13.1)	(8.3)	(13.8)	(13.8)	ROA	2.4%	2.8%	4.0%	3.1%	3.3%
Others	-	-	-	-	-	Net gearing	5.4%	Net Cash	Net Cash	Net Cash	Net Cash
Financing cash flow	(24.0)	(35.0)	57.1	(15.5)	(15.5)						
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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