

AmResearch upgrades Westports to Buy ahead of Q3 results



AmResearch says Westports Holdings Bhd is a Buy, with fair valuation revised upwards to RM3.40.

KUALA LUMPUR: AmResearch is upgrading Westports Holdings Bhd to Buy with the target price revised upwards to RM3.40 from RM2.91 ahead of third quarter results due out Thursday evening.

It said the valuation implies a price-earnings ratio of 22 times FY15F EPS (earnings per share).

The research house said the risk was skewed to the upside because there was a potential hike in container tariffs since the Port Klang Authority (PKA) had submitted the proposals to this end to the Ministry of Transport.

Tariffs have been unchanged for the past decade and lagged behind those of the Port of Singapore by about half, and a 1% increase in gateway (import/export) container tariffs would result in a 0.8% rise in earnings, it said.

“A potential 20%-25% increase could lead to a 17%-21% rise in earnings,” AmResearch stressed.

It was also positive on three of Westports’ main line operators having formed an alliance known as Ocean Three (O3), which was expected to ramp up utilisation of the port as their Asean hub.

“This will bring greater long-term stability to the port’s operations, even though the near impact may not be significant,” AmResearch said.

In addition, container throughput was likely to continue to grow at Westports unless there was a significant deterioration in the global and Asian economies, it added.

“Historically, Westports’ container volume growth has grown at an average of 1.6 times the country’s national output growth (at current prices). We project container throughput growth of 8%-9% for FY14F-FY16F.

All in all, it said, Westports is the investing choice over BiPort (Hold: Fair valuation RM7.36), as the risks are skewed to the upside.