



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Maintain BUY

Volume Boosted by Repositioned Empties

Unchanged Target Price: RM3.90


KEY INVESTMENT HIGHLIGHTS

- **2QFY23 earnings came in within expectation**
- **Empty containers contributed +9% and +6% to gateway and transshipment container volumes respectively**
- **Conventional volume eased due to lower break bulk throughput**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM3.90**

Within expectation. Westports Holdings Berhad (Westports) posted a core PAT of RM194.8m in 2QFY23, bringing its 1HFY23 core PAT to RM373.9m. This came in within our expectation, meeting 53%/52% of our/consensus full-year estimate. The Group has also declared a dividend of 8.19 sen per share, consistent with its 75% payout policy.

Quarterly. In 2QFY23, 29.0% (2QFY22: 26.5%) of the container volume handled comprised empty boxes repositioned to China. Excluding this, the volume of gateway containers increased by +10.0%yoy, whereas transshipment volume experienced a decline. Profit margins improved considerably on a year-on-year basis on the back of easing of fuel costs, lower finance costs following the repayment of Sukuk (totalling RM125.0m as of Jun-23) and the 10-year investment tax allowance. Sequentially, core PAT was up by +8.8%qoq due to higher container volume (+5.9%qoq), partially offsetting a -12.5%qoq decline in conventional volume from lower break bulk throughput.

Outlook. The growth in gateway container volume is expected to be resilient, bolstered by competitive local exports and foreign direct investments (FDIs). However, there remains a potential risk of a weakening demand for transshipment containers as elevated inflationary pressures and interest rates are eroding the purchasing power of Western consumers. On a positive note, negotiations for the expansion of Westports 2 are moving forward, paving the way for the concession agreement to be signed in 2HCY23.

Maintain BUY. We made no changes to our earnings estimates as the results were in line. We maintain our **BUY** call on the stock as the share price has recently fallen. It is trading at a -21% discount to its 5-year historical mean and offers a decent dividend yield of +4.4%. However, we hold a negative bias on Westports due to the challenging global trade outlook, which could impact its core transshipment business. Our TP remains unchanged at **RM3.90** (WACC: 8%, g: 2%). Key downside risks are: (i) weaker-than-expected container throughput and (ii) inflationary pressures on operating costs. 

RETURN STATISTICS

Price @ 27 th July 2023 (RM)	3.49
Expected share price return (%)	+11.7
Expected dividend yield (%)	+4.3
Expected total return (%)	+16.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.0	-6.2
3 months	-4.1	-3.5
12 months	-0.6	2.2

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,051.6	2,133.2	2,183.0
EBIT	938.3	1,003.6	1,031.4
PBT	903.5	985.5	1,012.5
Core PATAMI	704.8	768.7	789.7
Core EPS (RM)	0.21	0.23	0.23
DPS (RM)	0.15	0.16	0.17
Dividend yield (%)	4.3%	4.7%	4.8%

KEY STATISTICS

FBM KLCI	1,451.27
Issue shares (m)	3,410.0
Estimated free float (%)	9.5
Market Capitalisation (RM'm)	11,900.9
52-wk price range	RM3.04 - RM3.88
3-mth average daily volume (m)	1.53
3-mth average daily value (RM'm)	5.64
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.4
South Port Investment Holdings	23.6
Employees Provident Fund	9.1

WESTPORTS: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Income Statement								
Operational revenue	520.9	503.2	511.0	3.5%	1.9%	1,024.1	1,027.3	-0.3%
EBITDA	324.0	309.0	300.0	4.9%	8.0%	633.0	629.0	0.6%
Depreciation & amortisation	63.8	64.1	67.3	-0.5%	-5.2%	126.9	132.4	-4.2%
EBIT	260.2	244.9	232.7	6.2%	11.8%	506.1	496.6	1.9%
Finance income	2.3	2.8	2.8	-16.7%	-17.8%	5.1	5.5	-7.7%
Finance costs	-12.2	-13.6	-15.8	10.6%	23.0%	-25.8	-32.7	21.1%
Share of results of JV	3.5	2.5	-0.05	40.2%	>100%	6.0	-0.8	889.7%
PBT	253.9	236.9	219.9	7.2%	15.4%	490.7	468.7	4.7%
Tax expense	-59.1	-53.3	-57.7	-10.9%	-2.5%	-112.4	-154.5	27.3%
PAT	194.8	183.6	162.3	6.1%	20.0%	378.4	314.1	20.4%
Core PAT	194.8	179.1	162.2	8.8%	20.1%	373.9	313.9	19.1%
Core EPS (sen)	5.7	5.3	4.8	8.8%	20.1%	11.0	9.2	19.1%
EBIT margin	50.0%	48.7%	45.5%			49.4%	48.3%	
PBT margin	48.7%	47.1%	43.0%			47.9%	45.6%	
Effective tax rate	-23.3%	-22.5%	-26.2%			-22.9%	-33.0%	
Core PAT margin	37.4%	35.6%	31.7%			36.5%	30.6%	

OPERATIONAL REVENUE & COST

Revenue	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Container	452.0	435.0	441.0	3.9%	2.5%	887.0	893.0	-0.7%
Conventional	33.0	34.0	39.0	-2.9%	-15.4%	67.0	74.0	-9.5%
Marine	22.0	22.0	18.0	0.0%	22.2%	43.0	35.0	22.9%
Rental	14.0	13.0	12.0	7.7%	16.7%	26.0	25.0	4.0%
Total Revenue	521.0	504.0	511.0	3.4%	2.0%	1,024.0	1,027.0	-0.3%
Cost								
Workforce	-72.0	-72.0	-66.0	0.0%	-9.1%	-144.0	-134.0	-7.5%
Depreciation	-51.0	-51.0	-52.0	0.0%	1.9%	-101.0	-103.0	1.9%
Fuel	-36.0	-38.0	-59.0	5.3%	39.0%	-75.0	-99.0	24.2%
M&R	-23.0	-22.0	-20.0	-4.5%	-15.0%	-45.0	-39.0	-15.4%
Electricity	-16.0	-14.0	-13.0	-14.3%	-23.1%	-30.0	-25.0	-20.0%
Others	12.0	-12.0	-14.0	200.0%	185.7%	-24.0	-29.0	17.2%
Total Cost	-210.0	-209.0	-226.0	-0.5%	7.1%	-419.0	-429.0	2.3%

THROUGHPUT VOLUME

Container (m TEU)	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Transshipment	1.58	1.52	1.55	3.9%	1.9%	3.09	2.97	4.0%
Gateway	1.12	1.03	0.94	8.7%	19.1%	2.15	1.91	12.6%
	2.70	2.55	2.49	5.9%	8.4%	5.24	4.88	7.4%
Intra-Asia	1.73	1.61	1.50	7.5%	15.3%	3.34	3.05	9.5%
Asia-Europe	0.40	0.39	0.47	2.6%	-14.9%	0.80	0.84	-4.8%
Asia-Australasia	0.21	0.24	0.24	-12.5%	-12.5%	0.46	0.49	-6.1%
Asia-America	0.21	0.18	0.19	16.7%	10.5%	0.39	0.35	11.4%
Asia-Africa	0.09	0.07	0.05	28.6%	80.0%	0.16	0.09	77.8%
Others	0.06	0.05	0.03	20.0%	100.0%	0.10	0.07	42.9%
Conventional (m MT)	2.53	2.89	2.80	-12.5%	-9.6%	5.42	5.46	-0.7%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,022.0	2,069.0	2,051.6	2,133.2	2,183.0
EBIT	1,101.3	996.2	938.3	1,003.6	1,031.4
PBT	1,039.5	943.9	882.8	957.6	984.4
PAT	808.2	699.6	688.6	746.9	767.8
Core PAT	777.1	670.8	688.6	746.9	767.8
EPS (RM)	0.23	0.20	0.20	0.22	0.23
PER (x)	15.3x	17.7x	17.3x	15.9x	15.5x
DPS (RM)	0.18	0.14	0.15	0.16	0.17
Dividend yield (%)	5.1%	4.1%	4.3%	4.7%	4.8%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	1,727.2	1,775.8	1,704.4	1,693.2	1,675.7
Non-current assets	4,407.6	4,443.4	4,412.9	4,426.4	4,433.2
Receivables	296.3	210.1	308.2	320.7	328.3
Cash	656.0	552.1	832.5	1,146.2	1,169.1
Current assets	1,007.7	838.3	1,137.0	1,458.1	1,483.4
Long-term debt	975.0	850.0	975.0	1,100.0	925.0
Non-current liabilities	1,529.9	1,387.7	1,222.4	1,356.5	1,184.5
Short-term debt	175.0	125.0	125.0	125.0	175.0
Payables	146.6	195.3	163.9	164.9	167.9
Current liabilities	758.6	619.6	354.0	362.7	369.6
Share capital	1,038.0	1,038.0	1,038.0	1,038.0	1,038.0
Retained earnings	2,088.9	2,236.4	2,935.5	3,127.3	3,324.5
Equity	3,126.9	3,274.4	3,973.5	4,165.3	4,362.5

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	1,039.5	943.9	901.8	983.8	1,010.9
Depreciation & amortisation	230.3	258.2	290.2	304.0	318.3
Changes in working capital	1.9	34.9	36.3	10.4	7.5
Operating cash flow	1,100.6	898.9	1,029.9	1,081.8	1,114.4
Capital expenditure	-369.6	-250.0	-305.3	-317.6	-325.0
Investing cash flow	-471.3	-183.7	-305.3	-317.6	-325.0
Debt raised/(repaid)	-150.0	-175.0	125.0	125.0	-175.0
Dividends paid	-510.5	-552.1	-527.6	-575.5	-591.4
Financing cash flow	-753.2	-820.4	-402.6	-450.5	-766.4
Net cash flow	-123.9	-105.2	322.0	313.7	22.9
Beginning cash flow	739.2	615.3	510.6	832.5	1,146.2
Ending cash flow	615.3	510.6	832.5	1,146.2	1,169.1

Volume Assumptions (YoY Growth)	2021A	2022A	2023E	2024F	2025F
Container	-1.0%	-3.4%	2.1%	4.1%	2.2%
Transshipment	0.0%	-9.9%	1.0%	5.0%	2.0%
Gateway	-2.7%	8.8%	4.0%	2.5%	2.5%
Conventional	3.6%	7.6%	2.0%	2.0%	2.0%

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	54.5%	48.2%	45.7%	47.0%	47.2%
PBT margin	51.4%	45.6%	44.0%	46.2%	46.4%
PAT margin	40.0%	33.8%	34.4%	36.0%	36.2%
Core PAT margin	38.4%	32.4%	34.4%	36.0%	36.2%

Source: Bloomberg, MIDFR

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology