



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Strong Intra-Asia Volumes Driving Growth

KEY INVESTMENT HIGHLIGHTS

- **Reduced cargo volumes on the Asia-Europe route due to initial adjustment**
- **Strong intra-Asia volumes expected to sustain overall growth**
- **No changes to forward earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM4.30**

Asia-Europe volumes affected by rerouting. Yemen's Houthis have been attacking ships in the Red Sea since Oct-23 in retaliation for Israel's actions in Gaza. As a result, ship owners are opting to take the longer route around the Cape of Good Hope. Because of the initial adjustment, there was a reduction in Westports' cargo volumes for the Asia-Europe route (1QFY24: -17.5%yoy). Some ships have had to divert and consequently leave containers at Port Klang, which they may not connect further or simply bypass the port altogether due to the disruptions.

Potential shift in port calls. The longer route bypasses Middle Eastern ports where ships traditionally refuel or unload cargo, necessitating stops at Southeast Asian ports for subsequent transshipment. This situation has contributed to the congestion issue at the Singapore port. Shipping lines have reportedly diverted certain port calls and discharged containers in Port Klang to mitigate the delays encountered. This would likely have resulted in higher yard density at Port Klang. Recall that in 1QCY24, Westports experienced fluctuations in terminal utilisation due to disruptions in shipping schedules and vessel bunching, with its yard operating at 90% utilisation in May-24.

Outlook. The current congestion situation is reported to be different compared to the times during lockdowns, as containers are now being quickly moved to its next destinations. Note that intra-Asia trade remains the primary driver of overall volume growth at Westports, contributing 60% to 65%, whereas Asia-Europe trade contributes less than 20%. Volumes within the intra-Asia region have been expanding robustly (refer to Chart 2), offsetting weakness in the Asia-Europe route. Additionally, some carriers are reorienting their services towards Asia in response to disruptions in the Red Sea, driven by broader strategic considerations rather than direct effects from the region.

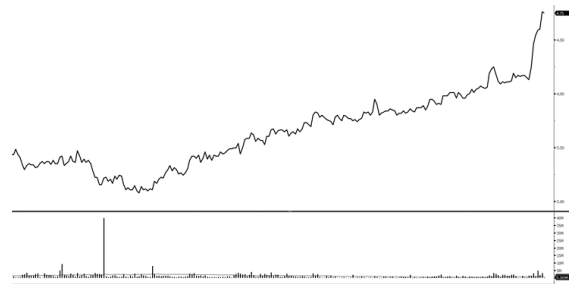
Maintain NEUTRAL. We recently downgraded Westports from BUY to NEUTRAL as we believe the positives have been priced in, whereby its share price has climbed by +30% year-to-date. Our DCF-derived fair value remains unchanged at **RM4.30**. The stock is currently trading at 17.7x FY25F EPS, which aligns with its 5-year historical mean. Key upsides for the stock include a larger-than-expected tariff increase or an upward revision in management's guidance for this year's container volume growth.

**Maintain NEUTRAL****Unchanged Target Price: RM4.30**

RETURN STATISTICS

Price @ 12 th July 2024 (RM)	4.75
Expected share price return (%)	-9.5
Expected dividend yield (%)	+3.9
Expected total return (%)	-5.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	15.9	15.0
3 months	13.9	18.2
12 months	33.1	16.0

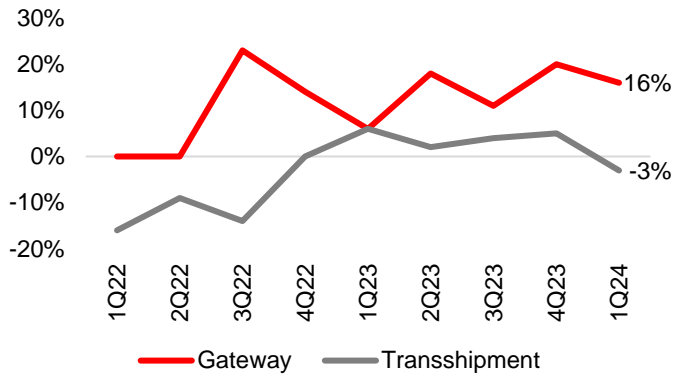
INVESTMENT STATISTICS

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 (%)	3.9%	4.2%	4.3%

KEY STATISTICS

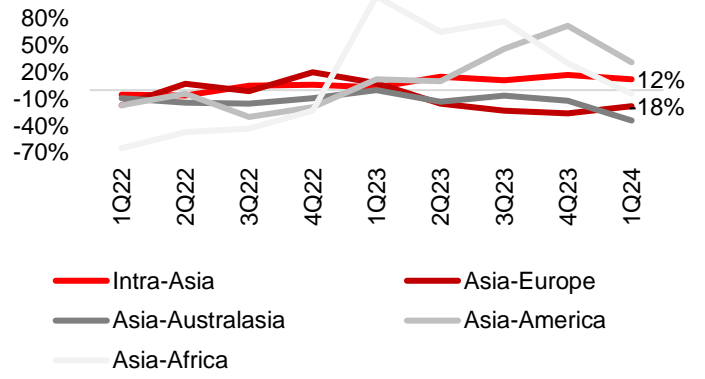
FBM KLCI	1,619.06
Issued shares (m)	3,410.00
Estimated free float (%)	9.36
Market Capitalisation (RM'm)	16,197.50
52-wk price range	RM3.15 - RM4.76
3-mth average daily volume (m)	1.16
3-mth average daily value (RM'm)	4.84
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund	9.54

Chart 1: Growth of Container Volume (%)



Source: Westports, MIDFR

Chart 2: Growth of Container Volume by Route (%)



Source: Westports, 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)	24.1x	20.8x	19.2x	17.7x	17.3x
DPS (RM)	0.14	0.17	0.19	0.20	0.21
Dividend yield (%)	3.0%	3.6%	3.9%	4.2%	4.3%
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