

31 May 2024

Bintulu Port Holdings

A Strong Start to FY24

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BIPORT's 1QFY24 results beat expectations. Its 1QFY24 core net profit doubled YoY driven by strong cargo volumes and lower finance cost and tax. We raise our FY24-25F net profit forecasts by 20% and 7%, respectively, lift our TP by 7% to RM6.30 (from RM5.90) but maintain our MARKET PERFORM call.

BIPORT's 1QFY24 core net profit beat expectations at 38% and 36% of our full-year forecast and the full-year consensus estimate, respectively. The key variance against our forecast came largely from lower-than-expected finance cost and reduced effective tax rate under an interim lease arrangement (from July 23 to Dec 2024) for Bintulu Port.

It declared an interim NDPS of 3 sen, on track to meet our full-year forecast of 15.7 sen.

YoY, BIPORT's 1QFY24 revenue rose 11% driven by recovery in both Bintulu Port (+9%) due to the recovery in LNG demand from China (which started in 4QFY23), and Samalaju Industrial Port (+22%) from a pick-up in cargo volumes from key customers, i.e. **PMETAL (OP; TP: RM6.35)** and **OMH (OP; TP: RM1.80)**. Its LNG cargo volume rose 8% driven by stronger LNG demand from China, Japan and South Korea. On the other hand, the non-LNG segment (comprising dry bulk, break bulk, liquid bulk and containerised cargoes) rose 16% driven by the recovery in plantation throughput (i.e. the import of fertilisers, the export of palm products) as well as higher inbound and outbound cargoes from heavy industries in Samalaju Industrial Park (i.e. the import of alumina, coal and coke, the export of aluminium and manganese).

Its core net profit doubled on lower finance cost and reduced effective tax rate under an interim lease arrangement (from July 23 to Dec 2024) for Bintulu Port.

QoQ, BIPORT's 1QFY24 revenue decreased by 4% on weaker top line performance from both Bintulu Port (-1%) due to the seasonally lower LNG demand, and Samalaju Industrial Port (-3%) on reduced cargo volumes from key customers, i.e. **PMETAL** and **OMH**.

Its core net profit, however, rose by a steeper 16% on lower operating expenses from improved port efficiency.

Forecasts. We raise our FY24-25F net profit forecasts by 20% and 7%, respectively.

Valuations. Correspondingly, we raise our DCF-derived TP by 7% to RM6.30 from RM5.90 (WACC: 5.5%; TG: 2%). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Outlook. The LNG cargo throughput at Bintulu Port will remain stable with sustained demand from Japan and South Korea and signs of green shoots of recovery from China. Meanwhile, there has been a pick-up in inbound and outbound cargo volumes at Samalaju Industrial Port from its key customers, i.e. **PMETAL** and **OMH**. We believe its key customers have an edge over their peers in the international market as their products have low-carbon footprint given the hydro power input. Also, as it stands today, 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.

MARKET PERFORM ↔

Price: RM6.25
Target Price: RM6.30 ↑

Expected Capital Gain: RM0.10 2%
Expected Divd. Yield: RM0.12 2%
Expected Total Gain: RM0.22 4%

KLCI Index 1,604.26

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)	2,875.0
Par value per share (RM)	N/A
52-week range (H)	6.50
52-week range (L)	4.80
Free Float	8%
Beta	0.2
3-mth avg. daily vol.	6,136

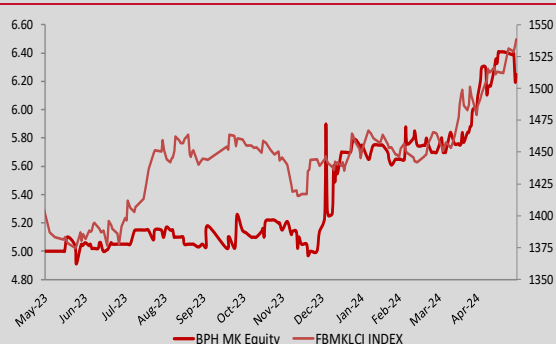
Major Shareholders

Petroleum Nasional Berhad	28.5%
State Financial Secretary	26.7%
Equisar Asset Sdn Bhd	15.0%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	769.8	865.4	968.0
EBIT	195.3	204.3	227.9
PBT	158.9	184.7	192.9
Net Profit	125.1	142.8	149.1
Core Net Profit	117.3	142.8	149.1
Consensus (NP)	-	124.5	150.5
Earnings Revision	-	+20%	+7%
Core EPS (sen)	25.5	31.0	32.4
Core EPS (%)	-0.8	21.7	4.5
NDPS (sen)	12.0	15.7	16.4
BVPS (RM)	3.97	4.12	4.28
PER (x)	24.5	20.1	19.3
PBV (x)	1.6	1.5	1.5
Net Gearing (x)	N.cash	N.cash	N.cash
Net Div. Yield (%)	1.9	2.5	2.6

Share Price Performance



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Meanwhile, Bintulu Port Authority (BPA) is in the process of transferring its control from the Federal government to the Sarawak government. Concurrently, Bintulu Port is under an interim lease agreement until Dec 2024 pending the completion of the handover of BPA control.

Investment case. 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) a potential 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 **MARKET PERFORM**.

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)	1QFY24	4QFY23	QoQ	1QFY23	YoY	1QFY24	1QFY23	YoY
Revenue	209.0	217.5	-4%	188.3	11%	209.0	188.3	11%
EBIT	64.9	27.8	133%	60.6	7%	64.9	60.6	7%
Interest Income	8.7	9.3	-6%	7.6	15%	8.7	7.6	15%
Interest Expenses	(15.8)	9.0	-277%	(36.5)	-57%	(15.8)	(36.5)	-57%
EI	0.0	7.8		0.0		0.0	0.0	
PBT	57.9	53.9	7%	31.6	83%	57.9	31.6	83%
Tax Expense	(13.2)	(7.6)		(9.2)		(13.2)	(9.2)	
Net Profit (NP)	44.7	46.3	-4%	22.5	99%	44.7	22.5	99%
Core Net Profit (CNP)	44.7	38.5	16%	22.5	99%	44.7	22.5	99%
NDPS (sen)	3.0	3.0		3.0		3.0	3.0	
EBIT Margin	31.1%	12.8%		32.2%		31.1%	32.2%	
PBT Margin	27.7%	24.8%		16.8%		27.7%	16.8%	
CNP Margin	21.4%	17.7%		11.9%		21.4%	11.9%	
Effective Tax Rate	22.7%	14.1%		29.0%		22.7%	29.0%	
Segmental Revenue	1QFY24	4QFY23	QoQ	1QFY23	YoY	1QFY24	1QFY23	YoY
-Port Operation	198.5	204.1	-3%	180.2	10%	198.5	180.2	10%
-Bulking Services	10.5	13.3	-22%	11.5	-9%	10.5	11.5	-9%
-Others	0.0	0.0	-100%	(3.4)	-100%	0.0	(3.4)	-100%
Total Revenue	209.0	217.5	-4%	188.3	11%	209.0	188.3	11%
Revenue by Port								
-Bintulu	158.7	161.0	-1%	145.3	9%	158.7	145.3	9%
-Samalaju Industrial	39.5	40.5	-3%	32.4	22%	39.5	32.4	22%
-Adjustment	0.3	2.6	-89%	2.5	-89%	0.3	2.5	-89%
Port Operation	198.5	204.1	-3%	180.2	10%	198.5	180.2	10%
Segmental Profit								
-Port Operation	56.7	47.0	21%	32.1	77%	56.7	32.1	77%
-Bulking Services	4.1	6.5	-36%	4.1	0%	4.1	4.1	0%
-Others	(3.0)	0.5	-731%	(4.6)	-36%	(3.0)	(4.6)	-36%
Total Profit	57.9	53.9	7%	31.6	83%	57.9	31.6	83%

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.
Stocks Under Coverage																	
BINTULU PORT HOLDINGS BHD	MP	6.25	6.30	0.8%	2,875.0	Y	12/2024	31.0	32.4	21.7%	4.4%	20.1	19.3	1.5	7.7%	15.7	2.5%
POS MALAYSIA BHD	UP	0.490	0.330	-32.7%	383.6	Y	12/2024	(11.5)	(6.7)	-161.5%	-158.3%	N.A.	N.A.	0.9	-19.0%	0.0	0.0%
SWIFT HAULAGE BHD	MP	0.580	0.510	-12.1%	516.1	Y	12/2024	5.1	5.5	-10.3%	7.1%	11.4	10.6	0.7	6.3%	1.7	2.9%
WESTPORTS HOLDINGS BHD	MP	4.06	3.80	-6.4%	13,844.6	Y	12/2024	23.4	24.5	2.5%	4.6%	17.3	16.6	3.7	22.1%	17.6	4.3%
SECTOR AGGREGATE					38,022.5					116.5%	13.9%	22.1	19.4	1.4	2.9%		1.8%

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

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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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