



Westports is expecting its annual container throughput growth to record a double-digit decline, says Hong Leong Investment Bank Bhd. FILE PIC

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LOWER CONSUMPTION

HLIB keeps 'hold' rating on Westports

KUALA LUMPUR: Hong Leong Investment Bank Bhd (HLIB) expects Westports Holdings Bhd's performance in the second quarter of financial year 2020 to worsen due to the impact of the Movement Control Order (MCO).

HLIB said the May data had shown container volume bottoming out at 24 per cent, much lower than the April container volume, which saw a 17 per cent drop.

This was due to the decline in domestic and global consumption because of Covid-19 and the subsequent lockdowns in most countries.

"Nonetheless, we expect a gradual recovery in the second half of 2020 to reflect the global economic recovery, hence global trade, on the back of the reopening of most countries and their recovery stimulus packages.

"Overall, Westports is expecting its annual container throughput growth to record a double-digit decline (10 per cent to 20 per cent) in financial year 2020 before registering positive growth in 2021," it said.

The firm, however, maintained its "hold" rating on Westports with an unchanged target price of RM3.66.

"We maintain our forecast as we already imputed 10 per cent declines in throughput growth for financial year 2020 in our previous report, in line with management guidance.

"Although we like Westports for its stable business model (during normal circumstances), as well as a stable dividend payout ratio of 75 per cent, the Covid-19 outbreak had raised a near-term concern given the potential

negative impact to volume."

HLIB said consumer behaviour would possibly change due to Covid-19, which might curtail the restart of the economy and the Penjana plan might be positive for consumption.

However, the firm said a meaningful recovery remained dependent on the strength of global and domestic demand revival.

It anticipated cautious sentiment to persist, which could dampen consumption as seen in the first quarter.

"Overall, the outlook for the port industry remains cloudy in the near term, stemming from the uncertainties of the economy due to Covid-19. However, on the longer term, the outlook on Westports remains upbeat, underpinned by the global trade in the manufacturing sector."