Westports Holdings (WPRTS MK)

2Q26: VAS Thrives Again

Highlights

- **VAS and container yields positively contributed to Westports' result beat, two quarters in a row.** VAS surged to an all-time high, driven by higher storage charges coinciding with longer CDT, especially for long-lead containers like e-waste cargoes. Excluding these, container yields also expanded quicker than implied due to the new tariff (second phase effective Jan 26). These more than offset rising fuel costs, which materialised in Mar 26 onwards, but appear to have tapered down.
- **Rising yard congestion in July 26 is manageable, and we now assume gradual normalisation of VAS.** Channel checks indicated that yard congestion spiked again in Jul 26 to 90-95% levels, but we believe management has taken measures to make it manageable. We upgrade our earnings/EBITDA forecasts by up to 6% respectively, as we now assume a more gradual pace of VAS normalisation. Maintain HOLD with a higher target price of RM6.50.

2Q26 Results

Year to 31 Dec (RMm)	2Q 2026	qoq % chg	yoy % chg	YTD 2026	yoy % chg	Remarks (2Q26 comparison)
Operating Revenue	866.9	(3.3)	25.4	1,763.2	34.3	qoq/ yoy volume growth: +7%/-1%
- Container	689.0	8.8	34.8	1,323.0	31.9	qoq/ yoy transhipment growth: +4%/-6%
- Conventional	54.0	(1.8)	50.0	109.0	49.3	qoq/ yoy gateway growth: +11%/+5%
EBIT	496.6	9.8	54.4	948.9	49.1	qoq/ yoy yield growth: +9%/ +35%, this is
Operating margin (%)	57.3%	6.8%	10.8%	53.8%	5.3%	due to 15%/10% tariff hike eff July 25/ Jan 26
Net finance cost	(25.7)	(2.5)	11.3	(52.1)	12.8	2Q26 VAS mix:30.7% (2Q25: 22.5%)
JV/associates	0.4	(39.0)	(81.4)	1.0	(65.1)	2Q26 CDT:20 days (1Q26/2Q25: 20/15)
PBT	471.3	10.5	56.8	897.8	51.4	Yard density:70% (1Q26/2Q25: 81%/87%)
Tax	(110.4)	10.4	60.2	(210.4)	51.5	
Net Profit	360.9	10.5	55.8	687.4	51.4	EI*: RM1.2m disposal gain of assets,
Core Profit	355.5	7.5	53.1	686.1	50.9	RM4.1m of reversal of impairment

*Source: Westports Holdings (WPRTS), UOB Kay Hian *Note: Exceptional items (EI), Liquid Bulk Terminal (LBT)*

Analysis

- **2Q26 beat our/consensus expectations for the second quarter in a row,** with 1H26 comprising 58% of our/consensus forecasts. The positive deviations were, again, higher-than-expected Value-Added Services (VAS) and container yields, similar to 1Q26. For the first time, quarterly VAS breached above the RM0.2b mark, closing at RM212m, comprising 30.7% of container revenue. The VAS mix is also an all-time high, superseding the 29% mix in 4Q21 (a COVID-19 related period), as the group continues to benefit from high storage charges. Even without VAS, we find that pure container yields expanded by 5%/20% qoq/yoy, which is consistent with the second phase of tariff hike of 10% effective 1 Jan 26 (15% hike was eff July 25), and supported by a strong recovery in high-yield gateway volumes.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,281	2,552	2,992	3,110	3,115
EBITDA	1,449	1,690	2,023	2,147	2,144
Operating profit	1,194	1,403	1,734	1,840	1,818
Net profit (rep./act.)	898	1,002	1,258	1,333	1,304
Net profit (adj.)	893	1,010	1,258	1,333	1,304
EPS	26.2	29.6	36.9	39.1	38.2
PE	25.5	22.6	18.1	17.1	17.5
P/B	6.0	5.5	5.1	4.7	4.4
EV/EBITDA	13.8	11.9	10.4	9.5	9.5
Dividend yield	3.0	3.3	4.1	4.4	4.3
Net margin	30.5	32.1	38.4	38.7	36.1
Net debt/(cash) to equity	7.8	2.9	4.6	5.2	6.5
Interest cover	26.0	16.5	18.5	18.2	16.1
ROE	30.4	32.4	36.2	37.8	35.4
Consensus net profit	-	-	1,189	1,267	1,305
UOBKH/Consensus (x)	-	-	1.06	1.05	1.00

Source: Westports, Bloomberg, UOB Kay Hian

HOLD (Maintained)	
Share Price	RM6.69
Target Price	RM6.50
Upside	-2.8%
Previous TP	RM6.10

Analyst(s)
Kong Ho Meng
homeng@uobkh.com
+603 2147 1987

Stock Data

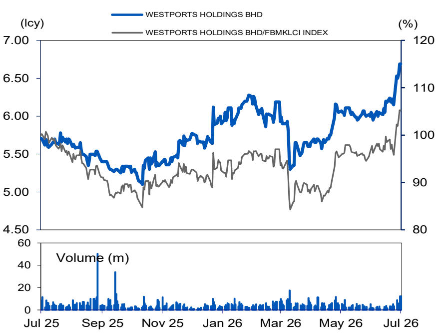
GICS Sector	IndustrialsE
Bloomberg ticker	WPRTS MKY
Shares issued (m)	3,422.03
Market cap (RMm)	22,990.07
Market cap (US$m)	5,621.01
3-mth avg daily t'over (US$m)	4.03

Price Performance (%)

52-week high/low				RM6.78/RM5.05
1mth	3mth	6mth	1yr	YTD
11.5	19.2	13.4	17.6	18.0

Major Shareholders	**%**
Gnanalingam Family	45.5
SouthPort	23.6
EPF	6.1

Price Chart



Source: Bloomberg

Company Description

An integrated facility situated at Port Klang, Malaysia's premier port. It offers container-handling services, whereby volumes are in the twenty-foot equivalent units (TEUs). WPRTS also offers VAS supporting container handling. VAS services include storage, reefer, container freight, and removal. WP2 expansion will nearly double its capacity to 28m TEUs, covering CT10-17. Since 1Q26, WPRTS stopped disclosing TEUs by trade lanes, and started disclosing CDTs and yard occupancy/density instead. CDT is defined for only outbound transhipment and gateway (export-only) boxes.

- **Yield boost continued to more than offset lacklustre volume growth…** YTD volume growth was similar to that of 1Q26's, remaining at -1%. A key contrast vs 1Q26 was the strong rebound in gateway cargoes, while the decline in transshipment volume can be mostly attributed to the loss of Middle East TEUs, which fell by 24% yoy in 2Q26. As a reference, Middle East TEUs comprised 6.5% of WPRTS' 2025 volume, of which 67% was transshipment.
- **…and fuel costs hike.** Unlike 1Q26 (where fuel consumption declined by 5% yoy), 2Q26 fuel consumption grew by 3% relative to -1% volume growth. The unsubsidised industrial diesel tracks Means of Platts Singapore (MOPS), which surged by 32% qoq to US$160, exactly as per our prediction in our 1Q26 results note. WPRTS further disclosed the actual diesel cost/litre realised in 2Q26 was RM4.47, over 70% higher vs the base diesel cost/litre of RM2.60 that WPRTS benchmarked when evaluating its diesel trucks.
- **Container Dwell Times (CDT) (and VAS) will normalise from abnormally high levels, but at a more gradual pace.** Despite various measures to limit over-storage of boxes in order to keep yard congestion at a healthy 70-80%, WPRTS' CDT remained high at 20 days (similar qoq). To recap, this CDT is heavily skewed towards e-waste containers, while the outbound TEU's CDT was only eight days, as e-waste containers can be stored for years before being repatriated to their countries of origin, despite being few in number. The government's Malaysian Border Control and Protection Agency (MCBA) had an initial target of repatriating 150 containers by May 26 (out of 803 e-waste containers subject to such enforcement action), but the enforcement returned only 143 containers successfully by 7 July 26.
- **Jul 26 container volume charting 7-8% growth, and a rebound in yard congestion.** While the volume data is promising (vs WPRTS' unchanged volume guidance of being similar to 2025, ie <5%), we believe the surge in container demand coinciding with rising port congestion factors (vessel bunching in the region) is causing WPRTS' yard density to surge to 91% in Jul 26. This coincides with findings by consultant myKN on Port Klang in Jul 26 (see RHS table). WPRTS also confirms the need to reschedule a planned dredging maintenance from late-Jul to Aug 26, in anticipation of higher vessel demand. However, we understand the rescheduling decision is strategic, as the new total ground slots will begin operations by end-Jul 26.
- **ESG update: 60 E-trucks delivery by Jul/Aug 26 on track, and meant to replace ageing fleet.** We were guided that the E-trucks, which will help decarbonise WPRTS' operations and at the same time reduce expensive fuel consumption, are also intended to rejuvenate WPRTS' existing fleet of 602 terminal tractors by replacing the ageing diesel trucks. Based on the latest economics (despite the E-trucks being a new technology), WPRTS deems that the E-trucks project economics have reached the pivot point to exceed the project economics of ordering a new replacement diesel truck, even when WPRTS based the decision on using a diesel cost per litre of RM2.60.

Valuation/Recommendation

- **Maintain HOLD, SOTP target price adjusted to RM6.50 (from RM6.10).** Premised on DCF until the 2070 horizon (ie partial WPRTS 2 expansion), this implies unchanged 18x 2026F PE and 11x EV/EBITDA. WPRTS' unique position as the only listed local stock with exposure to ports, a sector which generally benefits from trade tension that leads to structural change in ports, and benefits from tariff hikes. Despite the earnings upgrades, we continue to see these being fully priced in at least until the 2028 horizon, when the new capacity addition, ie WPRTS 2, will become operational.

Earnings Revision/Risk

- **Upgrade 2026-28F earnings by 6%/3%/3%.** While we retain our volume growth assumptions of 2%/5%/3%, we upgrade the VAS income forecast from RM732m/RM696m/RM619m to RM841m/RM752m/RM669m. Our 2026F-28F EBITDA is upgraded by 2-5% respectively.
- **Risks.** Drewry opines that if the Hormuz crisis prolongs and creates a scenario of demand destruction, or a scenario of massive vessel layups due to running out of fuel, potentially global container growth may be 0%.

COGS Breakdown

Cost RM million	2Q26	2Q25	% YoY	% Split
Op. Workforce	84	78	7%	34.8%
Depreciation	57	35	63%	23.8%
Fuel	48	48	1%	20.0%
M&R	26	23	9%	10.6%
Electricity	9	14	-37%	3.6%
Others	17	14	23%	7.1%
Op. Cost^	**241**	**212**	**13%**	**100%**

Source: WPRTS

VAS To Container Revenue Mix (%)

Revenue/ Income	2011	2023	2024	2025
Container, RMm	914.7	1,805.0	1,950.0	2,122.0
VAS, RMm	98.9	318.4	434.9	511.4
VAS Mix, %	*10*	*17.6*	*22.3*	*24.1*
	4Q21	1Q22	2Q23	2Q24
Container, RMm	434	452	452	470
VAS, RMm	121.5	126.7	83.2	104.1
VAS Mix, %	*29*	*28*	*18*	*22*
	3Q24	4Q24	1Q25	2Q25
Container, RMm	488	511	493	511
VAS, RMm	120.0	127.8	108.5	117.5
VAS Mix, %	*24.6*	*25*	*22.2*	*23*
	3Q25	4Q25	1Q26	2Q26
Container, RMm	552	566	633	689
VAS, RMm	138.0	146.4	00	211.5
VAS Mix, %	*25*	*25.9*	*28.3*	*30.7*

Source: WPRTS, UOB Kay Hian Estimates

Port Klang's Yard Density

Week, 2026	Last 7 days*	Details
15-23 July	1.63	Yard density surged to 90-95%. Heavy berth congestion is causing average vessel delays of 2-3 days. To help alleviate congestion, planned maintenance dredging has been reschedule to 3-12 August.
7-14 July	1.38	Yard density surged to 80-85%. Average delays of around one day still manageable. However, planned dredging works from 23 July to 1 August will require the closure of approximately 600 metres of berth space at B23 and B24.
24-29 June; 30 June-6 July	1.09	Yard density remained healthy at 75-80%, but situation was expected to worsen with high calls and vessel bunching expected.

**Note: Data refers to the 7-day average vessel waiting time*
Source: Kuehne+Nagel (myKN)

ESG update

- Westports' commitment to adopt automation. In 17 Apr 25, WPRTS launched its state-of-the-art Automated Gate System (AGS). Tests revealed that the AGS was able to cut processing time from 40-60 seconds (export) to <15 second (all). This underscores its commitment to digital transformation and sustainable port operations, aligned to the relevant United Nation Sustainable Development Goals (UN SDG):
- Goal 8: Decent work and economic growth. Automation boosts operational efficiency and reduces costs.
- Goal 9: Industry, innovation and infrastructure.
- Goal 11: Sustainable cities and communities. Efficient cargo movement reduces congestion and emissions, and improves urban logistics.
- Goal 12: Responsible consumption and production. Reduces resource waste through automation and improving process accuracy.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	2,552	2,992	3,110	3,115
EBITDA	1,690	2,023	2,147	2,144
Deprec. & amort.	287	288	307	326
EBIT	1,002	1,258	1,333	1,304
Total other non-operating income	(8)	0	0	0
-	820	847	849	0
Net interest income/(expense)	(102)	(110)	(118)	(133)
Pre-tax profit	1,296	1,628	1,726	1,688
Tax	(294)	(370)	(393)	(384)
Net profit	1,010	1,258	1,333	1,304
Net profit (adj.)	1,010	1,258	1,333	1,304

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,636	1,560	1,476	1,385
Other LT assets	5,678	5,978	6,378	6,778
Cash/ST investment	832	869	1,089	1,270
Other current assets	473	481	497	498
Total assets	8,892	9,027	9,601	10,140
ST debt	937	820	847	849
Other current liabilities	225	150	151	152
LT debt	730	895	1,154	1,412
Other LT liabilities	404	404	404	404
Shareholders' equity	4,169	4,486	4,822	5,151
Total liabilities & equity	8,892	9,027	9,601	10,140

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1,469	1,335	1,615	1,594
Pre-tax profit	1,296	1,533	1,677	1,646
Tax	(254)	(349)	(382)	(374)
Deprec. & amort.	287	288	307	326
Associates	(3)	(3)	(4)	(4)
Working capital changes	81	(135)	16	1
Other operating cashflows				
Investing	(523)	(560)	(600)	(639)
Capex (growth)	(538)	(134)	(134)	(134)
Proceeds from sale of assets	(50)	(450)	(450)	(450)
Others	64	24	(16)	(56)
Financing	(890)	(718)	(800)	(781)
Dividend payments	(752)	(886)	(969)	(950)
Issue of shares	0	0	1	2
Proceeds from borrowings	50	409	409	409
Loan repayment	(225)	(150)	(150)	(150)
Others/interest paid	37	(91)	(91)	(91)
Net cash inflow (outflow)	55	57	215	174
Beginning cash & cash equivalent	729	784	841	1,056
Changes due to forex impact	48	0	0	0
Ending cash & cash equivalent	832	841	1,056	1,230

Key Metrics

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	66.2	66.7	68.6	68.5
Pre-tax margin	50.8	53.0	54.9	53.6
Net margin	39.3	41.0	42.4	41.4
ROA	15.1	17.8	18.6	17.6
ROE	32.4	36.2	37.8	35.4
Growth				
Turnover	26.5	33.3	43.5	55.3
EBITDA	47.2	65.0	79.3	97.6
Pre-tax profit	47.4	61.7	76.8	95.9
Net profit	37.2	48.6	62.4	80.0
Net profit (adj.)	37.2	48.6	62.4	80.0
EPS	37.2	48.6	62.4	80.0
Leverage				
Debt to total capital	22.9	23.4	27.2	30.6
Debt to equity	22.9	23.4	27.2	30.6
Debt to total capital	28.3	28.3	33.3	37.5
Debt to equity	28.3	28.3	33.3	37.5