



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Maintain BUY

Surpassing Expectation

Revised Target Price: RM4.00
(Previously RM3.90)

KEY INVESTMENT HIGHLIGHTS

- **3QFY23 core PAT came in above expectation**
- **Gateway container volume continued to be robust**
- **The repositioning of empty containers has stabilised**
- **Upward revision of earnings by +10%/+13%/8%**
- **Maintain BUY with a revised TP of RM4.00**

Above expectation. Westports Holdings Berhad (Westports) reported a core PAT of RM194.5m in 3QFY23, resulting in a total core PAT of RM568.4m for 9MFY23. While this exceeds our initial projections, it is at the higher end of consensus' estimate representing 83%/79% of our/consensus full-year estimates.

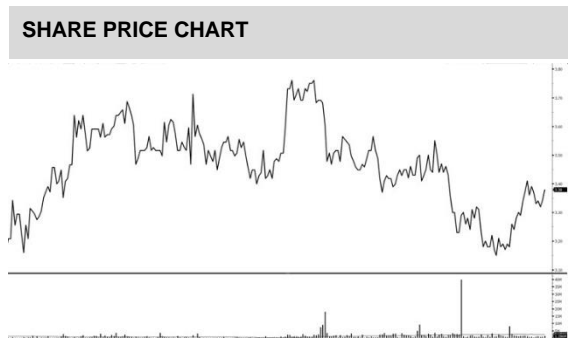
Quarterly. The gateway container volume reached a record high of 1.15m TEUs in 3QFY23, surpassing 2QFY23's record by +2.7%qoq. Transshipment container volume saw a +3.9%yoy increase, with empty container repositioning normalising at +2.0%yoy (2QFY23+ 6.0%yoy). Container revenue growth lagged its volume growth, primarily due to the levelling off of storage charges. Profit margins showed significant year-on-year improvement due to the reduction in fuel costs, decreased finance expenses resulting from the repayment of Sukuk, and the 10-year investment tax allowance. Sequentially, earnings remained flat (-0.1%qoq) despite a +2.6%qoq increase in container volume due to normalised value-added services (VAS) charges.

Outlook. Intra-Asia trade is expected to stay strong, while other trade routes are adjusting to manage excess shipping capacity from new buildings. Gateway container volume is expected to display resilience, driven by robust local exports and foreign direct investments (FDIs). Assuming no recession and limited monetary policy tightening in major economies, improved Western consumption patterns may drive increased interregional container movements. On a positive note, Westports 2 expansion received cabinet approval in 3QCY23, clearing the path for the concession agreement to be signed by end-4QCY23.

Maintain BUY. We have adjusted our earnings expectations to incorporate improved margins resulting from reduced fuel and overhead costs. Consequently, we have increased our earnings forecasts for FY23E/FY24F/FY25F by +10%/+13%/+8%. We continue to recommend a **BUY** rating for the stock, with the new DCF-derived TP set at **RM4.00** (from RM3.90) (WACC: 7.0%, g: 3%). The stock is currently trading at a -25% discount compared to its 5-year historical mean. Key risks to our call include: (i) weaker-than-expected container throughput and (ii) the continued appreciation of the USD which could exert pressure on fuel costs.



RETURN STATISTICS	
Price @ 9 th November 2023 (RM)	3.38
Expected share price return (%)	+18.3
Expected dividend yield (%)	+4.9
Expected total return (%)	+23.2



Price performance (%)	Absolute	Relative
1 month	6.6	5.4
3 months	4.6	-3.8
12 months	0.9	0.7

INVESTMENT STATISTICS			
FYE Dec	2023E	2024F	2025F
Revenue	2,153.8	2,242.3	2,310.6
EBIT	1,009.6	1,058.2	1,084.4
PBT	973.9	1,039.6	1,065.7
Core PATAMI	759.6	810.9	831.3
Core EPS (RM)	0.22	0.24	0.24
DPS (RM)	0.17	0.18	0.18
Dividend yield (%)	4.9%	5.3%	5.4%

KEY STATISTICS	
FBM KLCI	1,452.27
Issue shares (m)	3,410
Estimated free float (%)	9.44
Market Capitalisation (RM'm)	11,525.80
52-wk price range	RM3.15 - RM3.88
3-mth average daily volume (m)	2.42
3-mth average daily value (RM'm)	8.08
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund	9.16

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WESTPORTS: 3Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Income Statement								
Operational revenue	527.7	520.9	516.6	1.3%	2.2%	1,551.9	1,543.9	0.5%
EBITDA	326.0	324.0	299.0	0.6%	9.0%	959.0	928.0	3.3%
Depreciation & amortisation	65.6	63.8	66.6	2.8%	-1.6%	193.4	199.1	-2.8%
EBIT	260.4	260.2	232.4	0.1%	12.1%	765.6	728.9	5.0%
Net finance costs	-10.3	-9.9	-12.5	-4.6%	17.1%	-31.1	-39.7	21.7%
Share of results of JV	2.5	3.5	3.74	-27.1%	-31.9%	8.5	3.0	186.1%
PBT	252.4	253.9	224.0	-0.6%	12.7%	743.1	692.7	7.3%
Tax expense	-57.4	-59.1	-73.6	3.0%	22.1%	-169.8	-228.1	25.6%
PAT	195.0	194.8	150.4	0.1%	29.7%	573.4	464.5	23.4%
Core PAT	194.5	194.8	150.4	-0.1%	29.3%	568.4	464.3	22.4%
Core EPS (sen)	5.7	5.7	4.4	-0.1%	29.3%	16.7	13.6	22.4%
EBIT margin	49.3%	50.0%	45.0%			49.3%	47.2%	
PBT margin	47.8%	48.7%	43.4%			47.9%	44.9%	
Effective tax rate	-22.7%	-23.3%	-32.9%			-22.8%	-32.9%	
Core PAT margin	36.9%	37.4%	29.1%			36.6%	30.1%	

OPERATIONAL REVENUE & COST

Revenue	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Container	458	452	441	1.3%	3.9%	1,345	1,334	0.8%
Conventional	33	33	43	0.0%	-23.3%	100	118	-15.3%
Marine	24	22	20	9.1%	20.0%	67	55	21.8%
Rental	13	14	12	-7.1%	8.3%	40	37	8.1%
Total Revenue	528	521	517	1.3%	2.1%	1,552	1,544	0.5%
Cost	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Workforce	-72	-72	-66	0.0%	-9.1%	-216	-200	-8.0%
Depreciation	-51	-51	-52	0.0%	1.9%	-153	-154	0.6%
Fuel	-43	-36	-54	-19.4%	20.4%	-118	-153	22.9%
M&R	-23	-23	-20	0.0%	-15.0%	-68	-60	-13.3%
Electricity	-14	-16	-12	12.5%	-16.7%	-44	-37	-18.9%
Others	-13	12	-16	-208.3%	18.8%	-37	-45	17.8%
Total Cost	-217	-210	-221	-3.3%	1.8%	-635	-649	2.2%

THROUGHPUT VOLUME

Container (m TEU)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Transshipment	1.61	1.58	1.55	1.9%	3.9%	4.71	4.52	4.2%
Gateway	1.15	1.12	1.04	2.7%	10.6%	3.30	2.95	11.9%
	2.77	2.70	2.59	2.6%	6.9%	8.01	7.47	7.2%
Intra-Asia	1.83	1.73	1.65	5.8%	10.9%	5.19	4.71	10.2%
Asia-Europe	0.33	0.40	0.43	-17.5%	-23.3%	1.14	1.27	-10.2%
Asia-Australasia	0.23	0.21	0.24	9.5%	-4.2%	0.69	0.73	-5.5%
Asia-America	0.25	0.21	0.17	19.0%	47.1%	0.64	0.52	23.1%
Asia-Africa	0.09	0.09	0.05	0.0%	80.0%	0.25	0.14	78.6%
Others	0.04	0.06	0.03	-33.3%	33.3%	0.11	0.10	10.0%
Conventional (m MT)	2.73	2.53	3.41	7.9%	-19.9%	8.15	8.87	-8.1%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,022.0	2,069.0	2,153.8	2,242.3	2,310.6
EBIT	1,101.3	996.2	1,009.6	1,058.2	1,084.4
PBT	1,039.5	943.9	973.9	1,039.6	1,065.7
PAT	808.2	699.6	759.6	810.9	831.3
Core PAT	777.1	670.8	759.6	810.9	831.3
EPS (RM)	0.23	0.20	0.22	0.24	0.24
PER (x)	14.8x	17.2x	15.2x	14.2x	13.9x
DPS (RM)	0.18	0.14	0.17	0.18	0.18
Dividend Yield (%)	5.3%	4.3%	4.9%	5.3%	5.4%
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	1,727.2	1,775.8	1,699.5	1,682.8	1,660.0
Non-current assets	4,407.6	4,443.4	4,414.1	4,428.4	4,437.1
Receivables	296.3	210.1	323.8	337.4	347.8
Cash	656.0	552.1	864.4	1,193.7	1,231.6
Current assets	1,007.7	838.3	1,188.2	1,531.1	1,579.4
Long-term debt	975.0	850.0	975.0	1,100.0	925.0
Non-current liabilities	1,529.9	1,387.7	1,023.2	1,172.2	961.4
Short-term debt	175.0	125.0	125.0	125.0	175.0
Payables	146.6	195.3	167.2	172.7	179.2
Current liabilities	758.6	619.6	591.5	597.0	653.4
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	2,949.5	3,152.3	3,360.1
Equity	3,126.9	3,274.4	3,987.5	4,190.3	4,398.1
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	1,039.5	943.9	973.9	1,039.6	1,065.7
Depreciation & amortisation	230.3	258.2	304.3	319.6	335.6
Changes in working capital	1.9	34.9	55.3	15.9	13.7
Operating cash flow	1,100.6	898.9	1,119.2	1,146.5	1,180.5
Capital expenditure	-369.6	-250.0	-320.7	-334.0	-344.2
Investing cash flow	-471.3	-183.7	-320.7	-334.0	-344.2
Debt raised/(repaid)	-150.0	-175.0	125.0	125.0	-175.0
Dividends paid	-510.5	-552.1	-569.7	-608.2	-623.5
Financing cash flow	-753.2	-820.4	-444.7	-483.2	-798.5
Net cash flow	-123.9	-105.2	353.8	329.3	37.9
Beginning cash flow	739.2	615.3	510.6	864.4	1,193.7
Ending cash flow	615.3	510.6	864.4	1,193.7	1,231.6
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	54.5%	48.2%	46.9%	47.2%	46.9%
PBT margin	51.4%	45.6%	45.2%	46.4%	46.1%
PAT margin	40.0%	33.8%	35.3%	36.2%	36.0%
Core PAT margin	38.4%	32.4%	35.3%	36.2%	36.0%

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