



Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

High Yard Occupancy Normalising

KEY INVESTMENT HIGHLIGHTS

- Continued weakness expected in Asia-Europe transshipment
- High yard occupancy trends towards normalisation
- Anticipating full-year container growth of +4.2%yoy
- No changes to forward earnings estimates
- Maintain NEUTRAL with an unchanged TP of RM4.30

Ongoing weakness in Asia-Europe transshipment. We expect Asia-Europe transshipment to continue to be weak due to irregular vessel calls and blank sailings resulting from the Red Sea crisis. This trade lane has witnessed a -10.0%yoy decline in overall container volume in 1HFY24. We anticipate that the intra-Asia trade lane (historically accounting for over 60% of total volume) will remain the volume driver, with it showing a +6.5%yoy growth during the same period, largely driven by gateway volume. Some carriers have also reportedly restructured services and redirected vessels to prioritise the Asian region, driven by their overall strategy rather than in direct response to the disruption.

High yard occupancy trends towards normalisation. Westports may still see fewer scheduled container vessel calls due to Red Sea rerouting and regional congestion, but it has benefited from ad-hoc calls and could see this trend continue. A similar situation was observed at neighboring Northport, which reportedly received 171 ad-hoc calls from Jan-24 to Aug-24. This has contributed to the high container yard occupancy at Westports, which peaked at 100% in Jun-24 but has reportedly declined closer to 75%. However, this level is still above the ideal 65% seen in Dec-23, indicating value-added services (VAS) revenue could remain elevated in 3QFY24, even as it normalises. To note, VAS contributed 21.6% to container revenue in 2QFY24 (2QFY23: 18.4%).

Outlook. Management continues to project a low single-digit growth in container volume for FY24E. As of 1HFY24, container volume recorded a +3.1%yoy increase (gateway: 11.2%yoy, transshipment: -2.6%). At least for the remainder of the year, the contribution of gateway volume to overall volume could stay in the 40% range (an increase from the historical 30%), benefitting Westports as gateway operations involve higher container handling charges. We expect container volume in 2HFY24 to be up by +2.2%yoy to achieve our full-year growth target of +4.2%yoy. Note that 2HFY23 had a high base for gateway containers due to competitive local currency and foreign direct investments (FDIs) that resulted in containerised exports.

Maintain NEUTRAL. There were no changes made to our earnings estimates, and our DCF-derived fair value remains at **RM4.30** (WACC: 7%, g: 3%). The share price has risen by +16.3% year-to-date, and the stock is currently trading at 15.6x FY25F EPS, which is near its 5-year historical average. Key upside for the stock includes a larger-than-expected tariff increase and stronger-than-expected container volume.

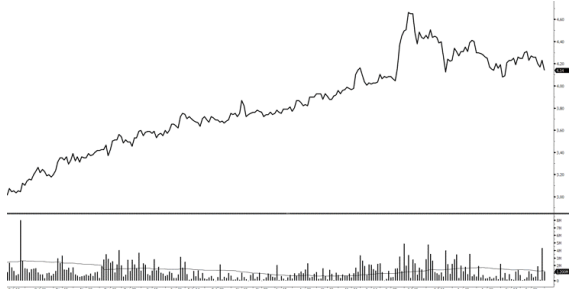
Maintain NEUTRAL

Unchanged Target Price: RM4.30

RETURN STATISTICS

Price @ 9 th October 2024 (RM)	4.20
Expected share price return (%)	+2.4
Expected dividend yield (%)	+4.4
Expected total return (%)	+6.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-0.2
3 months	-3.0	-11.0
12 months	30.6	13.2

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 (%)	4.4%	4.8%	4.9%

KEY STATISTICS

FBM KLCI	1,634.91
Issued shares (m)	3,410.0
Estimated free float (%)	25.65
Market Capitalisation (RM'm)	14,117.40
52-wk price range	RM3.15 - RM4.78
3-mth average daily volume (m)	1.40
3-mth average daily value (RM'm)	6.15
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund	8.31

MIDF Research Team
research@midf.com.my



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 (%)	3.4%	4.0%	4.4%	4.8%	4.9%
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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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