

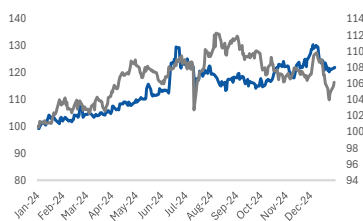
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Recommendation:	BUY
Current Price:	RM 4.47
Previous Target Price:	RM 5.08
Target Price:	↔ RM 5.08
Capital Upside/Downside:	13.6%
Dividend Yield (%):	3.9%
Total Upside/Downside:	17.5%

Stock information	
Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5246 / WPRTS MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	3,410.0
Market Cap (RM' m)	15,242.7
52-Week Price Range (RM)	4.78-3.69
Beta (x)	0.4
Free float (%)	25.7
3M Average Volume (m)	1.9
3M Average Value (RM' m)	8.3

Top 3 Shareholders (%)	
Pembinaan Redzai Sdn Bhd	42.4
South Port Investment Holdings Ltd	23.6
Employees Provident Fund Board	8.7

Share Price Performance



	1M	3M	12M
Absolute (%)	-3.5	6.4	19.8
Relative (%)	-1.9	10.1	14.3

Westports Holdings Berhad

Higher than expected 4Q

Executive Summary

- Westports recorded 4QFY24 profit of RM256.7m (+10.1% qoq, +24.7% yoy) bringing full year FY24 CNP to RM898m (+15.2% yoy), exceeding expectations at 107% of our forecast (RM842m) and 105% of consensus (RM852m), driven by higher-than-expected revenue per container and rental income.
- Growth in FY25 is expected to record low single digis, supported by resilient volumes, with potential upside from tariff hikes.
- Tweaked FY25 earnings upward by 1% on reduced depreciation and tax rate assumptions and maintain BUY with an unchanged TP of RM5.08 (DCF-based, 6.1% discount rate), reflecting optimistic long-term prospects from resilient gateway volumes, stable transshipment customers, and potential tariff rate hikes.

Results exceeded expectations. FY24 core net profit of RM898m (+15.2% yoy) came in slightly above forecasts, accounting for 107% of our core net profit projection of RM842m and 105% of the consensus estimate of RM852m. The positive variance was primarily driven by higher-than-expected revenue per container and rental income.

yoy. 4QFY24 core net profit expanded +24.5% yoy to RM256.7m, driven by stronger revenue contributions from higher revenue per container, supported by increased gateway volumes and higher Value-Added Services (VAS) contribution as well as higher rental income from front-loaded revenue recognition at the early phase of sublease renewal rate upgrades for customers. Quarterly revenue increased by +21.9% yoy to RM675.4m.

qoq. Core net profit rose by +10.1% qoq, supported by a lower effective tax rate (tax expenses in 4QFY24: RM47m vs. RM70.6m in the previous quarter) due to the investment tax allowance claimed for terminal truck purchases at the end of 2024. Quarterly revenue increased by +18% qoq, driven by higher construction revenue.

Outlook. We expect low single-digit growth for Westports in FY25, as the current quarter's surge in performance is unlikely to be sustainable. Recent quarter's improvement was driven by an influx of shipping cargoes activities ahead of uncertainties surrounding former US President Trump's tariff policies, as well as the front-loading of rental income recognition. While uncertainties surrounding protectionist policies remain on the cards, we are optimistic over Malaysia's position as one of the key beneficiaries of global trade diversions, which is expected to support resilient gateway volumes moving forward. Transshipment volumes are projected to remain stable, supported by the potential full implementation of a Gaza ceasefire deal, which could ease Red Sea voyage disruptions, and an improving global economic outlook. Additionally, we gathered that the recent reshuffle of shipping alliances will have minimal impact on Westports, as its main transshipment customers remain stable and intact. Furthermore, any potential hike in tariff rates, currently under discussion for Westports' cargoes, presents a potential upside to the Group's performance and our forecasts.

Earnings Revision. We tweaked our earnings forecasts for Westports in FY25 marginally higher by approximately 1%, reflecting the impact of lower depreciation expenses and a reduced effective tax rate.

Valuation. Re-iterate our **BUY** recommendation on Westports with a target price of RM5.08, based on the DCF-TP method, using a discount rate of 6.1%.

Risk. Uncertainties of Trump's trade policies. Stiff regional competition. Delay of the expansion of Westport 2.

Earnings Summary

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	2069.0	2151.9	2344.1	2460.4	2642.6
EBITDA	1214.6	1296.4	1449.1	1529.1	1602.4
Pre-tax profit	944.0	1006.2	1138.7	1192.7	1241.1
Net profit	699.7	779.4	898.0	906.4	943.2
Core net profit	699.7	779.4	898.0	906.4	943.2
Core EPS (sen)	20.5	22.9	26.3	26.6	27.7
P/E (x)	21.5	19.3	16.8	16.6	16.0
P/B (x)	4.6	4.3	3.9	3.7	3.4
EV/EBITDA (x)	12.1	11.4	10.2	9.5	9.1
Dividend Yield (%)	3.7%	3.5%	3.9%	3.9%	4.1%
Net Gearing (%)	13%	8%	8%	13%	11%

Source: Company, Apex Securities

Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12M FY24	12M FY23	yoy (%)	Comments
Revenue	675.4	554.1	219	572.6	18.0	2,344.1	2,151.9	8.9	4QFY23 delivered higher-than-expected revenue per container and rental income.
Operating profit	333.2	271.8	22.6	316.3	5.3	1,194.5	1,037.5	15.1	
Pre-tax profit	303.7	263.1	15.4	303.7	0.0	1,138.7	1,006.2	13.2	
Net profit	256.7	206.1	24.5	233.1	10.1	898.0	779.4	15.2	
Core net profit	256.7	206.1	24.5	233.1	10.1	898.0	779.4	15.2	
Core EPS (sen)	7.5	6.0	24.5	6.8	10.1	26.3	22.9	15.2	
EBITDA margin (%)	49.3	49.0		55.2		51.0	48.2		
PBT margin (%)	45.0	47.5		53.0		48.6	46.8		
Core net profit margin (%)	38.0	37.2		40.7		38.3	36.2		

Source: Company, Apex Securities

Results Note

Friday, 24 Jan, 2025

Financial Highlights

Income Statement

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	2069.0	2151.9	2344.1	2460.4	2642.6
Gross Profit	1190.0	1235.7	1443.5	1476.2	1506.3
EBITDA	1214.6	1296.4	1449.1	1529.1	1602.4
Depreciation & Amortisation	264.5	258.9	254.6	311.3	336.4
EBIT	950.1	1037.5	1194.5	1217.9	1266.0
Net Finance Income/ (Cost)	-52.3	-41.7	-55.8	-49.3	-50.5
Associates & JV	46.2	10.5	0.0	24.6	26.4
Pre-tax Profit	944.0	1006.2	1138.7	1193.2	1241.9
Tax	-244.4	-226.8	-240.7	-286.4	-298.1
Profit After Tax	699.7	779.4	898.0	906.9	943.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	699.7	779.4	898.0	906.9	943.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	699.7	779.4	898.0	906.9	943.8

Key Ratios

FYE Sep	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	20.5	22.9	26.3	26.6	27.7
P/E (x)	21.5	19.3	16.8	16.6	16.0
P/B (x)	4.6	4.3	4.0	3.7	3.4
EV/EBITDA (x)	12.1	11.4	10.1	9.6	9.1
DPS (sen)	16.2	15.7	17.3	17.3	18.0
Dividend Yield (%)	3.7%	3.5%	3.9%	3.9%	4.1%
EBITDA margin (%)	58.7%	60.2%	61.8%	62.2%	60.6%
EBIT margin (%)	45.9%	48.2%	51.0%	49.5%	47.9%
PBT margin (%)	45.6%	46.8%	48.6%	48.5%	47.0%
PAT margin (%)	33.8%	36.2%	38.3%	36.9%	35.7%
NP margin (%)	33.8%	36.2%	38.3%	36.9%	35.7%
CNP margin (%)	33.8%	36.2%	38.3%	36.9%	35.7%
ROE (%)	21.4%	22.1%	23.8%	22.2%	21.4%
ROA (%)	13.2%	14.6%	15.4%	14.3%	13.8%
Gearing (%)	29.8%	24.1%	26.1%	24.8%	23.7%
Net gearing (%)	12.9%	7.7%	12.6%	11.1%	10.7%

Valuations	DCF
WACC	6.1%
Fair Value (RM)	5.08

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Current Assets	838.4	884.4	817.6	884.2	924.0
Cash	552.1	577.9	507.6	560.0	576.2
Receivables	210.1	280.7	257.6	269.6	289.6
Inventories	5.3	5.3	5.4	5.4	5.4
Other current assets	70.8	20.4	47.0	49.2	52.9
Current Liabilities	619.6	616.1	641.1	633.9	717.9
Short-term debt	125.0	125.0	127.5	133.9	140.6
Payables	195.3	159.0	180.0	175.3	202.4
Other current liabilities	299.3	332.2	333.6	324.8	375.0
Non-Current Assets	1387.7	1203.0	1433.3	1635.3	1686.7
Fixed Assets	4282.6	4283.7	4778.0	5223.5	5649.5
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	160.7	171.2	251.6	251.6	251.6
Non-Current Liabilities	1387.7	1203.0	1433.3	1635.3	1686.7
Shareholder's equity	3274.4	3520.1	3772.7	4090.1	4420.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	3274.4	3520.1	3772.7	4090.1	4420.4

Cash Flow

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	944.0	1006.2	1138.7	1193.2	1241.9
Depreciation & amortisation	264.5	258.9	254.6	311.3	336.4
Changes in working capital	34.9	-89.9	-19.0	27.8	-53.7
Others	-344.1	-180.7	-180.7	-180.7	-180.7
Operating cash flow	899.3	994.6	1167.4	1351.6	1343.9
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	-589.4	-589.5	-613.5
Others	-268.3	-223.0	133.0	32.0	33.1
Financing cash flow	-820.4	-756.7	-456.4	-557.4	-580.4
Net cash flow	-104.7	24.6	-27.7	52.4	16.2
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	507.6	560.0
Ending cash	510.6	535.2	507.6	560.0	576.2
Pledge deposits for Sukuk programees	41.53	42.68	0.00	0.00	0.00
Balance sheet figure	552.1	577.9	507.6	560.0	576.2

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Commitment to net-zero carbon emissions by 2050; achieved a 10% reduction in carbon intensity since 2019 through energy optimization initiatives.
Waste & Effluent	★★★	Comprehensive waste management programs including improved recycling rates and compliance with marine pollution standards.
Energy	★★★	Renewable energy adoption with solar panel installations contributing to reduced grid reliance; phased transition to electric-powered equipment.
Water	★★★	Ongoing rainwater harvesting projects; reduced water consumption intensity by 15% since 2020.
Compliance	★★★	Fully compliant with ISO 14001 standards and environmental legislation; achieved zero major environmental non-compliances in FY2023.

Social

Diversity	★★★	Workforce diversity supported by 50% female representation on the Board; actively promotes inclusion across all levels.
Human Rights	★★★	Upholds policies ensuring non-discrimination, equal opportunities, and adherence to international human rights frameworks.
Occupational Safety and Health	★★★	Zero fatalities reported; implemented advanced safety measures and provided over 25,000 safety training hours in FY2023.
Labour Practices	★★★	Complies with national wage laws and prioritizes fair employment practices, ensuring equitable opportunities for local hires.

Governance

CSR Strategy	★★★	Westports has allocated RM2 million towards CSR activities in FY2023, focusing on education, healthcare, and environmental conservation.
Management	★★★	Experienced Board with an average tenure of over 10 years; 2 out of 9 Board members are female, aligning with gender diversity goals.
Stakeholders	★★★	Maintains transparent communication with stakeholders through quarterly briefings and annual general meetings.

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.