Westports Holdings Berhad

(5246 | WPRTS MK) Main | Transportation & Logistics

Earnings Met Expectations

***Upgrade to* BUY**

(from NEUTRAL)

***Unchanged* Target Price: RM3.90**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 came in within expectation**
- **Storage revenue are back to pre-pandemic levels**
- **Earnings lifted by 10-year ITA and PKCT'S profitability turnaround**
- **No changes to earnings estimates**
- **Upgrade to BUY with an unchanged TP of RM3.90**

Within expectation. Westports Holdings Berhad (Westports) recorded a core PAT of RM179.1m in 1QFY23. This came in within expectations, making up 25% of our and consensus estimates respectively.

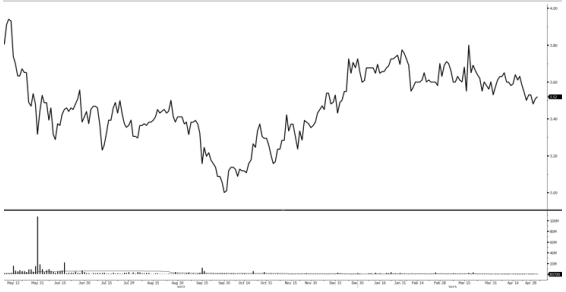
Quarterly. Container volume handled increased by +6.7%yoy (transshipment: +7.0%yoy, gateway: +6.2%yoy) primarily due to the low base effect caused by the Dec-21 flood. However, operational revenue dropped by -2.5%yoy, attributed to normalised storage revenue for transshipment boxes and lower volume of break bulk cargo. Nonetheless, Core PAT improved by +18.0%yoy, driven by a lower effective tax rate thanks to the 10-year tax allowance granted by the Ministry of Finance as well as the absence of Cukai Makmur. Moreover, the Port Klang Cruise Terminal (PKCT) – its 50% joint venture - also saw a profitability turnaround with the resumption of travel activities.

Outlook. Gateway container volume growth is expected to demonstrate resilience, supported by competitive local exports and foreign direct investments (FDIs). However, there is still a potential risk of global inflationary pressures impacting transshipment container demand as goods consumption in the Western region softens. The management maintains their guidance of a low single-digit growth in container volume for FY23. Meanwhile, negotiations concerning the expansion of Westports 2 are progressing favourably and the signing of the concession agreement is anticipated to take place in 2HCY23.

Upgrade to BUY. We have made no changes to our earnings estimates as the results were in line with our expectation. However, we have upgraded our call to **BUY** (from NEUTRAL) at an unchanged TP of **RM3.90** (WACC: 8%, g: 2%) as the stock is trading at a -22% discount to its 5-year mean with a decent dividend yield of +4.8%. Key risks to our call include: (i) weaker-than-expected container throughput and (ii) inflationary pressures on operating costs.

RETURN STATISTICS	
Price @ 5th May 2023 (RM)	3.52
Expected share price return (%)	+10.8
Expected dividend yield (%)	+4.8
Expected total return (%)	**+15.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.0	-3.3
3 months	-2.2	-4.8
12 months	-10.9	-2.6

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,051.6	2,133.2	2,183.0
EBIT	938.3	1,003.6	1,031.4
PBT	903.5	985.5	1,012.5
Core PATAMI	704.8	768.7	789.7
Core EPS (RM)	0.21	0.23	0.23
DPS (RM)	0.16	0.17	0.17
Dividend yield (%)	4.4%	4.8%	4.9%

KEY STATISTICS	
FBM KLCI	1,431.04
Issue shares (m)	3,410.0
Estimated free float (%)	10.3
Market Capitalisation (RM'm)	12,003.2
52-wk price range	RM3.04 - RM4.12
3-mth average daily volume (m)	0.4
3-mth average daily value (RM'm)	1.6
Top Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.4
South Port Investment Holdings	23.6
Employees Provident Fund	9.2

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WESTPORTS: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Operational revenue	503.2	511.5	516.4	-1.6%	-2.5%
EBITDA	309.0	286.0	329.0	8.0%	-6.1%
Depreciation & amortisation	64.1	65.4	65.1	-2.1%	-1.6%
EBIT	244.9	220.6	263.9	11.0%	-7.2%
Finance income	2.8	3.6	2.7	-23.3%	2.7%
Finance costs	-13.6	-16.2	-16.9	15.8%	19.3%
Share of results of JV	2.5	43.2	-0.7	-94.2%	449.6%
PBT	236.9	251.3	248.7	-5.7%	-4.8%
Tax expense	-53.3	-16.2	-96.9	-228.4%	45.0%
PAT	183.6	235.0	151.9	-21.9%	20.9%
Core PAT*	179.1	206.5	151.8	-13.3%	18.0%
Core EPS (sen)	5.3	6.1	4.5	-13.3%	18.0%
EBIT margin	48.7%	43.1%	51.1%		
PBT margin	47.1%	49.1%	48.2%		
Effective tax rate	-22.5%	-6.5%	-39.0%		
Core PAT margin	35.6%	40.4%	29.4%		

Note: Excluding the final insurance recovery of RM3.7m in 1QFY23 and Westports' share of the reversal of impairment loss in its 50%-owned PKCT amounting to RM42.9m in 4QFY22 and other one-off items.

OPERATIONAL REVENUE & COST

	Quarterly				
Revenue	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Container	435.0	440.0	452.0	-1.1%	-3.8%
Conventional	34.0	37.0	36.0	-8.1%	-5.6%
Marine	22.0	21.0	17.0	4.8%	29.4%
Rental	13.0	13.0	12.0	0.0%	8.3%
Total Revenue	504.0	511.0	517.0	-1.4%	-2.5%
Cost	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Manpower	-72.0	-67.0	-67.0	-7.5%	-7.5%
Depreciation	-51.0	-52.0	-50.0	1.9%	-2.0%
Fuel	-38.0	-48.0	-40.0	20.8%	5.0%
M&R	-22.0	-21.0	-19.0	-4.8%	-15.8%
Electricity	-14.0	-12.0	-12.0	-16.7%	-16.7%
Others	-12.0	-16.0	-14.0	25.0%	14.3%
Total Cost	-209.0	-216.0	-202.0	3.2%	-3.5%

THROUGHPUT VOLUME

	Quarterly				
Container (m TEU)	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Transshipment	1.52	1.56	1.42	-2.6%	7.0%
Gateway	1.03	1.02	0.97	1.0%	6.2%
	2.55	2.58	2.39	-1.2%	6.7%
Intra-Asia	1.61	1.61	1.55	0.0%	3.9%
Asia-Europe	0.39	0.46	0.37	-15.2%	5.4%
Asia-Australasia	0.24	0.23	0.25	4.3%	-4.0%
Asia-America	0.18	0.16	0.16	12.5%	12.5%
Asia-Africa	0.07	0.06	0.03	16.7%	133.3%
Others	0.05	0.06	0.03	-16.7%	66.7%
	2.54	2.58	2.39	-1.6%	6.3%
Conventional (m MT)	2.89	3.25	2.66	-11.1%	8.6%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	2,022.0	2,069.0	2,051.6	2,133.2	2,183.0
EBIT	1,101.3	996.2	938.3	1,003.6	1,031.4
PBT	1,039.5	943.9	903.5	985.5	1,012.5
PAT	808.2	699.6	704.8	768.7	789.7
Core PAT	777.2	670.8	704.8	768.7	789.7
Core EPS (RM)	0.23	0.20	0.21	0.23	0.23
PER (x)	15.4x	17.9x	17.0x	15.6x	15.2x
DPS (RM)	0.18	0.14	0.16	0.17	0.17
Dividend yield (%)	5.1%	4.1%	4.4%	4.8%	4.9%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	1,727.2	1,775.8	1,704.4	1,693.2	1,675.7
Non-current assets	**4,407.6**	**4,443.4**	**4,412.9**	**4,426.4**	**4,433.2**
Receivables	296.3	210.1	308.2	320.7	328.3
Cash	656.0	552.1	832.5	1,146.2	1,169.1
Current assets	**1,007.7**	**838.3**	**1,137.0**	**1,458.1**	**1,483.4**
Long-term debt	975.0	850.0	975.0	1,100.0	925.0
Non-current liabilities	**1,529.9**	**1,387.7**	**1,222.4**	**1,356.5**	**1,184.5**
Short-term debt	175.0	125.0	125.0	125.0	175.0
Payables	146.6	195.3	163.9	164.9	167.9
Current liabilities	**758.6**	**619.6**	**354.0**	**362.7**	**369.6**
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	2,935.5	3,127.3	3,324.5
Equity	**3,126.9**	**3,274.4**	**3,973.5**	**4,165.3**	**4,362.5**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	1,039.5	943.9	901.8	983.8	1,010.9
Depreciation & amortisation	230.3	258.2	290.2	304.0	318.3
Changes in working capital	1.9	34.9	36.3	10.4	7.5
Operating cash flow	**1,100.6**	**898.9**	**1,029.9**	**1,081.8**	**1,114.4**
Capital expenditure	-369.6	-250.0	-305.3	-317.6	-325.0
Investing cash flow	**-471.3**	**-183.7**	**-305.3**	**-317.6**	**-325.0**
Debt raised/(repaid)	-150.0	-175.0	125.0	125.0	-175.0
Dividends paid	-510.5	-552.1	-527.6	-575.5	-591.4
Financing cash flow	**-753.2**	**-820.4**	**-402.6**	**-450.5**	**-766.4**
Net cash flow	**-123.9**	**-105.2**	**322.0**	**313.7**	**22.9**
Beginning cash flow	**739.2**	**615.3**	**510.6**	**832.5**	**1,146.2**
Ending cash flow	**615.3**	**510.6**	**832.5**	**1,146.2**	**1,169.1**

Volume Assumptions (% Growth)	2021A	2022A	2023E	2024F	2025F
Container	-1.0%	-3.4%	2.1%	4.1%	2.2%
Transshipment	0.0%	-9.9%	1.0%	5.0%	2.0%
Gateway	-2.7%	8.8%	4.0%	2.5%	2.5%
Conventional	3.6%	7.6%	2.0%	2.0%	2.0%

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	54.5%	48.2%	45.7%	47.0%	47.2%
PBT margin	51.4%	45.6%	44.0%	46.2%	46.4%
PAT margin	40.0%	33.8%	34.4%	36.0%	36.2%
Core PAT margin	38.4%	32.4%	34.4%	36.0%	36.2%

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 *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