DP World eyeing a stake in Sabah Ports

BY **JOSE BARROCK**

Suria Capital Holdings Bhd, whose majority shareholder is the Sabah government, is in talks to sell a stake in its wholly-owned subsidiary Sabah Ports Sdn Bhd, sources say.

Two separate sources confirm that Suria Cap is in negotiations with DP World PLC, a global port terminal operator based in Dubai.

In an email response to queries from *The Edge*, Suria Cap would only say, "We do have enquiries from a couple of foreign interests looking for possible investment opportunities in Suria group."

DP World's answer to questions from *The Edge* was a flat, "We don't comment on any market speculation."

Sabah Ports has a 30-year concession that commenced in 2004 to manage and operate eight ports in the state, providing berthing, handling and cargo facilities to users. The ports under its purview are Kota Kinabalu Port, Sapangar Bay Container Port, Sapangar Bay Oil Terminal and Kudat Port, all located on the west coast of Sabah, while Sandakan Port, Tawau Port, Lahad Datu Port and Kunak Port on the east coast are also in Suria Cap's stable.

Sabah Ports' jewel in the crown is Sapangar Bay Container Port, which has taken over container operations from Kota Kinabalu Port and is being positioned as the transshipment hub for the Brunei Darussalam-Indonesia-Malaysia-Philippines East Asean Growth Area.

It is noteworthy that an expansion of Sapangar Bay Container Port, which, among other things, aims to increase the length of its berths from 500m to 850m, is slated to be completed by 2023.

The federal government, under Barisan Nasional rule, had in the past approved a RM1.1 billion allocation through the Sabah Economic Development Investment Authority to transform Sapangar Bay into a transshipment hub.

While details are scarce, Suria Cap is understood to be looking to part with only a small stake of 10% in Sabah Ports, sources say.

The latest available financial accounts show that in FY2017 ended Dec 31, Sabah Ports registered a profit after tax of RM45.08 million on revenue of RM327.35 million. It paid RM15 million in dividends to Suria Cap in 2017, making it clear that it is the latter's core earnings contributor.

In FY2017, Suria Cap posted a profit after tax of RM48.92 million, which was equivalent to 93% of Sabah Ports' profit after tax. The latter also contributed almost 98% to Suria Cap's revenue.

Judging from the financial figures, Suria Cap's other divisions — property development, renewable energy, and railway and ferry operations, among others — do not generate as much earnings for the company as the port operations.

In the first three months of FY2019, Suria Cap registered a net profit of RM15.68 million on sales of RM69.32 million. In the notes accompanying its financials, the company says, "In the current quarter and year to date, the port operations segment contributed 90% to the group's revenue and 81% to profit before tax."

Some RM1.1 billion has been allocated to transform Sapangar Bay into a transshipment hub

On its prospects, Suria Cap says, "Port operations will continue to be the core business of the group. The board is of the view that the port operations will remain resilient and continue to contribute positive results to the group in the financial year."

As at March 31, 2019, Suria Cap had investment securities of RM66.67 million and cash balance of RM57.98 million compared with short-term borrowings of RM66.25 million and long-term debt of RM253,000.

It is not known what a giant like DP World would want with Sabah Ports.

Last year, the Sabah-based port operator handled 386,786 TEUs (twenty-foot equivalent units) — up 9.5% from 353,161 TEUs in 2017. By comparison, DP World handled 71.4 million TEUs across its global portfolio of container terminals last year with gross container volume growing 1.9% year on year. Its Asia-Pacific and Indian subcontinent terminals saw a container throughput of 32.9 million TEUs last year.

In a nutshell, DP World operates in 40 countries, serving 70,000 vessels a year and moving 19,000 containers a day. It recorded a profit of US$1.29 billion on revenue of US$5.6 billion last year.

DP World runs Saigon Premier Container Terminal, which is located on the western shore of the Soai Rap River, some 16km from Ho Chi Minh City, in partnership with state-owned Tan Thuan Industrial Promotion Co, but it deals mainly in cars.

In the Philippines, the company owns 17.32% of Asian Terminals Inc, which operates diversified ports, including container cargo, general, bulk and break-bulk cargo, as well as passengers.

Among the ports under Asian Terminals are Manila South Harbor, Port of Batangas, Inland Clearance Depot and Port of General Santos.

Asian Terminals has a market capitalisation of about US$846.3 million.

In Indonesia, DP World has a 49% stake in PT Terminal Petikemas Surabaya, which is located on the northern shore of eastern Java. The remaining 51% is controlled by PT Pelabuhan Indonesia III, which is the regional port authority.

So, a stake in Sabah Ports could be a strategic piece of the DP World jigsaw puzzle. E