Westports Holdings Berhad

4th Quarter 2019 Financial Report

7th February 2020

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

- **4Q19** Container revenue reflected transhipment and gateway volume increase
- **YTDDec19** Conventional revenue reflected lower volume across all the different commodity types. Marine revenue with more vessel calls and bigger ships. Lower rental revenue due to MFRS 16 adjustment

Segmental **Revenue** (RM million)

Revenue RM million	4Q19	4Q18	% YoY	% Split	3Q19	% QoQ	YTDDec19	YTDDec18	% YoY	% Split
Container	389	351	11%	86.0%	399	-2%	1,537	1,350	14%	86.2%
Conventional	32	36	-10%	7.1%	30	8%	122	143	-15%	6.8%
Marine	21	20	4%	4.6%	21	-2%	83	77	8%	4.7%
Rental	10	11	-11%	2.3%	10	-2%	41	45	-9%	2.3%
Op. Revenue^	**453**	**418**	**8%**	**100%**	**460**	**-2%**	**1,783**	**1,615**	**10%**	**100%**
Construction	0	0	nm	-	0	nm	0	0	nm	-
Total Revenue^	453	418	8%	-	460	-2%	1,783	1,615	10%	-

^May not add up due to rounding

Cost

- **4Q19** Higher TOE maintenance costs, more kWh of electricity used, greater manpower incentives are all due to record container TEUs
- **YTDDec19** Small fuel cost increase despite significant growth at container volume due to reduced fuel intensity and lower MOPS price. Marine reflected MFRS 16, depreciation of ROU assets at other expenses. Higher depreciation charges due to full capitalization of TOS

Cost Of Sales Breakdown (RM million)

Cost RM million	4Q19	4Q18	% YoY	% Split	3Q19	% QoQ	YTDDec19	YTDDec18	% YoY	% Split
Container	25	25	4%	15.1%	23	10%	94	89	5%	14.0%
Conventional	4	4	-3%	2.5%	4	1%	18	21	-14%	2.6%
Marine	2	7	-73%	1.2%	4	-54%	7	29	-74%	1.1%
Fuel	27	27	2%	16.2%	27	2%	105	103	3%	15.7%
Electricity	10	9	4%	5.7%	10	-1%	39	35	11%	5.8%
Manpower	53	42	25%	31.2%	55	-4%	213	196	8%	31.7%
Depreciation	47	47	0%	28.0%	52	-9%	195	187	4%	29.0%
Op. Cost^	**169**	**162**	**4%**	**100%**	**176**	**-4%**	**671**	**660**	**2%**	**100%**
Construction	0	0	nm	-	0	nm	0	0	nm	-
Total Cost^	169	162	4%	-	176	-4%	671	660	2%	-

^May not add up due to rounding

Overall Results & Profitability Margins

		4Q19	4Q18	%Chg	3Q19	% QoQ	YTDDec19	YTDDec18	%Chg	On YTD Performance
Container	m TEUs	**2.82**	**2.58**	**9%**	**2.77**	**2%**	**10.86**	**9.52**	**14%**	Transhipment +16% while gateway +10%. Export and import both grew +10%. Overall laden box increased to 78%. Lower cargoes throughput across key conventional segments
Conventional	m MT	**2.76**	**2.86**	**-3%**	**2.42**	**14%**	**9.87**	**10.69**	**-8%**	
Op. Revenue		453	418	8%	460	-2%	1,783	1,615	10%	Container revenue reflected mainly volume growth, lesser VAS growth. Less rental revenue and marine cost with MFRS16. Depreciation with full impact of TOS capitalisation. Higher manpower cost with volume-linked incentives and bonus. Less fuel cost hike, greater efficiency, lower MOPS
Op. Cost Of Sales		-169	-162	4%	-176	-4%	-671	-660	2%	
Gross Profit		284	256	11%	285	0%	1,112	954	16%	Lower EBITDA % due to impairment for QCs and CT8 at Admin Expenses, offset upward nudge from MFRS16 which excludes interest expense on lease liabilities in EBITDA estimate. ROCE of 21% with EBIT divided by total equity+borrowings. MFRS16's ROU depreciation in Other Expenses
EBITDA		**231**	**267**	**-14%**	**290**	**-20%**	**1,076**	**998**	**8%**	
	EBITDA %	50.9%	64.0%		62.9%		60.3%	61.8%		
Results From Op. Act.		175	213	-18%	230	-24%	849	782	8%	
Profit Before Tax		**158**	**194**	**-18%**	**211**	**-25%**	**774**	**701**	**10%**	Finance cost incorporated a small amount of interest expense on lease liabilities with MFRS16. PBT margin of 43.4% reflected dampening effect of MFRS16 and impairment made for QCs+CT8 due to vessel berthing incident in Nov19. No additional drawdown of Sukuk since Jun17
	PBT %	34.9%	46.4%		45.9%		43.4%	43.4%		
Tax		-33	-48	-33%	-52	-37%	-183	-168	9%	
	Tax %	-20.6%	-24.9%		-24.6%		-23.6%	-23.9%		
Profit After Tax^		**125**	**146**	**-14%**	**159**	**-21%**	**591**	**533**	**11%**	Excluding impairment, PAT would be in-line with general consensus

^May not add up due to rounding

Cash Flows & Total Borrowings

Consolidated **Cash Flows**

RM million	4Q19	4Q18	YTDDec19	YTDDec18
Operating Profit Before Working Capital Changes	294	276	1,166	1.005
Cash Generated From Operations	220	308	1,221	738
Net Cash Generated From Operating Activities	**138**	**252**	**960**	**588**
Net Cash Used In Investing Activities	-20	-46	-64	-198
Net Cash Used In Financing Activities	-26	-13	-645	-508
Net Change In Cash & Cash Equivalents	**92**	**192**	**250**	**-118**
Cash & Cash Equivalents As At Starting Period	565	214	407	524
Cash & Cash Equivalents As At End Of Period	657	407	657	407

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 mln - 6 tranches, 2021-2026 • RM250 mln - 4 tranches, 2025-2028 • RM200 mln - 5 tranches, 2024-2028 • RM250 mln - 4 tranches, 2021-2024 • RM200 mln - 2 tranches, 2019-2020 repaid RM100m • RM150 mln - 3 tranches, 2021-2027

- 2019 **capital expenditure of** RM81m, without expansion
- Construction on **liquid bulk jetty** commenced in Jan2020
- **Cash** of RM696m, of which RM39m are pledged deposits

- **Sukuk borrowings of RM1,400m** after 1st repayment of RM100m in Aug19. Next RM100m repayment in Aug2020
- Net and gross **debt-to-equity ratio** 0.28x and 0.55x as at Dec19 respectively

Westports Expansion

Proposed acquisition

- Westports has entered into a conditional S&P Agreement with Pembinaan Redzai Sdn Bhd (PRSB) to acquire **Marina Land** for a total cash consideration of **RM393,958,900**

Key details of the land

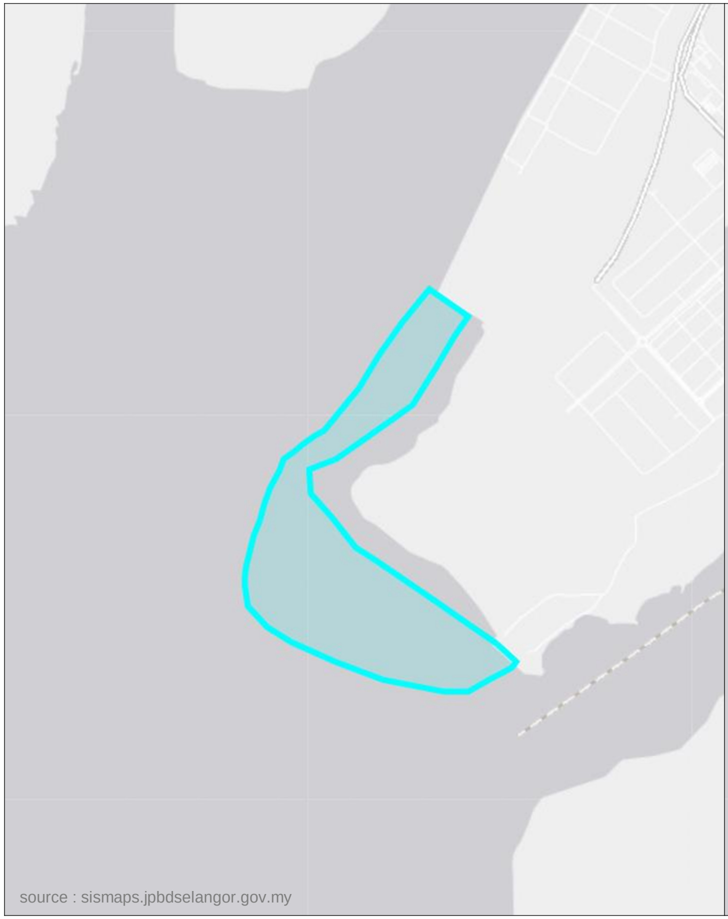
- The size of **146.4 hectares** or 361.762 acres
- Tenure of 99 years. **Leasehold** interest with an unexpired term of about 77 years, expiring on 24 March 2096

Basis of the purchase price

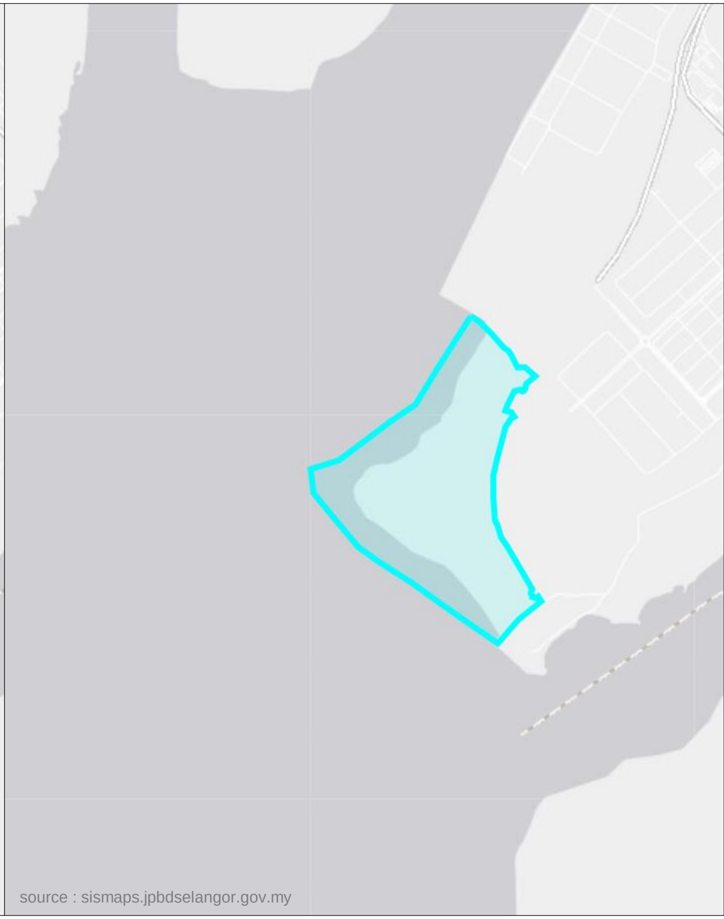
- Willing-buyer willing-seller basis
- **Appraised** by PPC International Sdn Bhd with market value of **RM394.0 million** (RM25 per square foot) as at 2 December 2019
- Comparison method of valuation

Payment terms

- 10% of the purchase price of RM39,395,890 being the deposit
- 90% of the purchase price of RM354,563,010 **within 3 months** from the date of fulfilling the **last conditions precedent**



Acquired Lot No. 80379
'**Land Below The Sea**'
154.2 Hectares / 381 Acres



Proposed Acquisition Lot No. 72778
'**Marina Land**'
146.4 Hectares / 362 Acres

Westports Expansion

Key conditions precedent

- Approval by shareholders of Westports in an **EGM**
- **Conversion** of the category of land use
- **Ministry of Economic Affairs**' approval or confirmation
- The signing of a **concession agreement** with Government of Malaysia for the expansion of container terminal facilities

Directors of PRSB

- Tan Sri Datuk Gnanalingam A/L Gunanath Lingam
- Datuk Ruben Emir Gnanalingam bin Abdullah
- Chan Chu Wei
- Ahmayuddin bin Ahmad
   - Tan Sri Datuk Gnanalingam, Datuk Ruben and Chan Chu Wei (collectively, the "Interested Directors") **have abstained and will continue to abstain** from deliberating and voting on the resolution pertaining to the Proposed Acquisition at the relevant Board meetings of the Company
   - Original cost of investment on 25 July 2002 of RM45,600,520

Timeframe for completion

- EGM on 22 April 2020
- Proposed acquisition envisaged to be completed by **4th Quarter** 2020

Throughput Volume

- **4Q19** Gateway momentum picked up. Record quarterly volume. Record monthly volume in Dec19 with earlier Lunar New Year in 2020
- **YTDDec19** Intra-Asia underpinned overall growth whereas Asia-Europe's strong momentum continued since 3Q18. Asia-America is adversely affected by service changes. Lower conventional volume with lesser construction activities that offset higher DB1 clean-cargo

Container & Conventional **Throughput**

Container m TEU	4Q19	4Q18	% YoY	% Split	3Q19	% QoQ	YTDDec19	YTDDec18	% YoY	% Split
Transhipment	1.84	1.73	7%	65.3%	1.85	-1%	7.23	6.23	16%	66.6%
Gateway	0.98	0.85	15%	34.7%	0.92	6%	3.63	3.30	10%	33.4%
Total^	**2.82**	**2.58**	**9%**	**100%**	**2.77**	**2%**	**10.86**	**9.52**	**14%**	**100%**
Intra-Asia	1.77	1.59	12%	63.0%	1.76	1%	6.89	5.89	17%	63.4%
Asia-Europe	0.48	0.40	20%	17.0%	0.46	4%	1.82	1.37	33%	16.8%
Asia-Australasia	0.23	0.23	0%	8.2%	0.23	2%	0.89	0.95	-6%	8.2%
Asia-America	0.15	0.20	-23%	5.5%	0.15	5%	0.58	0.80	-28%	5.3%
Asia-Africa	0.11	0.08	42%	4.1%	0.13	-9%	0.46	0.32	42%	4.2%
Others	0.07	0.08	-16%	2.4%	0.05	25%	0.22	0.19	13%	2.0%
Total^	**2.82**	**2.58**	**9%**	**100%**	**2.77**	**2%**	**10.86**	**9.52**	**14%**	**100%**
Conventional m MT	**2.76**	**2.86**	**-3%**	**-**	**2.42**	**14%**	**9.87**	**10.69**	**-8%**	**-**

^May not add up due to rounding

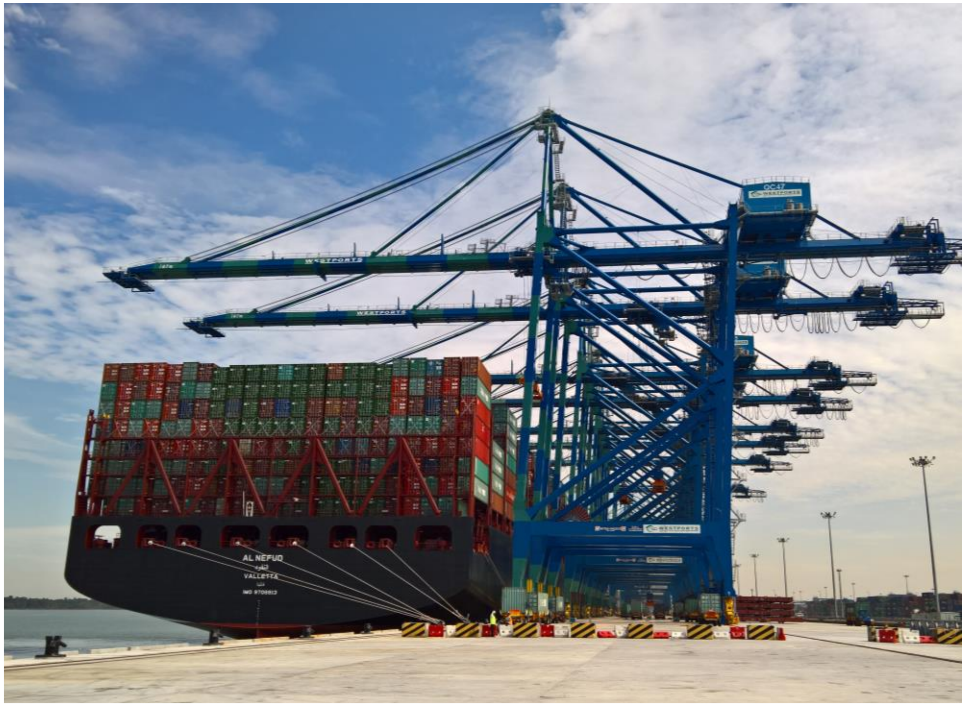
Dividend & Outlook

Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
2nd Interim Div	6.26 sen	2H 2019	20 Feb 2020	03 Mar 2020
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**
  - **Unchanged** payout ratio even with heavy capex during 2015-2017 container terminal expansion

Outlook 2020



Servicing ULCVs calling at Westports under Ocean Alliance and THE Alliance services

- Single digit percentage growth rate for **container** volume
- Commenced detailed EIA and commercial negotiations on **concession agreement** for container operations
- **New jetty** being built at **liquid bulk**'s operations

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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