

Suria Capital Holdings Berhad

(6521 | SURIA MK) Main | Transportation & Logistics

Kota Kinabalu Mixed Commercial Project JV Inked

Maintain SELL
Unchanged Target Price: RM1.60

KEY INVESTMENT HIGHLIGHTS

- **Formalising the development of Jesselton Docklands 1 Project**
- **Entitled to at least 18% of the estimated NDV of RM1.0b**
- **Estimated development period of 6 years**
- **No changes to earnings estimates**
- **Maintain SELL with an unchanged TP of RM1.60**

JV inked for Kota Kinabalu mixed commercial project. Suria Capital Holdings Berhad (Suria) has entered into a Joint Development Agreement 1 ("JDA 1") with Jesselton Docklands 1 Sdn Bhd ("JD 1") for the development of approximately 2.543 hectares of land ("Land 1") within the Kota Kinabalu Port area. Back in Feb-24, Suria revealed a partnership with BEDI Development (a 75%-owned unit of EXSIM Development Sdn Bhd) to develop two plots of land spanning 14.23 hectares in Kota Kinabalu. This collaboration resulted in the establishment of JD 1 and Jesselton Docklands 2 Sdn Bhd, aimed at executing an integrated mixed commercial project valued at RM4.20b.

Background on Jesselton Docklands 1 Project. The Jesselton Docklands 1 Project ("JD 1 Project"), the foundation of the Docklands development, involves three phases:

1. Phase 1: A 3-floor commercial shop lots, 1-floor mixed-retail spaces, 7-floor office tower and two 25-floor commercial suites towers.
2. Phase 2: A 2-floor shop lots and a single 29-floor commercial suites tower.
3. Phase 3: A 2-floor shop lots, 7-floor hotel tower and 21-floor commercial services suites tower.

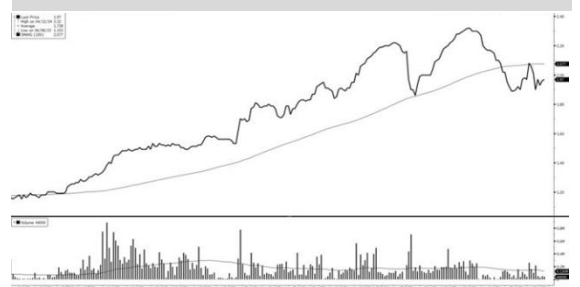
Suria's proposed entitlement. Suria's proposed entitlement for the JD 1 Project stands at a minimum of RM180.0m, constituting 18% of the estimated NDV of RM1.0b. This entitlement is to be met with RM45.0m in cash and RM135.0m in in-kind payment, which could include hotel, retail units, car parks, and/or other commercial components, to be provided before JD 1 proceeds with its sale. Suria will also receive any surplus entitlement if the realised NDV for Land 1 surpasses RM1.0b. This excess entitlement, if applicable, will be fulfilled through in-kind payment, such as retail units, parking spaces, or other commercial components on Land 2. s

Maintain SELL. No changes were made to our earnings estimates. The development plan for the JD 1 Project is contingent upon obtaining the necessary approvals and is anticipated to have a development period of 6 years. The stock trades at +1.5 SD above its 5-year historical mean, suggesting a profit-taking opportunity. The awaited tariff revision could serve as a catalyst, which has yet to be factored into our analysis.

RETURN STATISTICS

Price @ 5 th June 2024 (RM)	1.97
Expected share price return (%)	-18.8
Expected dividend yield (%)	+2.3
Expected total return (%)	-16.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.3	-5.9
3 months	-11.3	0.8
12 months	61.5	38.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Operating revenue	301.2	315.7	327.7
EBIT	80.6	83.3	85.6
PBT	69.3	71.1	73.8
Core PATAMI	52.6	54.0	56.1
EPS (sen)	15.2	15.6	16.2
DPS (sen)	4.6	4.7	4.9
Dividend yield (%)	2.3%	2.4%	2.5%

KEY STATISTICS

FBM KLCI	1,608.53
Issue shares (m)	345.82
Estimated free float (%)	36.68
Market Capitalisation (RM'm)	681.27
52-wk price range	RM1.18 - RM2.32
3-mth average daily volume (m)	0.13
3-mth average daily value (RM'm)	0.28
Top Shareholders (%)	
Warisan Harta Sdn Bhd	45.40
Yayasan Sabah	4.37
icapital.biz	3.67

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Operating revenue	237.2	241.3	301.2	315.7	327.7
EBIT	76.0	57.7	80.6	83.3	85.6
PBT	67.0	49.3	69.3	71.1	73.8
PATAMI	59.1	34.9	52.6	54.0	56.1
Core PATAMI	48.9	34.9	52.6	54.0	56.1
EPS (sen)	17.1	10.1	15.2	15.6	16.2
PER (x)	11.5x	19.5x	12.9x	12.6x	12.2x
DPS (sen)	4.0	4.5	4.6	4.7	4.9
Dividend yield (%)	2.0%	2.3%	2.3%	2.4%	2.5%

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

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Concession assets	717.2	693.8	719.3	684.2	647.9
PPE	70.8	72.1	99.2	98.9	98.4
Non-current assets	1,106.3	1,080.9	1,133.4	1,098.0	1,061.2
Trade debtors	29.0	32.7	40.6	42.5	44.1
Cash	114.4	131.5	235.2	378.7	436.1
Current assets	300.8	342.9	475.4	632.5	701.8
Long-term debt	59.3	67.9	219.3	299.3	289.3
Non-current liabilities	259.8	219.5	370.9	450.9	440.9
Trade creditors	40.5	84.9	83.9	87.8	91.1
Short-term debt	6.6	8.8	6.6	6.6	6.6
Current liabilities	76.6	114.3	111.0	115.0	118.2
Share capital	358.8	358.8	358.8	358.8	358.8
Retained earnings	712.2	731.5	768.4	806.2	845.4
Equity	1,070.6	1,090.0	1,126.8	1,164.6	1,203.9

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	67.0	49.3	69.3	71.1	73.8
Depreciation & amortisation	59.0	65.9	66.3	67.6	69.0
Changes in working capital	-21.6	-17.8	-24.6	-9.6	-8.7
Operating cash flow	83.3	74.7	94.4	112.0	116.3
Capital expenditure	-57.3	-34.5	-31.8	-32.3	-32.1
Investing cash flow	-111.7	-50.3	-31.8	-32.3	-32.1
Debt raised/(repaid)	55.5	12.3	80.0	80.0	-10.0
Dividends paid	-8.3	-15.6	-15.8	-16.2	-16.8
Financing cash flow	57.1	-4.7	64.2	63.8	-26.8
Net cash flow	28.7	19.7	126.8	143.5	57.4
Beginning cash flow	59.9	88.6	108.3	235.2	378.7
Ending cash flow	88.6	108.3	235.2	378.7	436.1

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	28.1%	23.2%	26.1%	25.8%	25.6%
PBT margin	24.7%	19.9%	22.5%	22.0%	22.0%
PATAMI margin	21.8%	14.1%	17.1%	16.7%	16.7%
Core PATAMI margin	18.1%	14.1%	17.1%	16.7%	16.7%

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