

24 January 2025

Transport | Marine Port

Westports (WPRTS MK)

Neutral (Maintained)

Chalks Strong Ending To FY24

- **Still NEUTRAL, new DCF-derived MYR4.70 TP from MYR4.56, 5% upside with c.5% FY25F yield.** Westports' FY24 results beat expectations, on the back of higher rental revenue and lower operating expenses. Management is guiding for mid-single-digit volume growth this year, which is to be mainly contributed by the increased gateway volumes. However, we think that upside potential on its share price is limited, as this counter remains fairly valued, ie it is trading at the historical mean.
- **Outperforms expectations.** 4Q24 core net profit of MYR266m (+16.7% QoQ, +28.6% YoY), bringing full-year earnings to MYR902m (+15.8% YoY) – which are above our (106%) and Street (108%) estimates. The deviations were mainly due to higher-than-expected rental revenue and lower-than-expected operating expenses. Segment-wise, 4Q24 container turnover rose 11% YoY to MYR511m despite flattish volumes, thanks to higher storage revenues from stringent customs control. This led to longer storage times. Consequently, revenue/TEU rose 7% YoY. On the other hand, conventional revenue grew 7% but volumes fell 8% due to a favourable product mix.
- **4Q24 throughput analysis.** Westports managed a total of 2.9m TEUs (+6% QoQ, flattish YoY) in 4Q24, with transshipment volume down 2% YoY, offset by a 3% increase in gateway volumes. As a result, container volume handled in FY24 was 11.0m TEUs, with a transshipment: gateway split of 55:45. This was in line with our full-year FY24 container assumptions. Geographically, intra-Asia trade remains the biggest contributor (c.65% of total container volumes) despite recording a slight drop of 3% in 4Q24. However, this was partly offset by a recovery in Asia-Europe routes which grew by 21% YoY.
- **Outlook.** Despite the smouldering geopolitical risks, we anticipate a pick-up in its container handling revenue in 2025, with container volume forecasted at 11.9m TEU, vs management's target of 11.5m TEU. This would then be offset by lower value-added services contributions due to lower storage revenue. However, the risk of new targeted tariffs imposed by the US may put China companies' expansion plans in Malaysia on hold. However, management noted that announcement regarding tariff hikes as well as its implementation timeline is due this quarter, with no further details given. We keep our tariff assumptions unchanged for now.
- **Keep NEUTRAL.** We lift our FY25-26 earnings forecasts by 7-8% to include upward adjustments on rental revenue estimates and lower operating expenses. Our TP is now MYR4.70, post annual upkeep adjustments, with a 2% ESG premium imputed, based on its ESG score of 3.1. RHB Economics maintains its optimistic outlook for Malaysia's trade in 2025. However, we keep our NEUTRAL call as Westports is fairly valued at an implied FY24 P/E of 15.7x – in line with its historical average. Downside risks: Lower-than-expected TEU volume and higher-than-expected operating costs.

| | |
|------------------------------|---------------------|
| Target Price (Return): | MYR4.70 (+5%) |
| Price (Market Cap): | MYR4.47 (USD3,435m) |
| ESG score: | 3.1 (out of 4) |
| Avg Daily Turnover (MYR/USD) | 7.89m/1.74m |

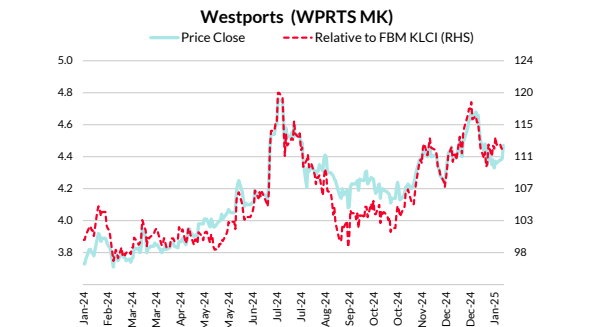
Analyst

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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|-------|-------|-----|-------|------|
| Absolute | (4.1) | (2.4) | 5.4 | (1.8) | 18.9 |
| Relative | (0.8) | (1.9) | 8.7 | 0.8 | 12.8 |
| 52-wk Price low/high (MYR) | | | | 3.71 | 4.76 |



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E: EXCELLENT

Westports organises environmental initiatives such as mangrove tree planting and recycling programmes. In terms of electricity consumption, Westports consumed 60.7 kWh of power in 2023, representing a 7.5% drop YoY.

S: GOOD

The company regularly organises and supports various community-based programmes and initiatives. It works closely with volunteers, the local community, community partners, and government agencies to improve neighbourhoods and lives. These include gotong-royong, dengue prevention programme and basic first aid classes.

G: GOOD

50% of its board members are independent. 41% are women, which is above the Malaysian Code of Corporate Governance requirement of 30%. Westports provides full disclosure on its directors' remunerations, including salaries and bonuses. It holds regular investor briefings, embodying good transparency and disclosure practices.

| Forecasts and Valuation | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
|---------------------------------|--------|--------|---------|----------|----------|
| Total turnover (MYRm) | 2,152 | 2,344 | 2,470 | 2,643 | 2,784 |
| Recurring net profit (MYRm) | 779 | 902 | 953 | 1,016 | 1,065 |
| Recurring net profit growth (%) | 11.3 | 15.8 | 5.7 | 6.7 | 4.8 |
| Recurring P/E (x) | 19.57 | 16.91 | 16.00 | 15.00 | 14.31 |
| P/B (x) | 4.3 | 4.0 | 3.6 | 3.5 | 3.3 |
| P/CF (x) | 15.32 | 11.80 | 12.59 | 11.95 | 11.45 |
| Dividend Yield (%) | 3.5 | 3.9 | 4.7 | 5.0 | 5.2 |
| EV/EBITDA (x) | 12.86 | 10.71 | 9.82 | 5.78 | 5.44 |
| Return on average equity (%) | 20.0 | 24.5 | 23.6 | 46.4 | 47.7 |
| Net debt to equity (%) | 7.7 | 7.8 | 0.6 | net cash | net cash |

Source: Company data, RHB

Financial Exhibits

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary (MYR) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Malaysia | Recurring EPS | 0.23 | 0.26 | 0.28 | 0.30 | 0.31 |
| Transport | DPS | 0.16 | 0.18 | 0.21 | 0.22 | 0.23 |
| Westports | BVPS | 1.03 | 1.12 | 1.25 | 1.29 | 1.34 |
| WPRTS MK | Return on average equity (%) | 20.0 | 24.5 | 23.6 | 46.4 | 47.7 |
| Neutral | | | | | | |
| | Valuation metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Valuation basis | Recurring P/E (x) | 19.57 | 16.91 | 16.00 | 15.00 | 14.31 |
| DCF | P/B (x) | 4.3 | 4.0 | 3.6 | 3.5 | 3.3 |
| | FCF Yield (%) | 5.8 | 7.8 | 7.2 | 7.4 | 7.6 |
| Key drivers | Dividend Yield (%) | 3.5 | 3.9 | 4.7 | 5.0 | 5.2 |
| i. TEU volumes; | EV/EBITDA (x) | 12.86 | 10.71 | 9.82 | 5.78 | 5.44 |
| ii. Container operating costs. | EV/EBIT (x) | 16.37 | 12.98 | 11.80 | 6.43 | 6.04 |
| | | | | | | |
| Key risks | Income statement (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Downside risks are: | Total turnover | 2,152 | 2,344 | 2,470 | 2,643 | 2,784 |
| i. Lower-than-expected TEU volume; | Gross profit | 1,146 | 1,446 | 1,538 | 2,643 | 2,784 |
| ii. Higher-than-expected operating costs. | EBITDA | 1,207 | 1,452 | 1,555 | 2,626 | 2,776 |
| | Depreciation and amortisation | (259) | (255) | (260) | (267) | (273) |
| The converse represents upside risks | Operating profit | 948 | 1,197 | 1,294 | 2,360 | 2,503 |
| | Net interest | (42) | (56) | (88) | (80) | (77) |
| | Pre-tax profit | 906 | 1,141 | 1,206 | 2,280 | 2,426 |
| | Taxation | (227) | (241) | (253) | (270) | (283) |
| | Reported net profit | 679 | 900 | 953 | 2,010 | 2,143 |
| | Recurring net profit | 779 | 902 | 953 | 1,016 | 1,065 |
| | | | | | | |
| Company Profile | Cash flow (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Westports is a leading port operator in Port Klang, with a ~75% share of the market. The company has nine container terminals, with a capacity of 14m TEUs annually. | Change in working capital | (90) | 58 | (2) | (7) | (6) |
| | Cash flow from operations | 995 | 1,292 | 1,211 | 1,275 | 1,332 |
| | Capex | (107) | (100) | (120) | (144) | (173) |
| | Cash flow from investing activities | (216) | (584) | (243) | (271) | (304) |
| | Dividends paid | (534) | (601) | (715) | (762) | (799) |
| | Cash flow from financing activities | (757) | (514) | (972) | (1,019) | (1,056) |
| | Cash at beginning of period | 552 | 578 | 781 | 777 | 762 |
| | Net change in cash | 22 | 193 | (4) | (15) | (28) |
| | Ending balance cash | 574 | 771 | 777 | 762 | 734 |
| | | | | | | |
| | Balance sheet (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Total cash and equivalents | 578 | 781 | 777 | 762 | 734 |
| | Tangible fixed assets | 1,739 | 1,687 | 1,627 | 1,587 | 1,572 |
| | Total assets | 5,339 | 7,778 | 7,864 | 7,833 | 7,809 |
| | Short-term debt | 125 | 175 | 175 | 175 | 175 |
| | Total long-term debt | 725 | 905 | 629 | 529 | 429 |
| | Total liabilities | 1,819 | 3,960 | 3,608 | 3,422 | 3,231 |
| | Total equity | 3,520 | 3,818 | 4,255 | 4,410 | 4,578 |
| | Total liabilities & equity | 5,339 | 7,778 | 7,864 | 7,833 | 7,809 |
| | | | | | | |
| | Key metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Revenue growth (%) | 4.0 | 8.9 | 5.4 | 7.0 | 5.3 |
| | Recurrent EPS growth (%) | 11.3 | 15.8 | 5.7 | 6.7 | 4.8 |
| | Gross margin (%) | 53.3 | 61.7 | 62.3 | 100.0 | 100.0 |
| | Operating EBITDA margin (%) | 56.1 | 61.9 | 63.0 | 99.4 | 99.7 |
| | Net profit margin (%) | 31.6 | 38.4 | 38.6 | 76.1 | 77.0 |
| | Dividend payout ratio (%) | 78.6 | 66.7 | 75.0 | 37.9 | 37.3 |
| | Capex/sales (%) | 5.0 | 4.3 | 4.9 | 5.4 | 6.2 |
| | Interest cover (x) | 18.0 | 16.3 | 12.4 | 24.6 | 28.6 |

Source: Company data, RHB

Figure 1: 4Q24 results summary

| FYE Dec (MYRm) | 3Q24 | 4Q24 | 4Q24 | QoQ (%) | YoY (%) | FY23 | FY24 | YoY (%) | Comments |
|-----------------------------|--------------|-------------|-------------|---------|---------|--------------|--------------|-------------|--|
| Operational revenue | 537 | 573 | 614 | 7.2 | 14.3 | 2,090 | 2,282 | 9.2 | FY24 container revenue per TEU rose 7.1% YoY due to higher VAS. |
| - Container | 460 | 488 | 511 | 4.7 | 11.1 | 1,805 | 1,951 | 8.1 | Due to higher gateway volume (+8% YoY) offset by lower transshipment volume (-4% YoY). |
| - Conventional | 39 | 43 | 41 | -4.7 | 5.1 | 139 | 156 | 12.2 | Higher break bulk volume (project cargoes, ingots, and coils) and dry bulk (soybean meal and maize) segments. |
| - Marine | 24 | 20 | 23 | 15.0 | -4.2 | 92 | 86 | -6.5 | |
| - Rental | 14 | 22 | 39 | 77.3 | 178.6 | 54 | 89 | 64.8 | Higher, due to an upward revision of rental rates beginning 1 Sep 2024. |
| Operational costs | (218) | -193 | -210 | 8.8 | -3.7 | (853) | (836) | -2.0 | |
| - Fuel | (46) | -37 | -38 | 2.7 | -17.4 | (163) | (156) | -4.3 | |
| - Electricity | (14) | -12 | -13 | 8.3 | -7.1 | (58) | (54) | -6.9 | |
| - Manpower | (70) | -71 | -70 | -1.4 | 0.0 | (286) | (286) | 0.0 | |
| - Depreciation | (51) | -35 | -48 | 37.1 | -5.9 | (204) | (185) | -9.3 | |
| - M&R | (23) | -22 | -27 | 22.7 | 17.4 | (91) | (94) | 3.3 | |
| - Others | (14) | -16 | -14 | -12.5 | 0.0 | (51) | (61) | 19.6 | |
| EBITDA | 337 | 368 | 403 | 9.5 | 19.5 | 1,296 | 1,449 | 11.8 | |
| EBITDA margin (%) | 63 | 64 | 66 | | | 62.0 | 63.5 | 2.4 | |
| Depreciation & amortisation | -65 | -52 | -70 | 34.8 | 6.8 | (259) | (255) | -1.6 | |
| EBIT | 272 | 316 | 333 | 5.3 | 22.6 | 1,037 | 1,194 | 15.1 | |
| EBIT margin (%) | 51 | 55 | 54 | | | 49.6 | 52.3 | 5.4 | |
| Finance income | 3 | 5 | 6 | 2.6 | 68.1 | 11 | 18 | 62.7 | |
| Finance costs | -14 | -19 | -30 | 62.6 | 117.3 | (53) | (74) | 39.7 | |
| Exceptional items | -1 | 5 | -9 | nm | nm | 1 | (4) | -804.9 | Includes a MYR5.1m gain from the Government's compulsory land acquisition within Marina Land to build the Pulau Indah Ring Road 3. |
| PBT | 263 | 304 | 304 | 0.0 | 15.4 | 1,006 | 1,139 | 13.2 | |
| PBT margin (%) | 49 | 53 | 49 | | | 48.1 | 49.9 | 3.6 | |
| Tax | -57 | -71 | -47 | -33.4 | -17.5 | (227) | (241) | 6.1 | |
| Effective tax rate (%) | -22 | -23 | -15 | | | -22.5 | -21.1 | | |
| Net profit | 206 | 233 | 257 | 10.1 | 24.5 | 779 | 898 | 15.2 | |
| Net profit margin (%) | 38 | 41 | 42 | | | 37 | 39 | | |
| Core net profit | 207 | 228 | 266 | 16.7 | 28.6 | 779 | 902 | 15.8 | Results beat our and consensus forecasts. |
| Core net profit margin (%) | 38 | 40 | 43 | | | 37.3 | 39.5 | | |

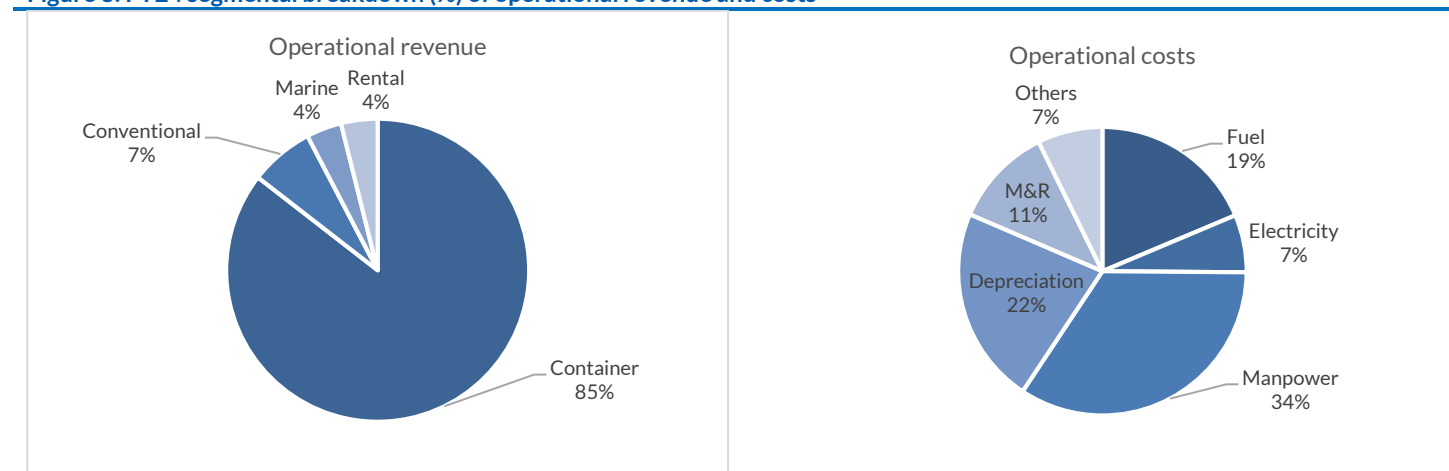
Source: RHB

Figure 2: Operational metrics

| Throughput volume breakdown | 3Q24 | 4Q24 | 4Q24 | QoQ (%) | YoY (%) | FY23 | FY24 | YoY (%) |
|----------------------------------|------|------|------|---------|---------|-------|-------|---------|
| Container (m TEU) | 2.87 | 2.70 | 2.87 | 6.3 | 0.0 | 10.88 | 10.98 | 0.9 |
| Transshipment | 1.64 | 1.45 | 1.61 | 11.0 | -1.8 | 6.35 | 6.07 | -4.4 |
| Gateway | 1.23 | 1.25 | 1.27 | 1.6 | 3.3 | 4.53 | 4.91 | 8.4 |
| Total | 2.87 | 2.70 | 2.88 | 6.7 | 0.3 | 10.88 | 10.98 | 0.9 |
| Container by geographical routes | | | | | | | | |
| Intra-Asia | 1.92 | 1.79 | 1.86 | 3.9 | -3.1 | 7.09 | 7.23 | 2.0 |
| Asia-Europe | 0.34 | 0.39 | 0.41 | 5.1 | 20.6 | 1.46 | 1.51 | 3.4 |
| Asia-Australasia | 0.21 | 0.20 | 0.22 | 10.0 | 4.8 | 0.89 | 0.84 | -5.6 |
| Asia-America | 0.28 | 0.25 | 0.26 | 4.0 | -7.1 | 0.92 | 0.92 | 0.0 |
| Asia-Africa | 0.08 | 0.04 | 0.05 | 25.0 | -37.5 | 0.33 | 0.25 | -24.2 |
| Others | 0.03 | 0.05 | 0.06 | 20.0 | 100.0 | 0.18 | 0.23 | 27.8 |
| Total | 2.86 | 2.72 | 2.86 | 5.1 | 0.0 | 10.88 | 10.98 | 0.9 |
| Conventional (m MT) | 3.45 | 3.33 | 3.17 | -4.8 | -8.1 | 11.60 | 12.18 | 5.0 |

Source: Company data, RHB

Figure 3: FY24 segmental breakdown (%) of operational revenue and costs



Source: Company data, RHB

Figure 4: FY24 breakdown of containers by type (%)

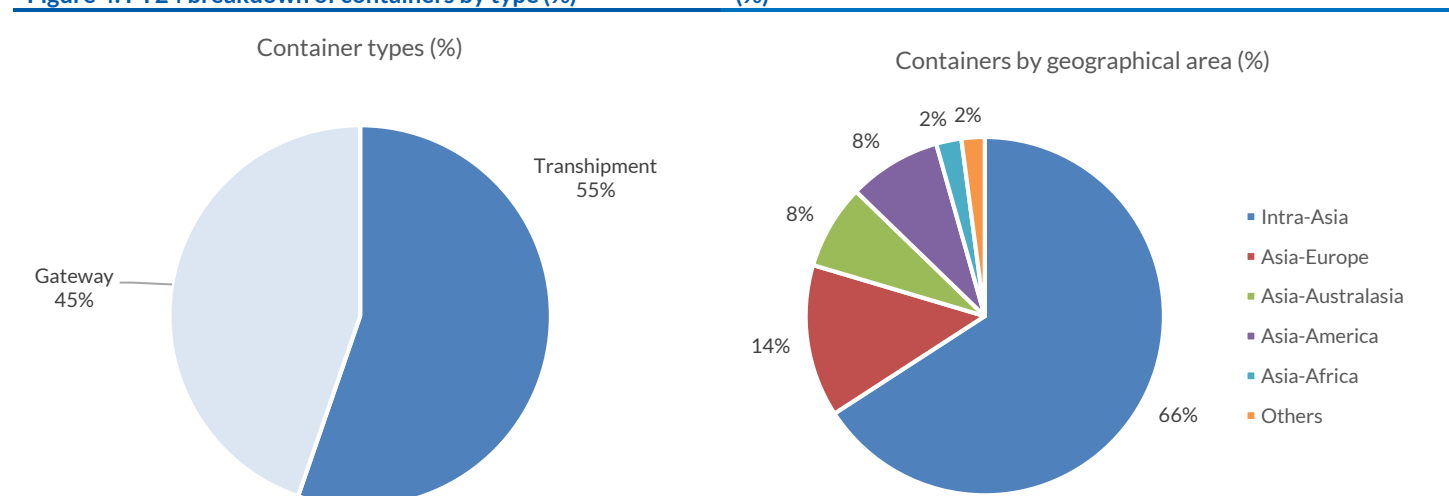
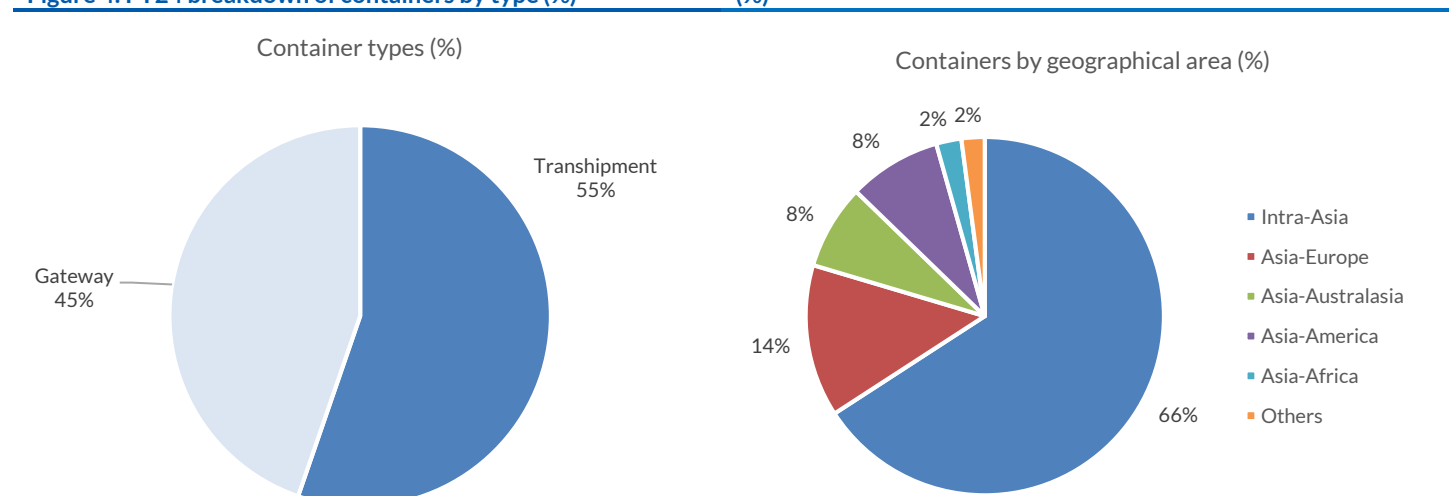


Figure 5: FY24 breakdown of containers by geographical area (%)



Source: Company data, RHB

Figure 6: DCF valuation

| FYE 31 Dec (MYRm) | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F | FY31F | FY32F | FY33F | FY34F | Terminal |
|--------------------------------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|---------------|
| CFO | 1,211 | 1,275 | 1,332 | 1,224 | 1,269 | 1,310 | 1,354 | 1,399 | 1,441 | 1,481 | |
| + Interest (1 - tax rate) | 67 | 61 | 58 | 52 | 44 | 39 | 32 | 24 | 15 | 6 | |
| - capital expenditure | (243) | (271) | (304) | (342) | (388) | (441) | (505) | (581) | (672) | (779) | |
| Free cash flow to firm (FCFF) | 1,035 | 1,065 | 1,086 | 933 | 925 | 907 | 881 | 841 | 784 | 708 | 17,723 |
| Discount factor | 0.94 | 0.89 | 0.84 | 0.80 | 0.75 | 0.71 | 0.67 | 0.63 | 0.60 | 0.56 | 0.53 |
| PV of FCFF | 977 | 950 | 915 | 743 | 695 | 644 | 591 | 532 | 469 | 400 | 9,455 |
| | | | | | | | | | | | |
| Risk-free | 3.9% | | | | | | | | | | |
| Beta | 0.70 | | | | | | | | | | |
| Cost of equity | 7.3% | | | | | | | | | | |
| WACC | 5.6% | | | | | | | | | | |
| Terminal growth | 1.5% | | | | | | | | | | |
| | | | | | | | | | | | |
| Enterprise value (MYRm) | 16,371 | | | | | | | | | | |
| Cash | 578 | | | | | | | | | | |
| - Debt | (1,250) | | | | | | | | | | |
| Equity value (MYRm) | 15,699 | | | | | | | | | | |
| No of shares (m) | 3,410 | | | | | | | | | | |
| Gross fair value (MYR) | 4.60 | | | | | | | | | | |
| Add: ESG premium | 2% | | | | | | | | | | |
| Target Price (MYR) | 4.70 | | | | | | | | | | |

Source: RHB

Emissions And ESG

Trend analysis

In 2023, Westports' reduced emissions was a reflection of the proportionate environmental impact arising from its operations at the port.

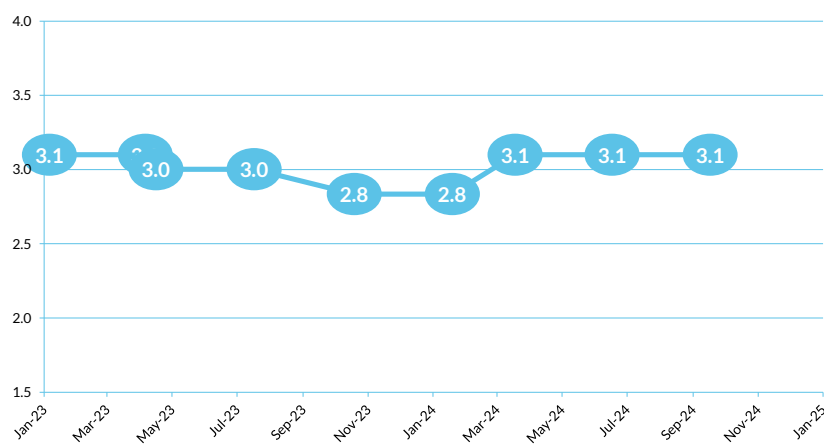
| Emissions (tCO ₂ e) | Dec-22 | Dec-23 | Dec-24 |
|--------------------------------|---------|---------|--------|
| Scope 1 | 133,165 | 134,243 | na |
| Scope 2 | 49,664 | 45,800 | na |
| Scope 3 | 108,735 | 99,015 | na |
| Total emissions | 291,564 | 279,058 | na |

Source: Company data, RHB

Latest ESG-Related Developments

- Westports has expressed its commitment to achieve net-zero carbon emissions by 2050. It has begun testing the usage of electric terminal trucks since 1Q23.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2024-11-11 | Neutral | 4.56 | 4.38 |
| 2024-07-29 | Neutral | 4.52 | 4.54 |
| 2024-05-03 | Buy | 4.52 | 3.98 |
| 2024-04-09 | Buy | 4.52 | 3.86 |
| 2024-02-05 | Neutral | 4.12 | 3.89 |
| 2023-11-10 | Neutral | 3.60 | 3.46 |
| 2023-10-31 | Neutral | 3.74 | 3.36 |
| 2023-07-28 | Neutral | 3.65 | 3.51 |
| 2023-05-08 | Neutral | 3.65 | 3.60 |
| 2023-01-25 | Neutral | 3.78 | 3.80 |
| 2022-11-07 | Neutral | 3.56 | 3.30 |
| 2022-07-29 | Neutral | 3.80 | 3.50 |
| 2022-01-28 | Neutral | 4.32 | 3.90 |
| 2021-11-01 | Neutral | 4.54 | 4.34 |
| 2021-08-02 | Neutral | 4.25 | 4.22 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
| Buy: | Share price may exceed 10% over the next 12 months |
| Trading Buy: | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| Neutral: | Share price may fall within the range of +/- 10% over the next 12 months |
| Take Profit: | Target price has been attained. Look to accumulate at lower levels |
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