



Westports Holdings Berhad

No Signs of Slowing Down

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

TP: RM3.48 (+19.0%)

Last Traded: RM2.93

BUY

Tan Kam Meng, CFA

Tel: +603-2167 9605

kmtan@ta.com.my

www.taonline.com.my

Key Takeaways

3 key takeaways from the conference call are:

- Container volume growth to remain strong, tariff review could be in the offing;
- Increasing volume warrants an expansion plan;
- CT8 funded via internally generated funds and borrowings

Container volume growth to remain strong, tariff review could be in the offing

Management guided that container volume growth in Oct-14 to be marginally higher given the high base recorded in Oct-13. However, it is positive and expecting a high single-digit growth in Q4.

Management attributed the drop in container volume in the Asia-Africa trade lane to Ebola fear. Q3 volume in the trade land dropped by a marginal 0.4% versus a growth of 7.4% in Q2. However, this Asia-Africa trade volume represents only 12.3% of total containers handled by WHB.

Share Information

Bloomberg Code	WPRTS MK
Stock Code	WPRTS
Listing	Main Market
Share Cap (mn)	3410.0
Market Cap (RMmn)	9991.3
Par Value	0.1
52-wk Hi/Lo (RM)	3.10/2.45
12-mth Avg Daily Vol ('000 shrs)	2461.0
Estimated Free Float (%)	34.0
Beta	na

Major Shareholders (%)

Tan Sri Datuk G.Gnanalingam & family - 42.4
Hutchison Port Holdings - 23.6%

Forecast Revision

	FY14	FY15
Forecast Revision (%)	-	-
Net profit (RMm)	557.8	618.3
Consensus	529.6	590.7
TA's / Consensus (%)	105.3	104.7
Previous Rating	Buy (maintained)	

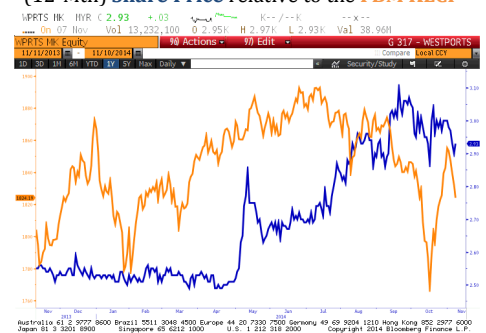
Financial Indicators

	FY14	FY15
Net Gearing (%)	41.7	35.7
CFPs (sen)	8.4	16.0
P/CFPS (x)	35.0	18.3
ROE (%)	30.1	31.0
NTA/Share (RM)	0.5	0.5
Price/NTA (x)	5.8	5.3

Share Performance (%)

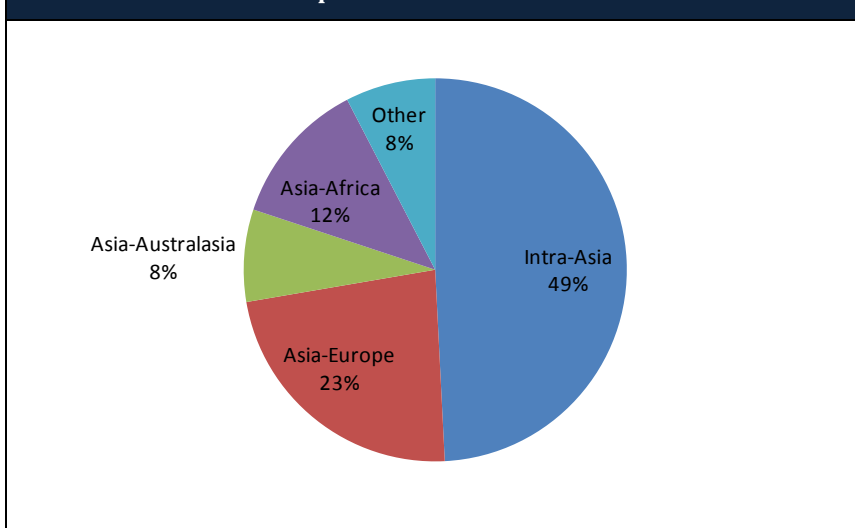
Price Change	WPRTS	FBM KLCI
1 mth	(1.7)	0.8
3 mth	1.7	(0.9)
6 mth	5.8	(2.3)
12 mth	14.9	1.1

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Chart 1: Trade Lanes Composition 9M14



Source: WHB & TA Research

Management highlighted that the new alliance, Ocean Three (O3), which consists of CMA CGM, CSCL and UASC, is expected to commence its operations in Jan-15. WHB is currently studying the slot allocations to these shipping lines from different routes to avoid port congestion. Meanwhile, management believes that this new alliance could gain additional market share, which bodes well for WHB's future earnings growth.

As far as tariff is concerned, Port Klang Authority is positive on the tariff review but the final decision would have to come from the Ministry of Transport. As the tariff has not been changed for the past 12 years, we are positive that WHB will be given the green light to revise the tariff in the near future.

Increasing volume warrants an expansion plan

The strong volume growth as evidenced in 3Q14 results has pushed the port utilization rate to 80% and triggered the next phase of capacity expansion (CT8). As highlighted in our results note, the plan consists of:

- 600m wharf & container yard;
- Back-of-the-terminal facilities comprising 2nd container gate, marshaling centre, container freight station;
- 14 units of ship-to-shore cranes; and
- Rubber tyred gantry cranes, terminal tractors and trailers.

Of the 14 units of cranes, 8 units will be deployed at CT8 when the wharf and yard are completed. This is expected to add an additional 1.6mn TEUs per year. Besides, 6 others cranes will be installed at the existing CT1-6, which would increase the handling capacity by 1.2mn TEUs.

CT8 funded via internally generated funds and borrowings

The estimated capex of RM1bn can be funded via WHB's RM2bn Sukuk Musharakah MTN program, which has an untapped value of RM850mn. Note that this MTN program has 20 years duration with initial repayment set in May 2021. As such, we do not expect this massive capex amount to affect the company's dividend policy of paying out not less than 75% of net earnings as dividend.

Forecast

Maintained.

Valuation

We maintain our DDM-derive valuation at RM3.48/share, based on a required rate of 8%. We reiterate our Buy recommendation given the positive earnings prospect highlighted in the conference call last Friday.

Financial Statements (FYE Dec)

<i>Profit and Loss (RM'mn)</i>	2012	2013	2014F	2015F	2016F
Revenue*	1226.2	1348.5	1508.9	1643.5	1790.6
COGS	(823.5)	(975.1)	(699.6)	(754.0)	(813.5)
Gross profit	668.8	737.5	809.4	889.5	977.2
EBITDA	599.2	686.7	784.0	863.3	950.2
Depreciation	(64.4)	(67.7)	(78.8)	(93.9)	(101.1)
Amortisation	(48.8)	(54.6)	(61.6)	(63.0)	(62.8)
EBIT	485.9	564.4	643.5	706.4	786.3
Net finance cost	(49.7)	(47.3)	(62.4)	(59.8)	(73.9)
EI	(1.5)	(0.0)	0.0	0.0	0.0
PBT	434.7	517.0	581.2	646.7	712.3
Adj PBT	436.2	517.0	581.2	646.7	712.3
Tax	(73.7)	(81.7)	(79.9)	(88.9)	(94.0)
Net profit	361.0	435.3	501.2	557.8	618.3
Adj net profit	362.5	435.3	501.2	557.8	618.3
EPS (sen)	12.1	13.9	14.7	16.4	18.1
DPS (sen)	nm	5.2	11.0	12.3	13.6

* Excluding construction revenue

<i>Cash Flow (RM'mn)</i>	2012	2013	2014F	2015F	2016F
PBT	434.7	517.0	581.2	646.7	712.3
Non- cash item	118.9	126.1	136.9	153.2	160.2
Chg in working capital	66.7	50.6	(25.5)	11.1	12.1
Tax	(35.2)	(52.9)	(79.9)	(88.9)	(94.0)
Others	45.9	45.9	62.4	59.8	73.9
CFO	630.9	686.8	675.0	781.8	864.5
Capex	(447.2)	(609.2)	(400.0)	(250.0)	(450.0)
Others	180.0	141.6	10.2	12.8	14.5
CFI	(267.2)	(467.6)	(389.8)	(237.2)	(435.5)
Net Borrowing/Rpmt	(100.7)	201.5	250.0	0.0	0.0
Dividend Paid	(199.6)	(1057.4)	(375.9)	(418.3)	(463.7)
Others	(89.6)	649.3	(72.6)	(72.6)	(88.4)
CFE	(389.9)	(206.5)	(198.6)	(490.9)	(552.1)

<i>Key Assumptions (RM'mn)</i>	2012	2013	2014F	2015F	2016F
Gateway (mn TEUs)	2.0	2.2	2.4	2.6	2.8
Transshipment (mn TEUs)	4.9	5.3	5.9	6.4	6.9

<i>Balance Sheet (RM'mn)</i>	2012	2013	2014F	2015F	2016F
PPE	994.1	1159.4	1380.6	1486.7	1535.6
Concession assets	1684.1	1872.6	1914.5	1905.2	2146.1
LT Assets	2678.2	3032.0	3295.1	3391.9	3681.7
Trade & other receivables	210.7	200.3	248.0	270.2	294.4
Cash & Cash equivalent	325.5	341.7	428.3	482.1	358.9
ST Assets	536.2	542.0	676.4	752.2	653.2
Total Assets	3214.4	3574.0	3971.5	4144.1	4334.9
Trade and other payables	316.4	349.9	372.1	405.2	441.5
ST Borrowings	245.0	0.0	0.0	0.0	0.0
Others	59.9	66.1	66.1	66.1	66.1
ST Liabilities	621.3	416.0	438.2	471.4	507.6
LT Borrowings	450.0	900.0	1150.0	1150.0	1150.0
Others	655.1	654.0	654.0	654.0	654.0
LT Liabilities	1105.1	1554.0	1804.0	1804.0	1804.0
Share Cap	117.0	341.0	341.0	341.0	341.0
Reserves	1371.0	1262.9	1388.3	1527.7	1682.3
Shareholder's Funds	1488.0	1603.9	1729.3	1868.7	2023.3
Liabilities + Equities	3214.4	3574.0	3971.5	4144.1	4334.9

<i>Ratios</i>	2012#	2013	2014F	2015F	2016F
EPS Growth (%)	nm	nm	6.0	11.3	10.9
PER (x)	nm	21.1	19.9	17.9	16.2
Div Yield (%)	nm	1.8	3.8	4.2	4.6
Net cash (RMm)	(369.5)	(558.3)	(721.7)	(667.9)	(791.1)
Net gearing (x)	0.2	0.3	0.4	0.4	0.4
ROE (%)	nm	28.2	30.1	31.0	31.8
ROA (%)	nm	12.8	13.3	13.7	14.6
NTA (RM)	nm	(0.08)	(0.05)	(0.01)	(0.04)
P/NTA (x)	nm	nm	nm	nm	nm
EV/EBITDA (x)	nm	15.4	13.7	12.3	11.3
# Pre-listing					

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for TA SECURITIES HOLDINGS BERHAD (14948-M)

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

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Kaladher Govindan – Head of Research