WESTPORTS
PROVEN. TRUSTED. FRIENDLY.

# Westports Holdings Berhad
# 1st Quarter 2017 Financial Report

27th April 2017


# S.E.A. Container Hub



- **MFRS 15** will supersede MFRS 118 Revenue, MFRS 111 Construction Contracts and revenue related interpretations issued by the Malaysian Accounting Standards Board

- **1Q17** transhipment +1%. Now 75% of total volume handled
- Gateway +2%. Both export FCL and also import FCL at +3%. The ratio of export : import at 51 : 49

## MFRS 15 Revenue from Contracts with Customers

- It is effective for financial periods beginning on or after 1st January 2018, with earlier application permitted

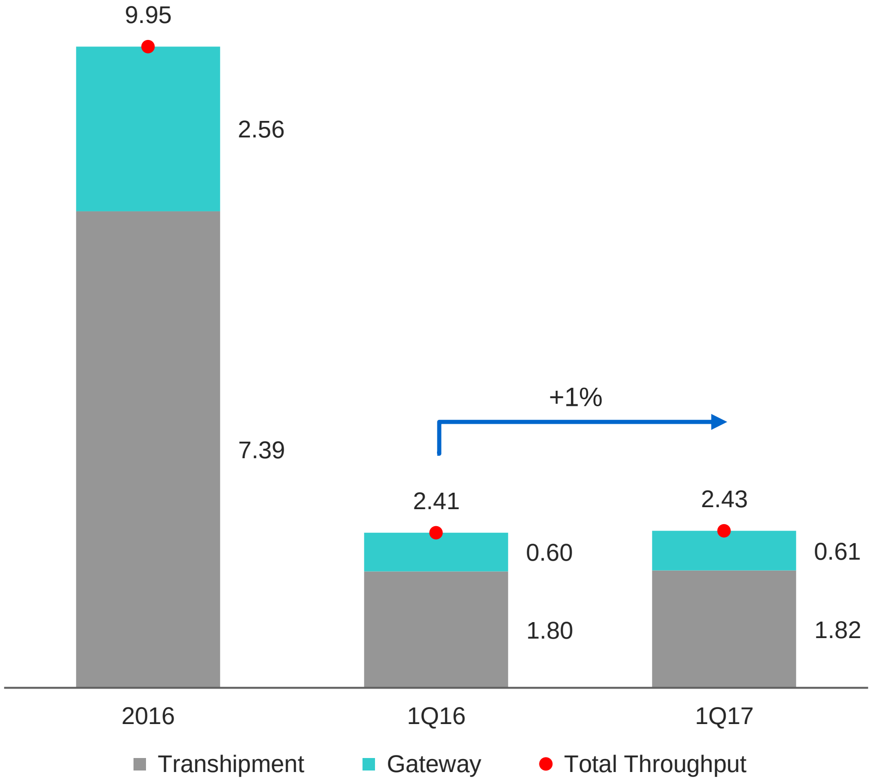
**Measures taken towards compliance**

- Essentially, under MFRS 15, marketing cost currently included under the Cost of Sales will have to net to revenue
- From 1st January 2017, revenue from a selected portfolio of contracts of Westports would now be recognised on a net basis
- Essentially steps taken to fully comply with MFRS 15 by FY2018
- Westports will fully comply with MFRS 15 in FY2018 by netting all marketing cost to revenue

**Impact – neutral to the bottom line**

- Assuming all things being equal – overall container revenue and also container cost could decline since marketing cost is now netted to revenue (for a selected portfolio of contracts) when compared to the previous corresponding period
- GP, PBT and PAT absolute numbers are not affected by the steps taken towards compliance with MFRS 15. The only change is marketing cost due to the selected portfolio of contracts that are being netted from revenue

## Total Container Throughput (million TEUs)




^ May not add up due to rounding

# Throughput Volume



- **1Q17** Intra-Asia +9% and raised trade lane composition to 50%
- Asia-Africa declined as MLO re-designated some services to be in-tandem with its dual-hubbing strategy
- **1Q17** dry bulk eased with lower grains throughput while break bulk declined with lesser import of steel-related products
- Higher liquid bulk with bunker which commenced in Apr16

## **Container** Throughput By Trade Lanes

| **Trade Lane** | 2016 TEU m | 2016 %Chg | 1Q17 TEU m | 1Q17 %Chg | 1Q17 %Split |
|---|---|---|---|---|---|
| Intra-Asia | 4.78 | 11.1% | 1.23 | 8.6% | 50.4% |
| Asia-Europe | 2.53 | 10.5% | 0.70 | 14.9% | 28.6% |
| Asia-Australasia | 0.81 | -2.0% | 0.20 | 7.9% | 8.3% |
| Asia-America | 0.79 | 49.2% | 0.17 | -16.4% | 7.0% |
| Asia-Africa | 0.86 | -7.6% | 0.09 | -60.2% | 3.7% |
| Others | 0.17 | 1.3% | 0.05 | -6.6% | 2.0% |
| **Total^** | **9.95** | **9.9%** | **2.43** | **1.2%** | **100%** |

## **Conventional** Throughput (million Metric Tonne)

| **Cargo** | 2015 m MT | 2016 m MT | 2016 %Chg | 1Q17 m MT | 1Q17 %Chg |
|---|---|---|---|---|---|
| Dry Bulk | 4.01 | 4.34 | 8% | 1.06 | -8% |
| Liquid Bulk | 3.57 | 4.92 | 38% | 1.22 | 70% |
| Break Bulk | 1.59 | 1.81 | 14% | 0.38 | -7% |
| Cement | 1.06 | 0.75 | -30% | 0.14 | -56% |
| **Total^** | **10.23** | **11.80** | **15%** | **2.79** | **8%** |
| RORO k units | 162.5 | 141.4 | -13% | 35.6 | -10% |

% Split based on data as of 12th April 2017

^May not add up due to rounding

# Revenue & Cost



- **1Q17** container revenue reflect net basis for selected contracts
- Marine revenue eased with lesser overall vessel calls while rental revenue increased with a step-up rate on land lease

- **1Q17** container cost eased as marketing cost is no longer included for selected contracts. Normalization after tariff hike
- Higher fuel cost with higher RM price per litre and diesel usage

## Segmental **Revenue** (RM million)

| **Operational Revenue** | 2015 RM m | 2016 RM m | 2016 %Chg | 1Q17 RM m | 1Q17 %Chg |
|---|---|---|---|---|---|
| Container | 1,316 | 1,536 | 17% | 373 | 1% |
| Conventional | 144 | 147 | 2% | 36 | -2% |
| Marine | 81 | 84 | 3% | 19 | -6% |
| Rental | 35 | 37 | 5% | 10 | 15% |
| **Op. Revenue** | **1,578** | **1,804** | **14%** | **439** | **1%** |
| Construction | 103 | 231 | 123% | 82 | 190% |
| Total Revenue^ | 1,681 | 2,035 | 21% | 521 | 12% |

## **Cost Of Sales** Breakdown (RM million)

| **Operational Cost Of Sales** | 2015 RM m | 2016 RM m | 2016 %Chg | 1Q17 RM m | 1Q17 %Chg |
|---|---|---|---|---|---|
| Container | 242 | 331 | 37% | 70 | -9% |
| Conventional | 23 | 22 | -5% | 5 | -12% |
| Marine | 31 | 36 | 17% | 9 | 8% |
| Fuel | 70 | 64 | -9% | 22 | 84% |
| Electricity | 29 | 33 | 14% | 8 | 3% |
| Manpower | 169 | 183 | 8% | 48 | 8% |
| Depreciation | 132 | 145 | 10% | 38 | 12% |
| **Op. Cost** | **696** | **813** | **17%** | **200** | **6%** |
| Construction | 103 | 231 | 123% | 82 | 190% |
| Total Cost^ | 799 | 1,044 | 31% | 282 | 30% |

^May not add up due to rounding

# Overall Results & Profitability Margins



| | 2015 | 2016 | %Chg | 1Q16 | 1Q17 | %Chg | On YTD Performance |
|---|---|---|---|---|---|---|---|
| **Container** million TEUs | **9.05** | **9.95** | **10%** | **2.41** | **2.43** | **1%** | Transhipment +1% and constituted 74.7% of total TEUs. Both FCL import and export +3%. About 17% are MT. Conventional driven by liquid bulk |
| **Conventional** million MT | **10.23** | **11.80** | **15%** | **2.57** | **2.79** | **8%** | |
| Operational RM million | | | | | | | Container revenue reflect net basis for selected contracts. Rental had step-up rate on land lease. Lower conventional revenue due to less break bulk and dry bulk throughput. Notably higher fuel cost with fuel price hike and usage |
| Revenue | 1,578 | 1,804 | 14% | 436 | 439 | 1% | |
| Cost Of Sales | -696 | -813 | 17% | -189 | -200 | 6% | |
| Gross Profit | 882 | 991 | 12% | 247 | 239 | -4% | 1Q16 EBITDA would be less by RM20m if investment gain is excluded, absolute EBITDA would be lowered by 3% only instead of by 10% if compared to 1Q16. Excluding the gain, EBITDA margin is at 56.5%. And the 1Q17 EBITDA would be identical to adjusted 1Q16 if it were not for the much higher fuel cost |
| **EBITDA** | **869** | **987** | **14%** | **267** | **239** | **-10%** | |
| EBITDA * | 55.1% | 53.6% | | 56.5% | 54.5% | | |
| Results From Op. Activities | 714 | 819 | 15% | 227 | 195 | -14% | |
| **Profit Before Tax** | **650** | **755** | **16%** | **211** | **179** | **-15%** | 1Q16 PBT includes RM20m investment gain. Excluding that, PBT would be -6% only from RM191m to RM179m instead of lowered by 15%. If fuel cost had been identical to 1Q16, then 1Q17 PBT levels would be almost similiar to 1Q16. Interim effective tax rate is expected to decline with capitalisation of TOE/wharf |
| PBT * | 41.2% | 40.7% | | 43.7% | 40.8% | | |
| Tax | -145 | -118 | -19% | -40 | -38 | -4% | |
| Tax Rate | -22.3% | -15.6% | | -18.9% | -21.3% | | |
| **Profit After Tax^** | **505** | **637** | **26%** | **171** | **141** | **-18%** | Excluding investment gain, 1Q17 PAT would be -7% instead of -18% |

* 2016 margins calculated by excluding investment gain

^ May not add up due to rounding

# Debt-To-Equity Ratio



| Sukuk Musharakah Medium Term Note (SMTN) | |
|---|---|
| Tenure | • 20 year Sukuk Musharakah Medium Term Note program obtained on 20 April 2011<br>• Valid unless it has been redeemed, cancelled or repurchased by WMSB |
| Nominal Value | RM2,000 million available for issuance |
| Drawdown | • 03 May 2011 of RM450 million<br>• 01 April 2013 of RM250 million<br>• 23 Oct 2013 of RM200 million<br>• 03 April 2014 of RM250 million<br>• Total drawdown RM1,150 million |
| Utilisation of Proceeds | • Refinance previous SUKUK programme<br>• Capital expenditure<br>• Assets acquisition<br>• Working capital |
| Repayment | • RM450 million – 6 tranches, 2021-2026<br>• RM250 million – 4 tranches, 2025-2028<br>• RM200 million – 5 tranches, 2024-2028<br>• RM250 million – 4 tranches, 2021-2024 |

## Current Construction Work At CT8 & CT9

CT8 container yard Zone W is near completion

| RM million | Dec2013 | Dec2014 | Dec2015 | Dec2016 | Mar2017 |
|---|---|---|---|---|---|
| Cash & Cash Equivalents | 342 | 445 | 396 | 421 | 276 |
| Total ST & LT Borrowings | 900 | 1,150 | 1,150 | 1,150 | 1,200 |
| **Net Debt-To-Equity Ratio (x)** | **0.35** | **0.40** | **0.40** | **0.35** | **0.47** |

- **Cash balance** eased to RM276m after 2nd interim dividend payment of RM228m in Mar2017
- And with the RCF drawdown of RM50.0m for CT8 and CT9 expansion, **net debt-to-equity ratio** increased to 0.47x

# CT8 & CT9 Expansion



## Updated Expansion Plan

| | | |
|---|---|---|
| **CT8** | Facilities | • 600 metres of **wharf** and container yard<br>• Back-of-the-terminal facilities: **2nd container gate**, marshaling centre and container freight station<br>• 14 units of **Quay Cranes**<br>• 15 units of **Rubber Tyred Gantry Cranes**<br>• Terminal tractors and trailers |
| | Timeline | • Commenced in January 2015<br>• **Phase 1** completed 300-metre wharf. Operational since May2016 with 4 new 52-metre high QCs<br>• **Phase 2** additional 300 metres of wharf, CT8 container yard and more TOEs. To be operational by mid-2017 |
| | Capacity | • When all the facilities have been completed & terminal handling equipment is delivered, total capacity is expected to increase to **13.5 million TEUs** per annum |
| | Capex | • Current total capex for CT8 of **RM1.17 billion**<br>• Capex in 2017 for Phase 2 development<br>• Funded mainly by internally generated funds and short-term bank borrowings |
| **CT9** | Facilities | • 600 metres of **wharf**<br>• 2 units of **Quay Cranes**<br>• 13 units of **Rubber Tyred Gantry Cranes**<br>• Terminal tractors and spreaders |
| | Timeline | • **Phase 1** to be completed by Dec2017 |
| | Capex | • Wharf construction work and additional TOEs cost **RM545 million**<br>• Funded mainly by internally generated funds and short-term bank borrowings |

## Current Construction Work At CT8 & CT9

CT8 Phase 2 300-metre wharf is near completion. Advanced progress with CT9 piling

## Capital Expenditure By Components (RM million)

| | 2015 | 2016 | YTD'17 | 2017f | 2018f | 2-yr proj |
|---|---|---|---|---|---|---|
| Construction | 104 | 227 | 82 | 463 | 18 | 480 |
| Equipment | 117 | 224 | 144 | 300 | 130 | 430 |
| **CT8 & CT9** | **221** | **451** | **226** | **763** | **148** | **910** |
| Maintenance | 31 | 40 | 5 | 88 | 2 | 90 |
| **Total Capex^** | **252** | **491** | **231** | **851** | **149** | **1,000** |

^May not add up due to rounding

# Dividend And Outlook



## Dividend Distribution Track Record

| | Dividend Per Share (RM) | Financial Year | Ex-Date | Payment Date |
|---|---|---|---|---|
| 2nd Interim Dividend | 6.70 sen | 2H 2016 | 22 Feb 2017 | 08 Mar 2017 |
| 1st Interim Dividend | 7.30 sen | 1H 2016 | 09 Aug 2016 | 23 Aug 2016 |
| 2nd Interim Dividend | 5.78 sen | 2H 2015 | 17 Feb 2016 | 02 Mar 2016 |
| 1st Interim Dividend | 5.32 sen | 1H 2015 | 13 Aug 2015 | 26 Aug 2015 |
| 2nd Interim Dividend | 6.15 sen | 2H 2014 | 26 Feb 2015 | 11 Mar 2015 |
| 1st Interim Dividend | 5.10 sen | 1H 2014 | 07 Aug 2014 | 20 Aug 2014 |
| 2nd Interim Dividend | 5.22 sen | 2H 2013 | 26 Feb 2014 | 11 Mar 2014 |

## Outlook 2017


First vessel calling at Westports under the Ocean Alliance service on 6th April 2017

- **Payout ratio of 75%**
  - Semi-annual distribution of dividend
  - FY2016 total dividend payment of RM477m
- **Maintaining payout ratio** even with container terminal capacity expansion

- **Container volume** – target to maintain previous year's record throughput level
- **Conventional volume** – expecting identical overall volume levels but possibly with different cargoes mix
- **Investment Tax Allowance** will facilitate ongoing higher capex requirements

# Thank You

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

2016 Annual Report
http://ir.chartnexus.com/westportsholdings/docs/ar2016_hres.pdf

2016 Sustainability Report
http://ir.chartnexus.com/westportsholdings/docs/Westports%20201704%20Sustainability%20Rep%202016.pdf

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