

## Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation &amp; Logistics

### Pending Port Tariff Revisions

#### KEY INVESTMENT HIGHLIGHTS

- **4QFY23 core PATAMI missed our estimate**
- **Earnings dragged by amortisation expenses**
- **Anticipating full-year cargo contribution from KKIP plants**
- **Downward revisions of earnings between -28% to -29%**
- **Downgrade to SELL with a revised TP of RM1.60**

**Below expectations.** Suria Capital Holdings Berhad (Suria) reported a PATAMI of RM0.3m in 4QFY23, contributing to a total core PATAMI of RM41.8m in FY23. This result was below expectations, representing 75%/76% of our/consensus full-year estimates. Suria has yet to meet the MFRS138 conditions for recognising the extended lease, leading to an adjustment in the amortisation period, aligning it with the initial concession period until CY34. An interim dividend of 2.0 sen per share was declared, resulting in a total dividend declared in FY23 of 4.5 sen, representing a payout of 45%.

**Quarterly.** Revenue from its main port operations recorded a slight decline of -2.6%yoy, largely influenced by a modest decrease in its container throughput in 4QFY23 (-1.3%yoy). The notable -94.4%yoy decline in core PATAMI was mainly due to the additional amortisation on concession assets. Sequentially, there was an uplift in port operations revenue, increasing by +5.3%qoq, which was supported by the rise in conventional throughput. The marked decrease in core PATAMI by -97.4%qoq was mainly due to the aforementioned factor.

**Outlook.** For this year, we expect an improved performance mainly stemming from the full-year contribution of SK Nexilis and Kibing Group's plants, which commenced operations in early-4QFY23. These two plants are projected to contribute about 38,400 TEUs per annum to Suria. The volume of conventional cargoes is also expected to increase due to increased bulk oil volume following the completion of the new oil jetty at Sapangar Bay Oil Terminal (SBOT) by 2QFY24, as the existing jetty is nearing its maximum handling capacity. Container and conventional throughput are forecasted to increase by +7.0%yoy and +3.0%yoy respectively, this year.

**Downgrade to SELL.** Taking into account the higher amortisation expenses and updated full-year figures, we have lowered FY24F/FY25F earnings by -28%/-29% and downgraded it to a **SELL** rating. The stock is trading at a premium relative to both its own and the sector's 5-year mean. A key catalyst for the stock would be the long-awaited tariff revision, which has been approved in principle but has not yet been factored into our model.



## Downgrade to SELL

(Previously NEUTRAL)

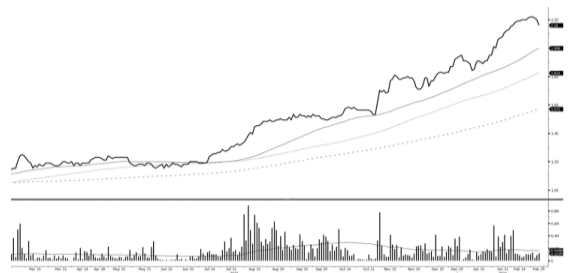
### Revised Target Price: RM1.60

(Previously RM1.70)

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> February 2024 (RM)	2.16
Expected share price return (%)	-25.9
Expected dividend yield (%)	+1.9
Expected total return (%)	-24.0

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.0	4.4
3 months	11.9	10.9
12 months	83.1	70.8

#### INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Operating revenue	241.3	260.8	272.8
EBIT	57.7	72.9	75.2
PBT	49.3	61.6	62.9
Core PATAMI	41.8	46.8	47.8
EPS (sen)	10.1	13.5	13.8
DPS (sen)	4.5	4.1	4.1
Dividend yield (%)	2.1%	1.9%	1.9%

#### KEY STATISTICS

FBM KLCI	1,551.44
Issue shares (m)	345.82
Estimated free float (%)	41.67
Market Capitalisation (RM'm)	746.97
52-wk price range	RM1.17 - RM2.22
3-mth average daily volume (m)	0.16
3-mth average daily value (RM'm)	0.32
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Yayasan Sabah	3.67
icapital.biz	3.44

**SURIA CAPITAL: 4Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
<b>Income Statement</b>								
Operating revenue	65.7	62.0	95.4	6.0%	-31.1%	248.2	270.8	-8.3%
EBIT	6.6	19.4	-40.2	-66.1%	116.4%	71.3	55.0	29.6%
Finance cost	-2.1	-2.1	38.0	-0.2%	-105.6%	-8.4	-9.0	6.4%
PBT	2.1	18.1	0.7	-88.5%	181.9%	56.1	49.8	12.6%
Tax expense	-1.7	-5.0	5.3	65.5%	-132.6%	-14.3	-4.7	-208.1%
PATAMI	-2.0	13.9	9.0	-114.5%	-122.4%	34.9	48.9	-28.5%
Core PATAMI	0.3	13.1	6.1	-97.4%	-94.4%	41.8	45.2	-7.5%
EBIT margin (%)	10.0%	31.3%	-42.1%			28.7%	20.3%	
PBT margin (%)	3.2%	29.2%	0.8%			22.6%	18.4%	
Core PATAMI margin (%)	0.5%	21.1%	6.4%			16.8%	16.7%	
Effective tax rate (%)	-83.6%	-27.9%	722.1%			-25.6%	-9.3%	

**SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS**

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
<b>Revenue</b>								
Port operations	63.5	60.3	65.2	5.3%	-2.6%	241.3	235.8	2.4%
Property development	0.9	0.4	29.0	132.0%	-96.8%	1.8	29.0	-93.8%
Logistics and bunkering services	0.4	0.4	0.4	9.5%	22.8%	1.7	1.4	18.3%
Contract and engineering and ferry terminal operations	1.3	1.4	0.9	-8.2%	53.4%	5.1	5.3	-3.8%
<b>Operating Profit</b>								
Port operations	-2.4	15.0	-5.2	-116.2%	52.9%	45.1	37.8	19.4%
Property development	2.4	5.5	11.4	-57.2%	-79.3%	8.0	19.0	-57.6%
Logistics and bunkering services	0.2	0.2	0.1	25.0%	65.5%	0.9	0.6	36.2%
Contract and engineering and ferry terminal operations	0.9	0.3	-1.6	237.7%	159.4%	1.0	-1.4	171.3%
<b>Operational Statistics</b>								
Container volume (TEU)	110,182	111,546	111,585	-1.2%	-1.3%	428,313	449,485	-4.7%
Conventional volume (m MT)	5.7	5.4	5.7	5.6%	0.0%	21.7	23.2	-6.5%

Source: Suria Capital, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
Operating revenue	205.3	237.2	241.3	260.8	272.8
EBIT	66.3	76.0	57.7	72.9	75.2
PBT	58.6	67.0	49.3	61.6	62.9
PATAMI	39.5	59.1	34.9	46.8	47.8
Core PATAMI	50.2	45.2	41.8	46.8	47.8
EPS (sen)	11.4	17.1	10.1	13.5	13.8
PER (x)	18.9x	12.6x	21.4x	16.0x	15.6x
DPS (sen)	3.8	4.0	4.5	4.1	4.1
Dividend yield (%)	1.8%	1.9%	2.1%	1.9%	1.9%

Note: Operating revenue excludes revenue from construction services for concession infrastructure.

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
Concession assets	802.2	717.2	693.8	719.3	684.2
PPE	56.7	70.8	72.1	99.2	98.9
<b>Non-current assets</b>	<b>1,085.3</b>	<b>1,106.3</b>	<b>1,080.9</b>	<b>1,133.4</b>	<b>1,098.0</b>
Trade debtors	122.0	29.0	32.7	35.3	36.9
Cash	79.9	114.4	131.5	229.8	368.9
<b>Current assets</b>	<b>313.8</b>	<b>300.8</b>	<b>342.9</b>	<b>460.3</b>	<b>612.4</b>
Long-term debt	10.4	59.3	67.9	219.3	299.3
<b>Non-current liabilities</b>	<b>201.3</b>	<b>259.8</b>	<b>219.5</b>	<b>370.9</b>	<b>450.9</b>
Trade creditors	37.1	40.5	84.9	72.9	76.2
Short-term debt	0.1	6.6	8.8	6.6	6.6
<b>Current liabilities</b>	<b>65.8</b>	<b>76.6</b>	<b>114.3</b>	<b>100.0</b>	<b>103.3</b>
Share capital	358.8	358.8	358.8	358.8	358.8
Retained earnings	773.6	712.2	731.5	764.3	797.8
<b>Equity</b>	<b>1,132.1</b>	<b>1,070.6</b>	<b>1,090.0</b>	<b>1,122.7</b>	<b>1,156.2</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
PBT	58.2	67.0	49.3	61.6	62.9
Depreciation & amortisation	48.6	59.0	65.9	66.3	67.6
Changes in working capital	-8.5	-21.6	-17.8	-25.8	-9.7
<b>Operating cash flow</b>	<b>74.5</b>	<b>83.3</b>	<b>74.7</b>	<b>87.3</b>	<b>105.7</b>
Capital expenditure	-35.2	-57.3	-34.5	-31.8	-32.3
<b>Investing cash flow</b>	<b>-45.7</b>	<b>-111.7</b>	<b>-50.3</b>	<b>-31.8</b>	<b>-32.3</b>
Debt raised/(repaid)	-7.7	55.5	12.3	80.0	80.0
Dividends paid	-13.1	-8.3	-15.6	-14.0	-14.3
<b>Financing cash flow</b>	<b>-35.0</b>	<b>57.1</b>	<b>-4.7</b>	<b>66.0</b>	<b>65.7</b>
<b>Net cash flow</b>	<b>-6.2</b>	<b>28.7</b>	<b>19.7</b>	<b>121.5</b>	<b>139.1</b>
<b>Beginning cash flow</b>	<b>65.7</b>	<b>59.9</b>	<b>88.6</b>	<b>108.3</b>	<b>229.8</b>
<b>Ending cash flow</b>	<b>59.5</b>	<b>88.6</b>	<b>108.3</b>	<b>229.8</b>	<b>368.9</b>

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
EBIT margin	30.7%	28.1%	23.2%	27.2%	26.9%
PBT margin	27.1%	24.7%	19.9%	23.0%	22.5%
PATAMI margin	18.3%	21.8%	14.1%	17.5%	17.1%
Core PATAMI margin	23.2%	16.7%	16.8%	17.5%	17.1%

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 <i>rise</i> 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 <i>fall</i> 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