PROVEN. TRUSTED. FRIENDLY.

Westports Holdings Berhad

2nd Quarter 2019 Financial Report

26th July 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

Revenue

- **2Q19** Container revenue reflect transhipment and gateway volume. Full impact from container tariff revision but moderate VAS growth
- **YTDJun19** Conventional revenue reflected lower dry and break bulk volume. Higher marine revenue with more vessel calls and bigger ships. Lower rental revenue with MFRS 16 adjustment, straight-line method to recognize income, despite rental of additional land area

Segmental **Revenue** (RM million)

Revenue RM million	2Q19	2Q18	% YoY	% Split	1Q19	% QoQ	YTDJun19	YTDJun18	% YoY	% Split
Container	394	325	21%	86.8%	354	11%	749	647	16%	86.1%
Conventional	29	39	-26%	6.4%	31	-7%	60	73	-17%	6.9%
Marine	21	19	12%	4.7%	20	7%	41	37	10%	4.7%
Rental	10	11	-7%	2.2%	10	1%	20	22	-9%	2.3%
Op. Revenue^	**454**	**394**	**15%**	**100%**	**415**	**9%**	**870**	**779**	**12%**	**100%**
Construction	0	0	nm	-	0	nm	0	0	nm	-
Total Revenue^	454	394	15%	-	415	9%	870	779	12%	-

^May not add up due to rounding

Cost

- **2Q19** Container cost reflected higher maintenance and repair costs with more throughput, electricity and fuel reflected the latter also
- **YTDJun19** Lesser increase in fuel cost with reduced fuel intensity. Increased manpower cost is mainly due to container volume-linked incentive payments. Minimal changes at depreciation. Marine reflected MFRS 16, mainly depreciation of ROU assets at other expenses

Cost Of Sales Breakdown (RM million)

Cost RM million	2Q19	2Q18	% YoY	% Split	1Q19	% QoQ	YTDJun19	YTDJun18	% YoY	% Split
Container	23	21	9%	13.8%	22	5%	45	41	10%	13.8%
Conventional	4	6	-33%	2.5%	5	-15%	9	11	-19%	2.8%
Marine	1	7	-92%	0.3%	1	0%	1	15	-92%	0.3%
Fuel	28	25	10%	16.6%	23	19%	51	48	7%	15.6%
Electricity	10	9	19%	6.1%	9	11%	20	17	16%	6.0%
Manpower	53	51	2%	31.5%	52	1%	105	102	3%	32.2%
Depreciation	49	47	3%	29.1%	47	4%	95	93	3%	29.3%
Op. Cost^	**167**	**167**	**0%**	**100%**	**159**	**5%**	**326**	**326**	**0%**	**100%**
Construction	0	0	nm	-	0	nm	0	0	nm	-
Total Cost^	167	167	0%	-	159	5%	326	326	0%	-

^May not add up due to rounding

Overall Results & Profitability Margins

		2Q19	2Q18	%Chg	1Q19	% QoQ	YTDJun19	YTDJun18	%Chg	On YTD Performance
Container	m TEUs	**2.74**	**2.25**	**22%**	**2.53**	**8%**	**5.27**	**4.50**	**17%**	Transhipment +21% while gateway +9%. Import +8% whereas stronger export of +11%. Laden gateway box increased from 80% to 81%. Lesser dry bulk and break bulk cargoes
Conventional	m MT	**2.33**	**2.83**	**-18%**	**2.36**	**-1%**	**4.68**	**5.26**	**-11%**	
Op. Revenue		454	394	15%	415	9%	870	779	12%	Container revenue reflect 4-month tariff revision but lower VAS growth. Less rental revenue and marine cost with MFRS16. Depreciation +3% as there were no construction activity in 2018. Manpower cost up due to volume-linked incentives. Less fuel cost increase with greater efficiency
Op. Cost Of Sales		-167	-167	0%	-159	5%	-326	-326	0%	
Gross Profit		287	227	27%	256	12%	543	453	20%	EBITDA margin nudged upwards by MFRS16 adjustment, omit interest expense on lease liabilities. Based on annualised EBIT divided by total equity and borrowings, ROCE is 22%. Depreciation of ROU Assets for tugs and pilot boats in the Other Expenses item under MFRS16
EBITDA		**295**	**237**	**24%**	**260**	**13%**	**556**	**472**	**18%**	
	EBITDA %	65.0%	60.3%		62.7%		63.9%	60.6%		
Results From Op. Act.		238	184	30%	206	16%	444	367	21%	
Profit Before Tax		**219**	**162**	**35%**	**186**	**18%**	**404**	**325**	**24%**	Finance cost now incorporate 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. If adjustment for MFRS16 is being excluded, PBT margin would have increased further marginally
	PBT %	48.1%	41.0%		44.7%		46.5%	41.7%		
Tax		-52	-40	32%	-46	15%	-98	-80	23%	
	Tax %	-24.0%	-24.6%		-24.7%		-24.3%	-24.5%		
Profit After Tax^		**166**	**122**	**37%**	**140**	**19%**	**306**	**246**	**25%**	Profit After Tax improved by 25% despite effective tax rate of 24.3%

^May not add up due to rounding

Cash Flows & Total Borrowings

Consolidated **Cash Flows**

RM million	2Q19	2Q18	YTDJun19	YTDJun18
Operating Profit Before Working Capital Changes	305	237	575	472
Cash Generated From Operations	325	114	567	186
Net Cash Generated From Operating Activities	**261**	**77**	**445**	**123**
Net Cash Used In Investing Activities	-14	-73	-26	-88
Net Cash Used In Financing Activities	-25	-13	-267	-297
Net Change In Cash & Cash Equivalents	**222**	**-8**	**152**	**-263**
Cash & Cash Equivalents As At Starting Period	337	270	407	524
Cash & Cash Equivalents As At End Of Period	558	262	558	262

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

- YTDJun19 **capital expenditure** of RM33m
- To commence building a new liquid bulk jetty in 2H2019
- **Cash** of RM596m, 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 0.36x as at Jun19

Throughput Volume

- **2Q19** Transhipment helped by relatively lower base in 2Q18. Gateway driven by stronger exports as import : export at 49.5% : 50.5%
- **YTDJun19** Intra-Asia growth with 62% split while Asia-Europe improved since 3Q18. Asia-America affected by service changes. Lower conventional with lesser break and dry bulk throughput, offset improved liquid bulk volume. Less national vehicle exposure, RORO -7%

Container & Conventional **Throughput**

Container m TEU	2Q19	2Q18	% YoY	% Split	1Q19	% QoQ	YTDJun19	YTDJun18	% YoY	% Split
Transhipment	1.83	1.43	28%	66.9%	1.71	7%	3.54	2.92	21%	67.2%
Gateway	0.90	0.81	11%	33.1%	0.82	10%	1.73	1.58	9%	32.8%
Total^	**2.74**	**2.25**	**22%**	**100%**	**2.53**	**8%**	**5.27**	**4.50**	**17%**	**100%**
Intra-Asia	1.71	1.38	24%	62.4%	1.62	5%	3.33	2.78	20%	63.2%
Asia-Europe	0.47	0.32	47%	17.1%	0.41	14%	0.88	0.63	40%	16.7%
Asia-Australasia	0.22	0.24	-8%	7.9%	0.21	1%	0.43	0.47	-9%	8.2%
Asia-America	0.14	0.20	-28%	5.3%	0.13	9%	0.28	0.40	-31%	5.3%
Asia-Africa	0.11	0.08	47%	4.2%	0.10	13%	0.22	0.15	42%	4.1%
Others	0.09	0.04	131%	3.1%	0.05	66%	0.14	0.07	91%	2.6%
Total^	**2.74**	**2.25**	**22%**	**100%**	**2.53**	**8%**	**5.27**	**4.50**	**17%**	**100%**
Conventional m MT	**2.33**	**2.83**	**-18%**	**-**	**2.36**	**-1%**	**4.68**	**5.26**	**-11%**	**-**

^May not add up due to rounding

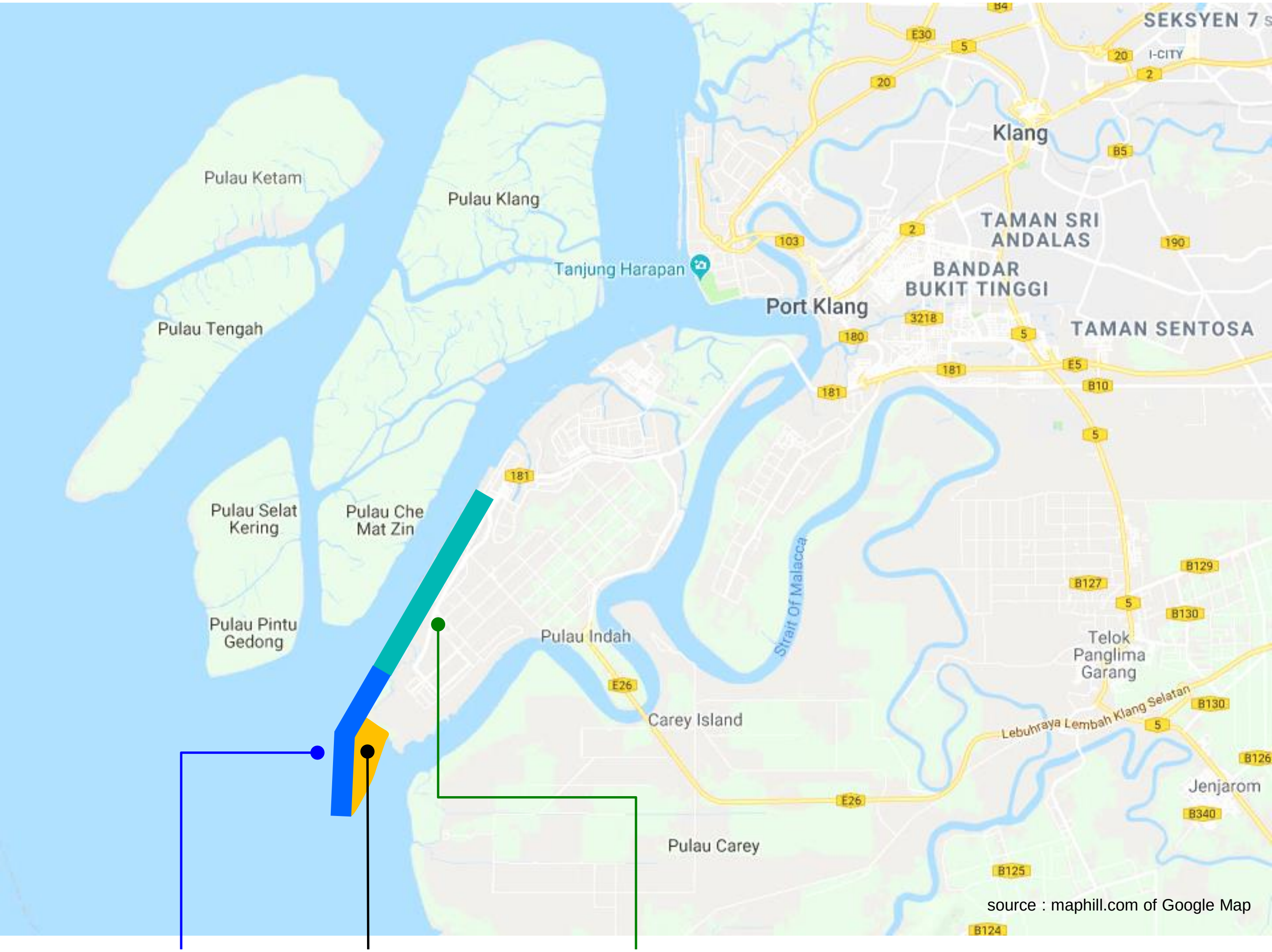
Westports Expansion

Completed CT1 to CT9

- From 2m TEUs in 1996 to current capacity of 14m TEUs
- Terminal utilisation levels that can accommodate further growth
- CT9 can accommodate another 1m TEUs with additional TOEs

Proposed expansion

- Obtained **Approval-in-Principle** for proposed expansion to increase terminal capacity
- **Studies**
  - Completed technical studies
  - Conducted preliminary EIA
  - Completed container terminal layout and now incorporating external feedback
- **Features of new expansion**
  - Extending from CT10 to CT17
  - Raising container terminal handling capacity to 27m TEUs with 4.8km of new wharf
  - Accommodating the largest container vessels
  - Reclaiming land in 2 phases by reusing dredged material



CT10 to CT17 | Land Reclamation | Existing CT1 to CT9 Container Wharves

Proposed development is subject to changes

Dividend & Outlook

Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
1st Interim Div	6.74 sen	1H 2019	14 Aug 2019	23 Aug 2019
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

- **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

Outlook 2019

Ocean Alliance Day 3 with additional services and port calls at Westports by ULCV

- **Container volume** growth of high single-digit percentage rate in 2019
- Completed studies to facilitate **terminal expansion**. Have greater level of engagements with various authorities
- Ongoing preparation for liquid bulk's longer-term growth at the **conventional** segment

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

Chang Kong Meng
Email: chang@westports.com.my
Contact: +6 03 3169 4047
Mobile No: +6 012 5123 813