

Malaysia

HOLD (no change)

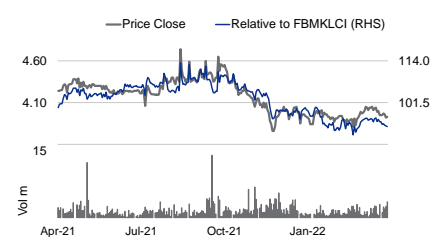
Consensus ratings*: Buy 11 Hold 8 Sell 0

Current price:	RM3.93
Target price:	RM3.78
Previous target:	RM3.88
Up/downside:	-3.8%
CGS-CIMB / Consensus:	-15.4%
Reuters:	WPHB.KL
Bloomberg:	WPRTS MK
Market cap:	US\$3,076m
	RM13,401m
Average daily turnover:	US\$1.18m
	RM5.13m
Current shares o/s:	3,410m
Free float:	31.0%

*Source: Bloomberg

Key changes in this note

- FY22-24F core EPS forecasts reduced by 4-8% on the back of a cut in our container volume growth forecast for FY22F, from 6% yoy to 1% yoy.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.5	0	-7.3
Relative (%)	-0.1	-5.3	-5.6

Major shareholders	% held
Gnanalingam family	45.5
Hutchison Port Holdings	23.5

Analyst(s)


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Westports Holdings

Taxes a big burden for FY22F

- 1Q22 core net profit was below expectations at 22%/23% of our/consensus full-year forecasts, due to a higher than effective tax rate.
- Westports FY22F earnings may encounter headwinds from a potential yoy decline in container volumes, and a softening of box storage revenues.
- Reiterate Hold, with a lower DCF-based TP of RM3.78 after we cut our EPS forecasts and raise the Ke from 7.3% to 7.9% (due to higher risk-free rate).

Higher effective taxes knock 1Q22 core net profit down 19-21%

1Q22 core net profit of RM152m was 19% lower yoy and 21% lower qoq. This was mainly due to a huge jump in the effective tax rate to 39% in 1Q22, vs. 24% in 1Q21 and an unusually-low 16% in 4Q21. Stripping out the tax impact, the 1Q22 was decent with EBIT flattish yoy and up 5% qoq. The tax burden in 1Q22 was especially heavy, partly because of the Prosperity Tax effective 1 Jan to 31 Dec 2022 (which imposes a 33% tax on profits above RM100m, with the normal corporate tax rate of 24% applicable only to the first RM100m in profits), and because the additional deferred tax income that was accrued in 4Q21's P&L is now being gradually reversed in the current year. The latter factor suggests that FY21F's effective tax rate may end up being higher than our current forecast; we are waiting for further clarification from Westports on this issue.

Chinese port congestion a threat to "near identical" volumes

Westports saw container port revenues rise 4-5% yoy and qoq. Although box liftings fell 10% yoy and fell 3% qoq, which was entirely due to the fall in transshipment (t/s) volumes, this was more than made up by higher average per teu lifting rates, driven by higher demand for box and reefer storage (due to yard congestion in 4Q21 which spilled over into early-1Q22), and a higher proportion of gateway cargoes. The box volume decline was the result of severe levels of global port congestion which pushed container liners to bypass t/s ports in favour of direct services, while Westports' own congestion pushed some of its customers to switch to its neighbour Northport. Despite the 10% yoy fall in container volumes in 1Q22, Westports is guiding for "near identical" volumes in FY22F compared to FY21; hence, we cut our volume growth forecast from 6% to 1%. However, we think there is still downside risk to volumes if Westports' customers do not switch back from Northport, or if China's ongoing zero-Covid lockdowns snarl traffic for long periods.

Value-added services may tail off as yard congestion has eased

The demand for value-added services (VAS), such as box storage and reefers may also decline in the coming quarters as Westports' yard has decongested from near-100% utilisation in late-4Q21 to about 80% currently. We have modelled-in a 20% drop in VAS revenue per teu handled for FY22F. Separately, the 'Westports 2' (W2) expansion project continues to be delayed as it waits for the government to sign-off on the concession agreement, which Westports now expects in late-FY22F at the earliest. Upside risk: sharper-than-expected recovery in container volumes; downside risk: uncertain returns on the W2 project as concession terms are unknown and inflation could inflate capex.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (RMm)	1,975	2,022	1,964	2,417	2,852
Operating EBITDA (RMm)	1,215	1,291	1,213	1,238	1,537
Net Profit (RMm)	654.5	808.1	609.4	662.1	896.6
Core EPS (RM)	0.20	0.22	0.18	0.19	0.25
Core EPS Growth	4.7%	8.8%	(17.6%)	7.1%	33.1%
FD Core P/E (x)	19.86	18.25	22.14	20.67	15.52
DPS (RM)	0.12	0.18	0.13	0.14	0.19
Dividend Yield	2.93%	4.52%	3.36%	3.60%	4.79%
EV/EBITDA (x)	11.46	10.68	11.23	11.41	9.28
P/FCFE (x)	24.77	34.12	29.77	21.19	47.12
Net Gearing	18.4%	15.8%	6.8%	14.7%	10.6%
P/BV (x)	4.74	4.29	3.92	3.60	3.25
ROE	25.0%	24.7%	18.5%	18.2%	22.0%
% Change In Core EPS Estimates			(8.37%)	(6.52%)	(3.96%)
CGS-CIMB/Consensus EPS (x)			0.87	0.83	1.02

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

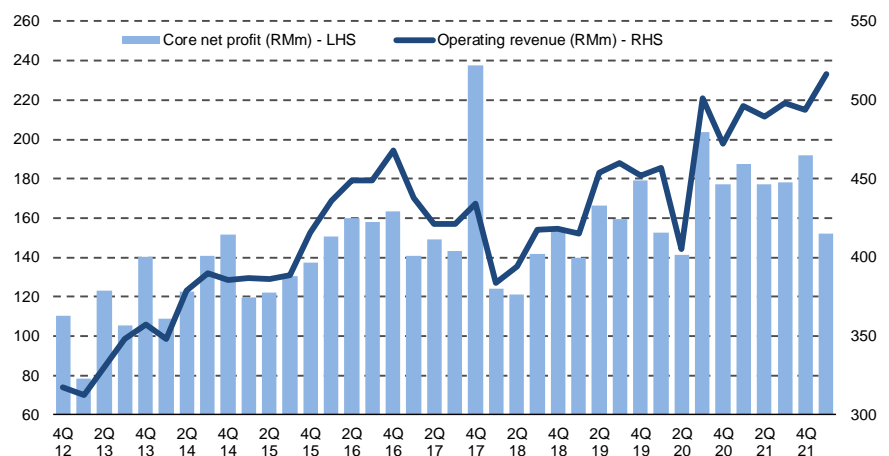
Results comparison table ►

Figure 1: Results comparison

FYE Dec (RM m)	1QFY22	1QFY21	yoy %	4QFY21	qoq %	Prev.	
			chg	chg	FY22F	Comments	
Revenue	516.4	508.2	1.6	503.9	2.5	2,047.6	1Q22 rev up yoy due to higher Value-Added Services (such as
Operating costs	(186.3)	(173.9)	7.1	(186.1)	0.1	(751.5)	storage and reefer) which helped increase average rate per teu,
EBITDA	330.1	334.2	(1.2)	317.8	3.9	1,296.1	but partially offset by a 10% yoy fall in container volume. Avg
EBITDA margin (%)	63.9	65.8	-	63.1	-	63.3	rate/teu also rose due to higher proportion of gateway cargoes.
Depn & amort.	(67.1)	(66.6)	0.7	(68.1)	(1.4)	(280.8)	1Q22 EBITDA fell yoy due to higher op costs, such as fuel,
EBIT	262.9	267.6	(1.7)	249.7	5.3	1,015.4	electricity and manpower costs.
Interest expense	(16.9)	(19.0)	(11.2)	(18.7)	(9.5)	(66.1)	Interest exp reduced as Westports repaid RM150m sukuk in FY21
Interest & invt inc	2.7	4.3	(36.8)	3.2	(15.1)	17.0	and repaid RM125m sukuk in 1Q22.
Associates' contrib	-	-	nm	-	nm	-	
Exceptionals	-	20.8	nm	31.0	nm	-	In 1Q21, Westports booked in RM20m received from insurance
Pretax profit	248.7	273.6	(9.1)	265.2	(6.2)	966.2	compensation for cranes damaged in an accident in 2019,
Tax	(96.9)	(65.3)	48.4	(42.3)	129.2	(300.8)	which we put in the exceptional line. In 3Q21, RM21m insurance
Tax rate (%)	39.0	23.9	-	15.9	-	31.1	compensation was received, RM32m was received in 4Q21.
Minority interests	-	-	nm	-	nm	-	Effective tax rate rose to 39% in 1Q22, due to implementation of
Net profit	151.9	208.3	(27.1)	222.9	(31.9)	665.4	Prosperity Tax in FY22F.
Core net profit	151.9	187.5	(19.0)	191.9	(20.9)	665.4	1Q22 core net profit fell yoy due to higher effective tax rate.
EPS (sen)	4.5	6.1	(27.1)	6.5	(31.9)	19.5	
Core EPS (sen)	4.5	5.5	(19.0)	5.6	(20.9)	19.5	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Westports operating revenue and core net profit



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

DCF-based target price at RM3.78 ►

Our target price is based on the DCF of geared cashflows, discounted by the cost of equity of 7.9% (raised from 7.3% previously), which in turn is based on a risk-free rate of 4.25% (raised from 3.5% previously on account of the increase in 10-year Malaysian Government Securities yields), equity risk premium of 6% (unchanged), and a beta of 0.6 (lowered from 0.7 previously). Westports's actual beta, which is defined as the correlation between its stock price and the FBM KLCI, is tracking at only 0.2 to 0.4, although we think that this is too low considering the financial risks that Westports will be taking on in relation to the upcoming W2 project.

Our cashflow reflects the RM430m cost to purchase the marina land in FY23F that will enable the 'Westports 2' (W2) expansion project to proceed and the RM1bn land reclamation cost for the W2 project over FY23-25F. In combination, these reduce our DCF value by 43 sen/share; without this penalty, our target price for Westports would have been RM4.21. We have not reflected the long-term value of the W2 project into our target price for Westports as we are unsure

whether the government will allow Westports to raise tariffs sufficiently and on a regular basis, over the rest of the concession, to pay for the significant capex of the W2 project. Without material tariff increases, Westports may struggle to generate a decent ROE on its W2 investment.

Upside risks include the potential for a sharper-than-expected recovery in container volumes in FY22F, if global port and yard congestions ease. We have assumed container volume growth of 1% yoy in FY22F.

Downside risks include the issues surrounding the W2 project and whether Westports can secure a concession from the government with reasonable commercial terms. Global cost inflation may also push up capex costs.

Earnings revisions ►

Figure 3: Earnings revision

RM m	2021A	2022F			2023F			2024F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	2,022	2,048	1,964	-4%	2,503	2,417	-3%	2,953	2,852	-3%
EBITDA	1,291	1,296	1,213	-6%	1,299	1,238	-5%	1,587	1,537	-3%
Reported PBT	1,039	966	883	-9%	939	877	-7%	1,237	1,185	-4%
Core pretax profit	945	966	883	-9%	939	877	-7%	1,237	1,185	-4%
Reported net profit	808	665	609	-8%	710	662	-7%	936	897	-4%
Reported EPS	0.24	0.19	0.18	-8%	0.20	0.19	-7%	0.26	0.25	-4%
Core net profit	734	665	609	-8%	710	662	-7%	936	897	-4%
Core EPS	0.22	0.19	0.18	-8%	0.20	0.19	-7%	0.26	0.25	-4%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Further information on the results ►

Figure 4: Revenue metrics

	1QFY22	1QFY21	yoy %	4QFY21	qoq %	
			chg	chg	chg	Comments
Revenue (RM m)	516.4	508.2	1.6	503.9	2.5	1Q22 op revenue higher yoy despite the decline in container volume
Operating revenue	516.4	496.2	4.1	494.0	4.5	due to the higher average rate per teu as a result of growth in Value-Added Services (such as storage and reefer) as boxes stay in the container yard for much longer than before. Average rate/teu
Port operations revenue	505.0	484.0	4.3	484.0	4.3	also rose due to higher proportion of gateway volumes.
- Container	452.0	432.0	4.6	434.0	4.1	Conventional revenue was higher yoy with rise in average revenue per
- Conventional	36.0	35.0	2.9	35.0	2.9	tonne, even though conventional volume fell yoy. Avg rev/tonne rose
- Marine	17.0	17.0	-	15.0	13.3	due to higher breakbulk volumes and higher volume of RoRo units.
Other revenue	12.0	24.0	(50.0)	19.9	(39.6)	
- Rental income	12.0	12.0	-	10.0	20.0	
- Construction	-	12.0	(100.0)	9.9	(100.0)	Construction revenue in FY21 for an additional 19-acre container yard at CT8, completed by 4Q21.
CONTAINER						
Container unit revenue (RM/teu)	189.0	162.5	16.3	176.1	7.3	Average container rates rose yoy with a greater proportion Value-Added Services (VAS) from container storage and reefer storage.
Container volume (m teu)	2.39	2.66	(10.0)	2.46	(2.9)	Transshipment volumes in 1Q22 fell yoy and qoq, due to yard
- Transshipment	1.42	1.69	(16.0)	1.57	(9.6)	congestion in late-2021, which led some shipping lines to switch
- Gateway (import/export)	0.97	0.97	-	0.89	9.0	to Northport. Gateway cargoes rose qoq in 1Q22 due to the floods at end-2021.
Ratio (%)						
- Transshipment	59.4%	63.6%	(4.2)	63.7%	(4.4)	The proportion of gateway cargoes rose in 1Q22, which helped raise
- Gateway (import/export)	40.5%	36.5%	4.1	36.1%	4.4	average container rates/teu.
Trade lane volume (m teu)	2.39	2.66	(10.0)	2.46	(2.9)	
- Intra-Asia (IA)	1.54	1.63	(5.3)	1.48	3.9	
- Asia-Europe (AE)	0.36	0.44	(16.6)	0.37	(2.6)	
- Asia-Africa (A-Af)	0.03	0.10	(64.8)	0.08	(55.9)	
- Asia-Australasia (A-Aus)	0.24	0.27	(8.9)	0.25	(2.3)	
- Asia-America (A-Am)	0.16	0.19	(16.8)	0.19	(17.9)	
- Others	0.05	0.04	23.2	0.09	(41.3)	
- Asia-America & Others	0.21	0.23	(9.6)	0.28	(25.2)	
Trade lane composition (%)						
- Intra-Asia (IA)	64.4%	61.2%	3.2	60.2%	4.2	IA volumes made up c.64% of total volumes handled.
- Asia-Europe (AE)	15.3%	16.4%	(1.2)	15.2%	0.1	
- Asia-Africa (A-Af)	1.4%	3.6%	(2.2)	3.1%	(1.7)	
- Asia-Australasia (A-Aus)	10.2%	10.0%	0.1	10.1%	0.1	
- Asia-America (A-Am)	6.6%	7.2%	(0.5)	7.8%	(1.2)	
- Others	2.2%	1.6%	0.6	3.6%	(1.4)	
- Asia-America & Others	8.8%	8.7%	0.0	11.4%	(2.6)	
Container terminal capacity (m teu/yr)	13.50	13.50	-	13.50	-	Container terminal capacity was maintained at 13.5m teu p.a. due to the container vessel collision against two quay cranes in 4Q19. Prior to the collision, capacity was 14m teus. The two quay cranes were will be operational in Apr 2022.
Utilisation (%)	70.9%	78.8%	(7.9)	73.0%	(2.1)	
CONVENTIONAL						
Breakbulk unit revenue (RM/ton)	13.5	11.6	17.2	11.9	13.7	Average unit revenue rose due to higher breakbulk volumes, more project cargoes, and more RoRo units.
Breakbulk volume (m tonnes)	2.66	3.03	(12.2)	2.94	(9.5)	Breakbulk volumes fell due to lower liquid bulk volumes, partially offset by higher breakbulk volumes.

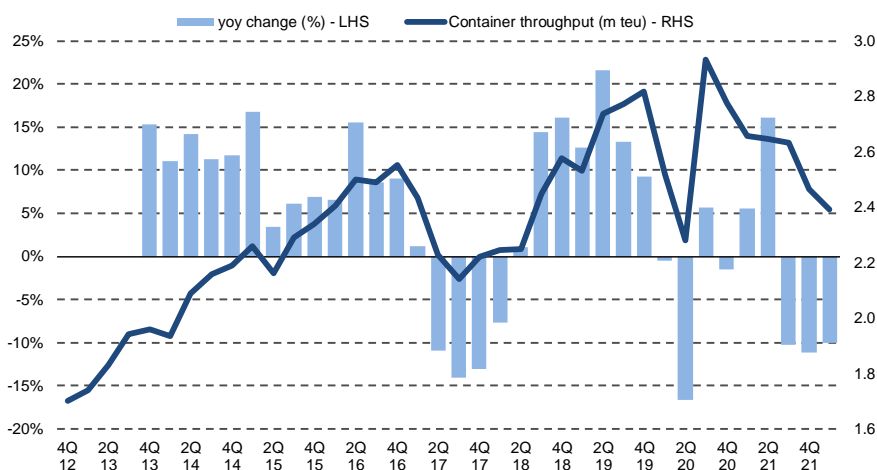
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Cost metrics & port operating profit

	1QFY22	1QFY21	yoy %	4QFY21	qoq %	
			chg		chg	Comments
Port operations cost (RM m)	202.0	182.0	11.0	191.0	5.8	1Q22 port costs rose yoy due to higher manpower costs, higher (6.9) fuel costs, and higher electricity costs.
- Maintenance and other port operating costs	33.0	33.0	-	35.0		
- Fuel	40.0	26.0	53.8	34.0	17.6	Higher fuel costs due to higher prices.
- Manpower	67.0	64.0	4.7	60.0	11.7	Manpower cost rose yoy due to recruitment of more staff.
- Depreciation and amortisation	50.0	49.0	2.0	51.0	(2.0)	Depreciation up due to capitalised 21 RTGC and Container
- Electricity	12.0	10.0	20.0	11.0	9.1	Yard 8 (Zone Y and Z), and the new Liquid Bulk Terminal 5.
General and admin expenses	36.3	33.8	7.5	39.8	(8.7)	1Q22 G&A costs rose yoy.
Administrative expenses	5.2	4.8	7.9	6.9	(25.5)	
Staff, profit sharing & other exp	31.2	29.0	7.5	32.9	(5.2)	
Port operations EBIT (RM m)	303.0	302.0	0.3	293.0	3.4	1Q22 port operations EBIT was flattish yoy, as higher port
EBIT margin (%)	60.0%	62.4%	-	60.5%	-	revenues were offset by higher port costs.

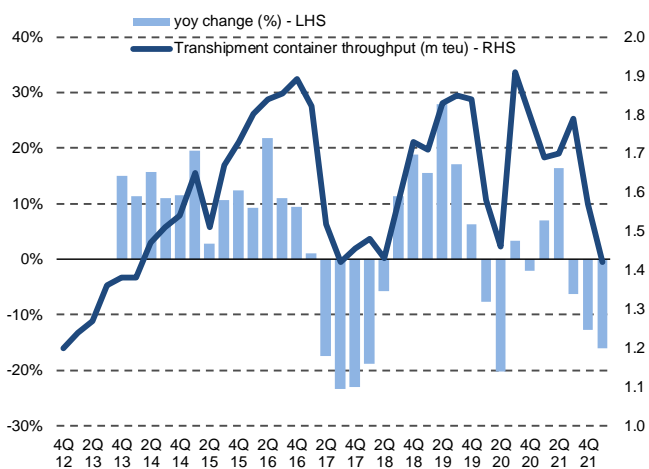
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Overall container throughput (m teu)



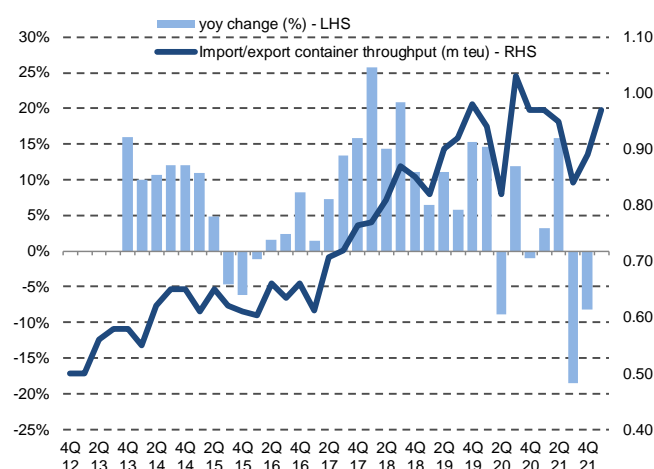
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Transshipment container throughput (m teu)



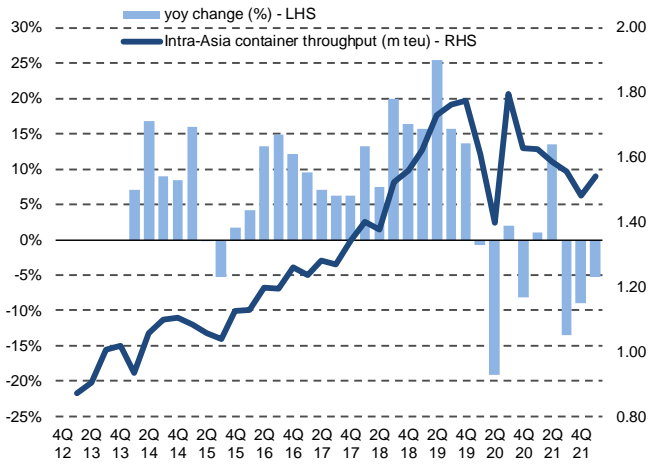
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Import/export container throughput (m teu)



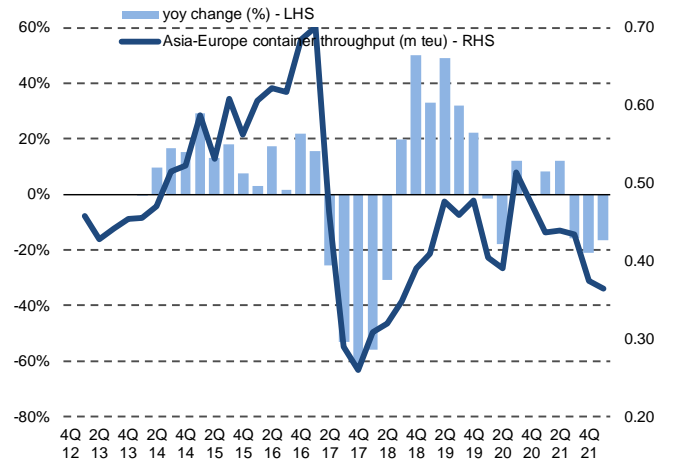
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Westports' Intra-Asia container throughput (m teu)



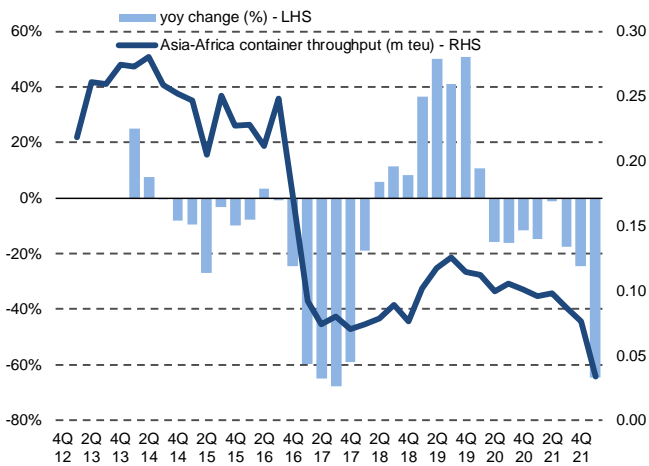
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Westports' Asia-Europe container throughput (m teu)



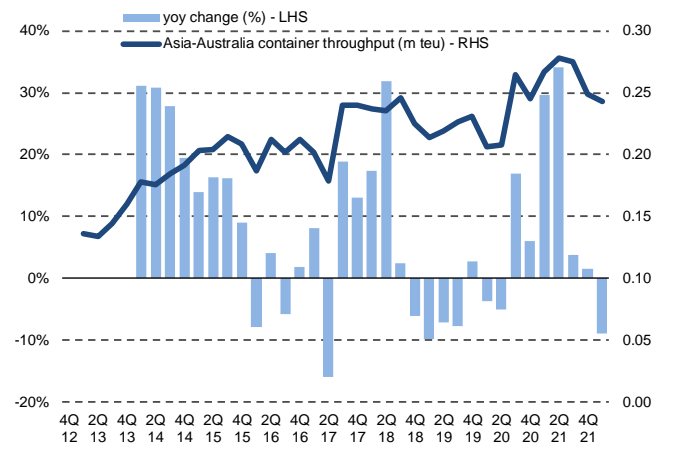
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Westports' Asia-Africa container throughput (m teu)



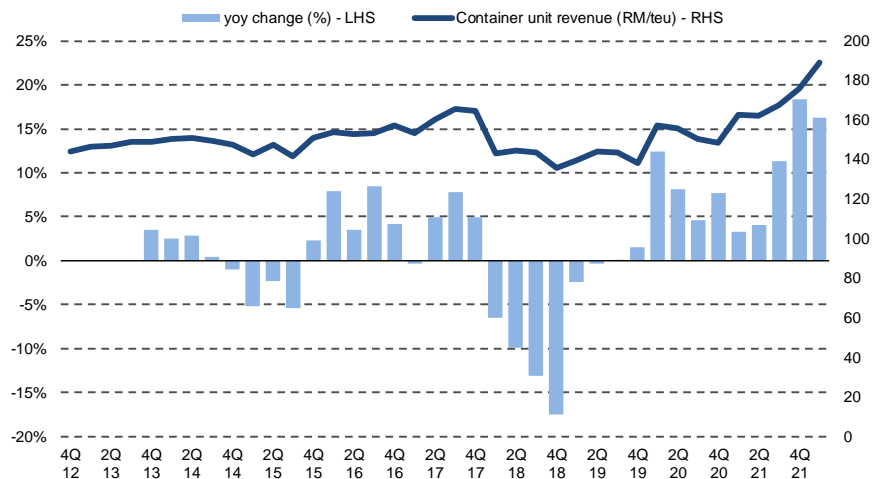
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Westports' Asia-Australia container throughput (m teu)



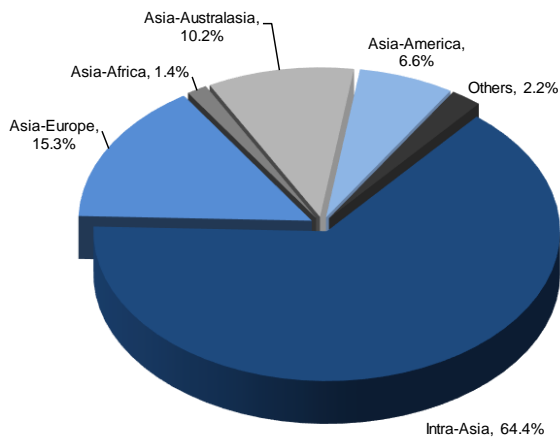
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 13: Container unit revenue (RM/teu) rose due to growth in Value-Added Services (VAS)



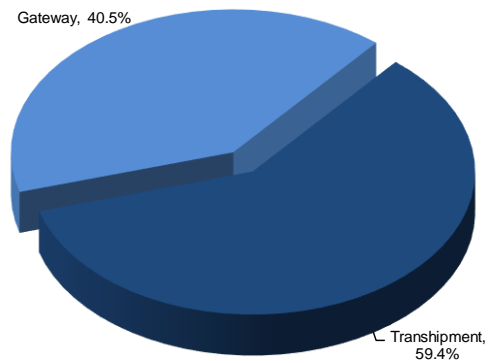
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: Trade lane volume composition, 1Q 2022



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: Trade volume composition, 1Q 2022



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Sequential quarterly tables ►

Figure 16: Results comparison

FYE Dec (RM m)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue	473.5	431.4	529.0	541.5	508.2	505.1	504.9	503.9	516.4
Operating costs	(190.3)	(167.8)	(174.1)	(228.7)	(173.9)	(191.6)	(179.6)	(186.1)	(186.3)
EBITDA	283.2	263.6	354.9	312.9	334.2	313.5	325.3	317.8	330.1
EBITDA margin (%)	59.8	61.1	67.1	57.8	65.8	62.1	64.4	63.1	63.9
Depn & amort.	(66.1)	(66.4)	(66.7)	(64.8)	(66.6)	(63.3)	(65.2)	(68.1)	(67.1)
EBIT	217.1	197.2	288.2	248.0	267.6	250.2	260.1	249.7	262.9
Interest expense	(20.4)	(20.2)	(21.5)	(20.4)	(19.0)	(18.0)	(18.7)	(18.7)	(16.9)
Interest & invt inc	5.1	4.5	3.5	4.0	4.3	2.5	2.8	3.2	2.7
Associates' contrib	-	-	-	-	-	-	-	-	-
Exceptionals	-	(6.8)	-	(13.4)	20.8	0.9	21.0	31.0	-
Pretax profit	201.9	174.7	270.3	218.2	273.6	235.6	265.2	265.2	248.7
Tax	(49.1)	(40.4)	(66.4)	(54.7)	(65.3)	(57.7)	(66.1)	(42.3)	(96.9)
Tax rate (%)	24.3	23.1	24.6	25.1	23.9	24.5	24.9	15.9	39.0
Minority interests	-	-	-	-	-	-	-	-	-
Net profit	152.8	134.3	203.8	163.5	208.3	178.0	199.1	222.9	151.9
Core net profit	152.8	141.2	203.8	176.9	187.5	177.0	178.1	191.9	151.9
EPS (sen)	4.5	3.9	6.0	4.8	6.1	5.2	5.8	6.5	4.5
Core EPS (sen)	4.5	4.1	6.0	5.2	5.5	5.2	5.2	5.6	4.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Revenue metrics


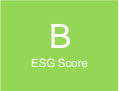

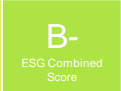



	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Revenue (RM m)	473.5	431.4	529.0	541.5	508.2	505.1	504.9	503.9	516.4
Operating revenue	457.0	405.0	501.0	472.5	496.2	489.7	498.2	494.0	516.4
Port operations revenue	447.0	395.0	491.0	462.0	484.0	478.0	488.0	484.0	505.0
- Container	396.0	355.0	441.0	412.0	432.0	429.0	441.0	434.0	452.0
- Conventional	31.0	22.0	30.0	33.0	35.0	32.0	32.0	35.0	36.0
- Marine	20.0	18.0	20.0	17.0	17.0	17.0	15.0	15.0	17.0
Other revenue	26.5	36.4	38.0	79.0	24.0	26.4	16.7	19.9	12.0
- Rental income	10.0	10.0	10.0	10.0	12.0	11.0	10.0	10.0	12.0
- Construction	16.5	26.4	28.0	69.0	12.0	15.4	6.7	9.9	-
CONTAINER									
Container unit revenue (RM/teu)	157.3	155.7	150.4	148.7	162.5	162.0	167.5	176.1	189.0
Container volume (m teu)	2.52	2.28	2.93	2.77	2.66	2.65	2.63	2.46	2.39
- Transshipment	1.58	1.46	1.91	1.80	1.69	1.70	1.79	1.57	1.42
- Gateway (import/export)	0.94	0.82	1.03	0.97	0.97	0.95	0.84	0.89	0.97
Ratio (%)									
- Transshipment	62.8%	64.0%	65.1%	64.9%	63.6%	64.2%	68.0%	63.7%	59.4%
- Gateway (import/export)	37.3%	36.0%	35.1%	35.0%	36.5%	35.9%	31.9%	36.1%	40.5%
Trade lane volume (m teu)	2.52	2.28	2.93	2.77	2.66	2.65	2.63	2.46	2.39
- Intra-Asia	1.61	1.40	1.80	1.63	1.63	1.59	1.56	1.48	1.54
- Asia-Europe	0.40	0.39	0.51	0.48	0.44	0.44	0.43	0.37	0.36
- Asia-Africa	0.11	0.10	0.11	0.10	0.10	0.10	0.09	0.08	0.03
- Asia-Australasia	0.21	0.21	0.26	0.25	0.27	0.28	0.27	0.25	0.24
- Asia-America	0.14	0.15	0.20	0.21	0.19	0.19	0.24	0.19	0.16
- Others	0.04	0.04	0.05	0.11	0.04	0.05	0.04	0.09	0.05
- Asia-America & Others	0.19	0.18	0.25	0.32	0.23	0.25	0.28	0.28	0.21
Trade lane composition (%)									
- Intra-Asia	63.9%	61.4%	61.3%	58.7%	61.2%	60.0%	59.1%	60.2%	64.4%
- Asia-Europe	16.0%	17.2%	17.5%	17.1%	16.4%	16.6%	16.5%	15.2%	15.3%
- Asia-Africa	4.5%	4.3%	3.6%	3.6%	3.6%	3.7%	3.3%	3.1%	1.4%
- Asia-Australasia	8.2%	9.1%	9.0%	8.8%	10.0%	10.5%	10.4%	10.1%	10.2%
- Asia-America	5.6%	6.4%	6.8%	7.7%	7.2%	7.3%	9.2%	7.8%	6.6%
- Others	1.8%	1.6%	1.7%	4.0%	1.6%	1.9%	1.5%	3.6%	2.2%
- Asia-America & Others	7.4%	8.0%	8.5%	11.7%	8.7%	9.3%	10.7%	11.4%	8.8%
Container terminal capacity (m teu/year)	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Utilisation (%)	74.6%	67.6%	86.9%	82.1%	78.8%	78.4%	78.0%	73.0%	70.9%
CONVENTIONAL									
Breakbulk unit revenue (RM/tonne)	11.3	10.3	10.8	10.3	11.6	11.8	12.4	11.9	13.5
Breakbulk volume (m tonnes)	2.75	2.14	2.78	3.19	3.03	2.71	2.58	2.94	2.66

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 18: Cost metrics and port operating profit

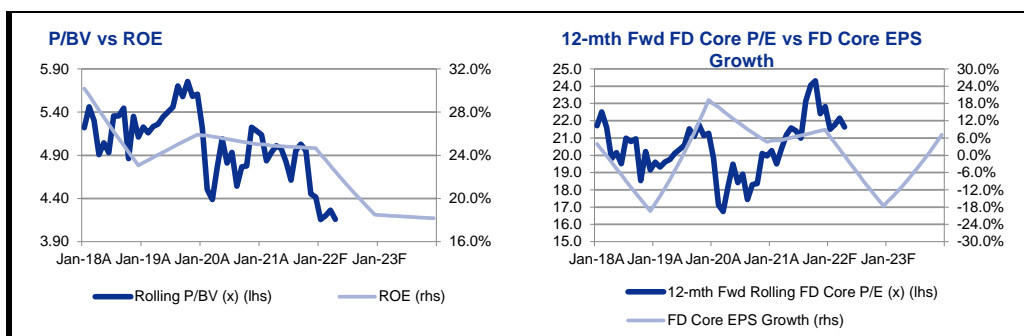
	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
Port operations cost (RM m)	168.0	160.0	168.0	179.0	182.0	186.0	188.0	191.0	202.0
- Container	22.0	20.0	26.0	28.0	27.0	28.0	27.0	29.0	27.0
- Conventional	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
- Marine	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
- Fuel	22.0	14.0	21.0	21.0	26.0	28.0	31.0	34.0	40.0
- Manpower	60.0	58.0	57.0	63.0	64.0	64.0	63.0	60.0	67.0
- Depreciation and amortisation	48.0	48.0	48.0	49.0	49.0	48.0	50.0	51.0	50.0
- Electricity	10.0	14.0	10.0	12.0	10.0	12.0	11.0	11.0	12.0
- Others	-	-	-	-	-	-	-	-	-
General and admin expenses	56.6	33.0	35.6	34.0	33.8	40.3	37.7	39.8	36.3
Administrative expenses	14.7	3.3	6.9	2.4	4.8	7.8	6.9	6.9	5.2
Staff, profit sharing & other expenses	41.9	29.7	28.7	31.6	29.0	32.5	30.9	32.9	31.2
Port operations EBIT (RM m)	279.0	235.0	323.0	283.0	302.0	292.0	300.0	293.0	303.0
EBIT margin (%)	62.4%	59.5%	65.8%	61.3%	62.4%	61.1%	61.5%	60.5%	60.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores	
	
     	
<h2>ESG in a nutshell</h2> <p>In its Sustainability Report 2020, Westports disclosed that it had set a target for itself to be a carbon-neutral port in the future and said that it will unveil its strategy to achieve such a goal in two years' time. Even though Westports did not give a specific timeline for it to achieve carbon neutrality, we think that this is a positive commitment to make. Westports's strong balance sheet and robust port profitability mean that it will most likely have the financial wherewithal to achieve its goal of carbon neutrality over a period of time. Its Westports 2 expansion project also gives it the opportunity to equip the new container terminals with the latest energy-efficient quay cranes and rubber-tyre gantry (RTG) cranes.</p>	
<h3>Keep your eye on</h3> <p>Westports's quay cranes are electrified and their CO2 emissions are accounted for as Scope 2 emissions. The terminal tractors (TT) and RTG cranes, on the other hand, consume diesel and produce Scope 1 emissions.</p> <p>In order to reduce diesel consumption, enhance port efficiency, and cut Scope 1 CO2 emissions, Westports has transitioned to a new OPUS Terminal Operating System (TOS) since late-2019, which has helped it reduce 'futile trips' by TTs (defined as TT movements without carrying any box). Westports has also replaced conventional RTG cranes with hybrid or variable-speed (VS) RTGs to reduce fuel consumption.</p>	<h3>Implications</h3> <p>In 2020, Westports had planned a further reduction of Scope 1 emissions by replacing 30 of its fleet of 115 RTG cranes with VS RTGs in 2021. VS RTGs consume 30-40% less fuel per hour compared with RTG cranes' consumption of 20 litres/hour of diesel. While hybrid RTGs consume just 8 litres/hour of diesel, they are prohibitively expensive and Westports has decided not to purchase additional hybrid RTGs.</p> <p>Electrification of the TT and RTG fleet is not considered viable today due to the high cost of the equipment. The time required to charge the electrified TT fleet's batteries could also increase operating inefficiencies and the parked TTs may take up valuable port footprint.</p>
<h3>ESG highlights</h3> <p>Despite Westports's long-term plans to reduce CO2 emissions, diesel consumption by its fleet of TTs and RTGs rose in 2020 even with the lower overall container volumes, resulting in higher CO2 intensity. This was due to container yard congestion issues in 2020. Hence, the TTs burned diesel while being stuck in 'traffic' while the RTGs were more frequently required to unstack and restack boxes within the container yard to retrieve boxes lying below other boxes. However, without the new OPUS TOS, the effect of 2020's congestion on carbon emissions would have been worse.</p> <p>Electricity consumption at Westports also rose sharply in 2020 from 2019, which was primarily due to the higher number of reefer containers stored at the container yard and over longer periods of time.</p>	<h3>Implications</h3> <p>We do not see significant improvements in fuel consumption and CO2 intensity metrics for the TTs and RTGs in 2021F given the continued severity of the congestion at Westports's container yard. Electricity consumption per teu is also expected to remain high as reefer 'dwell times' at the container yard continued to be high in 2021F. We would argue, however, that the Scope 2 emissions for the reefers should be rightfully attributed to the owners of the cargo within the reefers.</p> <p>In terms of Scope 2 emissions, Westports has spent RM1m to install digital power metres, which were operational from December 2020, to monitor the energy consumption of quay cranes, reefers and other supporting building and services. The data will then be used to identify areas where energy efficiency can be improved.</p>
<h3>Trends</h3> <p>Climate change in the decades to come may adversely affect the operations of Westports if water levels rise above the wharf line. Westports commissioned a firm that specialises in marine and coastal engineering to study how changes in wave height will affect its future expansion plans.</p>	<h3>Implications</h3> <p>The conclusion of the study is that wave conditions at the proposed W2 berths are unlikely to be too dissimilar to those at the existing berths and are unlikely to pose any operational constraints. Thus, a breakwater is not deemed necessary. Based on the existing and future design of the berths, and two different scenarios of projected sea level increases by 2100F in Peninsular Malaysia, the study found that the wave conditions are not expected to adversely affect Westports's operations during the concession period.</p>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, REFINITIV

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	1,975	2,022	1,964	2,417	2,852
Gross Profit	1,355	1,429	1,354	1,387	1,695
Operating EBITDA	1,215	1,291	1,213	1,238	1,537
Depreciation And Amortisation	-264	-263	-281	-289	-287
Operating EBIT	951	1,028	932	949	1,250
Financial Income/(Expense)	-65	-62	-50	-72	-64
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	885	966	883	877	1,185
Exceptional Items	-20	74	0	0	0
Pre-tax Profit	865	1,039	883	877	1,185
Taxation	-211	-231	-273	-215	-289
Exceptional Income - post-tax					
Profit After Tax	654	808	609	662	897
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	654	808	609	662	897
Recurring Net Profit	675	734	609	662	897
Fully Diluted Recurring Net Profit	675	734	609	662	897

Cash Flow

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	1,215	1,291	1,213	1,238	1,537
Cash Flow from Inv. & Assoc.					
Change In Working Capital	56	2	45	11	-26
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	-83	-74	-66	-95	-84
Tax Paid	-191	-204	-233	-224	-299
Cashflow From Operations	997	1,014	959	930	1,128
Capex	-373	-371	-397	-932	-587
Disposals Of FAs/subsidiaries	6	2	0	0	0
Acq. Of Subsidiaries/investments		-115	0	0	0
Other Investing Cashflow	11	13	17	23	19
Cash Flow From Investing	-356	-471	-381	-909	-568
Debt Raised/(repaid)	-100	-150	-125	625	-265
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	-386	-510	-274	-298	-403
Preferred Dividends					
Other Financing Cashflow	-167	-154	-112	-143	-137
Cash Flow From Financing	-653	-814	-511	184	-805
Total Cash Generated	-12	-271	67	205	-245
Free Cashflow To Equity	541	393	453	646	295
Free Cashflow To Firm	723	617	644	116	644

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	779	656	789	1,089	928
Total Debtors	279	296	294	302	352
Inventories					
Total Other Current Assets	5	55	55	494	485
Total Current Assets	1,062	1,008	1,139	1,885	1,765
Fixed Assets	1,731	1,794	2,104	2,015	1,927
Total Investments	0	115	115	115	115
Intangible Assets	2,468	2,499	2,469	2,781	4,557
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	4,199	4,408	4,688	4,911	6,598
Short-term Debt	150	175	125	225	178
Current Portion of Long-Term Debt					
Total Creditors	438	460	503	522	546
Other Current Liabilities	85	123	132	135	148
Total Current Liabilities	673	759	760	882	871
Total Long-term Debt	1,150	975	900	1,425	1,208
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	219	171	110	52	1,341
Total Non-current Liabilities	1,369	1,146	1,010	1,477	2,548
Total Provisions	391	384	594	612	625
Total Liabilities	2,433	2,288	2,364	2,970	4,045
Shareholders' Equity	2,829	3,127	3,462	3,826	4,319
Minority Interests					
Total Equity	2,829	3,127	3,462	3,826	4,319

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	10.9%	2.4%	(2.9%)	23.1%	18.0%
Operating EBITDA Growth	4.8%	6.3%	(6.0%)	2.1%	24.2%
Operating EBITDA Margin	61.5%	63.8%	61.7%	51.2%	53.9%
Net Cash Per Share (RM)	-0.15	-0.14	-0.07	-0.16	-0.13
BVPS (RM)	0.83	0.92	1.00	1.09	1.21
Gross Interest Cover	11.52	13.81	14.10	10.00	14.88
Effective Tax Rate	24.3%	22.3%	30.9%	24.5%	24.4%
Net Dividend Payout Ratio	58.2%	82.5%	75.0%	75.0%	75.0%
Accounts Receivables Days	58.96	51.89	54.87	45.03	42.00
Inventory Days	-	-	-	-	-
Accounts Payables Days	263.9	276.6	288.0	181.5	168.9
ROIC (%)	24.5%	25.9%	23.0%	22.1%	25.3%
ROCE (%)	21.9%	22.7%	19.6%	17.7%	20.9%
Return On Average Assets	14.2%	14.9%	11.7%	11.6%	12.7%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total container volume (m teu)	10.5	10.4	10.5	11.0	11.6
Transshipment container volume (m teu)	6.8	6.8	6.8	7.2	7.5
Gateway container volume (m teu)	3.8	3.7	3.7	3.9	4.1
Overall container unit revenue (RM/teu)	152.6	166.9	163.2	159.2	179.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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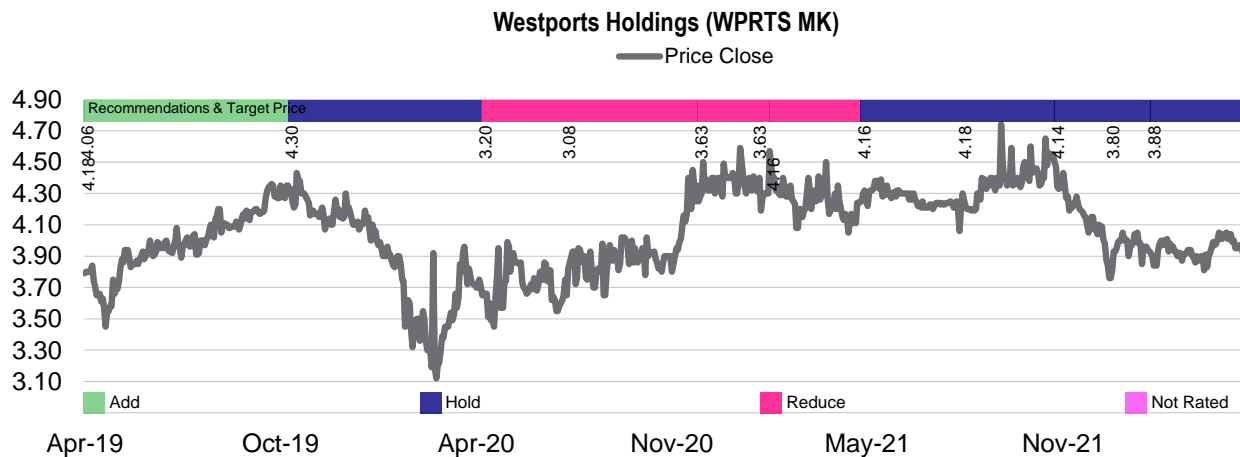
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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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