

30 April 2021

Westports Holdings Berhad

1QFY21 Within Expectations

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1QFY21 Core Net Profit (CNP) of RM188.3m (+23% YoY and +23% QoQ) came in within our/consensus expectation, both at 27% of full-year estimate. Delay in shipping line arrival time schedule coupled with pandemic-induced supply chain disruption and the recent Suez Canal blockage incident could potentially limit total container volume this year. Nevertheless, gateway volume is picking up, in tandem with gradual economies' re-opening. Maintain MP with a TP of RM4.20. The saving grace is a 3.6% dividend yield.

1QFY21 CNP within expectations. 1QFY21 Core Net Profit (CNP) of RM188.3m (+23% YoY and +23% QoQ) came in within our/consensus expectation, both at 27% of full-year forecast. No dividend was declared for the quarter, which is typically paid half-yearly.

YoY, 1QFY21 CNP rose 23%, excluding quay cranes insurance recoveries of RM20m (to-date RM27m has been claimed from a total of c.RM75m), attributed to: (i) higher transshipment volume (+7%) and gateway volume (+3%) compared to last year which was affected by lockdown measures, (ii) higher EBIT margin by 10.8ppt to 56.7% from 45.9% in 1QFY20 especially from the absence of general provisions amounting to RM33.4m and including the RM20m insurance recoveries, and (iii) lower effective tax rate of 23.9% compared to 24.3% in 1QFY20. Note that, TS/restow empties (+14%) have been re-allocated mostly to Far East, with total empties at 25%, up from 24% in 1QFY20, while conventional growth coming from Break Bulk, Liquid Bulk and RORO. Overall, intra-Asia volumes were flat while Asia-Europe volumes increased 7% YoY, recovering in tandem with the gradual opening of economies.

QoQ, 1QFY21 CNP rose 23% mainly due to: (i) higher GP margin by 7.1ppt to 61.7% from 54.6% in 4QFY20 from better pricing mix for container cargo, and (ii) lower effective tax rate of 23.9% compared to 25.1% in 4QFY20. This was despite lower volume from both transshipment (-6%) and gateway (0%) which continued to be affected by container congestion at ports from disruption in the global supply chain limiting its container take-up rate. Current yard utilisation rate was at 90% compared to 2019 at 75%, and 2020 at 60% during lockdowns, and 120% at Dec 2020. Overall, intra-Asia and Asia-Europe volumes plunged 3% QoQ and 11% QoQ, respectively, which accounted for 77% of total throughput.

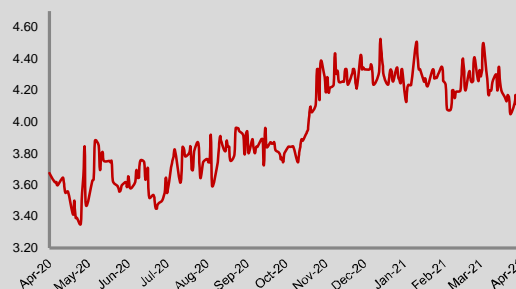
Longer term prospects with Westports 2. In terms of dividends, payout ratio guidance is revised back to 75% in FY21 from 60% in FY20 with the approved new container terminal expansion project pending only land conversion preparation and concession agreement negotiation with the Government of Malaysia. With total capex for Westports 2 (CT10-17) amounting to ~RM10b, the new CTs are expected to nearly double in capacity to 27m TEUs from 14m TEUs spread over 20 years. With anticipated full completion only by 2040, we view this investment as a very long-term play for the group, thus ruling out any earnings accretive development over the next few years. The global supply chain is adjusting to a combination of factors, such as higher consumer demand for containerised goods in Western economies, lockdowns and a global supply chain adjustment adhering to COVID-19 precautionary measures.

Maintain MP with DDM-derived TP of RM4.20 based on: (i) 6.2% discounting rate, (ii) 1.5% terminal growth, and (iii) dividend pay-out policy of 75%. The saving grace is a 3.6% dividend yield. **Risks to our call include:** (i) significant deterioration/improvement in container through-put, and (iii) changes in dividend policy.

MARKET PERFORM ↔

Price: RM4.25
Target Price: RM4.20 ↔

Share Price Performance



KLCI 1,608.50
YTD KLCI chg -1.1%
YTD stock price chg -1.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WPRTS MK Equity
Market Cap (RM m)	14,492.5
Shares Outstanding	3,410.0
52-week range (H)	4.69
52-week range (L)	3.45
3-mth avg daily vol	1,643,748
Free Float	13%
Beta	0.5

Major Shareholders

Pembinaan Redzai Sdn Bhd	42.4%
South Port Invest Holdings	23.6%
Employees Provident Fund	6.4%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Revenue	1,975.0	1,943.9	2,028.7
EBIT	930.3	983.6	1,026.5
PBT	865.1	903.5	947.7
Net Profit (NP)	654.5	686.7	720.3
Core Net Profit	647.5	686.7	720.3
Consensus NP	-	706.6	754.9
Earnings revision (%)	-	-	-
Core EPS (sen)	19.0	20.1	21.1
CNP growth (%)	9.6	6.1	4.9
DPS (sen)	11.5	15.1	15.8
BV/Share (RM)	0.8	0.9	0.9
Core PER (x)	22.4	21.1	20.1
Price/BV (x)	5.1	4.8	4.6
Net gearing (x)	0.2	0.3	0.2
Dividend Yield (%)	2.7	3.6	3.7

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Result Highlight								
FY Dec (RM m)	1QFY21	4QFY20	QoQ	1QFY20	YoY	1QFY21	1QFY20	YoY
Revenue	508.2	541.5	-6%	473.5	7%	508.2	473.5	7%
Gross Profit (GP)	313.7	295.5	6%	289.3	8%	313.7	289.3	8%
EBITDA	354.1	298.6	19%	282.3	25%	354.1	282.3	25%
EBIT	288.4	234.6	23%	217.1	33%	288.4	217.1	33%
Finance Income	4.3	4.0	6%	5.1	-17%	4.3	5.1	-17%
Finance Costs	(19.0)	(20.4)	-7%	(20.4)	-7%	(19.0)	(20.4)	-7%
PBT	273.6	218.2	25%	201.9	36%	273.6	201.9	36%
Taxation	(65.3)	(54.7)	19%	(49.1)	33%	(65.3)	(49.1)	33%
Net Profit	208.3	163.5	27%	152.8	36%	208.3	152.8	36%
Exceptional Items	20.0	7.0		0.0		20.0	0.0	
Core Net Profit (CNP)	188.3	156.5	20%	152.8	23%	188.3	152.8	23%
NDPS (sen)	0.00	6.47		0.00		0.00	0.00	
GP Margin	61.7%	54.6%		61.1%		61.7%	61.1%	
EBIT Margin	56.7%	43.3%		45.9%		56.7%	45.9%	
PBT Margin	53.8%	40.3%		42.6%		53.8%	42.6%	
CNP Margin	37.1%	28.9%		32.3%		37.1%	32.3%	
Effective Tax Rate	23.9%	25.1%		24.3%		23.9%	24.3%	
Container								
Throughput (m TEU)	1QFY21	4QFY20	QoQ	1QFY20	YoY	1QFY21	1QFY20	YoY
Transshipment	1.69	1.80	-6%	1.58	7%	1.69	1.58	7%
Gateway	0.97	0.97	0%	0.94	3%	0.97	0.94	3%
Total	2.66	2.77	-4%	2.52	6%	2.66	2.52	6%

Source: Company, Bursa Malaysia, Kenanga Research

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Peer Comparison

Name	Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
MMC CORP BHD	1.14	3,471.4	Y	12/2021	-1.0%	5.8%	10.8%	4.7%	10.4	9.4	9.0	0.4	0.4	3.8%	3.5%	1.05	MP
PERAK TRANSIT BERHAD	0.780	495.1	Y	12/2021	13.9%	6.3%	17.5%	6.3%	11.8	10.1	9.5	1.1	1.0	10.1%	3.5%	1.15	OP
POS MALAYSIA BHD	0.870	681.0	Y	12/2021	-3.1%	3.5%	-147.6%	13.2%	N.A.	N.A.	9.9	0.5	0.5	-4.7%	4.6%	0.880	MP
WESTPORTS HOLDINGS BHD	4.25	14,492.5	Y	12/2021	-1.6%	4.4%	4.9%	4.9%	22.1	21.1	20.1	5.1	4.8	23.6%	3.6%	4.20	MP
Simple Average					2.1%	5.0%	-28.6%	7.3%	14.8	13.5	12.1	1.8	1.7	8.2%	3.8%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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