Westports Holdings Berhad

(5246 | WPRTS MK) Transportation & Logistics | Industrials

Maintain BUY

Expecting decline in volume

Revised Target Price: RM4.00

(Previously RM4.45)

KEY INVESTMENT HIGHLIGHTS

- **Core PAT of RM313.9m in 1HFY22 were within expectations**
- **Container volume in 2HFY22 fell by -8.1%yoy due to the loss in transhipment volume, while gateway volume was flat**
- **Weighed down by high fuel cost and prosperity tax**
- **FY22E/FY23F/FY24F core PAT were revised down by -14.6%, -9.7% and -9.6% respectively**
- **Maintain BUY but with a revised TP of RM4.00**

Within expectations. Westports Holdings Berhad's (Westports) core PAT of RM313.9m in 1HFY22 came in within expectations at 49% and 48% of our and consensus estimates respectively. The Group has announced its 1st interim dividend of 6.91 sen, in line with its 75% dividend payout policy.

Quarter-on-quarter. Operational revenue of RM511.0m in 2QFY22 (-1.0%qoq) fell marginally as value added services (VAS) contribution moderated with the absence of yard congestion. Container throughput was higher at 2.49 TEUs (+4.2%qoq), but the substantial increase in fuel cost has led the decline in PBT to RM219.9m (-11.6qoq). Management shared that unsubsidised diesel was as high as RM5.00/l last month. Core PAT was higher at RM162.2m (+6.9%qoq) as there was an overprovision of deferred tax liabilities by RM17.0m in 1QFY22.

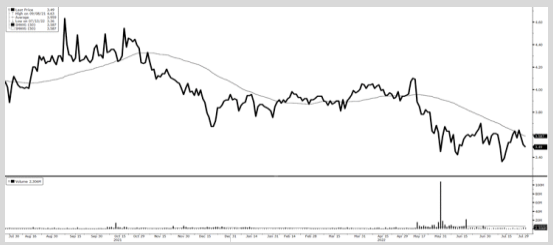
Year-on-year. Operational revenue of RM511.0m (+4.3%yoy) was higher as the drop in container throughput by -6%yoy was more than offset by higher VAS contribution. Bulk of the loss in volume was mostly in transhipment (-8.8%yoy) due to the change in operational patterns of container liner shipping, while gateway was rather resilient as it was flat. PBT fell by -6.7%yoy attributable to the high fuel cost and as such core PAT was lower at RM162.2m (-8.4%yoy).

Cumulatively. Higher VAS contribution uplifted the operational revenue to RM1.03b (+4.3%yoy), despite the container throughput declining to 4.88 TEUs (-8.1%yoy) in 1HFY22. Transhipment volume dropped to 2.97 TEUs (-12.4%yoy), while gateway was flat at 1.91 TEUs. PBT fell to RM468.7m (-8.0%yoy) owing to the surge in fuel cost which made up 23% of the cost mix (1HFY22: 15%). Core PAT of RM313.9m (-13.9%yoy) saw a significant decline because of prosperity tax. Note that there was a RM20.0m insurance reimbursement in 1HFY21 which we have excluded in deriving the core earnings.

Maintain BUY. We have made some changes to our estimates to reflect our latest view on Westports. FY22E/FY23F/FY24F core PAT were revised down to RM551.2m (-14.6%)/RM702.2m (-9.7%)/RM770.3m (-9.6%). Among the adjustments, we have lowered our VAS assumption as it is expected to taper off in 3QFY22 and we have lowered our container volume assumption as management has guided for a slight decline this year (previously flattish). Assuming a flat volume for 2HFY22, we expect Westports to handle 10.0m TEUs (-3.9%yoy) in FY22E, before staging growth of 10.4m TEUs (+3.9%yoy)/10.9m TEUs (+4.8%yoy) in FY23F/FY24F. Our fuel costs estimates are also higher at -RM190.2m/-RM140.6m for FY22E/FY23F. We still maintain our **BUY** call, but with a revised DCF-derived TP of **RM4.00** (WACC: 7%, g: 2%) (from RM4.45). Key downside risks are: (1) reduction in transhipment calls as shipping lines focus on routes that yield higher rates and a potential decline in global container volume as inflationary pressure could affect consumption.

RETURN STATISTICS	
Price @ 28th July 2022 (RM)	3.49
Expected share price return (%)	+14.6
Expected dividend yield (%)	+4.4
Expected total return (%)	**+19.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-5.7	-8.0
3 months	-1.7	-4.1
12 months	-17.9	-16.6

KEY STATISTICS	
FBM KLCI	1,491.20
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star Rating)	☆☆☆☆
Issue shares (m)	3,410.00
Estimated free float (%)	13.06
Market Capitalisation (RM'm)	11,900.90
52-wk price range	RM3.34-RM4.74
Beta vs FBM KLCI (x)	0.57
Monthly velocity (%)	0.98
Monthly volatility (%)	13.50
3-mth average daily volume (m)	6.07
3-mth average daily value (RM'm)	21.85
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.42
South Port Investment Holdings	23.55
Employees Provident Fund Board	7.96

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INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022E	2023F	2024F
Revenue	1,975.0	2,022.0	1,853.6	1,916.1	2,022.6
Gross profit	1,163.3	1,230.7	1,061.4	1,150.4	1,233.9
EBIT	930.9	1,101.9	876.0	958.8	1,031.7
PBT	865.7	1,040.2	822.6	924.0	1,013.5
PAT	655.6	809.4	551.2	702.2	770.3
Core PAT	675.0	734.0	551.2	702.2	770.3
EPS (RM)	0.20	0.22	0.16	0.21	0.23
PER (x)	17.6x	16.2x	21.6x	16.9x	15.4x
DPS (RM)	0.12	0.18	0.12	0.15	0.17
Dividend yield (%)	3.3%	5.1%	3.5%	4.4%	4.9%

Sources: Company & MIDFR

WESTPORTS: 2QFY22 RESULTS SUMMARY

In RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Operating revenue	511.0	516.4	490.1	-1.0%	4.3%	1,027.3	985.2	4.3%
Operating costs	(226.1)	(202.5)	(186.1)	-11.6%	-21.5%	(428.7)	(368.6)	-16.3%
EBITDA	300.3	328.1	313.6	-8.5%	-4.2%	628.4	667.7	-5.9%
Depreciation & amortisation	67.3	65.1	62.4	3.3%	7.8%	132.4	128.2	3.3%
EBIT	233.0	262.9	251.1	-11.4%	-7.2%	495.9	539.5	-8.1%
Interest income	2.8	2.7	2.5	4.0%	11.9%	5.5	6.8	-18.8%
Interest costs	(15.8)	(16.9)	(18.0)	6.3%	12.2%	(32.7)	(37.0)	11.7%
Share of results of JV	(0.0)	(0.7)	n.a.	93.7%	n.a.	(0.8)	n.a.	n.a.
PBT	219.9	248.7	235.6	-11.6%	-6.7%	468.7	509.2	-8.0%
Tax expense	(57.7)	(96.9)	(57.7)	40.5%	0.0%	(154.5)	(122.9)	-25.7%
PATAMI	162.3	151.9	178.0	6.9%	-8.8%	314.1	386.3	-18.7%
Core PATAMI	162.2	151.8	177.0	6.9%	-8.4%	313.9	364.5	-13.9%
EPS (sen)	4.8	4.5	5.2	6.9%	-8.8%	9.2	11.3	-18.7%
Core EPS (sen)	4.8	4.5	5.2	6.9%	-8.4%	9.2	10.7	-13.9%

Sources: Company & MIDFR

OPERATING STATISTICS

	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Container (m TEU)								
Transhipment	1.55	1.42	1.70	9.2%	-8.8%	2.97	3.39	-12.4%
Gateway	0.94	0.97	0.95	-3.1%	-1.1%	1.91	1.92	-0.5%
	2.49	2.39	2.65	4.2%	-6.0%	4.88	5.31	-8.1%
Intra-Asia	1.49	1.54	1.59	-3.2%	-6.3%	3.04	3.21	-5.3%
Asia-Europe	0.47	0.36	0.44	30.6%	6.8%	0.84	0.88	-4.5%
Asia-Australasia	0.24	0.24	0.28	0.0%	-14.3%	0.49	0.55	-10.9%
Asia-America	0.19	0.16	0.19	18.8%	0.0%	0.35	0.38	-7.9%
Asia-Africa	0.05	0.03	0.10	66.7%	-50.0%	0.09	0.19	-52.6%
Others	0.05	0.05	0.05	0.0%	0.0%	0.08	0.09	-11.1%
	2.49	2.38	2.65	4.6%	-6.0%	4.89	5.30	-7.7%
Conventional (m MT)	2.80	2.66	2.71	5.3%	3.3%	5.46	5.74	-4.9%

Sources: Company & MIDFR

REVENUE AND COST BREAKDOWN

	2Q22	1Q22	2Q21	QoQ	YoY	6M22	6M21	YoY
Revenue								
Container	441.0	452.0	429.0	-2.4%	2.8%	893.0	861.0	3.7%
Conventional	39.0	36.0	32.0	8.3%	21.9%	74.0	67.0	10.4%
Marine	18.0	17.0	17.0	5.9%	5.9%	35.0	35.0	0.0%
Rental	12.0	12.0	11.0	0.0%	9.1%	25.0	23.0	8.7%
Operating revenue	**511.0**	**516.0**	**490.0**	**-1.0%**	**4.3%**	**1,027.0**	**985.0**	**4.3%**
Construction	0.0	0.0	15.0	n.a.	-100.0%	0.0	28.0	-100.0%
Total revenue	**511.0**	**516.0**	**505.0**	**-1.0%**	**1.2%**	**1,027.0**	**1,013.0**	**1.4%**
Cost								
Manpower	(66.0)	(67.0)	(64.0)	1.5%	-3.1%	(134.0)	(128.0)	-4.7%
Depreciation	(52.0)	(50.0)	(48.0)	-4.0%	-8.3%	(103.0)	(97.0)	-6.2%
Fuel	(59.0)	(40.0)	(28.0)	-47.5%	-110.7%	(99.0)	(54.0)	-83.3%
M&R	(20.0)	(19.0)	(20.0)	-5.3%	0.0%	(39.0)	(39.0)	0.0%
Electricity	(13.0)	(12.0)	(12.0)	-8.3%	-8.3%	(25.0)	(22.0)	-13.6%
Others	(14.0)	(14.0)	(14.0)	0.0%	0.0%	(29.0)	(28.0)	-3.6%
Operating cost	**(226.0)**	**(203.0)**	**(186.0)**	**-11.3%**	**-21.5%**	**(429.0)**	**(368.0)**	**-16.6%**
Construction	0.0	0.0	(15.0)	n.a.	100.0%	0.0	(27.0)	100.0%
Total cost	**(226.0)**	**(203.0)**	**(201.0)**	**-11.3%**	**-12.4%**	**(429.0)**	**(396.0)**	**-8.3%**

Sources: Company & 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 *rise* 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 *fall* 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