4QFY22 Results Review (Above) | Wednesday, 01 March 2023

# Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

***Maintain* BUY**

***Revised* Target Price: RM1.30**

*(from RM1.24)*

## Beating estimates

### KEY INVESTMENT HIGHLIGHTS

- **Results were slightly ahead of our expectation**
- **Drop in conventional volumes was largely cushioned by higher container volumes**
- **Interim dividend of 1.5 sen for FY22 was declared**
- **Upward revisions of FY23F/FY24F earnings by +8.2%/+5.2%**
- **Maintain BUY with a revised TP of RM1.30**

**Above expectation.** Suria Capital Holdings Berhad (Suria) core PATAMI of RM48.9m in FY22 was slightly ahead of our expectation, making up 107% and 105% of ours and consensus estimates respectively. The positive deviation was largely due to higher-than-expected container volumes handled. Suria has announced an interim dividend of 1.5 sen for FY22, which represents a payout of 11%.

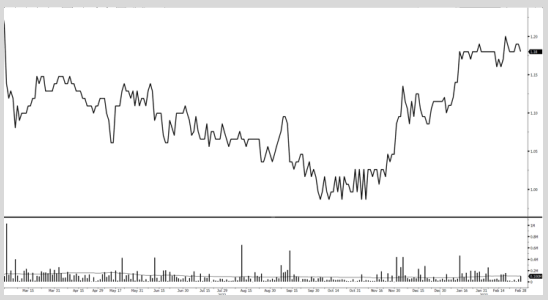
**Quarterly.** Suria's core PATAMI of RM9.9m in 4QFY22 saw declines against 3QFY22 (-43.8%qoq) and 4QFY21 (-29.2%yoy) mainly due to lower effective tax rate as there was a deferred tax liability in 4QFY21. The +54.8%yoy uptick in revenue was largely driven by the additional entitlement in the form of carpark units at Jesselton Quay which amounted to RM28.8m. On its core port operations, conventional volumes declined to 5.7m MT (-16.2%yoy) due to lower production of bulk oil, palm oil, fertiliser, wood products as well as general cargoes. This was largely offset by the higher container volumes of 111,585 TEUs (+10.1%yoy), which could be driven by the construction activities of the mega investment projects in Kota Kinabalu Industrial Park (KKIP).

**Cumulatively.** For the 12-month period, Suria posted core PATAMI of RM48.9m (-2.4%yoy), which declined marginally after excluding a RM10.2m reversal of impairment. A +10.0%yoy increase in port operations segment's revenue was on the back of higher container volume handled of 449,488 (+13.1%), which has cushioned the decline in conventional volume to 23.2m MT (-6.1%yoy).

**Maintain BUY.** We revised up our earnings estimates for FY23F/FY24F by +8.2%/+5.2% to account for higher container volumes growth assumptions of +5.0%/+3.0%. Consequently, our TP was revised slightly higher to **RM1.30** (WACC: 9.3%, g: 2.0%). The stock currently trades at forward PE of 7.5x or at a -16% discount to its historical mean. Suria is a proxy to Sabah's economy given that it operates all the main ports in the state. Key risks include: (i) lower-than-expected port throughput and (ii) inflationary pressures on its operating costs.

| RETURN STATISTICS | |
|---|---|
| Price @ 28th February 2023 (RM) | 1.18 |
| Expected share price return (%) | +10.2 |
| Expected dividend yield (%) | +4.5 |
| **Expected total return (%)** | **+14.7** |

**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 0.0 | 2.2 |
| 3 months | 4.4 | 10.0 |
| 12 months | 0.0 | 9.8 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,454.19 |
| 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) | 408.07 |
| 52-wk price range | RM0.99-RM1.23 |
| Beta vs FBM KLCI (x) | 0.8 |
| 3-mth average daily volume (m) | 0.1 |
| 3-mth average daily value (RM'm) | 0.12 |
| Top Shareholders (%) | |
| Warisan Harta Sdn Bhd | 45.4 |
| Urusharta Jamaah Sdn Bhd | 4.09 |
| Yayasan Sabah | 3.67 |

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## INVESTMENT STATISTICS

| Income Statement | FY2020A | FY2021A | FY2022A | FY2023F | FY2024F |
|---|---|---|---|---|---|
| Operating revenue | 213.8 | 216.3 | 270.3 | 251.0 | 254.9 |
| EBIT | 39.2 | 47.6 | 66.2 | 77.8 | 79.0 |
| PATAMI | 32.9 | 39.5 | 59.5 | 52.6 | 54.3 |
| Core PATAMI | 33.3 | 50.1 | 48.9 | 52.6 | 54.3 |
| Core EPS (sen) | 9.6 | 14.5 | 14.2 | 15.2 | 15.7 |
| PER (x) | 12.2x | 8.1x | 8.3x | 7.8x | 7.5x |
| DPS (sen) | 3.5 | 3.8 | 4.7 | 5.3 | 5.5 |
| Dividend yield (%) | 3.0% | 3.2% | 4.0% | 4.5% | 4.7% |

*Sources: Company, MIDFR*

## SURIA: 4Q22 RESULTS SUMMARY

| (All in RM'm) | Quarterly | | | | | Cumulatively | | |
|---|---|---|---|---|---|---|---|---|
| **Income Statement** | **4Q22** | **3Q22** | **4Q21** | **QoQ** | **YoY** | **FY22** | **FY21** | **YoY** |
| Operating revenue | 95.0 | 63.5 | 61.3 | 49.6% | 54.8% | 270.3 | 216.3 | 25.0% |
| EBIT | 13.2 | 24.0 | 4.4 | -45.0% | 202.8% | 66.2 | 47.6 | 38.9% |
| Finance cost | -3.4 | -1.8 | -1.9 | -86.6% | -76.5% | -8.9 | -7.7 | -15.6% |
| PBT | 18.0 | 23.2 | 11.7 | -22.4% | 53.1% | 67.8 | 58.6 | 15.8% |
| Tax expense | 1.7 | -4.4 | -8.3 | 138.1% | 120.2% | -8.3 | -19.1 | 56.4% |
| PATAMI | 19.7 | 18.8 | 3.4 | 4.7% | 470.8% | 59.5 | 39.5 | 50.6% |
| Core PATAMI | 9.9 | 17.6 | 13.9 | -43.8% | -29.2% | 48.9 | 50.1 | -2.4% |
| | | | | | | | | |
| EBIT margin (%) | 13.9% | 37.8% | 7.1% | | | 24.5% | 22.0% | |
| PBT margin (%) | 18.9% | 36.5% | 19.1% | | | 25.1% | 27.1% | |
| Core PATAMI margin (%) | 10.4% | 27.6% | 22.7% | | | 18.1% | 23.2% | |
| Effective tax rate (%) | 9.3% | -19.0% | -70.7% | | | -12.3% | -32.5% | |

*Sources: Company, MIDFR*

## SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS

| (All in RM'm) | Quarterly | | | | | Cumulatively | | |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **4Q22** | **3Q22** | **4Q21** | **QoQ** | **YoY** | **FY22** | **FY21** | **YoY** |
| Port operations | 65.0 | 62.1 | 63.7 | 4.7% | 2.0% | 235.5 | 214.1 | 10.0% |
| Property development | 29.0 | 0.003 | 0.0 | +>100.0% | n.a. | 29.0 | 0.0 | n.m. |
| Logistics & bunkering services | 0.4 | 0.4 | 0.3 | -18.9% | 25.4% | 1.4 | 1.1 | 27.6% |
| Contract and engineering & ferry terminal operations | 0.9 | 1.1 | -3.1 | -22.9% | 127.8% | 5.3 | 1.3 | 318.0% |
| **Operating Profit** | **4Q22** | **3Q22** | **4Q21** | **QoQ** | **YoY** | **FY22** | **FY21** | **YoY** |
| Port operations | 9.4 | 22.3 | 20.8 | -57.7% | -54.7% | 52.4 | 60.8 | -13.9% |
| Property development | 20.9 | 2.6 | -9.6 | 690.9% | 318.3% | 28.6 | -0.2 | +>100.0% |
| Logistics & bunkering services | 0.1 | 0.2 | 0.2 | -41.6% | -25.3% | 0.6 | 0.6 | 14.3% |
| Contract and engineering & ferry terminal operations | -1.5 | -0.4 | -4.9 | -327.0% | 69.3% | -1.3 | -6.6 | 79.7% |
| **Operational Statistics** | **4Q22** | **3Q22** | **4Q21** | **QoQ** | **YoY** | **FY22** | **FY21** | **YoY** |
| Container throughput (TEU) | 111,585 | 125,441 | 101,331 | -11.0% | 10.1% | 449,488 | 397,346 | 13.1% |
| Conventional throughput (m MT) | 5.7 | 6.2 | 6.8 | -8.1% | -16.2% | 23.2 | 24.7 | -6.1% |

*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