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Recommendation:	BUY
Current Price:	RM 4.30
Previous Target Price:	RM 5.08
Target Price:	↔ RM 5.08
Upside/Downside:	18.1%

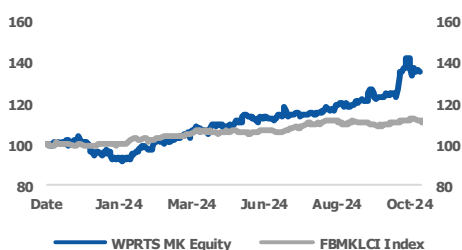
Stock information

Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5246 / WPRTS MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	★★★★
Shares issued (m)	3,410.0
Market Cap (RM' m)	14,663.0
52-Week Price Range (RM)	3.33-4.78
Beta (x)	0.4
Free float (%)	25.7
3M Average Volume (m)	1.1
3M Average Value (RM' m)	4.7

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 (%)	3.9	-0.5	28.7
Relative (%)	4.8	-2.4	15.7

Westports Holdings Berhad

Higher margin despite lower throughput from transshipments










Summary

- **Westports' CNP of RM228.0m (+16.9% yoy, +11.9% qoq) in 3QFY24, bringing 9MFY24 CNP to RM636.2m (+63.2% yoy) came in line at 76% and 77% of ours and consensus expectations respectively.**
- **Looking ahead, we anticipate gateway throughput to be the primary growth driver, while transshipment volumes are likely to face challenges.**
- **We maintain our BUY recommendation with unchanged target price of RM5.08 based on the DCF-TP method, using a discount rate of 5.9%.**

Results Review

- **Results review.** In 3QFY24, Westports posted a core net profit of RM228.0mm, excluding a one-off government income of RM5.1m, representing +16.9% yoy and +11.9% yoy growth, supported by improved operating margins due to lower costs and higher revenue per container TEU. Quarterly revenue grew by +5.6% yoy and +3.5% qoq to RM572.6m.
- **In line with expectations.** For 9MFY4, the Group recorded a cumulative core net profit of RM636.2m, representing 76% of our forecasted net profit of RM841.9m and 77% of the consensus estimate of RM830.3m.
- **Operations Highlights.** Container throughput declined by 2% yoy and 1% qoq, despite higher import-export volumes, as the drop in transshipment volumes offset gains during 3Q24, due to container volumes being diverted to competitors following previous port congestion, coupled with the Malaysian government's ban on container entries from Israeli shipping giant - Zim, one of the world's top 20 carriers. Meanwhile, container gateway and conventional volumes remained robust, supported by strong local economic activity and ongoing infrastructure developments. Net margins were boosted by upward rate adjustments and lower depreciation costs following an extension of the concessionaire assets' useful life.
- **Industry Highlights.** Ongoing Red Sea crisis, along with challenges such as the impact of US port strikes, uncertainties surrounding former President Trump's diplomatic and trade policies, and persistent global geopolitical tensions, continue to create ambiguous market conditions and headwinds for the industry.
- **Outlook.** Over the near term, container transshipment volumes are expected to remain relatively flat due to the aforementioned headwinds. However, gateway volumes are anticipated to be the main driver, supported by the China+1 diversification strategy, currency stabilisation, and domestic developments. Over the longer term, Westports will sustain its competitiveness as a transshipment hub by maintaining alliances within its network by expanding capacity, with the Westport2 expansion of CT10 projected to be completed by 2QCY28.
- **Valuation.** As the reported results came within expectations, we kept our earnings forecast unchanged. We reiterate our **BUY** recommendation on Westports with an unchanged target price of RM5.08.
- **Risks.** Stiff regional competition. Delay of the expansion of Westport 2.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	572.6	542.3	5.6	553.0	3.5	1,084.9	1,668.7	53.8		Supported by higher revenue per TEU container due to higher Value-Added Services (VAS) driven by higher reefer units and storage revenue from boxes staying more days at the container yard
Operating profit	378.3	311.3	21.5	336.7	12.4	622.9	1,039.1	66.8		
Pre-tax profit	303.7	252.4	20.3	265.9	14.2	506.2	835.0	64.9		
Net profit	233.1	195.0	19.5	203.7	14.4	389.8	641.3	64.5		
Core net profit	228.0	195.0	16.9	203.7	11.9	389.8	636.2	63.2		
Core EPS (sen)	6.7	5.7	16.9	6.0	11.9	11.4	18.7	63.2		
Operating margin (%)	66.1	57.4		60.9		57.4	62.3			Higher operating margin from lower costs mainly of depreciation and higher revenue per container TEU
PBT margin (%)	53.0	46.5		48.1		46.7	50.0			
Core PATMI margin (%)	39.8	36.0		36.8		35.9	38.1			

Source: Company, Apex Securities

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F	FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	2069.0	2151.9	2350.9	2460.4	2642.6	Cash	552.1	577.9	501.3	576.7	657.9
Gross Profit	1190.0	1235.7	1340.0	1402.4	1506.3	Receivables	210.1	280.7	257.6	269.6	289.6
EBITDA	1360.5	1214.6	1296.4	1387.7	1492.2	Inventories	5.3	5.3	-98.4	-145.5	-223.8
Depreciation & Amortisation	-258.8	-264.5	-258.9	-259.3	-311.3	Other current assets	70.8	20.4	47.0	49.2	52.9
EBIT	1101.7	950.1	1037.5	1128.4	1181.0	Total Current Assets	838.4	884.4	707.6	750.0	776.6
Net Finance Income/ (Cost)	-52.3	-41.7	-44.2	-49.2	-49.6	Fixed Assets	4282.6	4283.7	4778.0	5223.5	5649.5
Associates & JV	46.2	10.5	23.5	24.6	26.4	Intangibles	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	944.0	1006.2	1107.8	1156.4	1233.0	Other non-current assets	160.7	171.2	251.6	274.5	326.0
Tax	-244.4	-226.8	-265.9	-277.5	-295.9	Total Non-current assets	4443.3	4454.9	5029.6	5498.1	5975.5
Profit After Tax	699.7	779.4	841.9	878.9	937.1	Short-term Debt	125.0	125.0	127.5	133.9	140.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	Payables	195.3	159.0	198.5	196.8	216.3
Net Profit	699.7	779.4	841.9	878.9	937.1	Other Current Liabilities	299.3	332.2	333.6	349.1	375.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	Total Current Liabilities	619.6	616.1	659.6	679.8	731.9
Core Net Profit	699.7	779.4	841.9	878.9	937.1	Long-term Debt	850.0	725.0	855.5	881.2	907.6
						Other non-current liabilities	537.7	478.0	449.4	606.8	704.3
						Total Non-current Liabilities	1387.7	1203.0	1304.9	1488.0	1611.9
						Shareholder's equity	4472.7	4964.2	5469.4	6084.6	6740.5
						Minority interest	0.0	0.0	0.0	0.0	0.0
						Total Equity	3274.4	3520.1	3772.7	4080.3	4408.3

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	65.8%	56.4%	55.1%	56.4%	56.5%
EBIT margin	53.2%	44.2%	44.1%	45.9%	44.7%
PBT margin	45.6%	46.8%	47.1%	47.0%	46.7%
PAT margin	33.8%	36.2%	35.8%	35.7%	35.5%
NP margin	33.8%	36.2%	35.8%	35.7%	35.5%
Core NP margin	33.8%	36.2%	35.8%	35.7%	35.5%
Dividend yield	5.0%	5.0%	5.0%	5.0%	5.0%
ROE	21.4%	22.1%	22.3%	21.5%	21.3%
ROA	15.7%	17.5%	16.7%	16.0%	15.7%
Net gearing	12.9%	7.7%	12.8%	10.7%	8.9%

Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Container	1774.0	1805.0	1873.1	1970.2	2133.2
Conventional	155.0	139.0	139.4	144.9	147.8
Marine Service	76	91	83	86	97

Valuations

WACC	5.9%
Fair Value (RM)	5.08

Source: Company, Apex Securities

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	944.0	1006.2	1107.8	1156.4	1233.0
Depreciation & amortisation	258.8	264.5	258.9	259.3	311.3
Changes in working capital	34.9	-89.9	-141.2	-46.7	-100.1
Others	-344.1	-180.7	-64.7	-64.7	-64.7
Operating cash flow	899.3	994.6	1161.1	1356.3	1404.5
Net capex	-246.1	-226.8	-752.3	-755.3	-760.9
Others	62.4	13.6	13.6	13.6	13.6
Investing cash flow	-183.7	-213.2	-738.7	-741.7	-747.3
Dividends paid	-552.1	-533.7	-589.3	-571.3	-609.1
Others	-268.3	-223.0	133.0	32.0	33.1
Financing cash flow	-820.4	-756.7	-456.3	-539.2	-576.0
Net cash flow	-104.7	24.6	-33.9	75.3	81.3
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	615.3	510.6	535.2	501.3	576.7
Ending cash	510.6	535.2	501.3	576.7	657.9
Pledge deposits for Sukuk programees	41.53	42.68	-	-	-
Balance sheet figure	552.1	577.9	501.3	576.7	657.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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

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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