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Recommendation:	BUY
Current Price:	RM 4.53
Previous Target Price:	RM 5.08
Target Price:	↔ RM 5.08
Upside/Downside:	12.1%

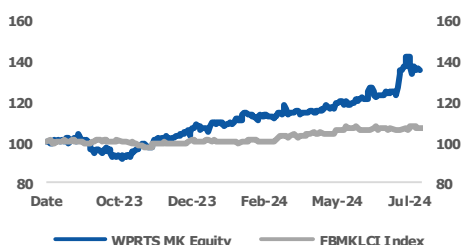
Stock information

Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5246 / WPRTS MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	3,410.0
Market Cap (RM' m)	15,447.3
52-Week Price Range (RM)	3.15-4.78
Beta (x)	0.7
Free float (%)	9.4
3M Average Volume (m)	1.5
3M Average Value (RM' m)	6.3

Top 3 Shareholders (%)

Pembinaan Redzai Sdn Bhd	42.4
South Port Investment Holdings Ltd	23.6
Employees Provident Fund Board	9.5

Share Price Performance



	1M	3M	12M
Absolute (%)	8.6	15.3	29.1
Relative (%)	7.1	13.1	16.1

Westports Holdings Berhad

Supported by the resilience of gateway volumes










Summary

- Westports's 1HFY24 core net profit at RM408.3m meet our expectations.
- Looking ahead, we expect a low single digit growth, pending tariff hike approval and expansion of Westports 2.
- We maintain our BUY recommendation with unchanged target price of RM5.08 based on the DCF-TP method, assuming a discount rate of 5.9%.

Results Review

- **Results review.** In 2QFY24, Westports reported a core net profit of RM203.7m, reflecting a yoy increase of 4.6%, driven by higher gateway volumes and VAS contribution due to higher container yard occupancy. Revenue for the quarter saw 1.9% yoy growth to RM553.0m. A first interim dividend of 8.89 sen/share, payable on 21 August 2024 was declared.
- **In line with expectations.** For 1HFY24, the Group achieved a cumulative net profit of RM408.3m, accounting for 48% and 49% of our and the consensus forecasted net profits of RM842.7m and RM825.6m, respectively.
- **Operations Highlights.** Container throughput increased by 1% yoy. Although transshipment dropped by 3% due to port congestion, the decline was offset by a resilient gateway volume, which grew by 7% yoy. The higher gateway volume elevated the gateway-to-transshipment ratio to 44%, up from 41% last year.
- **Industry Highlights.** Over the past couple of months, the Red Sea crisis has led to escalating port congestion in Asia ports, impacting Westport as volumes were diverted from other regional peers. However, congestion has eased recently as liners have adapted to rerouting and scheduling changes. For instance, Westport's container yard utilisation has decreased from c.100% in June to c.85% in July.
- **Outlook.** As congestion gradually eased, we expect stronger transshipment throughput for in 2HFY24, anticipating low single-digit yoy growth. Despite our optimism over trade activities with Asia and Malaysia, we do not foresee significant volume growth for Westport over the near term as the Group is operating near its maximum practical TEU capacity of 11.5m until the Westport 2 expansion (CT 10 expected completion by 2028). However, the Group is in ongoing discussions with the government regarding tariff adjustments on both container and conventional services, which we expect to bolster the Group's revenue and margin expansion upon approval.
- **Valuation.** With the reported results came in line, we made no changes to our earnings forecast. We reiterate our **BUY** recommendation on Westports with an unchanged target price of RM5.08, based on the DCF-TP method, assuming a discount rate of 5.9%.
- **Risk.** Stiff regional competition from other regional peers. Delay of the expansion of Westport 2.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY22	1HFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	553.0	542.6	1.9	543.2	1.8	542.6	1,096.1	102.0		Supported by higher container throughput and revenue per TEU
Operating profit	336.7	311.6	8.1	324.1	3.9	311.6	660.8	112.1		
Pre-tax profit	265.9	253.9	4.7	265.4	0.2	253.9	531.3	109.3		
Net profit	203.7	194.8	4.6	204.5	(0.4)	194.8	408.3	109.6		
Core net profit	203.7	194.8	4.6	204.5	(0.4)	194.8	408.3	109.6		
Core EPS (sen)	6.0	5.7	4.6	6.0	(0.4)	5.7	12.0	109.6		
Operating margin (%)	60.9	57.4		59.7		57.4	60.3			Higher VAS contribution due to higher container yard occupancy from port congestion Lower contribution from JV company
PBT margin (%)	48.1	46.8		48.9		46.8	48.5			
Core PATMI margin (%)	36.8	35.9		37.7		35.9	37.2			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2022.0	2069.0	2151.9	2350.9	2460.4
Gross Profit	1230.7	1190.0	1235.7	1340.0	1402.4
EBITDA	1190.7	1360.5	1214.6	1296.4	1387.7
Depreciation & Amortisation	-260.4	-258.8	-264.5	-258.9	-259.3
EBIT	930.3	1101.7	950.1	1037.5	1128.4
Net Finance Income/(Cost)	-61.7	-52.3	-41.7	-44.2	-49.2
Associates & JV	-0.4	46.2	10.5	23.5	24.6
Pre-tax Profit	1039.6	944.0	1006.2	1107.8	1156.4
Tax	-231.3	-244.4	-226.8	-265.9	-277.5
Profit After Tax	808.3	699.7	779.4	841.9	878.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	808.3	699.7	779.4	841.9	878.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	808.3	699.7	779.4	841.9	878.9

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	58.9%	65.8%	56.4%	55.1%	56.4%
EBIT margin	46.0%	53.2%	44.2%	44.1%	45.9%
PBT margin	51.4%	45.6%	46.8%	47.1%	47.0%
PAT margin	40.0%	33.8%	36.2%	35.8%	35.7%
NP margin	40.0%	33.8%	36.2%	35.8%	35.7%
Core NP margin	40.0%	33.8%	36.2%	35.8%	35.7%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%
ROE	25.8%	21.4%	22.1%	22.3%	21.5%
ROA	18.3%	15.7%	17.5%	16.7%	16.0%
Net gearing	15.8%	12.9%	7.7%	12.8%	10.7%

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Container	1735.0	1774.0	1805.0	1873.1	1970.2
Conventional	134.0	155.0	139.0	139.4	144.9
Marine Service	65	76	91	83	86

Valuations

FYE Dec (RM m)	FY25F
WACC	5.9%
Fair Value (RM)	5.08

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	656.0	552.1	577.9	501.3	576.7
Receivables	296.3	210.1	280.7	257.6	269.6
Inventories	5.4	5.3	5.3	-98.4	-145.5
Other current assets	50.0	70.8	20.4	47.0	49.2
Total Current Assets	1007.7	838.4	884.4	707.6	750.0
Fixed Assets	4293.0	4282.6	4283.7	4778.0	5223.5
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	114.6	160.7	171.2	251.6	274.5
Total Non-current assets	4407.6	4443.3	4454.9	5029.6	5498.1
Short-term Debt	175.0	125.0	125.0	127.5	133.9
Payables	146.6	195.3	159.0	198.5	196.8
Other Current Liabilities	390.1	299.3	332.2	333.6	349.1
Total Current Liabilities	758.6	619.6	616.1	659.6	679.8
Long-term Debt	975.0	850.0	725.0	855.5	881.2
Other non-current liabilities	554.9	537.7	478.0	449.4	606.8
Total Non-current Liabilities	1529.9	1387.7	1203.0	1304.9	1488.0
Shareholder's equity	4177.7	4472.7	4964.2	5469.4	6084.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	3126.9	3274.4	3520.1	3772.7	4080.3

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	1039.6	944.0	1006.2	1107.8	1156.4
Depreciation & amortisation	260.4	258.8	264.5	258.9	259.3
Changes in working capital	1.9	34.9	-89.9	-141.2	-46.7
Others	-199.7	-344.1	-180.7	-64.7	-64.7
Operating cash flow	1100.6	899.3	994.6	1161.1	1356.3
Net capex	-370.9	-246.1	-226.8	-752.3	-755.3
Others	-100.4	62.4	13.6	13.6	13.6
Investing cash flow	-471.3	-183.7	-213.2	-738.7	-741.7
Dividends paid	-510.5	-552.1	-533.7	-589.3	-571.3
Others	-242.7	-268.3	-223.0	133.0	32.0
Financing cash flow	-753.2	-820.4	-756.7	-456.3	-539.2
Net cash flow	-123.9	-104.7	24.6	-33.9	75.3
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	739.2	615.3	510.6	535.2	501.3
Ending cash	615.3	510.6	535.2	501.3	576.7
Pledge deposits for Sukuk programees	40.68	41.53	42.68	-	-
Balance sheet figure	656.0	552.1	577.9	501.3	576.7

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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