

RHB keeps Buy call on Westports

KUALA LUMPUR: RHB Research has kept its Buy rating on Westports with a target price of RM3.96.

In a note on Thursday, the research house said it sees the impending tariff increase as an upside catalysts aside from Westports' ongoing margin expansion.

Ebitda margin of 54.8% in 4Q14 was its highest since we 2010, and with more volume ahead from the O3 alliance, this could only grow stronger, it said.

It added that the Finance Ministry has rejected Westports' extension on its expired investment tax allowances – not surprising given the slump in oil prices hitting government coffers.

"This does not impact our numbers as we had not factored this in earlier. Westports will consider an appeal when the economic situation appears more conducive.

"The impending tariff hike is awaiting the green light from the Transport Ministry, which has not made any objections to the hike request (minimum: 12%, maximum 50%), with a timeline for approval as early as mid-2015," it noted.

It added that if the minimum materialises, this will see RHB's DCF-derived TP nudged up to RM4.05 on the 8% FY16 earnings upgrade.

"Management sees the O3 shipping alliance coming into full swing in 2H, where we estimate a net addition of 500,000 container boxes annually in its initial years," it said.