Westports Holdings Berhad

4Q2022 Results Conference Call

January 20, 2023

Event Summary

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[Participants]	
[Number of Speakers]	3

[Number of Speakers]	3	
	Datuk Ruben Gnanalingam	Group Managing Director
	Eddie Lee Mun Tat	CEO
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	Kam Meng Tan	TA Securities
	Deepak Maurya	HSBC
	Raymond Yap	CGS-CIMB Securities
	Isaac Chow	Affin Hwang Investment Bank
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	Yan Jin Loh	Maybank
	Ho Meng Kong	UOB Kay Hian

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Chang: Welcome to Westports Q4 financial results and conference call. And as you can see on our panelists, we have Mr. Eddie, CEO of Westports and also acting CFO. As usual, he will start with a fairly detailed commentary on the financial side. Then after that, Group MD, Datuk Ruben, he will carry on with the presentation, especially on the commentary, especially on the operational side, the update, and also to host the Q&A.

As usual, we have more than enough time to take all your questions. No need to type in the chat box, just raise your hands later. First come, first serve. As usual, the disclaimer is on the last page of the deck.

Now let me just go and share my slide. Just give me second. I'm just going to go share this. Okay.

Revenue

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- **4Q22** Container revenue +1% despite volume +5% due to lower VAS/storage charges, lesser dwell time of boxes without congestion. Marine revenue +39% with increase in container vessels berthing of +34%, but boxes handled per vessel -22% to about 1.4k per vessel
- **YTDDec22** Conventional growth at non-bunker liquid bulk (CPO, LPG, gasoline). Rental with new tenants at Westports Logistics Centre

Segmental **Revenue**

Revenue RM million	4Q22	4Q21	% YoY	% Split	3Q22	% QoQ	YTDDec22	YTDDec21	% YoY	% Split
Container	440	434	1%	86.1%	441	0%	1,774	1,735	2%	86.3%
Conventional	37	35	7%	7.3%	43	-13%	155	134	16%	7.5%
Marine	21	15	39%	4.2%	20	7%	76	65	17%	3.7%
Rental	13	10	25%	2.4%	12	1%	50	43	15%	2.4%
Op. Revenue^	**511**	**494**	**4%**	**100%**	**517**	**-1%**	**2,055**	**1,978**	**4%**	**100%**
Construction	10	10	-2%	-	4	145%	14	44	-69%	-
Total Revenue^	521	504	3%	-	521	0%	2,069	2,022	2%	-

May not add up due to rounding

Very quick one just on the Q4 highlights. You notice by now that this is the second highest quarterly container volume because Q2 was much higher. This is the second one, partly because of the low base in Q4 of 2021. We managed to grow by about 5% overall. You can see that, again, we have done pretty well, plus 14% in Q4.

We have no congestion at all this year, including Q4 as well. The yard occupancy, it's just around 70-plus percent and minimal to no waiting time at all on the vessel side.

And then on the container revenue, especially you notice that it is flattish, about 1% growth, even though the container volume was up by 5%. The main reason is basically, as Datuk Ruben has mentioned in the previous quarterly briefing, the guidance on lower VAS revenue, especially lesser storage required now that there's no congestion.

Cost

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- **4Q22** Stable total headcount as higher cost reflected higher salaries, EPF, bonuses, allowances. Fuel cost growth rate moderated QoQ
- **YTDDec22** RM1,500 minimum wage from Jan22 and annual increments. Fuel cost due to MOPS and weaker RM despite fuel use of -3%. Depreciation included LBT5, 21 RTG cranes, 5 new QCs and 100 TTs. Electricity cost due to ICPT resuming from Feb22 and more reefers

Cost Of Sales Breakdown

Cost RM million	4Q22	4Q21	% YoY	% Split	3Q22	% QoQ	YTDDec22	YTDDec21	% YoY	% Split
Manpower	67	60	13%	31.1%	66	2%	267	251	6%	30.9%
Depreciation	52	51	2%	24.0%	52	0%	206	197	4%	23.8%
Fuel	48	34	40%	22.2%	54	-11%	201	119	69%	23.2%
M&R	21	19	10%	9.9%	20	4%	81	78	4%	9.4%
Electricity	12	11	8%	5.5%	12	-1%	49	45	10%	5.7%
Others	16	16	-2%	7.4%	16	-2%	61	58	6%	7.0%
Op. Cost^	**216**	**192**	**13%**	**100%**	**221**	**-2%**	**866**	**747**	**16%**	**100%**
Construction	10	10	-2%	-	4	145%	13	44	-69%	-
Total Cost^	226	201	12%	-	225	1%	879	791	11%	-

May not add up due to rounding

On the cost side, you can see that the biggest cost increase in Q4 is the fuel cost again. But you notice that the percentage increase is much less because we do a YoY comparison. The peak increase was actually in Q2.

Same thing with the manpower as well. The headcount was stable in Q4 2022, so the main increase is coming from the salaries. We also revised our minimum wage to MYR1,500 from the beginning in January 2022, and also allowance and also bonus as well.

Now moving very quickly into the other income on a quarterly basis, you notice that there's a bit of a decline there. Mainly because last year, we have, you may recall, this Quay Cranes insurance recovery debt, about MYR31.5 million in Q4 2021. We don't have that in this year. Okay?

Then after that, the main jump you probably notice is in the share of the results of the JV side. As we have disclosed in the slide, there is a reversal of impairment of about MYR42.9 million. And then at the tax rate, we announced in late November that we have an ITA, so that we apply the ITA to our Q4 numbers, and you notice that the tax rate for Q4 is much, much lesser because of that.

Without much further ado, I pass the time to Mr. Eddie and he will give you more details on it. Mr. Eddie?

Tat: Yes. Thank you. Happy New Year, [speaks Malay], everyone. I think Kong Meng already covered both of the reasons for the up and down, but just allow me to take you through a little bit more in details.

Overall Results & Profitability Margins

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	4Q22	4Q21	%Chg	3Q22	% QoQ	YTDDec22	YTDDec21	%Chg	On YTD Performance
Container m TEUs	**2.58**	**2.47**	**5%**	**2.59**	**0%**	**10.05**	**10.40**	**-3%**	+9% and record 4m gateway TEUs. Transhipment -10%. No congestion with average yard occupancy -13%. Growth at all notable conventional segments with RORO +29%
Conventional m MT	**3.25**	**2.94**	**10%**	**3.41**	**-5%**	**12.12**	**11.26**	**8%**	
Op. Revenue	511	494	4%	517	-1%	2,055	1,978	4%	As our yard occupancy and broader supply chain constraints normalize, quarterly VAS eased to near 2020-levels. However, YTD revenue per TEU for gateway and transhipment still improved. Fuel cost +69% but Brent and RM eased from the peak. Full year effect of minimum wage.
Op. Cost Of Sales	-216	-192	13%	-221	-2%	-866	-747	16%	
Gross Profit	295	303	-2%	296	0%	1,190	1,231	-3%	YTDDec21 included non-recurrent insurance recovery of RM73.1m for QC51-52 at Other Income. Higher Administrative Expenses and Other Expenses after pandemic, increased spending for travelling, marketing, client engagement activities, and also staff engagement programmes
EBITDA	**286**	**347**	**-18%**	**299**	**-4%**	**1,215**	**1,360**	**-11%**	
EBITDA %	55.9%	70.3%		57.9%		59.1%	68.8%		
Results From Op. Act.	221	281	-21%	233	-5%	950	1,102	-14%	
Profit Before Tax	**251**	**265**	**-5%**	**224**	**12%**	**944**	**1,040**	**-9%**	Slightly lower Finance Income with lesser cash after record semi-annual dividend in Feb22 and total Sukuk repayment of RM175m in 2022. The results of JV is 50% in Port Klang Cruise Terminal, uses Equity Method Accounting, reversal of impairment and recognized RM42.86m
PBT %	49.1%	53.7%		43.4%		45.9%	52.6%		
Tax	-16	-42	-62%	-74	-78%	-244	-231	6%	
Tax %	-6.5%	-15.9%		-32.9%		-25.9%	-22.3%		
Profit After Tax^	**235**	**223**	**5%**	**150**	**56%**	**700**	**808**	**-13%**	Cukai Makmur in 2022 but lower tax in 4Q22 with ITA on the TOE CapEx

May not add up due to rounding

We handled 10 million TEUs of container for year 2022. We started off in Q1, as you remember, 2.4 million TEUs in Q1 due to impact of the massive floods in Q4 2021. And then for the 2.4 million TEUs, we increased to 2.5 million TEUs in Q2. And then in Q3 and Q4, it's increased slightly to 2.6 million TEUs. To be exact, container volume that we handled in the year 2022 is 10.05 million TEUs. But if you look at Q4, 2.6 million TEUs, if you compare to the same period last year, meaning 2021, volume up by 5%. I think the massive floods we talked about just now in Q4 2021.

But if you look at the revenue, I think this is what Kong Meng has actually talked about a bit just now. Despite the volume increased by 5% in Q4, revenue container only increased very slightly by 1%. This is the reason of reductions in the storage. We're already now storage revenue already back to the pre-pandemic level a few months ago. And this is also meaning freeze-up our container yard and prepare for us to handle more containers in the future if the demand increase. This is the container revenue for Q4.

And, of course, we also handle record-high volumes in terms of local boxes. Actually, for the whole year, despite the whole-year volume down by 3%, 10 million down by 3%, our local boxes is up by 9%. We caught volume in terms of local boxes. We handled about 4 million TEUs of local boxes in 2022.

Now if you move on to conventional volume, also 12 million, [inaudible] a record-high volume of conventional volume, 12.1 million metric tons, started with 2.7 million metric tons in Q1, then increased slightly to 2.8 million in Q2, and then 3.4 million and 3.3 million in Q3 and Q4, respectively.

The driver for growth from Q3 onwards is because of the LBT5, you remember the new liquid bulk terminal started off actually in Q2, but the volume increased from Q3 onwards. That's the reason why we handled the 12.1 million metric tons of combining the cargo into June. This is also the reason why you can see the 7% increase with regards to conventional revenue in Q4 in the slide here.

We move on to marine.

Obviously, the number of [asset core] in Q4 2022 increased compared to Q4 in 2021 because of impact of the massive flood and Klang Valley; many vessels during that period, as you remember, [operated the core] at Port Klang. This is the revenue that you see in marine, 29%, up by about MYR6 million.

Yes, we have a few new clients in our logistics center. That's the reason why you can see the 25% increase in the rental revenue for Q4 to MYR13 billion. Overall, revenue up by 4% to MYR511 million.

Versus Q3 revenue, didn't lead to change; actually, just slightly down by 1%. Q3 and Q4, looking at the number, we can see is almost the same, no major changes here. For the full year, operating revenue, up by 4%, so you can see all the categories from the container, conventional, all the way to rental, all the revenue is up. I think we mentioned before, even container is down by 3% for the whole year, revenue is up by 2%, mainly because of the local boxes. Right? So we handle record-high volume in terms of import and export as well.

Conventional, 16% increase. I think because of the volume and marines and rental, I think this is something that we have talked about, it's the same reasons why marine and rental revenue increased for the whole year.

To move on to the next slide coming, about the costs.

This is the cost, but let's just start with Q4 number in bold, up by 13% to MYR216 million. I think there's only two things we have to remember here in terms of the cost increase. One is the fuel costs. I think this is something we already in the last briefing have been talking about it. We can see here in Q4, up by 40%.

And the other one, the second item that you should remember here is basically for the cost increase is the manpower. As we implemented or adjusted upwards our minimum wage to MYR1,500 from January 2022, as you can see, the 13% up in the manpower. Besides these two items, I think the other items, the cost items, I think nothing much here. Depreciation, up by 2% and we capitalized some of the port equipment, as well as the new Liquid Bulk Terminal 5. M&R costs increased by 10% which is more to do with the timing of the maintenance of equipment, and electricity, up 8% as we handled more [refurb]. Others remain as MYR16 million per quarter here.

Moving on. The one in the red versus Q3 being no major changes here. But I think the good thing we can see from here is the fuel cost Q3 versus Q4. It seems to indicate that the fuel costs have actually stabilized and reduced a little bit in fact. Number is from MYR54 million in Q3; now Q4 is 48%, so there, a reduction of 11% or MYR6 million here in the fuel costs versus Q3.

Full-year operating costs increased by 16% to MYR866 million. I think the reason is the same, fuel costs and manpower. I think when you look at these two items, the cost increase accounts for, I think, approximately 80% of the cost increase or the total cost increase. Depreciation, M&R and electricity, I think is the same thing I mentioned just now. That is about the operating cost.

Moving now to the results and profitability.

When you have the costs increase and the cost of sales more than the increase in revenue, you can see the gross profit declined slightly in Q4 by 2% to MYR295 million. But EBITDA, you can see the big one there, 18%. There's two reasons here. One is because we have this what we call the extraordinary income from the insurance recovery for QC51 and 52 in Q4 2021. Obviously, in 2022 too, we don't have this extraordinary item. This is one of the reasons.

The second reason is because we have written off seven very old [inaudible] cranes in Q4 2022 and to be replaced by six new [sea] cranes. Of the six, three are here, we already deployed for operations. The remaining three cranes, we expect to take delivery before end of this month, and we should be able to deploy for operations sometimes towards the end of March this year.

To move downward is the profit before tax. Only declined margin by 5%, while EBITDA is reduced by 18%. In [inaudible], this is because of the profit, this is the preferred profit from Port Klang Cruise Terminal. Port Klang Cruise Terminal already started making profits as the cruise traveling and vessel core are already back. Right? This is one of the reasons.

The other one is because of this, there is also an impairment write-back in the book of PKCT. I think more than MYR18 million, due to this cruise traveling is back so this impairment was written off during the COVID time. Now 2022, this impairment were written back in the book of PKCT. That's the reason why the profit before tax reduced marginally by 5%.

And tax rate, I think we made this announcement a couple of months ago. We received the approval from the MOF for the investment tax allowance for 10 years, starting from year 2022. That's the reason why you can see here the effective tax rate or the adjustment is made in Q4, so effective tax rate for Q4 is only 6.5%.

With that, profit after tax for Q4 at MYR235 million, so compared to same period last year, higher by 5%. Right. Versus Q3, I think you look at the numbers here, but this vision is the same.

I move on to for the full year. Gross profit down by 3%. EBITDA 11% same reason, QC51-52 IMSA cranes, but there's also other expenses. We have started in 2022, organized all the events, activity with our staff, with our clients, and we also started to travel to meet our overseas customers. Other admin expenses also increased here.

Profit before tax reduced by 9% to MYR944 million. For the whole year, the effective tax rate reported at about 26% here. You can see the MYR244 million. And this has been verified by our tax agent, by Deloitte. With that, our profit after tax for the whole year 2022 reported as MYR700 million, which we compare to 2021 is a reduction of 13% here. This is the results and profitability for the quarter and for whole year.

Cash Flows & Total Borrowings

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Consolidated **Cash Flows**				
RM million	4Q22	4Q21	YTDDec22	YTDDec21
Operating Profit Before Working Capital Changes	303	350	1,238	1,365
Cash Generated From Operations	194	399	1,273	1,366
Net Cash Generated From Operating Activities	**64**	**329**	**899**	**1,101**
Net Cash Used In Investing Activities	-59	-120	-184	-471
Net Cash Used In Financing Activities	-73	-73	-820	-753
Net Change In Cash & Cash Equivalents	**-68**	**136**	**-105**	**-124**
Cash & Cash Equivalents As At Starting Period	579	479	615	739
Cash & Cash Equivalents As At End Of Period	511	615	511	615

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 repaid RM100m • RM250 mln - 4 tranches, 2025-2028 • RM200 mln - 5 tranches, 2024-2028 • RM250 mln - 4 tranches, 2021-2024 repaid RM125m • RM200 mln - 2 tranches, 2019-2020 repaid RM200m • RM150 mln - 3 tranches, 2021-2027 repaid RM100m

- YTDDec22 RM246m **capex** mainly for 21 units of RTG cranes, 5 new Quay Cranes, 100 new terminal tractors-trailers, the initial payment for another 3 new Quay Cranes and initial work on LBT4A
- **Cash** deposits of RM552m as at Dec22, of which RM41m are pledged deposits
- **Sukuk borrowings** of **RM975m** after the total repayment of RM175m in 2022. The total scheduled repayment for 2023 is RM125m
- **RAM** reaffirmed WMSB's AAA rating in its 2nd annual review in Jan23
- Net and gross **debt-to-equity ratios** of 0.13x and 0.30x respectively as at Dec22

We now move on to cash flow.

You can see here, we spent about MYR246 million CapEx in 2022 for port equipment as well as the initial payment for another new liquid bulk terminal and this new liquid bulk terminal is called LBT 4A. Right? This is the amount that we spend for CapEx in 2022.

Cash positions, a reduction from MYR615 million to MYR511 million. I think mainly the reason why is we pay more in 2022, I think that is including—remember the record payments of the dividend. One of the reasons is we got payment of dividends, I think somewhere in February 2022 for the result of 2021.

Moving on to Sukuk, reduced to MYR975 million. I think this is the first time we see Sukuk borrowing is below MYR1 billion. And this year, the repayment will be about MYR125 million.

In terms of RAM, its AAA rating, they've just finished their second annual review recently and AAA rating has been extended for another year. Move on, again, same thing here, very healthy debt-to-equity ratios. Again, you can see the numbers here in this slide.

I think with that, I will just pass it on to our Group Managing Director, who will take you through the remaining of the slides.

Gnanalingam: Thank you, Eddie. Thank you, everyone, for joining. I hope you had a good start to the new year.

I just want to add on to what Eddie mentioned just now on the PAT at MYR700 million. Just to clarify that. If we didn't have that impact from PKCT, it would have been MYR656 million. I think that's the fairer comparison to make versus 2021.

What happened with PKCT? Let me just explain that part first, is that PKCT had a good year. Revenues are up substantially against the year before to about MYR22 million. And profit, I think it's about MYR13 million for PKCT. But they also had a write-back because I think we wrote down too much at the time of purchase. We had a write-back based on MFRS rules and, therefore, there was an MYR85 million write-back, which resulted in the whole Company making about MYR9 million profit.

With regards to that, our portion of that was half of that, and that's why that affected our books here, in that sense, to increase our profitability from MYR656 million to about MYR700 million. That is why that's happened. But there's no real cash earning there. It's just an accounting write-back just to clarify to everyone.

Because I believe next year, we will have to mention that there's obviously no write-back again at the KCT level, although we are hopeful that the business there is going to continue to grow. It's been growing very well. And we expect the revenues to grow quite well next year as well. And also the profitability as the cruise business starts to pick up. We have a lot of confirmed calls as it is. And so we're very hopeful for that business. The [TD] also discussed that.

Now we are still exploring options for what to do with the land. We can't reveal anything yet, and that's why we're keeping quiet on it, but there is a lot of work we're doing behind the scenes to discover which way is best to expand that facility, and we're assessing with multiple parties on that. But that's all I could say with regards to what we're doing there for the time being. But as you know, when we do finalize it and we're allowed to say something, we'll definitely inform everyone straight away.

Container Terminal Expansion

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Expansion check-list
- Approval-in-Principle
- Purchase of PKNS land
- 8 detailed technical studies
- Finalised port layout design
- S&P to acquire Marina Land@
- Initial and detailed EIA reports
- Concession terms with PKA
- EIA approval on detailed study
- Approved land conversion for the 'Land Below The Sea' to industrial use, paid conversion premium
- UKAS
- Ministry of Transport
- Government of Malaysia

S&P conditions precedent@
- WHB shareholders approval
- No objection from EPU
- Approved land conversion for 'Marina Land' to industrial use. Paid the conversion premium
- Concession agreement

Facilities and equipment
- 52,455 ground slots
- 4,132 reefer plugs
- Dismantled 7 old QCs by 4Q22. As at Dec22, with 63 QCs and 3 new QCs to be in service Mar23
- Test 2 electric trucks from 1Q23

Going back to the next slide with regards to our expansion.

We don't have any further update officially to provide with regards to Westport 2, but I can reveal that discussions are going very, very quickly at the moment, so a lot faster than it did before, and we're quite happy with the progress we're making. We're seeing them on a regular basis. And discussions are very much ongoing.

We are very hopeful that definitely, sometime this year, we will be able to sign this transaction extension with regards to Westport 2 and as soon as that's done, of course, we will then reveal all the details that we can. Also, at the same time, we will then start to reclaim the land so we can start to build the future terminals as soon as possible as well.

With regards to how we want to fund that, as mentioned before, we probably need to do a capital raise, but that should only start about a year after we start the project, so we're looking at doing that sometime next year. I mean the need to do it sometime next year, of course, we can do it sometime earlier, but there's no rush to do it; I don't think any time this year as a result.

Throughput Volume

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- **4Q22** 4th consecutive quarter of improved YoY %. Gateway +14% with more competitive local exports and FDIs. Transhipment improved as supply chain constraints eased with lower normalizing demand. Blank sailings increased with some repositioning of empty boxes
- **YTDDec22** Intra-Asia regional resilience. Record conventional throughput of 12m MT, driven by break bulk and liquid bulk throughput

Container & Conventional **Throughput**

Container m TEU	4Q22	4Q21	% YoY	% Split	3Q22	% QoQ	YTDDec22	YTDDec21	% YoY	% Split
Transhipment	1.56	1.57	0%	60.5%	1.55	1%	6.08	6.75	-10%	60.5%
Gateway	1.02	0.89	14%	39.5%	1.04	-2%	3.97	3.65	9%	39.5%
Total^	**2.58**	**2.47**	**5%**	**100%**	**2.59**	**0%**	**10.05**	**10.40**	**-3%**	**100%**
Intra-Asia	1.61	1.52	6%	62.2%	1.65	-3%	6.32	6.29	0%	62.9%
Asia-Europe	0.46	0.38	20%	17.7%	0.43	5%	1.73	1.69	2%	17.2%
Asia-Australasia	0.23	0.26	-9%	9.0%	0.24	-4%	0.96	1.08	-11%	9.6%
Asia-America	0.16	0.20	-19%	6.2%	0.17	-5%	0.68	0.82	-18%	6.7%
Asia-Africa	0.06	0.08	-23%	2.3%	0.05	17%	0.20	0.36	-45%	2.0%
Others	0.06	0.03	86%	2.5%	0.03	81%	0.16	0.17	-4%	1.6%
Total^	**2.58**	**2.47**	**5%**	**100%**	**2.59**	**0%**	**10.05**	**10.40**	**-3%**	**100%**
Conventional m MT	**3.25**	**2.94**	**10%**	-	**3.41**	**-5%**	**12.12**	**11.26**	**8%**	-

^May not add up due to rounding

Next slide, please.

With regards to the trade lanes, now this is something that has been very much mixed and hard to decipher over the last few years because of the pandemic. But what you're going to see starting—so this year is one, again, I mean, this is the final one for the whole of 2022. Again, this is very much still very muddled and clouded by different things that are happening in the industry. But I think going forward from Q1 2023, we should be able to start seeing trends again in the industry and, therefore, trends in the trade lanes and see how those affect us and also the rest of the world.

For what we can tell you so far from here, again, is not much because, again, it's still very muddled for the whole year. And even for Q4, there are still things opening up. It's not so clear to understand things are moving like extensions.

Dividend & Outlook

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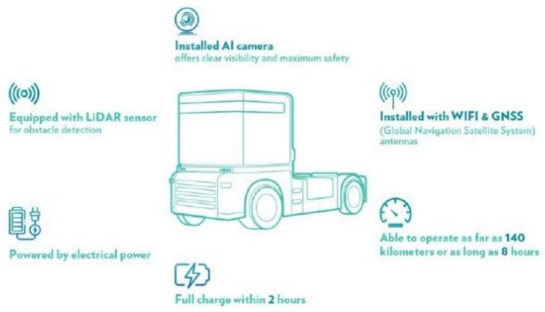
Dividend Distribution Track Record

	Dividend Per Share (RM)	Financial Year	Ex-Date	Payment Date
2nd Interim Div	7.46 sen	2H 2022	08 Feb 2023	17 Feb 2023
1st Interim Div	6.91 sen	1H 2022	12 Aug 2022	23 Aug 2022
2nd Interim Div	9.28 sen	2H 2021	15 Feb 2022	24 Feb 2022
1st Interim Div	8.50 sen	1H 2021	17 Aug 2021	26 Aug 2021
2nd Interim Div	6.47 sen	2H 2020	18 Feb 2021	01 Mar 2021
1st Interim Div	5.05 sen	1H 2020	11 Aug 2020	21 Aug 2020
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
Total Dividend	11.73 sen	FY 2018		
Total Dividend	14.322 sen	FY 2017		
Total Dividend	14.00 sen	FY 2016		
Total Dividend	11.10 sen	FY 2015		
Total Dividend	11.25 sen	FY 2014		
Total Dividend	^5.22 sen	FY 2013	^October 2013 IPO. Only one payment	

Outlook 2023



Autonomous electric terminal trucks to be tested at Westports container terminal

- **Dividend payout.** WMSB is paying 75% of its PAT, and WHB is just redistributing all dividends it received
  - Record dividend payout of RM606m in 2021 by WHB
  - 1-year reduction to 60% in 2020 due to pandemic concerns and precautionary measures. Reverted to a payout ratio of 75% in 2021
- Equity **fundraising** to part-finance Westports container terminal expansion is only after signing the concession agreement and also the commencement of land reclamation work

- Heightened recessionary risk in many economies and normalised durable goods consumption could affect throughput growth while regional-local volume could be relatively more resilient. **Container volume** is expected to grow at a low single-digit rate
- **Liquid Bulk Terminal 4A** (LBT 4A) should be completed by end-4Q23
- Finalising the strategic business plan for **Port Klang Cruise Terminal**
- A commitment to achieving **net-zero carbon emissions by 2050**. To commence testing proof-of-concept electric terminal trucks in 1Q23

With regards to dividend.

Here, we are making—obviously, WMSB is still going to pay 75% of the profit after tax. PKCT is not able to pay dividends yet or we don't want to pay dividends yet because we have plans to expand that and want to keep the cash over there. Whilst WMSB is continuing to pay the [inaudible] of 75%, WHB, obviously, will pay out whatever the dividends injects and will redistribute all the dividends that it receives. In general, the policy remains the same, it’s just that when you calculate it, it's like WHB’s only giving us [7%], mainly because PKCT’s one, we're not giving out anything. But in general, the policy never changed. It's just that WMSB’s paying 75%; WHB’s just distributing whatever it receives.

With regards to the outlook for 2023, now this year, I mean, the official number we've put out there is actually 0% to 5% growth for this year. It's going to be a very tough year, I feel. There will be a mild recession in North America and also in Europe. I feel very strongly that, that will happen. The only question now is whether Asia can help reduce that global effect of that recession.

In general, we're being very cautious of the growth outlook this year. But at the same time, we feel a lot better about 2024. And we feel 2024 is going to be a much stronger year as a result.

China opening up will have good impact towards, I think, services, which hopefully will boost other things too. But from a goods perspective, I think the slowness or the softness from Europe and the US, in particular, is quite evident. And I think there will be a lot of blank savings and things like that at the beginning of this year, especially.

So I think we have to be very cautious about outlook this year. I think our 0% to 5% is us trying to be—I think it's not just cautious. I think it's also probably going to be closer to precise in terms of what we think might happen. We're hoping that because the first part of last year was a bit slower, there's still some gains to be gained there. But even for January to date will roughly be about almost flat compared to last year.

I don't want to give too much optimism for this year, not just for us, but I think in general, I think we have to expect some level of correction in terms of the global markets as all the free money is eased up, the pent-up stuff is all gone, except for maybe from what might happen from China, but in general, it doesn't look like a great year from a global growth perspective and that's why I think we should be cautious.

Kong Meng has also put up a picture here regarding a truck that we're experimenting with in Q1 this year. It is now about to be rolled out. It is a manless electric truck, which we are very hopeful will work. It has worked in other terminals before. The main thing now we have to test is really what's in our terrain.

With this, I think this will allow us to achieve our sustainability plans a lot faster than we plan because, again, it's fully electrified and, therefore, allowing us to reduce our Scope 1. Of course, our Scope 2, as a result, increased, but hopefully, as we move towards green energy, that also become greener overall.

From a demand, this pilot is also very interesting. As you know, one of the hardest positions to continue to hire Malaysians is truck driving and, therefore, as these are manless, we probably won't need to hire as many. But that doesn't mean we're going to reduce our number of staff. I think we're just going to convert more from truck-driving state to more engineering-based jobs, which I think more Malaysians are keen on working for anyway. And this will allow us to keep our fully Malaysian workforce policy in place.

We'll also look to complete the Liquid Bulk Terminal 4A by end of Q4 2023 and, of course, definitely hoping to complete the business plan for Port Klang Cruise Terminal at some point this year, hopefully by Q3 this year actually.

Of course, you know we have committed to achieving net-zero carbon emissions by 2050.

That's basically the update I have and also the outlook I have for this coming year. I'm happy to move on to answer any questions anybody may have.

Question & Answer

Chang [M]: I think we will open the time to Q&A. Any fund managers or analysts who have questions to ask, just raise your hand. I will just come to you. The first one I see is [Ida]. [Ida], please go ahead.

Participant [Q]: Happy New Year. On China reopening, can I know if you have any data on how much from China portion contribute to Westports' bottom line? That's number one.

Number two, I'm quite interested to know more about the electric terminal concept, electric trucks or whatever you call it. Yes, I would like to know more about this and how it works, if you can share with us. Thank you.

Gnanalingam [A]: China, as a portion of our cargo, we don't really measure it from our input measures in terms of revenue impact. They are our largest trading partner for Malaysia. However, the local cargo hasn't been falling. The local cargo between ourselves and China hasn't fallen at all. In fact, it's probably grown over the last few years as well.

The transshipment one has, but is not so much because of China's closing down. It's more because of how in general trade lanes are changing. And also some cargo now is being, how do you say, manufactured in other places. For example, paper has moved from Europe to China from now Europe to Indonesia or Vietnam or things like that. Is it significant from a transshipment perspective? It has come down over the last few years, but as a portion of local, it's actually growing over the last three years. How they're opening up might affect us.

I think the main thing about the opening up is I don't think China's industrial economy has slowed down during COVID at all. I think that may continue to grow at—or they continue to do business. Right?

On the other hand, their services side is where I think they have a slowdown as, obviously, they have no tourists bring in. And of course, they have no tourists going out. I think that's where the largest impact in China's opening up will come, not so much from the goods side.

So why most are very cautious for this year is because I don't think the opening up will result in Americans buying more. That's the part we have to be careful about. And also Americans, when you can buy more, I think China will sell more even under those lockdown or scenarios that we had last year, but Americans are not keen to buy more. It doesn't matter whether China opens up or not. I think the slowdown effects will be coming from the West, where I think that you can see some recession elements happening over there already. This is, I think, the danger, not so much—and I won't be putting too much emphasis on cargo growth coming from China's opening up.

But, of course, if those tourists go out and spend a lot of money, then maybe the whole world starts to grow again. And, therefore, that's the one thing I think we can take in terms of positive from China's opening up for our business specifically.

With regards to the Q-truck, it's arrived. We've been in discussions with this company for a long, long time. Some of our sister ports at Hudson have already been using them for about two years. Our main concern is the design of our terminal and whether the Q-truck suits our terminal.

Our yard is designed slightly differently from our other [inaudible] and ports and, therefore, we must make sure it suits the terrain here. We feel quite strongly that we should have no problems in the long run, but we've only ordered two so far, so we can test out all the short-run issues that we might incur.

We're very hopeful that with this and definitely at the current fuel price or even at a slightly lower fuel price, I think these will have a good return on investment as well. However, it remains to be seen because we are not fully tested yet.

We hope to start testing sometime in February. And by the end of this quarter, I think we should have some initial results as to number one, whether it's working; and number two, is it achieving the ROI which we felt before.

Participant [Q]: How much is the cost of the one-year electric truck?

Gnanalingam [A]: Those are not things we're going to reveal.

Participant [M]: All right Thank you.

Gnanalingam [M]: No problem.

Chang [M]: Peter Kong, you are next.

Peter Kong [Q]: Hello, Datuk Ruben. Hello, Kong Meng. Number one, would you be able to remind me again, what is the outlook for utilities and manpower costs for 2023?

Gnanalingam [A]: Thank you, Peter, for asking that question. I forgot to mention something just now. I think you saw in the slide regarding costs that our electricity bill increased last year a little bit because we have now had this ICPT element coming from Tenaga. And we have just been informed that the ICPT for the first six months of this year will be higher for sure.

We expect that the impact from this ICPT, which is something, something pass-through are basically Tenaga's passing through the cost of the increase of what they buy their source material for. And I believe that, that will increase our Tenaga bill, our electricity bill by about 20% or 30% to 40%.

As a result, we will expect electricity cost up for H1. We're speaking very closely to our port authority to see whether we can pass through some of that like electricity charges on to the reefer containers, which are a large consumer of the electricity. Hopefully, we can pass some of that on to the reefer containers. But I don't think we can pass through all of it. And as you know, for the rest of it, we need a tariff increase, which clearly, we've no plans of anything like that happening this year. I think that's one of the elements.

The other one is with regards to staff costs. I don't think we will be hiring that many more this year. I don't think our staff numbers will be growing. But we did make a change with regards to our minimum wage again. You see at the beginning of last year, we jumped from MYR1,300 minimum to 1,500. And that's well before any government announced that they were going to move the minimum wage from MYR1,200 to MYR1,500. When the government did that, we decided that we want to maintain our gap between what the government minimum wage is and we want to retain a gap between what the government minimum wage is and what ours is. And so we moved ours from MYR1,500 to now MYR1,700.

We feel from a sustainability perspective, this is the right thing to do to make sure that all our colleagues are comfortable in their jobs and also comfortable in their homes and, therefore, we made this change. We will expect some manpower cost inflation as a result.

I don't have the actual breakdown as to how much it's exactly going to jump by. But probably between maybe 5% to 6% in that sense, without having additional manpower. I don't think we'll have additional manpower based at a port.

Peter Kong [Q]: Datuk, I also wanted to check with you regarding the Port Klang Cruise Terminal. Because if I was to strip out the reversal of impairment in that JV line, actually, the contribution this quarter for Westports' share, if my calculation is correct, is about MYR300,000 odd. That compares to maybe about MYR3 million in the previous quarter if my number is correct. Just wondering is that correct in my assessment?

Gnanalingam [M]: I'm sorry, I don't understand your assessment at all.

Peter Kong [Q]: The recording of the profits of PKCT is at the JV line. And then the JV line in this quarter because there is also a reversal of impairment in that line.

Gnanalingam [M]: Right.

Peter Kong [Q]: Supposing if I remove the reversal of impairment from that line, the contribution this quarter comes up to about MYR300,000 from my calculations.

Gnanalingam [A]: Contribution of who comes to MYR300,000?

Peter Kong [Q]: Westport's share of PKCT's profits?

Gnanalingam [A]: MYR300,000?

Peter Kong [Q]: Yeah. Am I in the ballpark? Or does it sound just kind of out?

Gnanalingam [A]: Sounds quite out to be honest.

Peter Kong [M]: Sounds quite out. Okay. Yeah, don't worry. I'll jump back in the queue first. Thanks, Datuk.

Gnanalingam [M]: Sure. No problem.

Chang [M]: Kam Meng, you are next.

Tan [Q]: Thanks for the call. The first one, just want to look at the investment tax allowance side. How much was that [monetized] in Q4? And can you remind us how should we see how much more investment tax allowance that may incur in 2023/2024?

Gnanalingam [A]: So it's about—its effects is going to run for 10 years, so it's going to be there for 2023 and it depends on how much we invest. Does anybody have our CapEx number for 2023?

Tat [A]: CapEx for 2023 is about MYR200 million.

Gnanalingam [A]: Yes. I think that the ratio is 50% of 50%. Is that correct, Eddie?

Tat [A]: Yes. Yes, just to add on the next year, 2023, the corporate tax will go back to 24%, right, to answer your question, and there's no more cost but it'll be tax. But as what Datuk Ruben mentioned, it's very much based on the CapEx and the qualifying expenditures for 2023. Right? Because, as mentioned, this investment tax level is 50% of the qualifying expenditure and to be offset against 50% of the statutory income.

To answer your questions, I think it's still too early to work out how much is the effective tax rate for 2023. But internally, we have worked out, I think it's about approximately 20% to answer your questions.

Tan [Q]: Okay. Internally, expectation was 2023 blended 20% tax rate, yeah. Around this.

Gnanalingam [A]: This is without Westport 2 just to be clear?

Tan [M]: Correct. Excluding Westport 2, okay.

Gnanalingam [A]: Yeah.

Tan [Q]: Okay. And can I assume the same for 2024, 2025? I mean, yes.

Gnanalingam [A]: Probably, but it depends on how much CapEx you do that year. I think that is a safe number, but there was one year, we did a lot of CapEx in the past and our tax rate went down to 4%. I don't want to suddenly give you a shock when that happens, but it really depends.

Like we don't have much CapEx in all that number, but if we suddenly have a lot of CapEx, then, of course, it will jump. You have, for example, a big amount going towards the Westport 2, it will jump quite significantly. But if you're not taking Westport 2 into account, then probably you're right.

Tan [Q]: Okay. Got it. And just to double-check again, in Q4 alone, how much was the investment tax allowance portion? Yes?

Gnanalingam [A]: I think because we are planning to the final year, with the planning in Q4, the impact was MYR51 million in that Q4, but it's actually because we applied it for the whole year in Q4.

Tan [Q]: Got it. The whole MYR51 million for the whole year was only done in Q4 last year by represent—

Gnanalingam [A]: Yeah.

Tan [Q]: —with MYR51 million.

Gnanalingam [A]: Yeah. Yeah.

Tan [Q]: Got it. My next question is in terms of your crane capacity. You have quite often about 70 cranes, right?

Gnanalingam [A]: Yeah.

Tan [Q]: So that means your effective capacity for last year was most probably even slightly lower than the year before, because you actually write off more cranes before the new cranes are able to come in. Right?

Gnanalingam [A]: So we are talking about transition period, yes. The 2023 [inaudible]. Yeah.

Tan [Q]: And then the three new cranes will only—I mean, even at a faster pace, assume will only start operations in March. That means to say that even in Q1 alone, your available capacity is still not optimized yet, at the moment, right?

Gnanalingam [A]: Yeah.

Tan [Q]: And then moving forward, how many quay cranes should we see, if you can remind us again, by end of 2023?

Gnanalingam [A]: We got rid of seven. We added six. We're only one down really. We'll have 66.

Tan [Q]: By end of this year it's 66?

Gnanalingam [A]: Yeah.

Tan [Q]: After the three quay cranes after March, there'll be no more new deliveries for the rest of the year?

Gnanlingam [A]: I mean, as I said, I don't see us needing to rush to doing so. As you can see that we only did MYR10 million. Right? And even with 66, we should be able to do MYR12 million quite comfortably. Right? So I mean unless we suddenly see a big growth coming in 2023, I don't think there's any rush to other and we can wait and see how it goes.

But of course, if that changes and in Q2, the world goes mad and starts consuming like crazy, then, of course, we can start then looking to buying more cranes there. But we have now comfortably—we did 11 million TEUs in 2019. And just to be clear, the one reduction of crane actually doesn't reduce capacity, just that those old cranes could only do so much and we added newer things which can do more per crane.

So we did 11 million in 2019, and that was quite comfortable then. And therefore, we could move up to 12 million. So we can easily go to 12 million now without adding any more capacity. This is why I don't think there's any rush to acquire more cranes at the moment. But if we suddenly jump up to 11 million for some reason this year, then, of course, we'll have to start looking at buying more cranes.

Tan [Q]: And in terms of any dismantling of—any further dispensing of let's say all cranes, are there any more for this year? Or yeah?

Gnanalingam [A]: No. No. Because we decided doing one batch. There was a batch of nine of them. We decided to keep two of them for the long term because there's really, really small vessels, no point getting them better cranes. The slightly midsized vessels, they needed better cranes, and they can do much more if we add more. And that's why we decided to change seven of them in the six weeks.

Tan [Q]: Oh. I see. But we still have two quay cranes considered old but you decided to keep them for a long time?

Gnanalingam [A]: Yes because we vessel operate—we also have to serve barges. There's no point getting better things for these barges. With the barges, you can't do much.

Tan [Q]: And in terms of the—just to double-check again on the—Ruben, you mentioned that the cruise business itself, the full-year profit on the gross level was about MYR13 million. Right?

Gnanalingam [A]: Yeah.

Tan [Q]: If I hear correctly, that means on your portion should be about half.

Gnanalingam [A]: And effectively, the whole thing came in H2.

Tan [Q]: So that means effectively, if we exclude the one-off items and exclude the general—like the impairment of [vessel], and yeah, the one-off items, your full-year JV income itself, excluding the one-off items, should be about MYR6 million. Is that correct?

Gnanalingam [A]: Yes, half of that. That's about right. And our write-back portion should be about 42%, 43%.

Tan [Q]: Yes. Because I think earlier, I think Peter was trying to double-check because if we strip out the—as really, the item line is only reflecting only MYR3 million sales, MYR6 million.

Gnanalingam [A]: Yeah.

Tan [Q]: Because your full-year joint venture in the reported line, it shows the MYR46 million. The impairment write-back itself is something like MYR43 million, right? So it's only showing MYR3 million. So I guess there must be other one-off items, another MYR3 million now, right?

Gnanalingam [A]: Yeah. Probably.

Tan [Q]: We should be assuming your core for the cruise terminal is about MYR6 million for the JV seller?

Gnanalingam [A]: Yeah. And next year should be substantially higher by accounts.

Tan [Q]: Next year, okay. What is your expectation for the coming year?

Gnanalingam [A]: Because this is only half a year. When we see a full year, I think, quite comfortably, probably be MYR20 million, MYR20 million-something.

Tan [Q]: And then one more question in terms of the—yeah, I know like the global trade economy is still very uncertain at the moment. But in terms of other trends, for example, the containerships where they are basically all consolidating, or are they thinking of expanding because freight rates are going up or going down or because of trade security reasons?

And another thing that I hope you can put your view on that is the so-called reshipping regulations that are coming in force this year. What is your view on how this may impact the whole container market and to Westports essentially? Yeah.

Gnanalingam [A]: So I think firstly, the activities they are doing are more like lane savings for the time being. I think some of them also considering mothballing ships earlier, especially those which are less eco-friendly, because since you don't need as much [inaudible] anymore, I think a lot of them are regretting buying so many more ships to be honest. But they're still sitting on a big part of cash so that should be okay. I mean some of them may be making more in interest income from the cash balance in the bank as opposed to making money from the [inaudible] itself. I'm not concerned for the shipping companies, that their half are initially fine.

With regards to the rules, the main one that comes into play this year or the one they want to focus on the most is probably the JIT concept of trying to minimize the sailing and wasting time, et cetera. And I think more shipping lines are working with ports into trying to reduce waiting times as efficiently as we can.

But we are also waiting for them to come back to us on this because this is actually something we've been pushing them for a long, long, long, long time. And a lot of the effort here actually is to do with information transfer.

And one of the things that shipping lines have been very slow to do to date is provide early information and try to be disciplined about the early information. What we can see now that a lot of them are attempting to be a lot more disciplined with their information so that they can achieve more efficiencies this way and, as a result, trying not to waste so much fuel in between ports basically.

I think that’s the main one they are focusing on.

Tan [Q]: Yeah, because right now, efficiency matters even more for the shipping companies, right, because if they’re less efficient, it means they burn more fuel and means they will have a higher sense of breaking the rules of this so-called new green regulations. Right?

Gnanalingam [A]: Yeah.

Tan [Q]: And I don't know, like I know some of them are talking about because of this potential for slow steaming means we need more capacity. I don't know what is all this chaos.

Gnanalingam [A]: I think even with slow steaming, there's still a lot of capacity.

Tan [Q]: And from the port point of view, what do they expect you or hope for you to do again, like streamline the [inaudible]?

Gnanalingam [A]: No. Basically, it's very simple. It's like you go into a restaurant. Right? When you go to a restaurant, you want to sit down at your table straight away if you have a reservation. Right? The problem now is that we give them a reservation and they come late. Can you imagine then the person—somebody is now sitting at your table, and you have to wait for them to finish their meal before they get in there?

They want to now come in and go in straight away, but telling them and you have to be disciplined and come on time as well. Right? This is where if they can tell us or they can update us more frequently as to whether they're coming early or late and give us more early information, it makes the whole process much easier. Right?

But the thing is to date, shipping lines have not been very disciplined from that perspective. Despite all the technology and all the systems they have and all the supposed big data they have, this is the one area which they're really, really poor at. But as I said, to be fair, some shipping lines are now becoming a lot better with that.

Now with this, you will see those who are better at this, having an advantage in the short-term map. I think eventually, everybody will become disciplined, so it won't be a long-term advantage in net sales.

Tan [Q]: Is it something that the port authority also recognize is just a problem and is also working on some sort of a process that the whole port then should all solve for this?

And [inaudible]—

Gnanalingam [A]: I think this is something that ports have been telling shipping lines for multiple years. But without even thinking about sustainability or green, this is something they should have done a long time ago anyway.

This saves them money. Forget about the green element. It saves them money. But this one, I mean, we've been telling them for a long, long time. But as I said, they don't take it seriously because they'd rather focus on other things. But now, as I say, the situation is this. I mean the port authority has recognized this for at least 20 years. But if shipping lines don't want to provide information, there's nothing much you can do. I feel now, as I say, they are trying to provide information. They are trying to work at it because now there are penalties if they don't, whereas previously, they were not.

Tan [Q]: And just one last quick question, I mean just to try my luck. Any chance for the tariffs to have some sort of a review, especially because the unity government came in? Yeah.

Gnanalingam [A]: As I said, I don't think from a container tariff, I don't think we're expecting anything in [Talkun]. Obviously, we're going to try because of all these additional costs are coming with regards to electricity and also fuel and these are the two. But we did submit something to the government with regards to conventional tariffs and marine tariffs already, but it still takes time. That one we might get something this year. When it will start to apply, we don't know, I have to be very fair. But the arguments are very compelling, especially with regards to the marine charges because the tugboat costs and the fuel costs on the tugboats are extremely high at the moment. That is the one that we have already started discussions with them.

But again, as I said, it doesn't apply to the main container tariffs. Container tariffs, there's no discussions at the moment. We might start discussions later on. And if we do start it this year, you know it will never be implemented this year. We expect it in a couple of years’ time at the earliest.

But commercial, we started from last year, and discussions are ongoing. Hopefully, they can come back to us soon on that because on certain areas, especially as I said, fuel costs, [NFC], it’s a big, big change over a short period of time. Therefore, we need the government to support that, so we can pass this on to the consumer.

Tan [Q]: For me, the container tariff will not change. That will also mean that your response to concession will also be using the same tariff structure for the container seller, right? Or would that be a separate kind of possibility for the response to tariffs?

Gnanalingam [A]: No. Everything in Port Klang is subject to the Port Klang Authority tariff.

Tan [M]: Thank you. Go ahead.

Gnanalingam [M]: No problem. [Tan Hong].

Participant [M]: [Tan Hong]. Is it my turn?

Gnanalingam [M]: Yes. Kong Meng is on mute. Please go ahead.

Participant [Q]: Ruben, I got a few follow-ups from Ho Meng’s question earlier. First of all, the question I didn't catch is the concession agreement you said earlier. When do you expect the signing again?

Gnanalingam [A]: Sometime this year, 2023.

Participant [Q]: H1 possible, or…?

Gnanalingam [A]: Possible. Less likely, but possible. I mean February is very unlikely. But as you go on month by month, it gets more likely.

Participant [Q]: Right. And on the tariffs that Ho Meng mentioned earlier, so let's say, even if you have a 0% growth in volume in 2023, right, but am I right to say that there should be a reasonable growth in revenue and cost every year, built-in increase in tariffs for your main customers. Right?

Gnanalingam [A]: Where we have built-in increases is more so on the transshipment side. If the transshipment one stays flat, then you're right, there should be some increases there. And there have been for the last 10 years, but they are not significant though, but there is an amount of emphasis.

But thank you for bringing this up because again, another thing that Eddie mentioned earlier in his presentation, but we didn't clarify completely for 2023, is that we will definitely see a lot less value as a service revenue in 2023. We expected a lot less to be fair in 2022, but the storage continued to be strong at least until July. Right? And we only started to start to slow down in August and therefore—and even in Q4, I don't think we've seen the complete bottom of it, but it’s dropped significantly in Q4 already, but it's not to, I think, the way it was before.

Even in Q1 2023, we're expecting it to be slightly lower than Q4 2022. But I think from then onwards, it's going to be stabilized in that sense. But of course, Q1 2023 from a VAS revenue perspective, should be a lot less than Q1 2022 because that was when it was probably at the peak. Right?

That is one area where we don't expect an increase in terms of income per box because the boxes are not staying there for a long time anymore. They don't need to anymore, and therefore, they are not. That's one area which we work.

But from a tariff perspective, in terms of the main handling rate, you're right; the transshipment one usually has problems in increases. The gateway one, typically, we don't give much rebates to begin with, so there aren't any increases there.

The other thing that you should take note is whether the gateway continues to increase. Our gateway increased quite a lot over the last few years. We still believe it will increase this year, probably not like as strong as it was in the last few years, but we still expect some increase to show as we know there are people still moving their businesses to Malaysia.

But again, even if you move it to Malaysia, we have to be careful because, again, if they are selling to the US or Europe and the demand is not there, then we have to be careful from that angle as well.

We know many companies who moved out of China and moved to Vietnam, and they were doing very well at the beginning of 2021 and on the whole of 2021 and then suddenly, in 2022, they all start slowing down and having less ships, et cetera, because the demand from the US and Europe was just not there.

I think that's the other factor you think, [to count whether] our proportion of local versus transshipment growth. And if it does, then of course, the overall income for box will grow.

Participant [Q]: I see. You're expecting increase in the way, but probably a softening in transshipment.

Gnanalingam [A]: Well, transshipment has been softening for the last two years. And I think if the global growth slows down, so if the western world is slowing down, I think transshipment will slow down. If the Asian world is slowing down, I think again, we'll also slow down as well. It depends on what contraction you're predicting.

Participant [Q]: And the last thing that I want to clarify is the ITA. I think that—I'm not sure if I'm wrong here, but the last time Westports had an ITA was in 2017, 2018. Is that right?

Gnanalingam [A]: Yes. I think so. Around that time, 2016 or 2017 I think. 2017 probably was the last year [for most of us].

Participant [Q]: For the last three to four years, you didn't have any ITA.

Gnanalingam [A]: 2016 was the last one.

Participant [Q]: Right. When Eddie's qualifying, let's say, cranes, RTGs, trucks, are those all qualifying?

Gnanalingam [A]: Yes.

Participant [Q]: And the last thing I wanted to ask is on IT also. Is reclamation and dredging qualifying because that's a big-ticket item. I think coming play for land then is not, but—

Gnanalingam [A]: We've highlighted to the government that that has to be there, and we're getting clarification from them about that. But the construction definitely is, but we are hoping that the recognition in dredging is too, where we're trying to argue to them to explain to them why it needs to be.

Participant [Q]: So SED is not like?

Gnanalingam [A]: No, as it is, it is not clear. It's not spelt out very clearly there.

Participant [M]: Thanks.

Gnanalingam [M]: No problem.

Chang [M]: Deepak, you are next.

Maurya [Q]: Good morning and thank you, everyone. I had a question on the lower VAS revenues. I think sometime around midyear or Q1 of last year when we spoke about the elevated VAS revenues, you mentioned that moving a box is more profitable for the Company because having so many boxes taking up yard space also increases the costs.

Now that the storage aspect of the boxes has eased significantly, of course, the realization on per box is down, but any cost implications which you could provide us?

Gnanalingam [A]: Unfortunately, all the cost savings have been eaten up by the oil companies. That's the big problem. But as Eddie point out just now in his presentation, fortunately, Q4 is lower than Q3, which is a very good sign. Hopefully, that means we've peaked already. Right? And hopefully then, future quarters are lower than the previous quarter, and hopefully, we can go back down on the fuel cost pricing degree.

I mean, if we had the same fuel price as 2021, I think our profit would have been close to MYR800 million. Right? So I think that's the part that truly suffers with regards to the fuel price. I think it cost us about at least MYR90 million last year with this increase in fuel price cost.

I think with regards to any operational savings we might have, if the fuel price remains to stay high—if the fuel price remains the same, we should see some savings compared to, say, two years ago or maybe even compared to last year. But I think if the fuel price remains high, whatever we would have gained is going to be [stinting reckoning] those of our operational efficiency.

Maurya [Q]: And if you could also maybe help clarify on the dividend aspect now that the concession is closer than before, the signing for Westports 2. Will that in any way impact the payout ratio? Or will it still be that all of the port business profits will continue to be paid out at 75%?

Gnanalingam [A]: At least, of course, talking about Westports Malaysia Sdn Bhd, right; I'm not talking about PKCT for this.

Maurya [Q]: Yes, of course, I'm also not talking about PKCT, just the ports business, the container ports business basically. Yes.

Gnanalingam [A]: The container port business, you see the two sides of the coin, we'll decide in between. It's either to lower dividends and, therefore, don't do a capital raise, or do a capital raise and keep dividend where it is. Right? There's some logic to both. Right? If you don't do a capital raise, then everybody gets to keep their shares and nobody has to be diluted. And at the same time, everybody—but you have to reduce dividend slightly.

If we do capital raise then, of course, you bring in new investors, which is nice also. And at the same time, you don't have to reduce dividends at all. This is what we've been trying between. And as I mentioned in previous calls, if I get a strategic investor who can add a lot of value, I think that will definitely push us towards a capital raise because it makes a lot more sense doing it that way. If we don't find a strategic investor, then I think we really have to conflate which one we want to do between the two.

But also, there could be a third option where it's a mixture of both, where we do a dividend reinvestment plan, where we reduce dividends, but we also allow investors to invest it. And in doing so, then we get the best of both worlds in a way.

But those details have not been finalized yet. I think, as I mentioned, we only will need the cash approximately a year after the project starts. That's when I think we'll really get into it and start finalizing exactly how we want to do it. But those are the three options: the two extremes and one option in the middle as well.

Maurya [Q]: I think that's it for me. Thank you so much.

Chang [M]: This participant RW2288, can you identify yourself and ask your question? Thanks.

Participant [Q]: I'm [Rosa Kong] from Citi. I would like to ask the question that—so your projected that for this year, containers, the volume's going to grow around like one digit. Right?

And could I ask like for the guidance or—

Gnanalingam [A]: Actually, it's 0% to 5%—

Participant [Q]: I'm sorry. What's that?

Gnanalingam [A]: I suggested 0% to 5%.

Participant [Q]: Could you please help guide us the effective pricing of Westport with this volume growth?

Gnanalingam [A]: What do you mean by effective pricing?

Participant [Q]: The pricing strategies?

Gnanalingam [A]: Pricing strategies. Can you clarify what you mean by pricing strategies? Hello? Hello?

Chang [M]: Hello? Okay. We can come back to you later. Raymond, why don't you go ahead?

Yap [Q]: Sorry, I won't take up too much time. I wanted to ask about your comment just now that January container volume was flat YoY. How does that compare to December? And is there any sign of a Chinese New Year rush at all? Or is it just very quiet?

Gnanalingam [A]: I think Chinese New Year came in December. Because this year it's very early. Right? China is very early this year, so a lot of it's come in December. I think that's why we had more. It's really good as well. And when you compare this one against last one, it's especially flat. It's not growing versus last month, which is also good. It's not great. But we hear from many of our counterparts and sister ports that they are very slow, especially in January so far. And we're bucking the trend slightly by being flat. So that's why we're a bit cautious about everything else.

And this is everywhere, Southeast Asia, China, obviously. China's actually been slower than the rest. And in Southeast Asia and other parts in here are also quite slow. And of course, US ports are slow and European ports are also slow. This is where I would be cautious about how this year might turn out to be. And I think some level of a recession, unfortunately, has to happen.

Yap [Q]: In terms of the value-added services, you mentioned that H1 2022 was higher than H1 2021, but H2 2022 was probably lower than H2 2021, if I'm correct. But overall 2022, right, was VAS higher than 2021?

Gnanalingam [A]: For overall for 2022, VAS was actually almost equal, I think. If you remember, I'm thinking the difference was like less than 1% between the two years. I think it's because we started earning a lot more of it later on in 2021 and more earlier on in 2022 in that sense.

But the good news is it's not going to go back to 2019 levels. Right? I mean, let's be clear. Because inside that VAS is also things like reefer, so reefers have increased tremendously throughout the period. I guess people are eating more. Some parts of the VAS will remain high—not remain higher, but I think have just continued to grow high over the period, but the one which is storage, of course, will go down. I mean services. Again, something we didn't want and when we had it, so we told everybody we didn't want it so much, we'd rather do more cargo. And now we have the capacity to do the cargo, no ships are waiting and we have the space and it's nice. And things are moving a lot freer than they did before. But of course, there's no storage income in that sense.

Yap [Q]: So VAS in 2023 for the whole year should be down relative to 2022, just that—

Gnanalingam [A]: Definitely.

Yap [Q]: Is it like 5% or 10% down, do you think?

Gnanalingam [A]: Unfortunately, I think it's probably more like 10% to 15%.

Yap [Q]: And you mentioned just now that you have raised the minimum salary to MYR1,700. Since the lowest band of workers are getting a salary raise, I presume everyone else is also getting a salary raise?

Gnanalingam [A]: Yes, but not—the increase wasn't exactly by MYR200 for everybody here. Let's put it that way.

Yap [Q]: On average, do you expect the staff cost as a whole to increase by about 5% to 6%, as you mentioned just now?

Gnanalingam [A]: Yes, yes. And that's assuming we do not hire more, which I don't think we will.

Yap [Q]: Yeah, no plan hiring. What is your expected 0% to 5%?

Gnanalingam [A]: And especially when we have manless trucks coming through. Hopefully, that works.

Yap [M]: Thank you so much.

Gnanalingam [M]: Thanks. Thanks. Back to you, Kong Meng.

Chang [M]: Thanks, Ruben. Datuk Ruben, I think the question asked is by 2288 in the chat box says that our pricing guidance for the year 2023, whether you have any comment on that?

Gnanalingam [A]: I think that is the—what, the share price, also share mix, because I don't give pricing guidance for the share price. I mean—

Chang [M]: Yeah. We only give volume guidance.

Gnanalingam [A]: I don't think anybody asked for pricing that is for share price because you don't manage the share price.

Chang [M]: Never mind. We'll come back.

Gnanalingam [A]: I’m sorry, I do not want to answer that question, unfortunately, because it's not very clear.

Chang [M]: Isaac, you are next.

Chow [Q]: I only have one question as well, Datuk Ruben.

Gnanalingam [M]: Sure.

Chow [Q]: It’s on the admin expense. I understand that I hear more travel, I think more activities and whatnot. But MYR24 million for one quarter, I think is still pretty high. How should we look at it from an annual basis for maybe like 2023 and 2024? How much do you look at it from per year, I mean expenses?

Gnanalingam [A]: I believe in there is also the write-off for a few things. We have Family Day, which we haven't had in a few years. And, therefore, we can—I'm getting the details for you now exactly.

Write-off of, I believe, the claims is in there as well. Also about MYR50 million is write-off of claims. Right? About MYR10 million is staff retail expenses from uniform renewal once every four years. Right? And then we gave a one-off gift to all staff because we had a very good 2021. We did a settlement with Oracle, as you know, for our lawsuit. Right? So that was about, I think, MYR7 million there or MYR6.5 million there, including all the professional fees and loyalties, et cetera. And then the rest is about—I mean, MYR3 million to MYR4 million was the marketing and traveling and entertainment, et cetera.

Chow [Q]: All right. There's a lot of one-off. Okay. Got it. Thank you.

Gnanalingam [M]: Okay.

Chang [M]: Mustaqim of Kenanga?

Bin Wan Ab Aziz [Q]: Datuk Ruben, one question only left.

Gnanalingam [M]: Sure.

Bin Wan Ab Aziz [Q]: A question, container growth guidance for this year and next year?

Gnanalingam [A]: For 2023, I expect 0% to 5%. In 2024, I expect it to be stronger than 2023.

Bin Wan Ab Aziz [Q]: So is that a single-digit growth or double-digit growth?

Gnanalingam [A]: No, not double digit. I don't think we’ll see double digit for a long, long time.

Bin Wan Ab Aziz [M]: Thank you, Datuk Ruben.

Gnanalingam [M]: No problem.

Chang [M]: Yan Jin, you are next.

Loh [Q]: Thanks a lot for the briefing. My question is regarding your revenue. In the slides, you mentioned that the marine revenue was up 39% because of the container vessels [pulling] increased a lot, but boxes handled per vessel is down by a lot. I assume that the vessels calling at Westport now, these are smaller vessels as compared to during the pandemic. Is that correct?

Gnanalingam [A]: The 39% growth was Q4 versus Q4. Right? Q4 2021, we had a flood and that's why there was a lot more vessels probably in Q4 2022 because Q4 2022 now flat. If you want to know why the increase was so high, then it's because there were hardly any investments calling in Q4 2020. December was terrible. The second half of December, especially after the floods, was terrible. That's why there was a big jump there.

In general, the vessel sizes calling Westports is the same. The volume per call definitely is lower now compared to it was before, like last year, but it's still about the same as 2019 in that sense.

Loh [Q]: But the overall container volume increased. Right? So—

Gnanalingam [A]: By the way, marine also includes conventional vessels.

Loh [Q]: And the other question was regarding your conventional tariffs. Can you help us to recall when was the last increase and by how much it was increasing?

Gnanalingam [A]: The last increase was in 2012. That one I definitely remember. Percentage increase cost there, I think was a blended 20% to 30%, because not everything increased the same. Of course, conventional is not as simple as container. We have a whole range of different services there for different kinds of bulk and more. I would say a blended change was about 20%, 30%, and this was 2012.

From a timing perspective, I think it's very much due which is why we're trying to make sure the government allows us to do so now.

Loh [Q]: But is it realistic to expect another 20% to 30% increase?

Gnanalingam [A]: You're asking me to tell you what the government wants to do. I mean, I don't know so.

Loh [M]: Thanks.

Gnanalingam [A]: But for certain things, we're asking for more than that because, for example, the fuel price has not gone up 30%. Right? And, therefore, we need to pass on a lot more than what we've seen an increase for. Obviously, we can't increase it by 100% like the fuel price has gone up by 100%, well currently, it's about 100%, but. Blended-wise, it depends on what item. Some things, I think, needs more than 30%. Some things might be 10% or so might be enough. So I think—but for conventional, it's a bit hard to generalize, as I said, because there's too many different parts in there.

I think the key one we want to focus on is the marine charges because that's the one where our fuel price has affected us the most.

Loh [Q]: Yeah. It sounds like it can be actually more than 10% to 30%.

Gnanalingam [A]: On the marine, yes.

Loh [Q]: I understand. And for your PKCP, right, can I know how the revenue is being devised? Like is it based on the cruise call or test passengers, numbers contributes?

Gnanalingam [A]: Actually, there is a bit of both, but actually, it's just mostly for call. Even if it calls without passengers, there's still a large fee there. And, of course, it calls with passengers, there's a slightly higher fee there. The call itself is the more important part as opposed to the number of people on the ship. But if you have more passengers, the higher the income as well, the call.

Loh [Q]: Do you have the breakdown, like 80% to 20% kind of ratio or?

Gnanalingam [A]: Not on the call, actually.

Loh [M]: All right. I think that's all from me. Thank you so much.

Gnanalingam [M]: No problem.

Chang [M]: Thanks, Yan Jin. Anyone else? I don't see any raise hand at the present moment. Maybe one. Okay. Ho Meng has another question. Ho Meng, you go ahead.

Ho Meng Kong [Q]: Just to confirm very quickly, the equity fundraising plans right, you still stick to, just, I mean any lines that the dividend reinvestment plan, right, not any other form of fundraising, right? Yeah.

Gnanalingam [A]: This is the second one raised today. As I said just now and many times before, if I find a strategic investor who's willing to come and put up a total amount we need and can add other value, that would be my priority, not [inaudible].

Ho Meng Kong [Q]: That would be the priority. That will be the number one method if you can identify a [vanilla]a?

Gnanalingam [A]: Yes.

Ho Meng Kong [Q]: If without, then will be the dividend raise, that reinvestment plan. Correct?

Gnanalingam [A]: It might be that or I think some of your colleagues in your banks, some of the banks on the call, some of your colleagues are pushing us to do a—just to go out to the market and raise money there. They are telling us that's the best thing to do. We're not sure whether they are telling us that for real or because for them, it makes more margin for them.

Ho Meng Kong [Q]: And I mean, anyway, the rights issue will not be considered as what you—I think that's what you kind of [inaudible]?

Gnanalingam [A]: Yes, yes, yes.

Ho Meng Kong [M]: Thank you.

Gnanalingam [M]: Okay.

Chang [M]: We have no more questions, Datuk Ruben. I'm closing right now.

Gnanalingam [M]: Kong Meng, any other questions?

Chang [M]: No. We have no more questions. Maybe just the closing remarks.

Gnanalingam [M]: Okay. Thank you, everybody, for calling in. As you know, you can always call us again for any other clarifications that you may have. I'm happy to answer all of them.

I hope that we can give you more news with regards to Westport 2 in Q2 when we speak again. And in the meantime, to everybody on the call, happy New Year, happy Lunar New Year, and have a great year ahead. Thank you.

Chang [M]: Thank you. Bye-bye.

Tat [M]: Thank you. Thank you, everyone. Thank you so much.

[END]

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