Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

***Maintain* BUY**

***Unchanged* Target Price: RM1.24**

In line with expectation

KEY INVESTMENT HIGHLIGHTS

- **Suria's core PATAMI of RM21.2m in 6MFY22 met our estimate**
- **Lower earnings due to higher opex and administrative expense**
- **SBOT's new twin-berth oil jetty is on track to complete by end-FY22**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.24**

Within expectations. Suria Capital Holdings Berhad's (Suria) core PATAMI of RM21.2m in 6MFY22 came in within expectations as it made up 46% of ours and consensus full-year estimates.

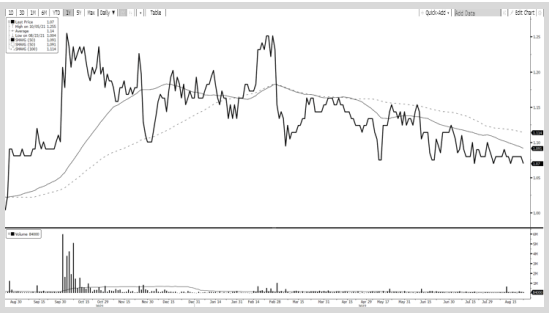
Quarterly. The Group's core PATAMI fell to RM7.3m (-57.4%yoy) mainly on the back of higher operational and administrative expenses. Operationally, the cargo volume that Suria has handled declined to 5.3m MT (-14.5%yoy), while its container throughput was higher at 110,865 TEUs (+2.6%yoy). On a quarter-on-quarter basis, core PATAMI was down by -47.9%qoq due to abovementioned reasons. In terms of volume, cargo throughput was lower by -11.7%qoq from 6.0m MT, while its container throughput saw an uptick of +9.1%qoq from 101,597 TEUs.

Cumulatively. For the 6-month period, Suria posted core PATAMI of RM21.2m (-19.0%yoy). Similarly, the margin contraction was attributed to higher opex and administrative costs. Under its main port business, conventional throughput fell to 11.4m MT (-4.2%yoy), while the container throughput was higher at 212,462 TEUs (+4.5%yoy). The volumes matched our FY22E assumptions at 45% and 52% respectively.

Maintain BUY. Our earnings estimates were left unchanged as the results were within our expectation. As such, we maintain our **BUY** call with an unchanged DCF-derived TP of **RM1.24** (WACC 9%, g: 3%). The new twin-berth oil jetty at Sapangar Bay Oil Terminal (SBOT) is on track to be completed in 4QFY22 and this would help ease the congestion at the terminal which was overutilised during pre-pandemic. Key catalyst for Suria would be it getting the state government's approval for the port tariff revision whereby we are looking at an estimated increase of 20% during Phase 1. Downside risks include: (1) any delays in its planned expansion and development plans and (2) lower crude oil and crude palm oil production which would affect the port throughput.

RETURN STATISTICS	
Price @ 23rd August 2022 (RM)	1.08
Expected share price return (%)	+14.8
Expected dividend yield (%)	+4.6
Expected total return (%)	**+19.4**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.8	-2.9
3 months	-6.1	-5.6
12 months	2.9	5.7

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	345.82
Estimated free float (%)	37.35
Market Capitalisation (RM'm)	370.03
52-wk price range	RM1.03-RM1.35
Beta vs FBM KLCI (x)	0.78
Monthly velocity (%)	40.23
Monthly volatility (%)	14.35
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.09
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Urusharta Jamaah Sdn Bhd	4.09
Yayasan Sabah	3.67

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Operating Revenue	213.8	216.3	241.8	245.0	248.7
Gross Profit	72.6	78.4	87.1	88.2	89.5
EBITDA	88.8	96.1	125.4	135.6	137.6
EBIT	39.2	47.6	65.3	66.2	67.1
PATAMI	32.9	39.5	45.8	48.6	51.6
Core PATAMI	33.3	39.5	45.8	48.6	51.6
Core EPS (sen)	9.6	11.4	13.2	14.1	14.9
PER (x)	11.2	9.4	8.2	7.7	7.2
DPS (sen)	3.5	3.8	4.6	4.9	5.2
Dividend Yield (%)	3.2%	3.5%	4.3%	4.6%	4.8%

Sources: Company, MIDFR

SURIA: 2Q22 RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Revenue from operations	55.5	56.4	54.1	-1.6%	2.5%	111.9	104.5	7.1%
Gross profit	17.9	20.5	27.9	-12.5%	-35.8%	38.3	41.8	-8.4%
EBIT	12.8	17.5	25.8	-26.6%	-50.1%	30.3	37.3	-18.6%
Finance cost	(3.6)	(0.1)	(3.8)	<-100.0%	5.3%	(3.7)	(3.9)	6.4%
PBT	9.2	17.4	21.9	-47.1%	-57.9%	26.7	33.4	-20.1%
Tax expense	(2.0)	(3.5)	(5.2)	42.6%	60.7%	(5.6)	(7.6)	26.8%
PATAMI	7.2	13.9	16.8	-48.2%	-57.1%	21.1	25.7	-18.1%
Core PATAMI	7.3	13.9	17.1	-47.9%	-57.4%	21.2	26.2	-19.0%
EBIT margin (%)	23.2%	31.0%	47.6%			27.1%	35.7%	
PBT margin (%)	16.6%	30.9%	40.5%			23.8%	31.9%	
Core PATAMI margin (%)	13.1%	24.7%	31.5%			19.0%	25.1%	
Effective tax rate (%)	-22.1%	-20.3%	-23.6%			-20.9%	-22.9%	

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN AND OPERATIONAL STATISTICS

	Quarterly					Cumulatively		
Revenue	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Port operations	54.5	53.9	53.5	1.1%	1.9%	108.5	100.4	8.0%
Logistics & bunkering services	0.3	0.3	0.3	-1.9%	3.4%	0.6	0.5	37.2%
Contract and engineering & ferry terminal operations	1.0	2.4	0.6	-60.1%	59.9%	3.3	3.9	-13.9%
Operating Profit	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Port operations	7.1	13.5	19.6	-47.2%	-63.7%	20.6	28.1	-26.5%
Property development	2.6	2.5	3.6	3.0%	-27.9%	5.1	6.8	-25.9%
Logistics & bunkering services	0.1	0.1	0.1	-11.1%	-18.4%	0.3	0.2	46.6%
Contract and engineering & ferry terminal operations	(0.4)	0.9	(1.3)	-140.8%	71.3%	0.5	(0.6)	192.0%
Operational Statistics	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Container throughput (k TEU)	110.9	101.6	108.1	9.1%	2.6%	212.5	203.4	4.5%
Conventional throughput (m MT)	5.3	6.0	6.2	-11.7%	-14.5%	11.4	11.9	-4.2%

Sources: Company, 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