



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Maintain BUY

Record Gateway Container Volume

Unchanged Target Price: RM4.30

KEY INVESTMENT HIGHLIGHTS

- **4QFY23 core PAT came in within our expectation**
- **Gateway container volume remained strong**
- **The quarterly VAS ratio has reverted to pre-pandemic levels**
- **No changes to forward earnings estimates**
- **Maintain BUY with an unchanged TP of RM4.30**

Within expectation. Westports Holdings Berhad (Westports) reported a core PAT of RM205.6m in 4QFY23, resulting in a total core PAT for FY23 of RM777.6m. This aligns with our expectation, representing 102%/97% of our/consensus full-year projections. Westports declared a second interim dividend of 8.72 sen, consistent with its 75% dividend payout policy.

Quarterly. The record-breaking gateway container volume of 1.23m TEUs in 4QFY23, up +7.0%qoq from 3QFY23's record, was supported by a competitive MYR, FDIs materialising into containerised exports, and festivities consumption. Meanwhile, transshipment container volume was driven by a +10%yoy increase in laden containers through repositioning. Container revenue growth trailed volume expansion as the value-added services (VAS) ratio returned to pre-pandemic levels. Core PAT remained flat at -0.4%yoy as 4QFY22 had a much lower effective tax rate due to the 10-year investment tax allowance on higher terminal operating equipment capex. Sequentially, earnings rose by +5.7%qoq, driven by increased volume and supported by the ITA.

Outlook. In the absence of a recession and the possibility of monetary policy easing in major economies, improved Western consumption may boost interregional container movements. Management affirms their guidance of a low single-digit container volume growth for this year, with our preliminary estimate at +4.0%yoy on a high base. The reported +9.0%yoy increase in container volume for Jan-24 was explained by the comparison to a low base in Jan-23. Concerning ship attacks in the Red Sea, we foresee a minimal impact on Westports, anticipating only potential delays in capturing volume due to rerouting rather than an actual loss in volume.

Maintain BUY. We maintain our forward earnings projections as the results are in line. We reiterate a **BUY** rating for the stock with an unchanged DCF-derived TP of **RM4.30** (WACC: 7.2%, g: 3.0%). The stock currently trades at a -20% discount compared to its 5-year historical mean. Key downside risks include: (i) weaker-than-expected container throughput and (ii) continued USD appreciation, potentially impacting fuel costs.



RETURN STATISTICS

Price @ 2 nd February 2024 (RM)	3.78
Expected share price return (%)	+13.8
Expected dividend yield (%)	+4.9
Expected total return (%)	+18.7

SHARE PRICE CHART



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	2023A	2024F	2025F
Revenue	2,088.6	2,262.7	2,652.5
Operating profit	1,037.5	1,108.4	1,203.3
PBT	1,006.2	1,069.2	1,158.6
Core PAT	777.6	844.6	915.3
Core EPS (RM)	0.23	0.25	0.27
DPS (RM)	0.17	0.19	0.20
Dividend yield (%)	4.5%	4.9%	5.3%

KEY STATISTICS

FBM KLCI	1,516.58
Issue shares (m)	Yes
Estimated free float (%)	3410.00
Market Capitalisation (RM'm)	9.27
52-wk price range	12,889.80
3-mth average daily volume (m)	RM3.15 - RM3.88
3-mth average daily value (RM'm)	0.64
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund	9.33

MIDF Research Team
research@midf.com.my

WESTPORTS: 4Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Income Statement								
Operational revenue	536.8	527.7	511.5	1.7%	5.0%	2,088.6	2,055.4	1.6%
EBITDA	337.0	326.0	286.0	3.4%	17.8%	1,296.0	1,215.0	6.7%
Depreciation & amortisation	-65.4	-65.6	-65.4	0.2%	0.0%	-258.9	-264.5	2.1%
EBIT	402.4	391.6	351.4	2.8%	14.5%	1,554.9	1,479.5	5.1%
Net finance costs	-10.6	-10.3	-12.6	-2.7%	15.6%	-41.7	-52.3	20.2%
Share of results of JV	2.0	2.5	0.31	-22.4%	528.3%	10.5	3.3	218.7%
PBT	263.1	252.4	251.3	4.3%	4.7%	1,006.2	943.9	6.6%
Tax expense	-57.0	-57.4	-16.2	0.6%	-251.4%	-226.8	-244.4	7.2%
PAT	206.1	195.0	235.0	5.7%	-12.3%	779.4	699.6	11.4%
Core PAT	205.6	194.5	206.5	5.7%	-0.4%	777.6	670.8	15.9%
Core EPS (sen)	6.0	5.7	6.1	5.7%	-0.4%	22.8	19.7	15.9%
EBIT margin	75.0%	74.2%	68.7%			74.4%	72.0%	
PBT margin	49.0%	47.8%	49.1%			48.2%	45.9%	
Effective tax rate	-21.7%	-22.7%	-6.5%			-22.5%	-25.9%	
Core PAT margin	38.3%	36.9%	40.4%			37.2%	32.6%	

OPERATIONAL REVENUE & COST

Revenue	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Container	460	458	440	0.4%	4.5%	1,805	1,774	1.7%
Conventional	39	33	37	18.2%	5.4%	139	155	-10.3%
Marine	24	24	21	0.0%	14.3%	91	76	19.7%
Rental	14	13	13	7.7%	7.7%	54	50	8.0%
Total Revenue	537	528	511	1.7%	5.1%	2,089	2,055	1.7%
Cost	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Workforce	-70	-72	-67	2.8%	-4.5%	-286	-267	-7.1%
Depreciation	-51	-51	-52	0.0%	1.9%	-203	-206	1.5%
Fuel	-46	-43	-48	-7.0%	4.2%	-164	-201	18.4%
M&R	-23	-23	-21	0.0%	-9.5%	-91	-81	-12.3%
Electricity	-14	-14	-12	0.0%	-16.7%	-59	-49	-20.4%
Others	-14	-13	-16	-7.7%	12.5%	-51	-61	16.4%
Total Cost	-218	-216	-216	-0.9%	-0.9%	-854	-865	1.3%

THROUGHPUT VOLUME

Container (m TEU)	Quarterly					Cumulatively		
	4Q23	3Q23	4Q22	QoQ	YoY	FY23	FY22	YoY
Transshipment	1.64	1.61	1.56	1.9%	5.1%	6.35	6.08	4.4%
Gateway	1.23	1.15	1.02	7.0%	20.6%	4.53	3.97	14.1%
	2.87	2.77	2.58	3.6%	11.2%	10.88	10.05	8.3%
Intra-Asia	1.90	1.83	1.63	3.8%	16.6%	7.10	6.33	12.2%
Asia-Europe	0.34	0.33	0.46	3.0%	-26.1%	1.48	1.73	-14.5%
Asia-Australasia	0.21	0.23	0.24	-8.7%	-12.5%	0.90	0.97	-7.2%
Asia-America	0.28	0.25	0.16	12.0%	75.0%	0.91	0.68	33.8%
Asia-Africa	0.08	0.09	0.06	-11.1%	33.3%	0.33	0.20	65.0%
Others	0.05	0.04	0.03	25.0%	66.7%	0.15	0.13	15.4%
Conventional (m MT)	3.45	2.73	3.25	26.4%	6.2%	11.60	12.12	-4.3%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	2,022.0	2,069.0	2,088.6	2,262.7	2,652.5
Operating profit	1,101.7	950.1	1,037.5	1,108.4	1,203.3
PBT	1,039.5	943.9	1,006.2	1,069.2	1,158.6
PAT	808.2	699.6	779.4	844.6	915.3
Core PAT	777.1	670.8	777.6	844.6	915.3
EPS (RM)	0.23	0.20	0.23	0.25	0.27
PER (x)	16.6x	19.2x	16.6x	15.3x	14.1x
DPS (RM)	0.18	0.14	0.17	0.19	0.20
Dividend Yield (%)	4.7%	3.8%	4.5%	4.9%	5.3%
Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
PPE	1,727.2	1,775.8	1,739.0	1,838.0	1,888.3
Non-current assets	4,407.6	4,443.4	4,454.9	5,304.0	5,579.9
Receivables	296.3	210.1	280.7	230.7	270.0
Cash	656.0	552.1	577.9	290.9	210.9
Current assets	1,007.7	838.3	884.3	521.6	480.9
Long-term debt	975.0	850.0	725.0	1,150.0	1,275.0
Non-current liabilities	1,529.9	1,387.7	1,203.0	1,504.2	1,484.8
Short-term debt	175.0	125.0	125.0	125.0	125.0
Payables	146.6	195.3	159.0	184.4	210.1
Current liabilities	758.6	619.6	616.1	641.5	667.3
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	2,482.1	2,641.9	2,870.7
Equity	3,126.9	3,274.4	3,520.1	3,679.9	3,908.7
Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	1,039.5	943.9	1,006.2	1,069.2	1,158.6
Depreciation & amortisation	230.3	237.8	258.9	258.5	275.6
Changes in working capital	1.9	34.9	-89.9	-33.5	58.1
Operating cash flow	1,100.6	898.9	994.6	1,069.6	1,248.9
Capital expenditure	-369.6	-246.0	-226.8	-855.4	-767.5
Investing cash flow	-471.3	-183.7	-213.2	-855.4	-767.5
Debt raised/(repaid)	-150.0	-175.0	-125.0	175.0	125.0
Dividends paid	-510.5	-552.1	-533.7	-633.5	-686.5
Financing cash flow	-753.2	-820.4	-756.7	-458.5	-561.5
Net cash flow	-123.9	-105.2	24.6	-244.3	-80.1
Beginning cash flow	739.2	615.3	510.6	535.2	290.9
Ending cash flow	615.3	510.6	535.2	290.9	210.9
Profitability Margins	2021A	2022A	2023A	2024F	2025F
EBIT margin	54.5%	45.9%	49.7%	49.0%	45.4%
PBT margin	51.4%	45.6%	48.2%	47.3%	43.7%
PAT margin	40.0%	33.8%	37.3%	37.3%	34.5%
Core PAT margin	38.4%	32.4%	37.2%	37.3%	34.5%

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