



WESTPORTS
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Westports Holdings Berhad
4th Quarter 2017 Financial Report
8th February 2018



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

- **4Q17** Volume -13%. Gateway +15% while transshipment -23%
- **2017** Overall -9%. Gateway +10% as transshipment -16%. More favourable gateway : transshipment ratio of 31 : 69

MFRS 15 Revenue from Contracts with Customers

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

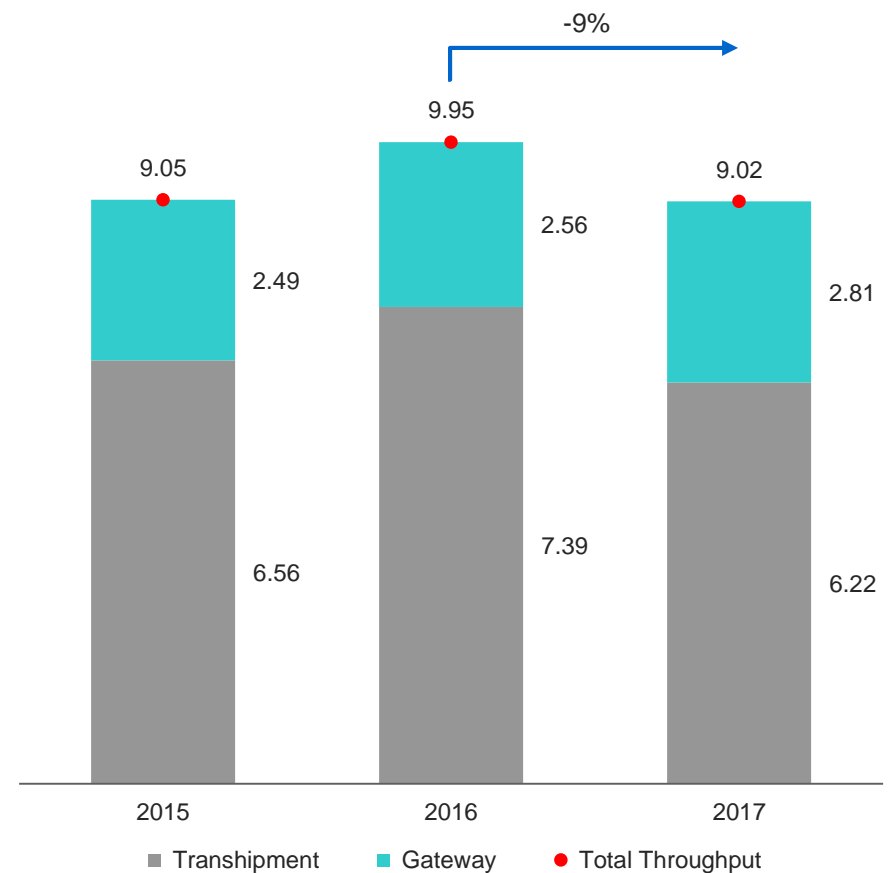
Measures taken towards compliance

- Essentially, under MFRS 15, marketing cost included under the Cost of Sales will have to net to revenue
- From 1st January 2017, Westports reported container revenue from a selected portfolio of contracts have been recognised on a net basis
- From 1st January 2018, Westports will now fully comply with MFRS 15 by netting all marketing cost to revenue

Impact – neutral to the bottom line

- Westports container revenue and container cost in 2017 have both decline, this is partly attributable to marketing cost which 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

Total Container Throughput (million TEUs)



^May not add up due to rounding

Throughput Volume

- **4Q17** Asia-Australasia's volume improved with new services
- **2017** Intra-Asia growth raised this trade lane to 57% from 48% in 2016 while Asia-Africa reflected client's services re-alignment

- **4Q17** Liquid bulk partly due to bunker volume re-classification. Cement declined with lower construction activities and demand
- **2017** Dry bulk growth due to fertilizer and copper concentrate

Container Throughput By Trade Lanes

Trade Lane	4Q17 TEU m	4Q17 %Chg	2017 TEU m	2017 %Chg	2017 %Split
Intra-Asia	1.34	6.5%	5.15	7.8%	57.1%
Asia-Europe	0.26	-61.7%	1.72	-32.1%	19.0%
Asia-Australasia	0.24	12.6%	0.87	6.4%	9.6%
Asia-America	0.19	5.8%	0.76	-3.8%	8.4%
Asia-Africa	0.07	-61.5%	0.31	-63.6%	3.5%
Others	0.12	206.7%	0.22	25.6%	2.4%
Total^	2.22	-12.8%	9.02	-9.3%	100%

Conventional Throughput (million Metric Tonne)

Cargo	2016 m MT	4Q17 m MT	4Q17 %Chg	2017 m MT	2017 %Chg
Dry Bulk	4.34	1.34	7%	4.79	10%
Liquid Bulk	4.92	0.99	-36%	4.12	-16%
Break Bulk	1.81	0.42	3%	1.69	-6%
Cement	0.75	0.06	-47%	0.34	-55%
Total^	11.80	2.81	-16%	10.93	-7%
RORO k units	141.4	40.7	26%	138.2	-2%

% Split based on data as of 19th January 2018

^ May not add up due to rounding

Revenue & Cost

- **4Q17** Lower container revenue reflect net basis under MFRS15
- **2017** Marine revenue declined with lesser vessel calls by 12%. Rental increased with step-up in tiered-rates on land lease

- **4Q17** Fuel +12% has moderated further from previous quarters
- **2017** Marine cost eased, revised tug-pilot boats arrangement. Lower MWh of electricity used. Manpower has lesser overtime

Segmental Revenue (RM million)

Operational Revenue	2016 RM m	4Q17 RM m	4Q17 %Chg	2017 RM m	2017 %Chg
Container	1,536	366	-9%	1,451	-6%
Conventional	147	38	4%	145	-1%
Marine	84	19	-5%	78	-7%
Rental	37	11	7%	42	12%
Op. Revenue	1,804	435	-7%	1,716	-5%
Construction	231	139	33%	373	62%
Total Revenue[^]	2,035	574	0%	2,089	3%

Cost Of Sales Breakdown (RM million)

Operational Cost Of Sales	2016 RM m	4Q17 RM m	4Q17 %Chg	2017 RM m	2017 %Chg
Container	331	74	-17%	282	-15%
Conventional	22	5	3%	22	-3%
Marine	36	7	-24%	32	-12%
Fuel	64	22	12%	82	28%
Electricity	33	8	-4%	32	-2%
Manpower	183	41	-16%	179	-2%
Depreciation	145	45	17%	162	12%
Op. Cost	813	203	-8%	790	-3%
Construction	231	139	33%	373	62%
Total Cost[^]	1,044	341	5%	1,163	11%

[^] May not add up due to rounding

Overall Results & Profitability Margins

		4Q16	4Q17	%Chg	2016	2017	%Chg	On YTD Performance
Container	million TEUs	2.55	2.22	-13%	9.95	9.02	-9%	Transshipment -16%. Gateway +10% and constitute 31% of total. Export +10% as import +8%. Conventional decline due to lower bunker and cement volume
Conventional	million MT	3.33	2.81	-16%	11.80	10.93	-7%	
Operational	RM million							Lower container revenue and cost both reflect MFRS15. Fuel cost hike eased further to +12% from 1Q17 of +84%. Electricity cost is in-line with volume. Higher depreciation reflected container terminal expansion at CT8 and CT9
Revenue		469	435	-7%	1,804	1,716	-5%	
Cost Of Sales		-220	-203	-8%	-813	-790	-3%	
Gross Profit		249	232	-7%	991	926	-7%	2016 EBITDA is RM967m if investment gain is excluded and if this is compared to 2017, current period EBITDA would be lower by 4% instead of by 6%. And if fuel cost were to be identical for two years, 2017 EBITDA would be RM949m, only 2% lower compared to previous year's EBITDA without investment gain
EBITDA		234	214	-8%	987	930	-6%	
	EBITDA *	49.9%	49.3%		53.6%	54.2%		
Results From Op. Activities		191	164	-14%	819	745	-9%	
Profit Before Tax		174	145	-17%	755	677	-10%	2017 PBT reflected the reversal of impairment of trade receivable made in the previous year. The effective tax rate declined to 4% in 2017 with completion and capitalisation of 300-metre of CT8 Phase 2 wharf, 600-metre CT9 wharf, container yard at CT8 and yard Zone Y CT9. Capitalised QCs, RTGCs and TTs
	PBT *	37.1%	33.4%		40.7%	39.4%		
Tax		-19	66	nm	-118	-25	-78%	
	Tax Rate	-11.0%	45.1%		-15.6%	-3.7%		
Profit After Tax[^]		155	211	36%	637	652	2%	Spent capital expenditure amounting to RM812m. With ITA, 2017 PAT +2%

* 2016 margins calculated by excluding investment gain

[^] May not add up due to rounding

Cash Flows & Total Borrowings

Consolidated Cash Flows			Sukuk Musharakah Medium Term Note (SMTN)	
RM million	2016	2017		
Operating Profit Before Working Capital Changes	988	926	Tenure	<ul style="list-style-type: none"> 20 year Sukuk Musharakah Medium Term Note program obtained on 20 April 2011 Valid unless it has been redeemed, cancelled or repurchased by WMSB
Cash Generated From Operations	1,066	1,187	Nominal Value	RM2,000 million available for issuance
Net Cash Generated From Operating Activities	882	1,085	Drawdown	<ul style="list-style-type: none"> 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
Net Cash Used In Investing Activities	-361	-799	Total RM1,500m	
Net Cash Used In Financing Activities	-498	-150	Utilisation of Proceeds	<ul style="list-style-type: none"> Refinance previous SUKUK programme Capital expenditure & assets acquisition Working capital
Net Change In Cash & Cash Equivalents	23	136	Repayment Schedule	<ul style="list-style-type: none"> 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
Cash & Cash Equivalents As At 1 st January	365	388		
Cash & Cash Equivalents As At 31 st December	388	524		

- Generated RM1.1bn **net cash from operating activities**
- Cash/deposits of RM524m** and pledged deposits of RM36m after 1st interim dividend of RM217m and also while part-funding requirements of CT8-CT9 container terminal expansion

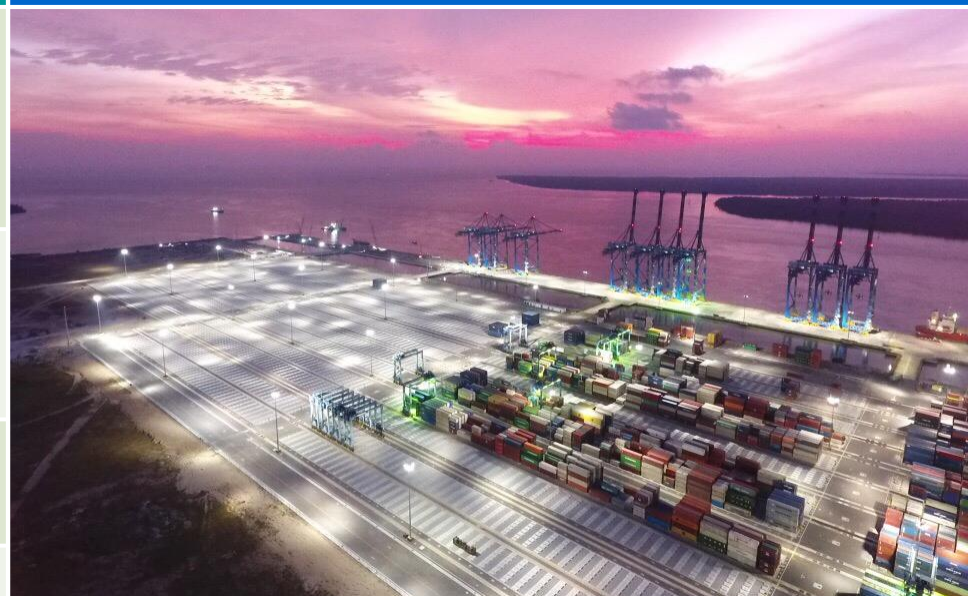
- Total **borrowings of RM1,500m** all in **SMTN** with recent drawdowns in Aug2017 and Dec2017. Previous unsecured Revolving Credit Facility of RM150m in mid-2017 has been fully repaid
- Net **debt-to-equity ratio** of 0.41x as at Dec17

CT8 & CT9 Expansion

Container Terminal Expansion Plan

CT8	Facilities	<ul style="list-style-type: none"> • 600 metres of wharf and container yard • Back-of-the-terminal facilities: 2nd container gate, marshaling centre and container freight station • 14 units of Quay Cranes • 15 units of Rubber Tyred Gantry Cranes • Terminal tractors and trailers
	Timeline	<ul style="list-style-type: none"> • Commenced in January 2015 • Phase 1 completed 300-metre wharf. Operational since May2016 with 4 new 52-metre high QCs • Phase 2 additional 300 metres of wharf, CT8 container yard and more TOEs. Wharf completed in Aug2017
	Capacity	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Total capex for CT8 of RM1.17 billion • Capex in 2017 for Phase 2 development • Funded mainly by internally generated funds and short-term bank borrowings
CT9	Facilities	<ul style="list-style-type: none"> • 600 metres of wharf • 2 units of Quay Cranes • 13 units of Rubber Tyred Gantry Cranes • Terminal tractors and trailers
	Timeline	<ul style="list-style-type: none"> • Phase 1 was completed by Dec2017
	Capex & Capacity	<ul style="list-style-type: none"> • Wharf construction work and additional TOEs cost RM559 million • Total terminal handling capacity has now increased to 14.0 million TEUs per annum

Current Construction Status At CT8 & CT9



CT9 wharf and container yard zone Y is now completed

Capital Expenditure By Components

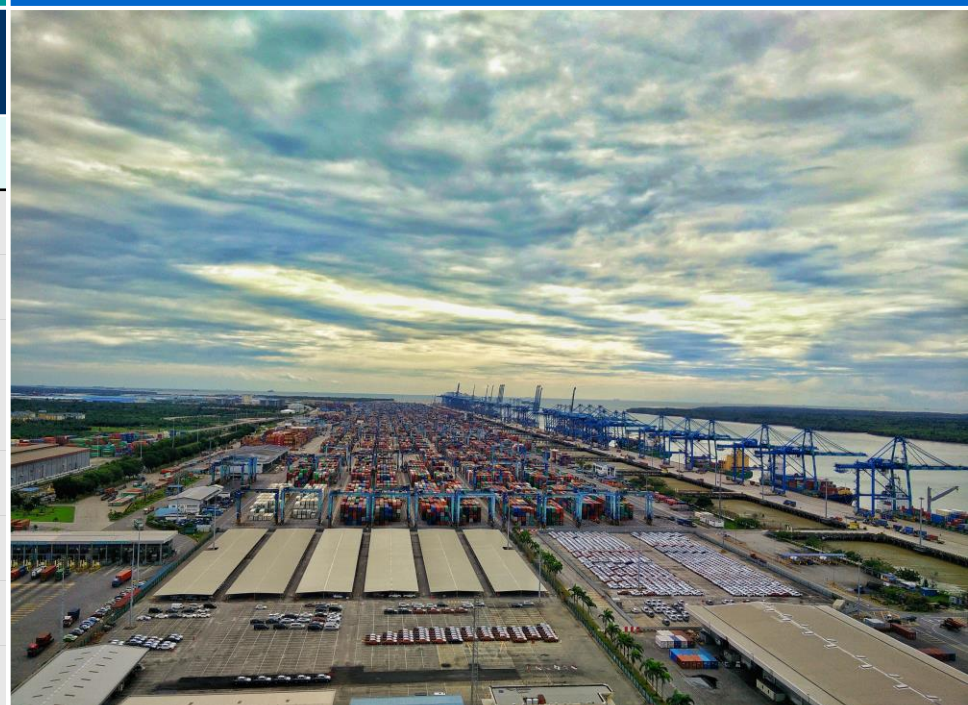
RM million	2015	2016	2017	2018f	Total
Construction	104	227	362	61	754
Equipment	117	224	417	39	797
CT8 & CT9	221	451	779	100	1,551
Maintenance	31	40	33	79	183
Total Capex[^]	252	491	812	179	1,734

[^]May not add up due to rounding

Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
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 2018



Contiguous quay length of 5.8 kilometres upon completion of CT9's 600-metre wharf

- **Payout ratio of 75%**
 - Semi-annual distribution of dividend since IPO
 - 2nd interim dividend of RM271m for 2H 2017
- Has maintained **payout ratio** even with container terminal capacity expansion

- **Container volume** growth of low single-digit percentage rate in 2018
- **Tariff revision** scheduled in Sep2018
- **Operational enhancement** with new Terminal Operating System and gradual improvement in terminal utilisation
- **CT10 to CT19** proposed expansion, ongoing preparation

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>

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