

Outthink. Outperform.

Bidding for Colombo Port

The Board of Director of Westports has announced that the company has submitted an expression of interest to participate in the consortium bidding for Colombo Port's new terminal. According to news report, Westport is part of the six-member consortium led by Sri Lanka's Hayleys PLC. We do not expect any near-term upside to earnings given the long gestation period, but this should serve as a long-term positive for the stock. Maintain BUY with unchanged TP of RM4.50.

Management is open to M&A

The intention of Westports looking for M&A is not new, as it seeks to create new revenue amidst moderating container volume at its Port Klang terminal. The management of Westports has also, on numerous occasion, indicated its willingness to enter into M&A transaction, providing that the 'price is right'. Details remain scant but based on initial reports, Sri Lanka is expected to position the terminal expansion as a G2G effort with India, and having an Indian partner is a prerequisite for the bid due to certain political consideration. It is also believed that the new terminal would entail deep-water berth, as well as an initial capacity of around 2.4m TEUs to ease congestion. The Edge reported that the Colombo Port's new terminal is expected to cost US\$550-600m for construction costs alone.

Earnings accretion unlikely in near-term

The results of the tender will be made known by end-May, while there are other consortiums bidding for the projecting including APM terminals (of PTP) and Port of Singapore Authority. With a six-member consortium composition, we do not expect Westports to hold significant stake given that it is not the leading partner, and thus capex requirements are unlikely to be hefty for Westports. That said, Westports has the necessary balance sheet strength to fund the capex requirements, based on its current gearing ratio of 0.3x. We are unable to assess the earnings impact at this juncture due to limited details, but we do not expect the bid to materially impact our DCF-valuations. Earnings accretion is also unlikely in the near-term, as cash flow generation will only kick in after the construction cycle, which would take at least 3 years to hit the planned capacity.

Near-term moderating container volume

Despite lingering worries on container volume, we are still projecting 1.3% volume growth in FY17 underpinned by the recovery in gateway boxes. Westports remains a BUY for its long-term structural growth profile and superior ROE generation, but we expect near-term share price weakness on moderating container volume. Risk: slowing global trade growth.

Earnings & Valuation Summary

FYE 31 December	2015	2016A	2017E	2018E	2019E
Revenue (RMm)	1,681.8	2,035.0	2,329.5	1,905.4	2,102.8
EBITDA (RMm)	873.5	984.1	951.0	964.3	1,131.7
Pretax profit (RMm)	650.2	754.8	710.6	713.3	873.8
Net profit (RMm)	504.9	637.0	618.2	620.5	716.5
EPS (sen)	14.8	18.7	18.1	18.2	21.0
PER (x)	25.9	20.6	21.2	21.1	18.3
Core net profit (RMm)	511.1	637.2	618.2	620.5	716.5
Core EPS (sen)	15.0	18.7	18.1	18.2	21.0
Core EPS growth (%)	(2.4)	24.7	(3.0)	0.4	15.5
Core PER (x)	25.6	20.6	21.2	21.1	18.3
Net DPS (sen)	11.5	14.0	13.6	13.6	15.8
Dividend Yield (%)	3.0	3.6	3.5	3.6	4.1
EV/EBITDA (x)	15.7	14.0	14.5	14.3	12.1

Chg in EPS (%)	-	-	-
Affin/Consensus (x)	1.0	1.0	1.0

Source: Company, Bloomberg, Affin Hwang forecasts

Company Update

Westports

 WPRTS MK
 Sector: Transport & Logistics

RM3.84 @ 3 May 2017
BUY (maintain)

Upside: 17%

Price Target: RM4.50

Previous Target: RM4.50



Price Performance

	1M	3M	12M
Absolute	-7.5%	-9.0%	-9.4%
Rel to KLCI	-8.8%	-13.5%	-15.3%

Stock Data

Issued shares (m)	3,410.0
Mkt cap (RMm)/(US\$m)	13,094/3,031
Avg daily vol - 6mth (m)	3.1
52-wk range (RM)	3.74-4.59
Est free float	15.4%
BV per share (RM)	0.58
P/BV (x)	6.61
Net cash/ (debt) (RMm)	(1,285.1)
ROE (2017E)	27.8%
Derivatives	Nil
Shariah Compliant	Yes

Key Shareholders

Pembinaan Redzai	42.4%
South Port Invest	23.6%
EPF	10.3%

Source: Affin Hwang, Bloomberg

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Westports – FINANCIAL SUMMARY

Profit & Loss Statement

FYE 31 Dec (RMm)	2015A	2016A	2017E	2018E	2019E
Revenue	1,681.8	2,035.0	2,329.5	1,905.4	2,102.8
Operating expenses	(808.2)	(1,050.9)	(1,378.5)	(941.1)	(971.1)
EBITDA	873.5	984.1	951.0	964.3	1,131.7
Depreciation	(153.4)	(164.9)	(166.6)	(178.8)	(187.6)
EBIT	720.1	819.2	784.4	785.5	944.1
Net interest income/(expense)	(63.7)	(64.2)	(73.8)	(72.2)	(70.3)
Associates' contribution	-	-	-	-	-
El	(6.2)	(0.2)	-	-	-
Pretax profit	650.2	754.8	710.6	713.3	873.8
Tax	(145.3)	(117.8)	(92.4)	(92.7)	(157.3)
Minority interest	-	-	-	-	-
Net profit	504.9	637.0	618.2	620.5	716.5

Balance Sheet Statement

FYE 31 Dec (RMm)	2015A	2016A	2017E	2018E	2019E
PPE	1,369.3	1,515.4	1,602.7	1,683.0	1,781.0
Other non-current assets	1,920.8	2,074.1	2,196.2	2,314.1	2,449.1
Total non-current assets	3,290.1	3,589.5	3,798.8	3,997.1	4,230.1
Cash and equivalents	396.2	420.5	451.7	392.6	409.3
Inventory	-	-	-	-	-
Trade receivables	215.9	328.9	327.8	268.1	295.9
Other current assets	127.5	10.1	24.1	24.2	26.9
Total current assets	739.6	759.6	803.6	684.9	732.1
Trade payables	71.2	78.3	135.5	86.4	87.6
Short term borrowings	-	-	-	-	-
Other current liabilities	242.6	397.3	406.0	407.2	454.2
Total current liabilities	313.8	475.6	541.4	493.6	541.8
Long term borrowings	1,150.0	1,150.0	1,120.0	1,090.0	1,060.0
Other long term liabilities	667.7	654.5	717.5	719.7	802.7
Total long term liabilities	1,817.7	1,804.5	1,837.5	1,809.7	1,862.7
Shareholders' Funds	1,898.1	2,068.9	2,223.5	2,378.6	2,557.7

Cash Flow Statement

FYE 31 Dec (RMm)	2015A	2016A	2017E	2018E	2019E
PAT	504.9	637.0	618.2	620.5	716.5
Depreciation & amortisation	153.4	164.9	166.6	178.8	187.6
Working capital changes	(16.8)	36.0	129.0	14.1	100.5
Others	129.1	100.8	-	-	-
Cashflow from operations	770.6	938.7	913.7	813.4	1,004.6
Capex	(145.6)	(260.0)	(187.9)	(188.5)	(210.3)
Others	(176.9)	(101.1)	(187.9)	(188.5)	(210.3)
Cash flow from investing	(322.5)	(361.1)	(375.9)	(377.1)	(420.6)
Debt raised/(repaid)	(47.5)	(50.9)	(30.0)	(30.0)	(30.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(391.1)	(446.0)	(463.6)	(465.4)	(537.4)
Others	59.0	57.4	-	-	-
Cash flow from financing	(497.6)	(554.4)	(493.6)	(495.4)	(567.4)
Free Cash Flow	520.1	448.8	537.8	436.3	584.1

Source: Company, Affin Hwang forecasts

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2015A	2016A	2017E	2018E	2019E
Growth					
Revenue (%)	7.7	21.0	14.5	(18.2)	10.4
EBITDA (%)	9.6	12.7	(3.4)	1.4	17.4
Core net profit (%)	(2.4)	24.7	(3.0)	0.4	15.5
Profitability					
EBITDA margin (%)	51.9	48.4	40.8	50.6	53.8
PBT margin (%)	38.7	37.1	30.5	37.4	41.6
Net profit margin (%)	30.0	31.3	26.5	32.6	34.1
Effective tax rate (%)	22.3	15.6	13.0	13.0	18.0
ROA (%)	12.5	14.6	13.4	13.3	14.4
Core ROE (%)	26.9	30.8	27.8	26.1	28.0
ROCE (%)	13.6	16.4	15.2	14.8	16.2
Dividend payout ratio (%)	77.5	74.9	75.0	75.0	75.0
Liquidity					
Current ratio (x)	2.4	1.6	1.5	1.4	1.4
Op. cash flow (RMm)	770.6	938.7	913.7	813.4	1,004.6
Free cashflow (RMm)	520.1	448.8	537.8	436.3	584.1
FCF/share (sen)	15.3	13.2	15.8	12.8	17.1
Asset management					
Inventory turnover (days)	-	-	-	-	-
Receivables turnover (day)	46.9	46.9	51.4	51.4	51.4
Payables turnover (days)	32.5	32.5	40.9	40.9	40.9
Capital structure					
Net Gearing (x)	0.3	0.4	0.3	0.3	0.3
Interest Cover (x)	11.3	12.8	10.6	10.9	13.4

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17
Revenue	464.7	522.6	474.4	573.3	520.9
Op costs	(219.0)	(275.0)	(230.3)	(325.8)	(282.7)
EBITDA	245.7	247.7	244.1	247.5	238.3
Deprn and amort	(39.3)	(40.4)	(43.3)	(42.6)	(43.5)
EBIT	206.4	207.2	200.8	204.8	194.7
Net int income/(exp)	(15.8)	(15.8)	(16.4)	(16.4)	(15.7)
El	20.3	0.5	(6.8)	(14.3)	-
Pretax profit	211.0	192.0	177.7	174.2	179.1
Tax	(39.9)	(32.1)	(26.6)	(19.2)	(38.2)
MI	-	-	-	-	-
Net profit	171.0	159.8	151.0	155.0	140.9
Core net profit	150.7	159.4	157.8	169.3	140.9
Margins (%)					
EBITDA	52.9	47.4	51.5	43.2	45.7
PBT	45.4	36.7	37.4	30.4	34.4
PAT	36.8	30.6	31.8	27.0	27.0

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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