

02 May 2018 | Corporate Update

Westports Holdings Berhad

Acquiring Pulau Indah land for terminal expansion

INVESTMENT HIGHLIGHTS

- **Successful in bid to buy land from PKNS**
- **Acquisition worth RM116.2m to be satisfied by cash**
- **Positive on the acquisition plan for terminal expansion**
- **No material impact on financial health**
- **Maintain BUY with unchanged TP of RM3.85 per share**

Successful bid from PKNS. On 3 April 2018, Westports received a letter of offer from Perbadanan Kemajuan Negeri Selangor (PKNS) for the proposed acquisition of a piece of leasehold land under the sea in Pulau Indah with the size of 154.2ha or 381 acres. Westports has accepted the offer on 30 April 2018 and would execute the proposed acquisition for a total purchase consideration of RM116.2m.

Details of proposed acquisition. The proposed acquisition will be satisfied entirely by cash obtained from internally generated funds and bank borrowings. The payment for RM116.2m proposed acquisition will be made in five equal payments worth RM23.2m each with the earliest one to be paid by 2 May 2018 and the last on 2 January 2019.

Rationale of proposed acquisition. To recall, Westports received an Approval-in-Principle from the government to expand its container terminal facilities from CT10 to CT19 in August 2017. Therefore the proposed acquisition provides additional land acreage for new wharfs and container yard space to facilitate operations of CT10-CT19 in the future. The proposed land can only be utilised after reclamation is done. The first phase of reclamation works for CT10-CT12 is expected to begin in FY19 assuming that CT9 Phase 2 has been completed in FY18. Overall, the expansion plan could take place for the next 10 years.

Our view. We view the proposed acquisition to be positive as it signals some form of feasibility of the undergoing studies for the CT10-CT19 terminal expansion plans. With the payment for the proposed acquisition to be done in stages, we reckon that it will not have a material impact on Westports' day-to-day operations and financial health as the company generated a net operating cash flow of RM54m in 1QFY18. Meanwhile as of 31 March 2018, Westports has a cash pile of RM306.6m and borrowings from its Sukuk Musharakah Medium Term Note (SMTN) programme worth RM1.5b which translates to a net debt-to-equity ratio of 0.56x.

Maintain BUY

Unchanged Target Price (TP):RM3.85

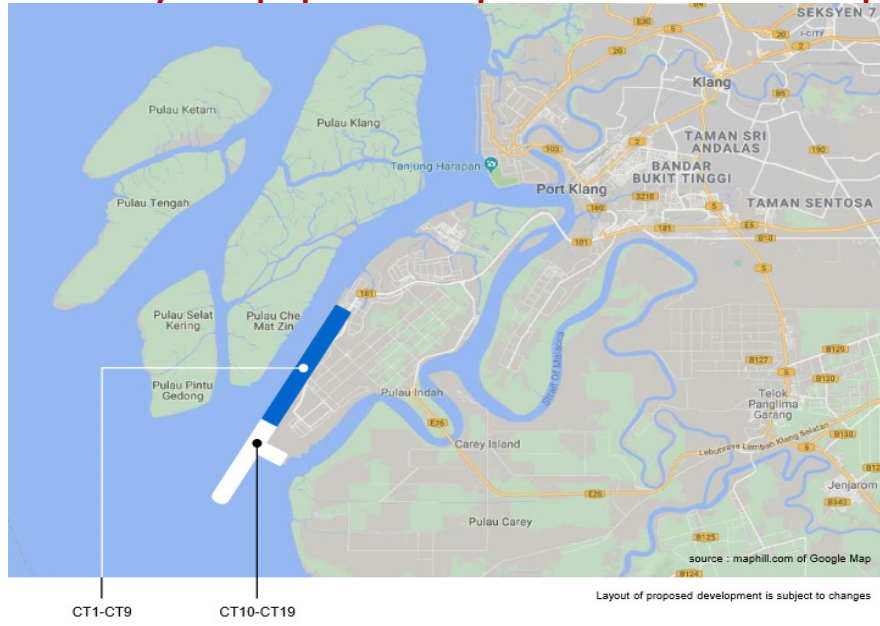
RETURN STATS

Price (30 April 2018)	RM3.34
Target Price	RM3.85
Expected Share Price Return	+15.3%
Expected Dividend Yield	+4.2%
Expected Total Return	+19.5%


STOCK INFO

KLCI	1,870.37
Bursa / Bloomberg	5246/ WPRTS MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	3,410.0
Market cap. (RM'm)	11,389.40
Price over NA	5.35
52-wk price Range	RM3.12 - RM4.06
Beta (against KLCI)	0.42
3-mth Avg Daily Vol	1.25m
3-mth Avg Daily Value	RM4.04m
Major Shareholders (%)	
PRSB	42.4
South Port Invest Hldgs Ltd	23.6
EPF	10.4

Table 1: Layout of proposed development of CT10-CT19 in Westports



Source: Company

Maintain BUY with unchanged TP of RM3.85 per share based on DCF valuation (terminal growth:1.9%,WACC:8.5%). Westports is currently trading at a forward FY18 price-to-earnings ratio of 19.5x which is justified by: (i) a dividend yield of 4.2%; and (ii) manageable net gearing of 0.56x. Overall, we favour Westports due to; (i) its strength in gateway container volume; (ii) the intra-Asia containerised trade which is expected to grow at 5.1%yoy in 2018; and (iii) its attractive tariffs compared to Port of Tanjung Pelepas and Ports of Singapore. Moreover, the expansion plans for CT10-CT19 that is expected to increase Westport's capacity to 30m TEUs per annum by~2030. This would allow Westports' to compete more effectively against Ports of Singapore which has plans to raise capacity from circa 45m TEU to 65m TEU by 2027. 

INVESTMENT STATISTICS

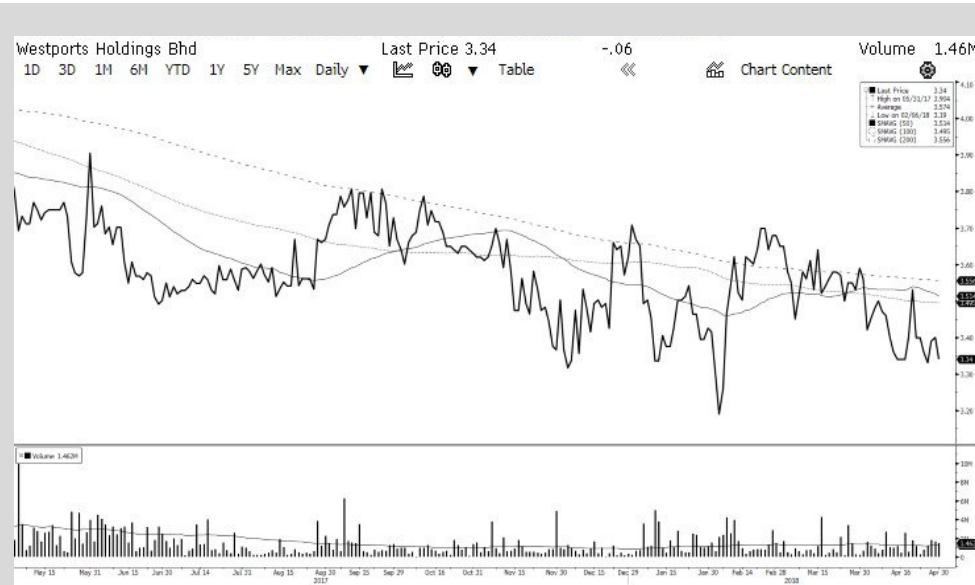
FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue* (RM' m)	1,681.8	2,035.0	2,088.6	2,315.0	2,394.4
Core Revenue (RM' m)	1,542.1	1,767.1	1,715.6	1,915.0	1,994.4
EBIT (RM' m)	713.9	819.0	744.7	844.3	869.8
Pretax Profit (RM' m)	650.1	754.8	676.9	769.3	807.5
Net Profit (RM' m)	504.9	637.0	651.5	584.6 ⁺	613.7
EPS (sen)	14.8	18.7	19.1	17.1	18.0
EPS growth (%)	-1.4	26.4	2.2	-10.3	5.0
PER (x)	22.6	17.9	17.5	19.5	18.6
Net Dividend (sen)	11.0	14.0	14.3	14.0	14.0
Net Dividend Yield (%)	3.3	4.2	4.3	4.2	4.2

Source: MIDFR, Company

*Excluding IC12

+ Investment tax allowance expired in 2017

DAILY PRICE CHART



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Source: Bloomberg

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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.