

02 August 2021

# Westports Holdings Berhad

## 1HFY21 Within Expectations

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**1HFY21 Core Net Profit (CNP) of RM366.3m (+28% YoY) came in within our/consensus expectation at 53%/51% of full-year estimate, respectively. Delay in shipping line arrival time schedule coupled with pandemic-induced supply chain disruption could potentially limit total container volume this year, in addition to congestion at the ports yard. Nevertheless, transshipment and gateway volume are still sustainable, in tandem with gradual economies' re-opening. Maintain MP with a TP of RM4.20. The saving grace is a 3.7% dividend yield.**

**1HFY21 CNP within expectations.** 1HFY21 Core Net Profit (CNP) of RM366.3m (+28% YoY) came in within our/consensus expectation at 53%/51% of full-year estimate, respectively. 1<sup>st</sup> interim DPS of 8.5 sen was declared for 1HFY21 (1HFY20: 5.05 sen), as expected.

**YoY, 1HFY21 CNP** rose 28%, attributed to: (i) higher transshipment volume (+12%) and gateway volume (+9%) compared to last year which was affected by lockdown measures, and (ii) higher EBIT margin by 8.2ppt to 53.2% from 45% in 1HFY20 especially from the absence of general provisions amounting to RM33.4m and including quay cranes insurance recoveries (RM20m). Note that, TS/restow empties (+14%) have been re-allocated mostly to Far East, with total empties at 25%, while conventional growth coming from Break Bulk, Liquid Bulk and RORO. Overall, almost all trade routes recorded positive growth in tandem with the gradual re-opening of economies with main trade route intra-Asia volumes up 6% and Asia-Europe volumes increased 9%.

**QoQ, 2QFY21 CNP** decreased by 5% mostly attributed to: (i) lower EBIT margin by 7.0ppt to 49.7% from 56.7% with the higher costs in manpower and fuel cost in tandem with the rising volume transacted since early of the year and continued rise in fuel prices respectively, (ii) flat growth in Transshipment volume (+1%) and decline in Gateway volume (-2%) due to lockdown in some parts of ASEAN, and lockdown starting June in Malaysia, and (iii) higher effective tax rate of 24.5% (1QFY21: 23.9%). 2QFY21 yard utilisation rate was at 90% compared to 2019 at 75%, and 2020 at 60% during lockdowns, and 120% in Dec 2020 while container utilisation rate was at 70%.

**Longer term prospects from Westports 2.** The approved new container terminal expansion project pending only UKAS, MOT 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 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. Note that, July yard utilisation rate was at above 100% due to lockdowns with no movement of local container as Westports charged lower rental compared to outside-ports warehouses.

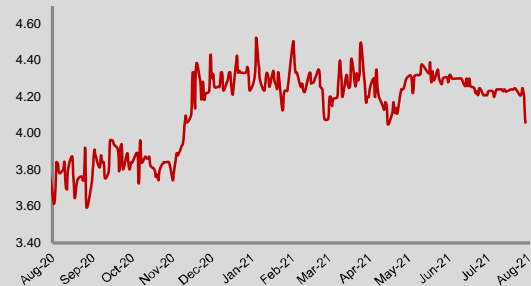
**Maintain MP with DDM-derived TP of RM4.20** based on: (i) 6.2% discounting rate, (ii) 1.5% terminal growth, and (iii) dividend payout policy of 75%. The saving grace is a 3.7% dividend yield.

**Risks to our call include:** (i) significant deterioration/improvement in container through-put, and (iii) changes in dividend policy.

## MARKET PERFORM ↔

Price: **RM4.06**  
Target Price: **RM4.20** ↔

### Share Price Performance



KLCI 1,494.60  
YTD KLCI chg -8.1%  
YTD stock price chg -5.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WPRTS MK Equity
Market Cap (RM m)	13,844.6
Shares Outstanding	3,410.0
52-week range (H)	4.69
52-week range (L)	3.65
3-mth avg daily vol	1,445,948
Free Float	15%
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
<b>Net Profit (NP)</b>	<b>654.5</b>	<b>686.7</b>	<b>720.3</b>
<b>Core Net Profit</b>	<b>647.5</b>	<b>686.7</b>	<b>720.3</b>
Consensus NP	-	717.9	759.9
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)	21.4	20.2	19.2
Price/BV (x)	4.9	4.6	4.4
Net gearing (x)	0.2	0.3	0.2
Dividend Yield (%)	2.8	3.7	3.9

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<b>Result Highlight</b>								
<b>FY Dec (RM m)</b>	<b>2QFY21</b>	<b>1QFY21</b>	<b>QoQ</b>	<b>2QFY20</b>	<b>YoY</b>	<b>1HFY21</b>	<b>1HFY20</b>	<b>YoY</b>
<b>Revenue</b>	<b>505.1</b>	<b>508.2</b>	<b>-1%</b>	<b>431.6</b>	<b>17%</b>	<b>1,013.2</b>	<b>905.1</b>	<b>12%</b>
Gross Profit (GP)	304.0	313.7	-3%	245.0	24%	617.6	534.3	16%
<b>EBITDA</b>	<b>379.3</b>	<b>354.1</b>	<b>7%</b>	<b>255.9</b>	<b>48%</b>	<b>733.5</b>	<b>538.2</b>	<b>36%</b>
<b>EBIT</b>	<b>251.1</b>	<b>288.4</b>	<b>-13%</b>	<b>190.4</b>	<b>32%</b>	<b>539.5</b>	<b>407.5</b>	<b>32%</b>
Finance Income	2.5	4.3	-41%	4.5	-45%	6.8	9.7	-30%
Finance Costs	(18.0)	(19.0)	-5%	(20.2)	-11%	(37.0)	(40.6)	-9%
PBT	235.6	273.6	-14%	174.7	35%	509.2	376.6	35%
Taxation	(57.7)	(65.3)	-12%	(40.4)	43%	(122.9)	(89.5)	37%
<b>Net Profit</b>	<b>178.0</b>	<b>208.3</b>	<b>-15%</b>	<b>134.3</b>	<b>32%</b>	<b>386.3</b>	<b>287.1</b>	<b>35%</b>
Exceptional Items	0.0	20.0		0.0		20.0	0.0	
<b>Core Net Profit (CNP)</b>	<b>178.0</b>	<b>188.3</b>	<b>-5%</b>	<b>134.3</b>	<b>32%</b>	<b>366.3</b>	<b>287.1</b>	<b>28%</b>
<b>NDPS (sen)</b>	<b>8.50</b>	<b>0.00</b>		<b>5.05</b>		<b>8.50</b>	<b>5.05</b>	
GP Margin	60.2%	61.7%		56.8%		61.0%	59.0%	
EBIT Margin	49.7%	56.7%		44.1%		53.2%	45.0%	
PBT Margin	46.7%	53.8%		40.5%		50.3%	41.6%	
CNP Margin	35.2%	37.1%		31.1%		36.2%	31.7%	
Effective Tax Rate	24.5%	23.9%		23.1%		24.1%	23.8%	
<b>Container</b>								
<b>Throughput (m TEU)</b>	<b>2QFY21</b>	<b>1QFY21</b>	<b>QoQ</b>	<b>2QFY20</b>	<b>YoY</b>	<b>1HFY21</b>	<b>1HFY20</b>	<b>YoY</b>
Transshipment	1.70	1.69	1%	1.46	16%	3.39	3.04	12%
Gateway	0.95	0.97	-2%	0.82	16%	1.92	1.76	9%
<b>Total</b>	<b>2.65</b>	<b>2.66</b>	<b>0%</b>	<b>2.28</b>	<b>16%</b>	<b>5.31</b>	<b>4.80</b>	<b>11%</b>

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	1.75	5,328.9	Y	12/2021	-1.0%	5.8%	10.8%	4.7%	16.0	14.4	13.8	0.6	0.5	3.8%	2.3%	2.00	
PERAK TRANSIT BERHAD	0.615	390.4	Y	12/2021	13.9%	6.3%	25.4%	5.0%	9.3	7.4	7.1	0.8	0.8	10.8%	5.2%	1.15	
POS MALAYSIA BHD	0.775	606.7	Y	12/2021	-3.1%	3.5%	-193.0%	-47.4%	N.A.	N.A.	9.8	0.5	0.5	-9.3%	5.2%	0.800	
WESTPORTS HOLDINGS BHD	4.06	13,844.6	Y	12/2021	-1.6%	4.4%	6.1%	4.9%	21.4	20.2	19.2	4.9	4.6	23.6%	3.7%	4.20	
<b>Simple Average</b>					<b>2.1%</b>	<b>5.0%</b>	<b>-37.7%</b>	<b>-8.2%</b>	<b>15.6</b>	<b>14.0</b>	<b>12.5</b>	<b>1.7</b>	<b>1.6</b>	<b>7.2%</b>	<b>4.1%</b>		

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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