

# Bintulu Port Holdings

## Samalaju Industrial Port Drives Growth

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BIPORT's 9MFY22 results beat our forecast (due to stronger-than-expected performance by Samalaju Industrial Port) but missed market expectations. We like BIPORT for the steady income stream from handling LNG cargoes and the growth potential of Samalaju Industrial Port. We raise FY22-23F net profit forecasts by 9-3% respectively, lift TP by 2% to RM6.00 (from RM5.90), and maintain our OUTPERFORM call.

**Above our forecast.** 9MFY22 core profit of RM92m came in above our expectation at 85% of our full-year forecast but missed market expectations at only 70% of the full-year consensus estimate. The key variance against our forecast came largely from higher-than-expected topline growth at Samalaju Industrial Port of 25% YoY during 9MFY22 (vs. our full-year FY22F assumption of 21%), we believe, due to stronger inbound and outbound cargoes from heavy industries in the hinterland driven by strong demand for their products amidst production curbs in Europe on the back of an energy crisis.

It declared a third interim NDPS of 3.0 sen in 3QFY22 (unchanged from 3QFY21), bringing 9MFY22 NDPS to 11.0 sen (vs. 9.0 sen in 9MFY21).

**YoY**, 9MFY22 revenue rose 9% driven by: (i) a 6% revenue growth at Bintulu Port, and (ii) a 25% revenue growth at Samalaju Industrial Port.

In terms cargo type, the LNG segment was slightly weaker due to a slowdown in LNG exports to China amidst intermittent lockdowns as well as a hiccup in Sabah volume output due to a pipeline leak, while the non-LNG segment (comprising dry bulk, break bulk, liquid bulk and containerised cargoes) grew stronger driven by the plantation sector (import of fertiliser, export of palm products) and heavy industries in Samalaju Industrial Park (import of alumina, coal and coke, export of aluminium and manganese).

9MFY22 core net profit rose significantly higher by 39%, boosted by margin expansion driven by growing cargoes handled at Samalaju Industrial Port. To recap, Samalaju Industrial Port commands better margins given its much higher tariffs vs. those of Bintulu Port. These were partially offset by: (i) higher fuel cost, (ii) a slight increase in staff cost (due to the upward revision in the minimum wage that benefited 21% of its total workforce), and (iii) a higher effective tax rate at 29.5% vs. 28.0%.

**QoQ**, 3QFY22 revenue rose 2% with stronger revenue from Samalaju Industrial Port (+12%) alleviated the weaker Bintulu Port contribution (-2%) from the slower LNG volume from Malaysia LNG Sdn. Bhd. due to recent lockdowns in China as well as the Sabah pipeline leak that happened towards end-September 2022. Effective tax rate was higher at 36.1% vs. 24.2% from higher recognition of prosperity tax. 3QFY22 core net profit still rose by a larger 29% due to margin expansion with growing cargoes handled at Samalaju Industrial Port.

We like BIPORT for: (i) the steady income stream from handling LNG cargoes for Malaysia LNG Sdn Bhd (that typically makes up close to 50% of its total profits), (ii) it could be poised for a step-up in earnings if Bintulu Port is granted a significant hike in its port tariffs, and (iii) the tremendous growth potential of Samalaju Industrial Port backed by rising investment in heavy industries in Samalaju Industrial Park.

## OUTPERFORM ↔

**Price:** RM4.90  
**Target Price:** RM6.00 ↑

**Expected Capital Gain:** RM1.10 22%  
**Expected Divd. Yield:** RM0.15 3%  
**Expected Total Gain:** RM1.25 25%

**KLCI Index** 1,443.50

### Stock Information

Bloomberg Ticker	BPH MK Equity
Bursa Code	5032
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	460.0
Market Cap (RM m)	2,254.0
Par value per share (RM)	N/A
52-week range (H)	5.60
52-week range (L)	4.60
Free Float	9%
Beta	0.2
3-mth avg daily vol	5,466

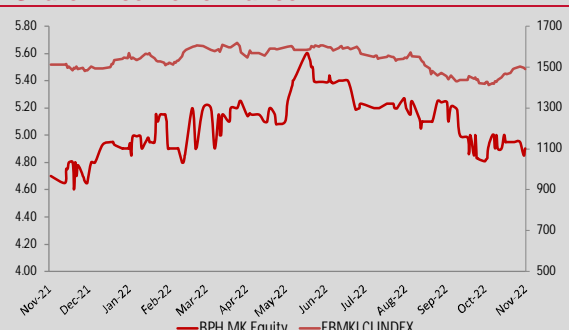
### Major Shareholders

Petroleum Nasional Berhad	28.5%
State Financial Secretary	26.7%
Equisar Asset Sdn Bhd	13.0%

### Summary Earnings Table

FY Dec (RM m)	2021A	2022F	2023F
Revenue	735.3	792.3	849.8
EBIT	185.9	213.5	253.2
PBT	126.3	162.0	197.4
<b>Net Profit</b>	<b>363.2</b>	<b>118.3</b>	<b>144.1</b>
<b>Core Net Profit</b>	<b>98.7</b>	<b>118.3</b>	<b>144.1</b>
Consensus (NP)	-	132.0	136.0
Earnings Revision	-	+9%	+3%
Core EPS (sen)	21.5	25.7	31.3
Core EPS growth (%)	5.8	19.9	21.8
NDPS (sen)	12.0	14.8	17.4
BVPS (RM)	3.67	3.78	3.92
PER (x)	22.8	19.1	15.6
PBV (x)	1.3	1.3	1.2
Net Gearing (x)	NCash	NCash	NCash
Net Div. Yield (%)	2.4	3.0	3.5

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	1.9%	-6.7%	4.3%
Relative (%)	-1.0%	-6.1%	6.0%

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**Forecasts.** We raise our F22-23F net profit forecasts by 9-3% respectively as we now assume FY22-23F top line growth of 28-9% for Samalaju Industrial Port (from 21-8% previously). We lift our DCF-derived TP by 2% to RM6.00 (WACC: 5.8%; TG: 2%) from RM5.90. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3). Maintain **OUTPERFORM**.

**Risks to our call include:** (i) inability of Bintulu Port to secure an adequate port tariff hike to offset escalating operating cost, and (ii) a global recession hurting heavy industries in Samalaju Industrial Park.

### Results Highlights

FY Dec (RM m)	3QFY22	2QFY22	QoQ	3QFY21	YoY	9MFY22	9MFY21	YoY
<b>Revenue</b>	<b>199.1</b>	<b>194.5</b>	<b>2%</b>	<b>172.7</b>	<b>15%</b>	<b>591.7</b>	<b>542.1</b>	<b>9%</b>
EBIT	57.0	42.3	35%	40.2	42%	167.8	137.7	22%
PBT	44.8	29.4	52%	24.9	80%	130.5	92.2	42%
Tax Expense	(16.2)	(7.1)	N/A	(3.1)	N/A	(38.5)	(25.8)	N/A
<b>Net Profit (NP)</b>	<b>28.7</b>	<b>22.3</b>	<b>29%</b>	<b>21.8</b>	<b>32%</b>	<b>92.0</b>	<b>66.4</b>	<b>39%</b>
<b>CNP</b>	<b>28.7</b>	<b>22.3</b>	<b>29%</b>	<b>21.8</b>	<b>32%</b>	<b>92.0</b>	<b>66.4</b>	<b>39%</b>
NDPS (sen)	3.0	3.0		3.0		11.0	9.0	
EBIT Margin	28.6%	21.7%		23.3%		28.4%	25.4%	
PBT Margin	22.5%	15.1%		14.4%		22.1%	17.0%	
CNP Margin	14.4%	11.5%		12.6%		15.6%	12.2%	
Effective Tax Rate	36.1%	24.2%		12.6%		29.5%	28.0%	
<b>Segmental Revenue</b>	<b>3QFY22</b>	<b>2QFY22</b>	<b>QoQ</b>	<b>3QFY21</b>	<b>YoY</b>	<b>9MFY22</b>	<b>9MFY21</b>	<b>YoY</b>
-Port Operation	189.6	188.0	1%	163.7	16%	568.6	518.8	10%
-Bulking Services	13.7	10.6	30%	13.4	3%	35.4	35.6	0%
-Others	(4.2)	(4.0)	5%	(4.3)	-2%	(12.3)	(12.2)	1%
<b>Total Revenue</b>	<b>199.1</b>	<b>194.5</b>	<b>2%</b>	<b>172.8</b>	<b>15%</b>	<b>591.7</b>	<b>542.1</b>	<b>9%</b>
<b>Revenue by Port</b>								
-Bintulu	141.8	145.4	-2%	125.0	13%	433.6	407.5	6%
-Samalaju Industrial	44.3	39.5	12%	35.4	25%	125.6	100.2	25%
-Adjustment	3.5	3.1	13%	3.3	7%	9.3	11.2	-16%
<b>Port Operation</b>	<b>189.6</b>	<b>188.0</b>	<b>1%</b>	<b>163.7</b>	<b>16%</b>	<b>568.6</b>	<b>518.8</b>	<b>10%</b>
<b>Segmental Profit</b>								
-Port Operation	45.2	29.4	54%	19.2	135%	129.4	79.5	63%
-Bulking Services	6.6	1.5	334%	6.3	5%	12.3	13.9	-12%
-Others	(6.9)	(1.5)	>100%	(0.6)	>100%	(11.1)	(1.3)	>100%
<b>Total Profit</b>	<b>44.9</b>	<b>29.4</b>	<b>53%</b>	<b>24.9</b>	<b>80%</b>	<b>130.5</b>	<b>92.2</b>	<b>42%</b>

Source: Company, Kenanga Research

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BINTULU PORT HOLDINGS BHD	OP	4.90	6.00	22.45%	2,254.0	Y	12/2022	25.7	31.3	19.9%	21.8%	19.1	15.6	1.3	6.9%	14.8	3.0%
POS MALAYSIA BHD	UP	0.590	0.490	-16.95%	461.9	Y	12/2022	(10.0)	(6.2)	-140.3%	-161.7%	N.A.	N.A.	0.6	-9.9%	-	-
SWIFT HAULAGE BHD	OP	0.450	1.01	124.44%	453.8	Y	12/2022	6.4	7.2	29.7%	12.4%	7.0	6.2	0.6	8.7%	2.0	4.4%
WESTPORTS HOLDINGS BHD	MP	3.45	3.40	-1.45%	11,014.3	Y	12/2022	17.2	19.8	-20.2%	15.4%	20.1	17.4	3.6	18.3%	12.9	3.7%
<b>Simple Average</b>								<b>4.5</b>	<b>7.0</b>	<b>-43.6%</b>	<b>-44.6%</b>	<b>13.5</b>	<b>11.8</b>	<b>1.6</b>	<b>5.7%</b>		<b>4.1%</b>

Source: Kenanga Research

### Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	☆		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★			
SPECIFIC	Marine Life Protection	★	★	☆		
	Clean Energy	★	★	★		
	Occupational Health and Safety	★	★	★	★	
	Cyber Security	★	★	★	★	
	Safety Record	★	★	☆		
	Customer Data Protection	★	★	★	★	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations\*\***

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\* The Expected Total Return might contain rounding discrepancy****\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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