


**AmResearch**

# WESTPORTS HOLDINGS

(WPRTS MK EQUITY, WPHB.KL)

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## Company report

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## BUY

Price: RM2.93

Fair Value: RM3.40

### Rationale for report: Company update

YE to Dec	FY13	FY14F	FY15F	FY16F
FD Core EPS (sen)	13.4	14.3	15.4	16.9
PE (x)	21.9	20.5	19.0	17.3

Source: AmResearch

- Westports held a conference call last Friday. The key takeaways are:-**
  - The Transport Ministry's decisions on whether to approve a container tariff hike proposal or if approved, the timing of the implementation, cannot yet be ascertained. The Port Klang Authority is happy with its proposals, but they are still in the hand of the ministry, which will deliberate on the matter. It remains status quo, with no certainty of an approval.**
  - Westports expects growth from other routes to make up for the decline in container throughput emanating from the Asia-Africa route. The Ebola outbreak has resulted in the re-routing of cargo to and from Africa. For 3QFY14, container throughput from the Asia-Africa trade lane had declined by 0.4%, though still up by 22.6% for 9MFY14. Overall, it expects container throughput to grow by 9%-13% for FY14 and by 5%-10% for FY15. Our current assumption is an 8.3% growth rate.**
  - Its expects the effective tax rate to be at 12%-14% for FY14, under the five-year Investment Tax Allowance (ITA) that expires at year-end. It has applied for another 5-year rotation, which could lead to a slightly less than 20% rate for FY15F.**

It has a 12-month window to push for the incentive. If not obtained, the tax rate will revert to the corporate tax rate of 24%. We have assumed the rates at 16% for FY14, 18% for the next five years and at 24% beyond that. Assuming the rate at 24% from FY15F onwards, our fair value will drop by ~2% to RM3.33/share.
  - It reiterates its belief that the port will benefit from the Ocean Three (O3) Alliance, which will strengthen Westports as their shipping hub. Management says the alliance, which starts in January 2015, is expected to be aggressive with most efficient slot cost in the region. A 19,000 TEU vessel is expected to call at Westports in early December for more of a "promotional tour".**
  - The additional capacity of 3.8mil TEUs from CT8, which will be completed by mid-2017, comprises 1.26mil TEUs from additional cranes and 1.6mil TEUs from the new berths. The rollout of CT8 takes into account the formation of the O3 alliance.**
- We maintain our BUY call, with a DCF fair value of RM3.40/share. We believe the risks are skewed towards the upside given the potential container tariff hike.**

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For AmResearch Sdn Bhd

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY12	FY13	FY14F	FY15F	FY16F
Revenue (RM mil)	1,226.2	1,348.5	1,470.3	1,606.6	1,754.8
Core net profit (RM mil)	417.7	456.4	487.0	526.2	577.8
FD Core EPS (sen)	13.9	13.4	14.3	15.4	16.9
FD Core EPS growth (%)	10.4	(3.9)	6.7	8.1	9.8
Consensus Net Profit (RM mil)	-	-	497.7	529.2	593.3
DPS (sen)	9.0	31.2	10.5	11.7	12.9
PE (x)	21.0	21.9	20.5	19.0	17.3
EV/EBITDA (x)	15.8	14.9	13.8	12.5	11.8
Div yield (%)	3.1	10.7	3.6	4.0	4.4
ROE (%)	25.6	28.2	29.1	28.8	29.0
Net Gearing (%)	24.8	34.8	47.8	43.5	56.8

Source: Company, AmResearch estimates

EXHIBIT 1: 3QFY14 KEY OPERATING DATA

Op revenue	3QFY14	2QFY14	3QFY13	QoQ % Change	YoY % change	9MFY14	9MFY13	YoY % change
Container	321.9	315.8	288.2	1.9	11.7	928.0	812.0	14.3
Conventional	38.0	34.0	34.0	11.8	11.8	103.0	101.0	2.0
Marine	21.0	19.0	18.1	10.6	16.2	58.0	54.1	7.3
Rental	9.0	10.0	8.1	(9.6)	11.8	28.0	24.1	16.4
<b>Total</b>	<b>390.0</b>	<b>378.8</b>	<b>348.4</b>	<b>2.9</b>	<b>11.9</b>	<b>1,117.0</b>	<b>991.2</b>	<b>12.7</b>
<b>Container (mil TEUs)</b>	<b>3QFY14</b>	<b>2QFY14</b>	<b>3QFY13</b>	<b>QoQ % Change</b>	<b>YoY % change</b>	<b>9MFY14</b>	<b>9MFY13</b>	<b>YoY % change</b>
- Transshipment	1.5	1.5	1.4	2.6	11.0	4.4	3.9	12.8
- Gateway	0.7	0.6	0.6	4.5	12.1	1.8	1.6	10.8
<b>Total throughput</b>	<b>2.2</b>	<b>2.1</b>	<b>1.9</b>	<b>3.2</b>	<b>11.3</b>	<b>6.2</b>	<b>5.5</b>	<b>12.2</b>
<b>Conventional (mil tonnes)</b>	<b>3QFY14</b>	<b>2QFY14</b>	<b>3QFY13</b>	<b>QoQ % Change</b>	<b>YoY % change</b>	<b>9MFY14</b>	<b>9MFY13</b>	<b>YoY % change</b>
- Dry bulk	1.1	0.9	0.9	24.2	29.5	3.0	2.6	15.6
- Liquid bulk	1.0	1.0	1.0	2.0	(1.9)	3.0	3.2	(8.1)
- Break bulk	0.5	0.4	0.4	14.4	9.5	1.2	1.3	(7.0)
- Cement	0.2	0.2	0.2	(2.0)	10.0	0.7	0.7	(2.9)
<b>Total tonnage</b>	<b>2.8</b>	<b>2.5</b>	<b>2.5</b>	<b>11.6</b>	<b>11.8</b>	<b>7.8</b>	<b>7.8</b>	<b>0.6</b>

Source: Company, AmResearch

EXHIBIT 2: VERSUS FULL YEAR PROJECTIONS

Segment revenue vs. current projections	1QFY14	2QFY14	3QFY14	9MFY14	FY14F	9M over FY14F (%)
Container	290.3	315.8	321.9	928.0	1,209.3	76.7
Conventional	31.0	34.0	38.0	103.0	150.7	68.3
Marine	18.0	19.0	21.0	58.0	76.9	75.5
Rental	9.0	10.0	9.0	28.0	33.5	83.7
<b>Total</b>	<b>348.3</b>	<b>378.8</b>	<b>390.0</b>	<b>1,117.0</b>	<b>1,470.3</b>	<b>76.0</b>

Source: Company, AmResearch