

01 June 2023

Bintulu Port Holdings

No China Reopening Cheer

By Wan Mustaqim | wanmustaqim@kenanga.com.my

BIPORT's 1QFY23 results disappointed on a slowdown in cargo volume at Samalaju Industrial Port as China's reopening failed to significantly lift the demand for aluminium and manganese. On a brighter note, LNG shipments remained strong on brisk exports to Japan and South Korea. We cut our FY23-24F earnings forecasts by 19% each, reduce our TP by 8% to RM5.55 (from RM6.00) but maintain our OUTPERFORM call.

1QFY23 core net profit of RM22.5m disappointed, coming in at only 16% each of both our full-year forecast and the full-year consensus estimate. The key variance against our forecast came largely from a weaker-than-expected cargo volume handled at Samalaju Industrial Port, we believe particularly, inbound and outbound cargoes from key customers, i.e. PMETAL (OP: TP: RM5.74) and OMH (OP; TP: RM2.95). It declared a first interim NDPS of 3.0 sen (ex-date: 13 Jul; payment date: 02 Aug 2023) in 1QFY23 vs. 5.0 sen paid in 1QFY22, below expectation.

Results' highlights. 1QFY23 revenue fell 5% YoY and 6% QoQ, mainly dragged by a weak top line contribution from Samalaju Industrial Port (-23% YoY, -16% QoQ), we believe, due to weaker cargo volumes from key customers, i.e. PMETAL and OMH, partially mitigated by stable revenue growth at Bintulu Port.

LNG cargo volume grew 7% YoY on stronger demand from Japan and South Korea. On the other hand, the non-LNG segment (comprising dry bulk, break bulk, liquid bulk and containerised cargoes) was negatively impacted by lower plantation activities (import of fertiliser, export of palm products) due to labour shortages and weaker inbound and outbound cargoes (import of alumina, coal and coke, export of aluminium and manganese) from heavy industries in Samalaju Industrial Park.

Core net profit fell by a larger magnitude of 45% YoY and 14% QoQ largely due to the volume contraction at the more profitable Samalaju Industrial Port (vs. Bintulu Port) given the higher port tariffs it enjoyed (vs. Bintulu Port). Not helping either, were: (i) the higher fuel cost, (ii) the increase in staff cost (annual bonus payment), and (iii) a higher effective tax rate at 29% vs. 27% in 1QFY22 and 25% in 4QFY22.

Forecasts. We cut our FY23-24F earnings forecasts by 19% each as we moderate our non-LNG cargo volume assumptions by 11% to 24.5m in FY23F and 26.0m in FY24F.

Consequently, we reduce our DCF-derived TP by 8% to RM5.55 (WACC: 5.8%; TG: 2%) from RM6.00. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

Outlook. We acknowledge that contrary to expectations, China's reopening has not significantly lifted the demand for aluminium and manganese. Consequentially, the inbound and outbound cargo volumes from Samalaju Industrial Port key customers, i.e. PMETAL and OMH, have not seen strong growth. However, we believe its key customers have an edge over their peers in the international market because their products are low-carbon footprint in nature given the hydro power input. Also, as it stands today, the Western countries still have outstanding sanctions on Russian aluminium (that makes up c.6% of world aluminium production) and hence will have to look for alternative sources of aluminium supply.

OUTPERFORM ↔

Price: **RM5.00**
Target Price: **RM5.55** ↓

Expected Capital Gain: **RM0.55** 11%
Expected Divd. Yield: **RM0.13** 3%
Expected Total Gain: **RM0.68** 14%

KLCI Index 1,387.12

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)	2,300.0
Par value per share (RM)	N/A
52-week range (H)	5.60
52-week range (L)	4.77
Free Float	8%
Beta	0.3
3-mth avg daily vol	6,265

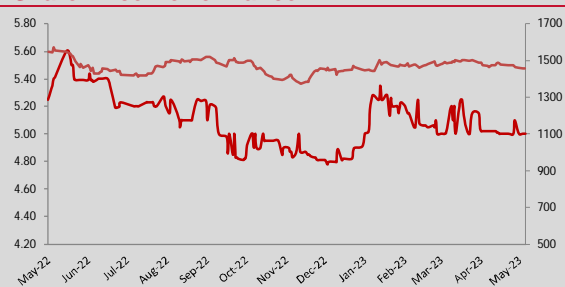
Major Shareholders

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

Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Revenue	793.1	812.1	868.8
EBIT	226.4	206.9	207.7
PBT	178.0	161.5	171.9
Net Profit	127.7	116.3	118.6
Core Net Profit	118.2	116.3	118.6
Consensus (NP)	-	139.0	142.5
Earnings Revision	-	-19%	-19%
Core EPS (sen)	25.7	25.3	25.8
Core EPS growth (%)	19.8	-1.6	2.0
NDPS (sen)	14.0	13.0	13.0
BVPS (RM)	3.81	3.94	4.06
PER (x)	19.5	19.8	19.4
PBV (x)	1.3	1.3	1.2
Net Gearing (x)	N.cash	N.cash	N.cash
Net Div. Yield (%)	2.8	2.6	2.6

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-0.4%	-3.8%	-4.8%
Relative (%)	1.6%	0.8%	5.3%

01 June 2023

We continue to like BIPORT for: (i) its steady income stream from handling LNG cargoes for Malaysia LNG Sdn Bhd (that typically makes up close to 50% of its total profit), (ii) it could potentially enjoy 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. 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

FYE Dec (RM m)	1QFY23	4QFY22	QoQ	1QFY22	YoY	1QFY23	1QFY22	YoY
Revenue	188.3	201.4	-6%	198.1	-5%	188.3	198.1	-5%
EBIT	60.6	57.2	6%	68.6	-12%	60.6	68.6	-12%
PBT	31.6	47.5	-33%	56.2	-44%	31.6	56.2	-44%
Tax Expense	(9.2)	(11.8)	N/A	(15.2)	N/A	(9.2)	(15.2)	N/A
Net Profit (NP)	22.5	35.7	-37%	41.1	-45%	22.5	41.1	-45%
CNP	22.5	26.2	-14%	41.1	-45%	22.5	41.1	-45%
NDPS (sen)	3.0	3.0		5.0		3.0	5.0	
EBIT Margin	32.2%	28.4%		34.6%		32.2%	34.6%	
PBT Margin	16.8%	23.6%		28.4%		16.8%	28.4%	
CNP Margin	11.9%	13.0%		20.7%		11.9%	20.7%	
Effective Tax Rate	29.0%	24.9%		27.0%		29.0%	27.0%	
Segmental Revenue	1QFY23	4QFY22	QoQ	1QFY22	YoY	1QFY23	1QFY22	YoY
-Port Operation	180.2	190.1	-5%	191.0	-6%	180.2	191.0	-6%
-Bulking Services	11.5	15.4	-25%	11.1	4%	11.5	11.1	4%
-Others	(3.4)	(4.1)	-17%	(4.1)	-16%	(3.4)	(4.1)	-16%
Total Revenue	188.3	201.4	-6%	198.1	-5%	188.3	198.1	-5%
Revenue by Port								
-Bintulu	145.3	148.7	-2%	146.4	-1%	145.3	146.4	-1%
-Samalaju Industrial	32.4	38.6	-16%	41.9	-23%	32.4	41.9	-23%
-Adjustment	2.5	2.8	-11%	2.7	-8%	2.5	2.7	-8%
Port Operation	180.2	190.1	-5%	191.0	-6%	180.2	191.0	-6%
Segmental Profit								
-Port Operation	32.1	43.6	-26%	54.8	-41%	32.1	54.8	-41%
-Bulking Services	4.1	4.9	-15%	4.2	-1%	4.1	4.2	-1%
-Others	(4.6)	(1.0)	361%	(2.7)	67%	(4.6)	(2.7)	67%
Total Profit	31.6	47.5	-33%	56.2	-44%	31.6	56.2	-44%

Source: Company, Kenanga Research

01 June 2023

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.
Stocks Under Coverage																	
BINTULU PORT HOLDINGS BHD	OP	5.00	5.55	11.00%	2,300.0	Y	12/2023	25.3	25.8	-1.6%	2.0%	19.8	19.4	1.3	6.5%	13.0	2.6%
POS MALAYSIA BHD	UP	0.540	0.420	-22.22%	422.7	Y	12/2023	(9.2)	(2.6)	-171.1%	-127.8%	N.A.	N.A.	0.5	-9.1%	0.0	0.0%
SWIFT HAULAGE BHD	OP	0.450	0.970	115.56%	396.5	Y	12/2023	6.1	6.9	-4.7%	13.1%	7.4	6.5	0.6	8.0%	2.0	4.4%
WESTPORTS HOLDINGS BHD	MP	3.78	3.65	-3.44%	12,889.8	Y	12/2023	20.6	21.7	9.3%	5.5%	18.3	17.4	3.7	20.9%	15.5	4.1%
SECTOR AGGREGATE					4,002.2					-42.0%	-26.8%	15.2	14.4	1.5	6.6%	7.6	2.8%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Port Service Quality & Safety	★	★	★		
	Cybersecurity & Data Privacy	★	★	★	★	
	Customer Experience	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	
	Effluent & Water Management	★	★	★		
OVERALL		★	★	★		

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

01 June 2023

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.**

This report has been prepared by Kenanga Investment Bank Berhad pursuant to the Research Incentive Program under Bursa Research Incentive Scheme ("Bursa RISE") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

The reports will be made available on <https://www.bursamarketplace.com/>