Westports Holdings Berhad

1st Quarter 2019 Financial Report
26th April 2019

MFRS 16

Balance sheet

Asset = "Right-of-use" of underlying asset
Liability = Obligation to make lease payments.

P&L

Lease expense = Depreciation + Interest = Front-loaded total lease expense

source : Deloitte

- **Effective date**
  - MFRS 16 is mandatorily effective for annual periods beginning on or after January 1, 2019 and will replace the existing MFRS 117 and its related interpretations
- **Intention**
  - More transparency and comparability between entities as lessees are to recognize assets and liabilities arising from operating leases on the balance sheet
  - Eliminating off-balance sheet leasing transactions
- **Requirement**
  - Lessee would apply a "right-of-use asset" accounting approach that would recognise an asset on the lessee's balance sheet. This represents the lessee's right to use the leased asset over the lease term and recognise a corresponding liability to make lease payments

1 Right-of-use (ROU) assets

- Under MFRS 16, Westports has identified the following
  - Outsourced use of IT hardware/server
  - Tug boats and pilot boats
- **Changes at the balance sheet**
  - New item, **right-of-use assets** at present value of the future lease
  - Added **lease liabilities** also at present value of the future lease payments, both at current liabilities and non-current liabilities
- **Changes at the income statement**
  - **Marine cost** reduced and now recognised as depreciation of the ROU assets at **other expenses** and interest expense on the lease liabilities at **finance costs**
  - IT hardware/server is also recognised as depreciation of the ROU asset and interest expense. Most IT changes within **other expenses**
- **Changes at the cash flows statement**
  - Depreciation of the ROU assets and finance costs of ROU entries
  - **Repayment of lease liabilities** of outsourced IT, tug and pilot boats

2 Lease rental income

- In prior years, the Group recognized lease rental income based on contractual terms stated in the agreements which consist of step-up lease rental rates. During the financial year 2018, management has reassessed the appropriateness of its basis of recognizing the lease rental income and has determined that the straight-line method is the appropriate basis to recognize its lease rental income. The effect of the change in the basis of recognizing the lease rental income has been adjusted through a prior years' adjustment during the financial year ended 31st December 2018
- Financial effect between the previous basis of lease rental income recognition and the new basis in current year will be the same at the end of the lease rental period
- **Changes at the balance sheet**
  - **Trade and other receivables** and **equity reserves** being reduced
- **Changes at the income statement**
  - **Rental** revenue being reduced

Throughput Volume

- **1Q19** Transhipment growth recovery also helped by a relatively lower base in 1Q18. Gateway growth from stronger exports volume
- Intra-Asia underpinned total container growth with 64% split. Asia-Europe has improved since 3Q18. Lower conventional with lesser cement and liquid bulk-bunker throughput, which offset improved dry bulk volume. RORO -7% with cautious consumer sentiments

Container & Conventional **Throughput**

Container m TEU	1Q19	1Q18	% YoY	% Split	4Q18	% QoQ	2018	2017	% YoY	% Split
Transhipment	1.71	1.48	15%	67.5%	1.73	-1%	6.23	6.22	0%	65.4%
Gateway	0.82	0.77	7%	32.5%	0.85	-3%	3.30	2.81	18%	34.6%
Total^	**2.53**	**2.25**	**12%**	**100%**	**2.58**	**-2%**	**9.52**	**9.02**	**6%**	**100%**
Intra-Asia	1.61	1.40	15%	63.7%	1.59	2%	5.86	5.16	14%	61.5%
Asia-Europe	0.41	0.31	32%	16.1%	0.40	2%	1.37	1.72	-21%	14.3%
Asia-Australasia	0.21	0.24	-10%	8.4%	0.23	-8%	0.94	0.87	9%	9.9%
Asia-America	0.13	0.20	-33%	5.2%	0.20	-34%	0.80	0.76	5%	8.4%
Asia-Africa	0.10	0.07	35%	3.9%	0.08	24%	0.32	0.31	1%	3.3%
Others	0.07	0.03	91%	2.6%	0.08	-16%	0.24	0.21	16%	2.6%
Total^	**2.53**	**2.25**	**12%**	**100%**	**2.58**	**-2%**	**9.52**	**9.02**	**6%**	**100%**
Conventional m MT	**2.36**	**2.43**	**-3%**	**-**	**2.86**	**-18%**	**10.69**	**10.93**	**-2%**	**-**

^May not add up due to rounding

Revenue

- **1Q19** Container revenue increased with higher transhipment and gateway volume. Only 1 month impact from container tariff revision
- Conventional revenue reflected lower break bulk and cement volume. Marine revenue increased with vessel calls and also more bigger ships. Rental revenue decreased with MFRS 16 adjustment, straight-line method to recognize income, despite signing on a new client

Segmental **Revenue** (RM million)

Revenue RM million	1Q19	1Q18	% YoY	% Split	4Q18	% QoQ	2018	2017	% YoY	% Split
Container	354	322	10%	85.3%	351	1%	1,350	1,451	-7%	83.6%
Conventional	31	33	-7%	7.5%	36	-13%	143	145	-2%	8.8%
Marine	20	18	7%	4.8%	20	-1%	77	78	-1%	4.8%
Rental	10	11	-11%	2.4%	11	-13%	45	42	8%	2.8%
Op. Revenue^	**415**	**385**	**8%**	**100%**	**418**	**-1%**	**1,615**	**1,716**	**-6%**	**100%**
Construction	0	0	nm	-	0	nm	0	373	nm	-
Total Revenue^	415	385	8%	-	418	-1%	1,615	2,089	-23%	-

^May not add up due to rounding

Cost

- **1Q19** Container reflected higher maintenance & repair costs as TOE handled increased throughput, electricity reflected the latter also
- Fuel +3% with reduced fuel intensity and lower MOPS price. Manpower cost with basic salaries and allowances with higher headcount. Minimal depreciation changes, no construction activity. Marine reflected MFRS 16, mainly depreciation of ROU assets at other expenses

Cost Of Sales Breakdown (RM million)

Cost RM million	1Q19	1Q18	% YoY	% Split	4Q18	% QoQ	2018	2017	% YoY	% Split
Container	22	20	10%	13.8%	25	-10%	89	282	-68%	13.5%
Conventional	5	5	-2%	3.1%	4	12%	21	22	-4%	3.1%
Marine	1	7	-92%	0.3%	7	-93%	29	32	-8%	4.4%
Fuel	23	23	3%	14.6%	27	-14%	103	82	26%	15.6%
Electricity	9	8	12%	5.8%	9	-1%	35	32	10%	5.4%
Manpower	52	51	4%	32.9%	42	24%	196	179	10%	29.7%
Depreciation	47	46	2%	29.4%	47	-1%	187	162	15%	28.3%
Op. Cost^	**159**	**159**	**0%**	**100%**	**162**	**-2%**	**660**	**790**	**-16%**	**100%**
Construction	0	0	nm	-	0	nm	0	373	nm	-
Total Cost^	159	159	0%	-	162	-2%	660	1,163	-43%	-

^May not add up due to rounding

Overall Results & Profitability Margins

		1Q19	1Q18	%Chg	4Q18	% QoQ	2018	2017	%Chg	On 1Q19 Performance
Container	m TEUs	**2.53**	**2.25**	**12%**	**2.58**	**-2%**	**9.52**	**9.02**	**6%**	Transhipment +15% while gateway +7%. Import +6% whereas stronger export of +9%. Laden gateway box ratio up, from 80% to 82%. Lesser liquid and cement cargoes
Conventional	m MT	**2.36**	**2.43**	**-3%**	**2.86**	**-18%**	**10.69**	**10.93**	**-2%**	
Op. Revenue		415	385	8%	418	-1%	1,615	1,716	-6%	Container revenue benefited from a 1-month tariff revision. Lower rental revenue and lower marine cost with MFRS16 adjustments. Depreciation +2% only, no construction activities in 2018. Manpower cost with salary and headcount hike. Lesser fuel cost hike with lower MOPS and efficiency
Op. Cost Of Sales		-159	-159	0%	-162	-2%	-660	-790	-16%	
Gross Profit		256	226	13%	256	0%	954	926	3%	Higher EBITDA margin with MFRS16 adjustment, omit interest expense on the lease liabilities. Excluding all MFRS 16, margin would be 60.4%. Based on annualised EBIT divided by equity and borrowings ROCE is 21%. Depreciation of ROU Assets in Other Expenses item under MFRS16
EBITDA		**260**	**234**	**11%**	**267**	**-2%**	**998**	**930**	**7%**	
	EBITDA %	62.7%	60.9%		64.0%		61.8%	54.2%		
Results From Op. Act.		206	183	12%	213	-2%	782	745	5%	
Profit Before Tax		**186**	**164**	**13%**	**194**	**-3%**	**701**	**677**	**4%**	Finance cost now incorporates small amount of interest expense on lease liabilities with MFRS16, a very small increase in finance cost amount. No additional drawdown of Sukuk since Jun17. Without MFRS 16 adjustment and adding back rental, PBT margin would have improved to 45.0%
	PBT %	44.7%	42.5%		46.4%		43.4%	39.4%		
Tax		-46	-40	15%	-48	-5%	-168	-25	561%	
	Tax %	-24.7%	-24.3%		-24.9%		-23.9%	-3.7%		
Profit After Tax^		**140**	**124**	**13%**	**146**	**-2%**	**533**	**652**	**-18%**	Profit After Tax improved by 13% instead of 15% with MFRS16

^May not add up due to rounding

Cash Flows & Total Borrowings

Consolidated **Cash Flows**

RM million	1Q19	1Q18	2018	2017
Operating Profit Before Working Capital Changes	270	235	1,005	926
Cash Generated From Operations	242	72	738	1,187
Net Cash Generated From Operating Activities	**183**	**46**	**588**	**1,085**
Net Cash Used In Investing Activities	-12	-16	-198	-799
Net Cash Used In Financing Activities	-241	-284	-508	-150
Net Change In Cash & Cash Equivalents	**-70**	**-254**	**-118**	**136**
Cash & Cash Equivalents As At Starting Period	407	524	524	388
Cash & Cash Equivalents As At End Of Period	337	270	407	524

May not add up due to rounding

Sukuk Musharakah Medium Term Note (SMTN)

Tenure	• 20 year Sukuk Musharakah Medium Term Note program obtained on 20 April 2011 • Valid unless it has been redeemed, cancelled or repurchased by WMSB
Nominal Value	RM2,000 million available for issuance
Drawdown Total RM1,500m	• 03 May 2011 of RM450 million • 01 April 2013 of RM250 million • 23 Oct 2013 of RM200 million • 03 April 2014 of RM250 million • 07 August 2017 of RM200 million • 13 December 2017 of RM150 million
Utilisation of Proceeds	• Refinance previous SUKUK programme • Capital expenditure & assets acquisition • Working capital
Repayment Schedule	• RM450 million – 6 tranches, 2021-2026 • RM250 million – 4 tranches, 2025-2028 • RM200 million – 5 tranches, 2024-2028 • RM250 million – 4 tranches, 2021-2024 • RM200 million – 2 tranches, 2019-2020 • RM150 million – 3 tranches, 2021-2027

- 1Q19 **capital expenditure** of only RM15m
- Building a new liquid bulk jetty in 2H2019 for a new client
- **Cash** of RM374m, of which RM38m are pledged deposits

- Unchanged total Sukuk **borrowings of RM1,500m**. The first SMTN repayment is in Aug19 of RM100m
- Total net **debt-to-equity ratio** of 0.48x as at Mar19

Dividend & Outlook

Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
2nd Interim Div	6.33 sen	2H 2018	18 Feb 2019	01 Mar 2019
1st Interim Div	5.40 sen	1H 2018	07 Aug 2018	20 Aug 2018
2nd Interim Div	7.95 sen	2H 2017	21 Feb 2018	06 Mar 2018
1st Interim Div	6.372 sen	1H 2017	01 Aug 2017	15 Aug 2017
2nd Interim Div	6.70 sen	2H 2016	22 Feb 2017	08 Mar 2017
1st Interim Div	7.30 sen	1H 2016	09 Aug 2016	23 Aug 2016
2nd Interim Div	5.78 sen	2H 2015	17 Feb 2016	02 Mar 2016
1st Interim Div	5.32 sen	1H 2015	13 Aug 2015	26 Aug 2015
2nd Interim Div	6.15 sen	2H 2014	26 Feb 2015	11 Mar 2015
1st Interim Div	5.10 sen	1H 2014	07 Aug 2014	20 Aug 2014
2nd Interim Div	5.22 sen	2H 2013	26 Feb 2014	11 Mar 2014

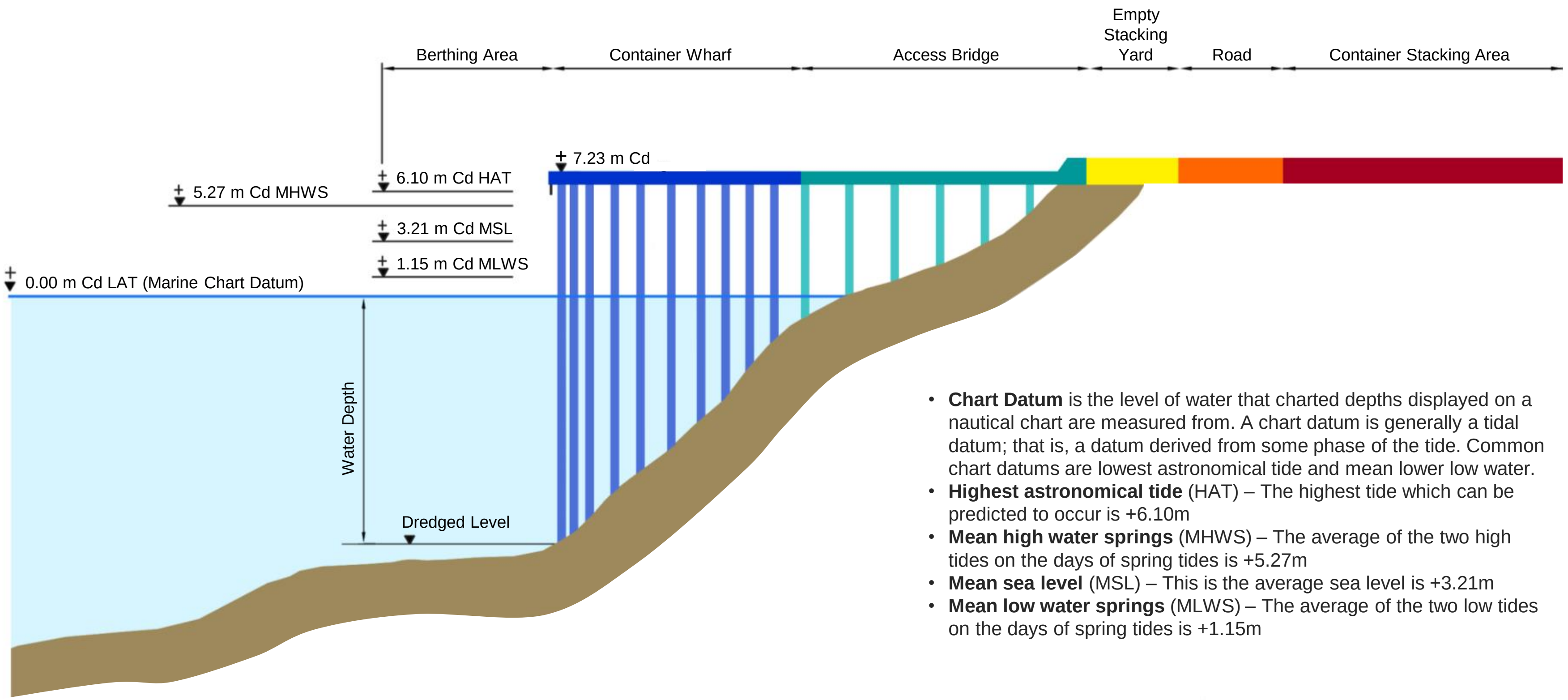
Outlook 2019

Launch of Global Petro Storage Group's subsidiary and Equinor for LPG facilities at Westports

- **Payout ratio of 75%**
  - Semi-annual distribution of dividend **since IPO**
  - **Maintained** payout ratio even with heavy capex during 2015 to 2017 for CT8-CT9 container terminal expansion

- **Container volume** growth of single-digit percentage rate in 2019
- Completion of some detailed studies to facilitate **terminal expansion**. Greater level of engagements with authorities
- Container **tariff revision** implemented on 1st March 2019

Assessment Of Impact From Climate Change – Sea Level Rise By 2100
Current Container Terminal Facilities And Future Expansion



- **Chart Datum** is the level of water that charted depths displayed on a nautical chart are measured from. A chart datum is generally a tidal datum; that is, a datum derived from some phase of the tide. Common chart datums are lowest astronomical tide and mean lower low water.
- **Highest astronomical tide** (HAT) – The highest tide which can be predicted to occur is +6.10m
- **Mean high water springs** (MHWS) – The average of the two high tides on the days of spring tides is +5.27m
- **Mean sea level** (MSL) – This is the average sea level is +3.21m
- **Mean low water springs** (MLWS) – The average of the two low tides on the days of spring tides is +1.15m

Intergovernmental Panel on Climate Change (IPCC)
- According to the IPCC Special Report on the impacts of global warming, Global Mean Sea Level (GMSL) is forecast to rise approximately 0.1m less by 2100 in a 1.5° Celcius to a 2° Celcius warmer world.

Atmosphere-Ocean coupled with the Global Climate Model/General Circulation Model (AOGCM)
- The spatial variation of the sea level change is estimated by assimilating the global mean sea level projections from the Atmosphere-Ocean coupled with the Global Climate Model/General Circulation Model simulations to the satellite altimeter observations along the subject coastlines.
- Using the assimilated AOGCM projections, the sea level around the Peninsular Malaysia coastline is projected to rise between 0.066m and 0.141m by 2040 and 0.253m to 0.517m by 2100.

Westports
- Based on the existing and future design, either projected sea level increase for Peninsular Malaysia is not expected to adversely affect Westports' operations. The highest astronomical tide (HAT) stands at +6.10m whereas our top of deck level is +7.23m.

Thank You

Westports Holdings Berhad
http://westportsholdings.com/
http://westportsmalaysia.com/

2018 Annual Report
http://ir.chartnexus.com/westportsholdings/docs/WESTPORTS_ANNUAL_REPORT_2018-COLOUR.pdf

2018 Sustainability Report
http://ir.chartnexus.com/westportsholdings/docs/WESTPORTS_SUSTAINABILITY_REPORT_2018.pdf

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