



AmInvestment Bank

Company report

WESTPORTS HOLDINGS

(WPRTS MK EQUITY, WPHB.KL)

30 Apr 2021

1QFY21 core net profit grows 11% YoY

BUY

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2240

Rationale for report: Company results/update

Price	RM4.25
Fair Value	RM5.07
52-week High/Low	RM4.69/RM3.45

Key Changes

Fair value	↔
EPS	⬇

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,975.0	2,040.9	2,180.3	2,333.9
Core net profit (RM mil)	667.3	728.6	730.3	775.8
FD Core EPS (sen)	19.2	21.4	21.4	22.7
FD Core EPS growth (%)	10.8	9.2	0.2	6.2
Consensus Net Profit (RM mil)	-	706.6	754.9	805.0
DPS (sen)	11.5	16.0	16.1	17.1
PE (x)	23.4	19.9	19.8	18.7
EV/EBITDA (x)	12.7	12.1	12.1	11.1
Div yield (%)	3.0	3.8	3.8	4.0
ROE (%)	24.3	25.8	25.8	27.4
Net Gearing (%)	18.4	28.6	30.2	30.8

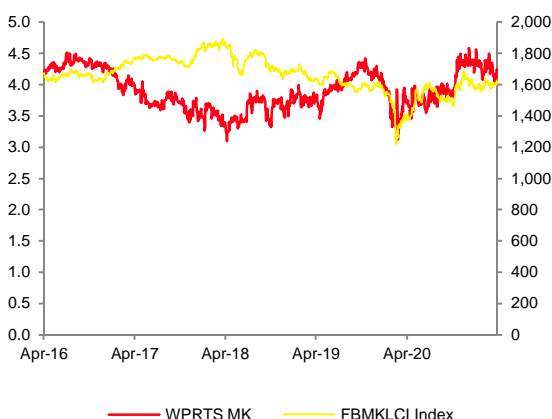
Stock and Financial Data

Shares Outstanding (million)	3,410.0
Market Cap (RM mil)	14,492.5
Book Value (RM/share)	0.83
P/BV (x)	5.1
ROE (%)	24.3
Net Gearing (%)	18.4

Major Shareholders	Pembinaan Redzai (42.4%) South Port Investment Holdings(23.6%) EPF(6.5%)
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Free Float	27.5
Avg Daily Value (RM mil)	7.0

Price performance	3mth	6mth	12mth
Absolute (%)	(1.2)	9.0	14.2
Relative (%)	(3.8)	1.3	(2.0)



Investment Highlights

- We raise our FY21F net profit forecast by 8% while keeping our FY22–FY23F numbers and fair value (FV) of RM5.07 based on 23x FY22F EPS. This is in line with its average historical forward PE with a 3% premium to reflect a 4-star ESG rating as appraised by us (Exhibit 4). Maintain BUY.
- Westports' 1QFY21 core net profit of RM187.5mil (excluding one-off items, particularly, a lumpy insurance recovery) beat expectations slightly at 28% and 27% of our full-year forecast and consensus estimates respectively. We believe the variance against our forecast came largely from higher-than-expected incomes from value-added services (arising from high demand for container storage and reefer services as a result of the global supply chain disruptions). The container yard utilization rate was high at about 90% vs. 75% prior to the pandemic.
- In 1QFY21, Westports' container throughput volume increased by 5% YoY driven by: (1) a 7% YoY growth in transshipment throughput; (2) a 14% increase in empties restowed (due to the imbalanced East-West trade); and (3) a 3% YoY increase in gateway throughput (driven largely by the export of healthcare/hygiene-related and consumer products).
- Its core net profit grew by a stronger 11% YoY thanks to the higher incomes from value-added services as mentioned, coupled with lower finance costs.
- Westports reiterated its guidance for a low-to-mid single-digit growth in its container throughput volume in FY21F (which is generally in line with our forecasts of 2% in FY21F, followed by a 5% growth in FY22F). While being optimistic of growth prospects from a low base in the year before, Westports warned of uncertainties during the remainder of the year as supply chain disruptions fuelled by the pandemic have not gone away entirely.
- Meanwhile, only minimal progression was made during 1QFY21 in Westports' 2.0 expansion plan comprising eight new terminals, CT10 to CT17, which will double its container handling capacity to 28mil TEUs from 14mil TEUs. The land use conversion and negotiation with the government on the concession terms were still in progress.

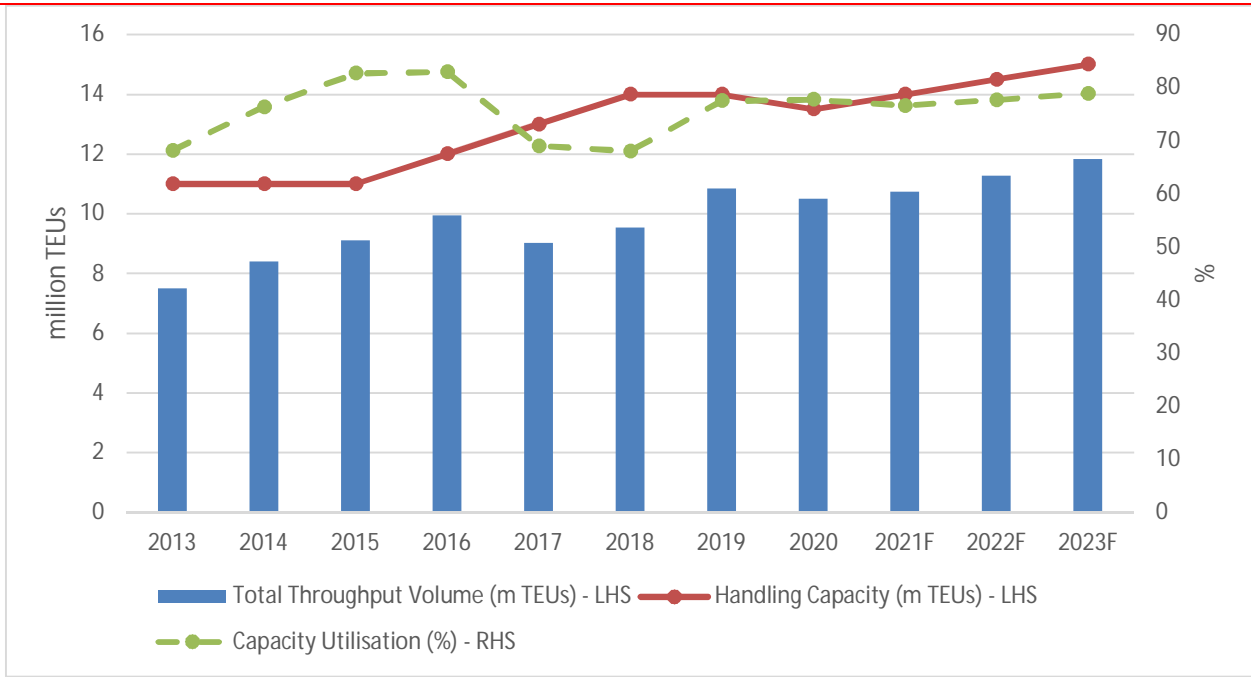
- Over the immediate term, the company will continue to boost its current capacity via its recently completed CT9 Container Yard Zone Z (which has increased the total ground slots by 9% to 51,123 and reefer plugs by 20% to 3,532). It has placed orders for 21 new RTG cranes for the new container yard while two replacement quay cranes are expected to be delivered by this year (to replace the cranes damaged in a mishap in end-2019). It has earmarked a total capex of RM500–600mil in FY21F, largely to fund the construction of the new yards and the purchases of the new RTG cranes, trucks, etc.
- We believe the throughput of seaports, Westports included, to continue to grow in 2021 as global trade recovery gains further momentum, backed by the reopening of economies, businesses and borders.
- Looking beyond the pandemic, the outlook for the port sector in the region (Malaysia included) is resilient, underpinned by global trade and investments in the manufacturing sector that generate tremendous inbound (feedstock) and outbound (finished product) throughput for ports. There have been significant relocations of the manufacturing base by multi-national companies out of China to the region due to the rising labour and land costs, exacerbated by the US-China trade war. Westports has charted a long-term expansion plan to capitalise on these.

EXHIBIT 1: RESULTS SUMMARY

YE Dec (RM mil)	FY20 4Q	FY21 1Q	QoQ Chg	FY20 3M	FY21 3M	YoY Chg
Turnover	541.5	508.2	(6.2%)	473.5	508.2	7.3%
Container	412.0	432.0	4.9%	396.0	432.0	9.1%
Conventional	33.0	35.0	6.1%	31.0	35.0	12.9%
Marine	17.0	17.0	0.0%	20.0	17.0	(15.0%)
Rental	10.0	12.0	20.0%	10.0	12.0	20.0%
Construction	69.0	12.0	(82.6%)	17.0	12.0	(29.4%)
EBIT	224.2	267.5	19.3%	233.4	267.5	14.6%
Net inc/(exp)	(16.4)	(14.8)	(10.0%)	(15.2)	(14.8)	(3.1%)
EI	10.3	20.8	101.2%	(16.3)	20.8	n.m.
Pre-tax profit	218.2	273.6	25.4%	201.9	273.6	35.5%
Taxation	(54.7)	(65.3)	19.3%	(49.1)	(65.3)	33.0%
Net profit	163.5	208.3	27.4%	152.8	208.3	36.3%
EPS (sen)	4.8	6.1	27.4%	4.5	6.1	36.3%
Net profit (ex-EI)	153.1	187.5	22.4%	169.1	187.5	10.9%
			<u>ppt</u>			<u>ppt</u>
EBIT margin	41%	53%	11	49%	53%	3
Pre-tax margin	40%	54%	14	43%	54%	11
Effective tax rate	25%	24%	-1	24%	24%	0

Source: company, AmlInvestment Bank Berhad.

EXHIBIT 2: CONTAINER THROUGHPUT VS. CAPACITY UTILISATION



Source: company, AmlInvestment Bank Berhad.

EXHIBIT 3: WESTPORTS 2.0 EXPANSION PLAN

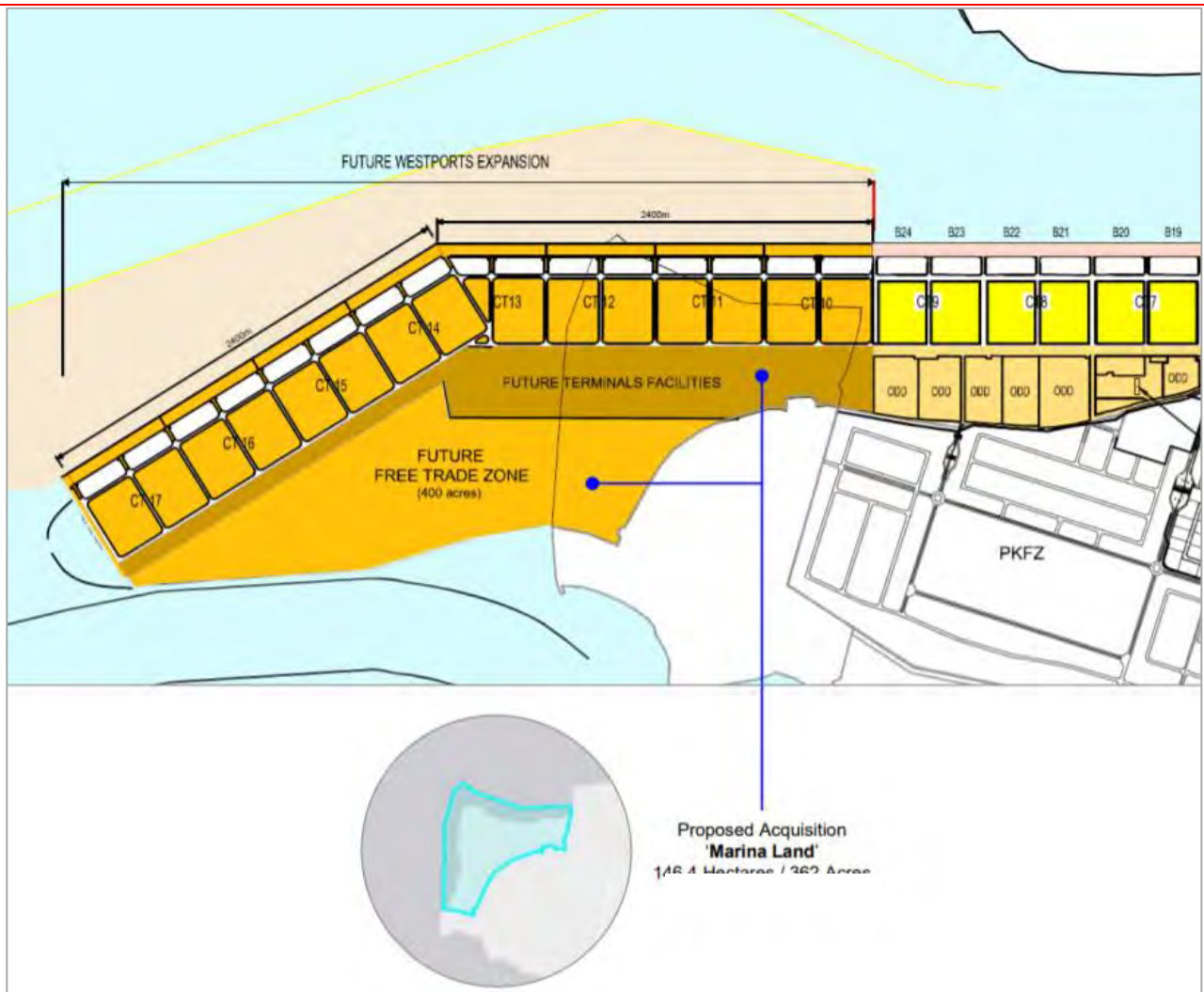


EXHIBIT 4: ESG RATING

Overall	★	★	★	★	
Zero-carbon initiatives	★	★	★		
Pollution control	★	★	★		
Sustainable industrialization	★	★	★	★	
Diversity and inclusion	★	★	★	★	
Employees welfare	★	★	★	★	
Corporate social responsibilities	★	★	★		
Accessibility & transparency	★	★	★	★	
Supply chain auditing	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 5: PB BAND CHART

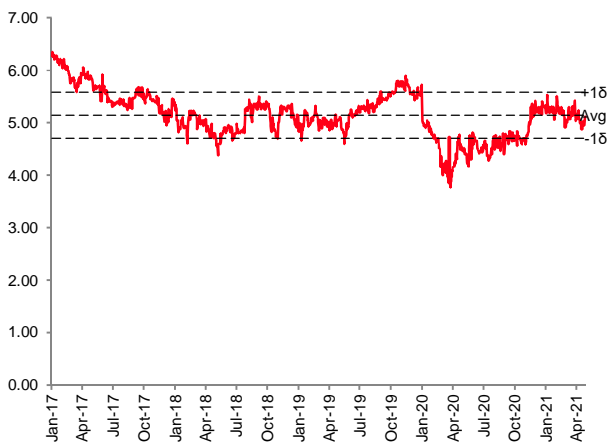
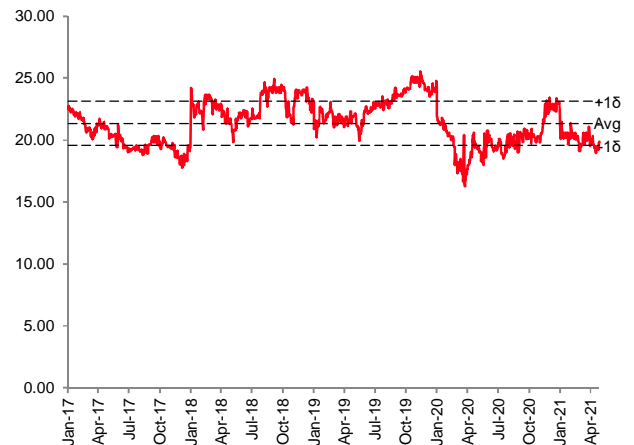


EXHIBIT 6: PE BAND CHART



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