



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Maintain BUY

Gateway Volume Set to Sustain Year-Long Growth

Unchanged Target Price: RM4.30


KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core PAT came in within expectation**
- **Highest gateway to transshipment ratio on record**
- **Strong breakbulk volume boosts conventional revenue despite volume decline**
- **No changes to forward earnings estimates**
- **Maintain BUY with an unchanged TP of RM4.30**

Within expectations. In 1QFY24, Westports Holdings Berhad (Westports) disclosed a core PAT of RM204.5m. These figures are in line with what we anticipated, constituting 24%/25% of our/consensus full-year estimates.

Quarterly. The increase in gateway volume (+16.5%yoy) outweighed the weaker transshipment volume (-2.6%yoy) in 1QFY24. The port experienced its highest gateway-to-transshipment ratio ever, at 45:55. Container revenue (+8.0%yoy) outpaced the overall volume growth (+4.7%yoy) due to the higher charges for handling gateway containers. Meanwhile, conventional revenue (+2.9%yoy) grew despite an overall volume decline (-4.5%yoy), buoyed by strong breakbulk volume, which commands higher rates than liquid bulk. Consequently, core PATAMI increased by +14.2%yoy. Sequentially, despite seasonal volume declines, the marginal revenue growth was supported by factors mentioned earlier.

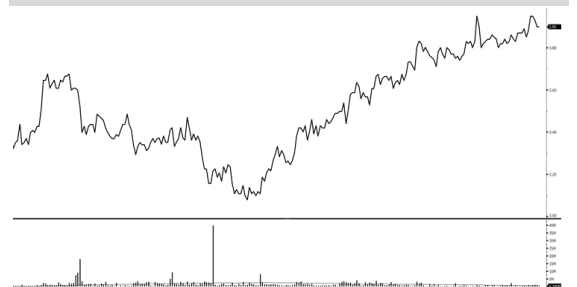
Outlook. The trend of a higher gateway-to-transshipment ratio (exceeding 40% compared to the historical 30%), is expected to continue throughout the year due to the operations of FDI's established last year. This is expected to benefit Westports through higher charges for gateway containers. Our expectation remains unchanged with a forecast of +4.2%yoy overall container volume growth for FY24. Intra-Asia's regional trade is expected to drive overall volume growth, while Asia-Europe's volume may experience slight disruption as liners opt for the longer route around the Cape of Good Hope. The terminal experienced fluctuations in its utilisation in certain weeks due to disruptions in shipping schedules and vessel bunching, but this should normalise over time.

Maintain BUY. We maintain our forward earnings projections as the results align with expectations. We reaffirm a **BUY** rating for the stock with an unchanged DCF-derived target price of **RM4.30** (WACC: 7.2%, g: 3.0%). The stock is currently trading at 14.5x FY25F EPS, or -1.5 SD from its 5-year 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 May 2024 (RM)	3.90
Expected share price return (%)	+10.3
Expected dividend yield (%)	+4.8
Expected total return (%)	+15.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.6	-1.3
3 months	1.6	-1.8
12 months	10.5	-1.1

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	2,262.8	2,652.2	2,747.5
Operating profit	1,097.3	1,192.5	1,234.4
PBT	1,067.8	1,158.5	1,184.8
Core PAT	843.6	915.2	936.0
Core EPS (RM)	0.25	0.27	0.27
DPS (RM)	0.19	0.20	0.21
Dividend yield (%)	4.8%	5.2%	5.3%

KEY STATISTICS

FBM KLCI	1,580.30
Issued shares (m)	3410.00
Estimated free float (%)	9.39
Market Capitalisation (RM'm)	13,299.00
52-wk price range	RM3.15 - RM3.98
3-mth average daily volume (m)	0.68
3-mth average daily value (RM'm)	2.60
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund	9.48

WESTPORTS: 1Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	1Q24	4Q23	1Q23	QoQ	YoY
Income Statement					
Operational revenue	541.0	536.8	503.2	0.8%	7.5%
EBITDA	336.0	337.0	309.0	-0.3%	8.7%
Depreciation & amortisation	-43.4	-65.4	-42.6	33.7%	-1.9%
EBIT	379.4	402.4	351.6	-5.7%	7.9%
Net finance costs	-8.5	-10.6	-9.9	20.0%	13.9%
Share of results of JV	3.7	2.0	2.49	85.4%	47.0%
PBT	265.4	263.1	236.9	0.9%	12.1%
Tax expense	-60.9	-57.0	-53.3	-6.8%	-14.3%
PAT	204.5	206.1	183.6	-0.8%	11.4%
Core PAT	204.5	205.6	179.1	-0.6%	14.2%
Core EPS (sen)	6.0	6.0	5.3	-0.6%	14.2%
EBIT margin	70.1%	75.0%	69.9%		
PBT margin	49.1%	49.0%	47.1%		
Effective tax rate	-23.0%	-21.7%	-22.5%		
Core PAT margin	37.8%	38.3%	35.6%		

OPERATIONAL REVENUE & COST

Revenue	Quarterly				
	1Q24	4Q23	1Q23	QoQ	YoY
Container	470	460	435	2.2%	8.0%
Conventional	35	39	34	-10.3%	2.9%
Marine	22	24	22	-8.3%	0.0%
Rental	14	14	13	0.0%	7.7%
Total Revenue	541	537	504	0.7%	7.3%
Cost (RM'm)	1Q24	4Q23	1Q23	QoQ	YoY
Workforce	-73	-70	-72	-4.3%	-1.4%
Depreciation	-51	-51	-51	0.0%	0.0%
Fuel	-40	-46	-38	13.0%	-5.3%
M&R	-23	-23	-22	0.0%	-4.5%
Electricity	-14	-14	-14	0.0%	0.0%
Others	-16	-14	-12	-14.3%	-33.3%
Total Cost	-217	-218	-209	0.5%	-3.8%

THROUGHPUT VOLUME

Container (m TEU)	Quarterly				
	1Q24	4Q23	1Q23	QoQ	YoY
Transshipment	1.48	1.64	1.52	-9.8%	-2.6%
Gateway	1.20	1.23	1.03	-2.4%	16.5%
	2.67	2.87	2.55	-7.0%	4.7%
Intra-Asia	1.81	1.90	1.62	-4.7%	11.7%
Asia-Europe	0.33	0.34	0.40	-2.9%	-17.5%
Asia-Australasia	0.16	0.21	0.25	-23.8%	-36.0%
Asia-America	0.23	0.28	0.18	-17.9%	27.8%
Asia-Africa	0.07	0.08	0.07	-12.5%	0.0%
Others	0.01	0.05	0.03	-86.0%	-76.7%
Conventional (m MT)	2.76	3.45	2.89	-20.0%	-4.5%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,069.0	2,088.6	2,262.8	2,652.2	2,747.5
Operating profit	950.1	1,037.5	1,097.3	1,192.5	1,234.4
PBT	943.9	1,006.2	1,067.8	1,158.5	1,184.8
PAT	699.6	779.4	843.6	915.2	936.0
Core PAT	670.8	777.6	843.6	915.2	936.0
EPS (RM)	0.20	0.23	0.25	0.27	0.27
PER (x)	19.8x	17.1x	15.8x	14.5x	14.2x
DPS (RM)	0.14	0.17	0.19	0.20	0.21
Dividend yield (%)	3.7%	4.3%	4.8%	5.2%	5.3%
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	1,775.8	1,739.0	1,723.0	1,729.3	1,733.2
Non-current assets	4,443.4	4,454.9	5,185.5	5,429.7	6,838.7
Receivables	210.1	280.7	338.0	395.6	410.2
Cash	552.1	577.9	723.5	690.5	393.3
Current assets	838.3	884.3	1,061.5	1,086.0	803.5
Long-term debt	850.0	725.0	1,150.0	1,275.0	1,750.0
Non-current liabilities	1,387.7	1,203.0	1,462.2	1,479.8	2,365.2
Short-term debt	125.0	125.0	125.0	125.0	125.0
Payables	195.3	159.0	162.2	184.4	191.5
Current liabilities	619.6	616.1	586.5	608.7	615.8
Share capital	1,038.0	1,038.0	1,038.0	1,038.0	1,038.0
Retained earnings	2,236.4	2,482.1	3,160.4	3,389.2	3,623.2
Equity	3,274.4	3,520.1	4,198.4	4,427.2	4,661.2
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	943.9	1,006.2	1,067.8	1,158.5	1,184.8
Depreciation & amortisation	258.2	258.9	263.4	264.9	290.9
Changes in working capital	34.9	-89.9	3.0	73.4	8.9
Operating cash flow	898.9	994.6	1,110.0	1,253.5	1,235.7
Capital expenditure	-250.0	-226.8	-819.5	-725.2	-1,305.9
Investing cash flow	-183.7	-213.2	-819.5	-725.2	-1,305.9
Debt raised/(repaid)	-175.0	-125.0	175.0	125.0	475.0
Dividends paid	-552.1	-533.7	-632.7	-686.4	-702.0
Financing cash flow	-820.4	-756.7	-457.7	-561.4	-227.0
Net cash flow	-105.2	24.6	-167.2	-33.1	-297.2
Beginning cash flow	615.3	510.6	890.7	723.5	690.5
Ending cash flow	510.6	535.2	723.5	690.5	393.3
Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	45.9%	49.7%	48.5%	45.0%	44.9%
PBT margin	45.6%	48.2%	47.2%	43.7%	43.1%
PAT margin	33.8%	37.3%	37.3%	34.5%	34.1%
Core PAT margin	32.4%	37.2%	37.3%	34.5%	34.1%

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