

11 August 2022

SWIFT Haulage Berhad

A Window to Singapore Market

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SWIFT has proposed to acquire a 100% stake in Watt Wah Petroleum PLC for SGD10.1m (RM32.8m) comprising SGD1.6m in cash (c.RM5.2m) and repayment of shareholder's loan of SGD8.5m (c.RM27.6m). We are mildly positive on the acquisition which opens a new market in Singapore to SWIFT. We keep our earnings forecasts pending the completion of the transaction. Maintain OP with a TP of RM1.01.

Expanding to Singapore market. SWIFT has proposed to acquire the entire equity interest in Watt Wah Petroleum PLC for SGD10.1m (RM32.8m) comprising SGD1.6m (c.RM5.2m) in cash; and (ii) repayment of shareholder's loan of SGD8.5m (c.RM27.6m) within two weeks of the proposal completion through loan refinancing. SWIFT has entered a binding offer (BO) with DLT Enterprise Pte Ltd (DLT) for the proposed acquisition. Watt Wah is principally involved in chartering, forwarding and transporting petroleum products with more than 20 years of experience in oil and gas logistic services, servicing all the oil majors as well as commercial customers. Watt Wah is a part of the Uneyo Group (Japan). The BO shall be effective for a period of two months from the date of the execution.

Valuations not excessive. Based on Watt Wah's indicative net profit of SGD0.4m, the acquisition PER works out to be 25x which we believe is not excessive given its ready client base of oil majors including Shell and Caltex. We are mindful of Watt Wah potentially having a negative net asset value, based on the disclosure that its net asset value is SGD1.5m, excluding shareholders loan of SGD8.5m.

Impact on earnings and gearing. The acquisition will have minimal impact on SWIFT's earnings as additional earnings from Watt Wah will be offset by the borrowing cost to fund the acquisition. Post the acquisition, SWIFT's net gearing will rise from 0.83x to 0.88x which is still manageable.

Rationale of the acquisition. SWIFT highlighted that the proposed acquisition is a strategic move to expand their presence in Singapore. This acquisition is in-line with its strict criteria of assessing potential M&As with Watt Wah seen as a perfect fit for the group complementing its inland distribution, cross border, and freight forwarding segments.

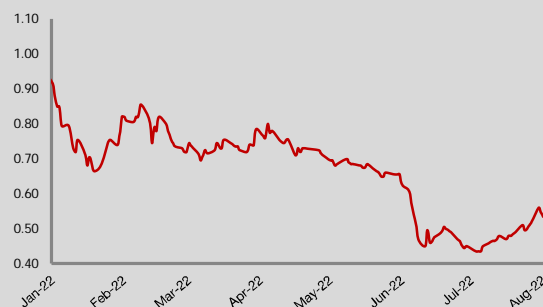
Maintain OUTPERFORM with a TP of RM1.01 based on FY23E PER of 14x which is in-line with the local logistics average peers PER. We like the stock for its: (i) position as the leader in haulage business commanding close to 10% of Malaysian market share, and (ii) above peers' pre-tax profit margin of 10% compared to industry average at 4% with its integrated offerings and cost-service advantage.

Risks to our call include: (i) sustained high fuel cost, (ii) global recession hurting the demand for transportation service; and (iii) delays in its primary warehousing expansion plan.

OUTPERFORM ↔

Price : RM0.535
Target Price : RM1.01 ↔

Share Price Performance



KLCI 1,492.33
YTD KLCI chg -4.8%
YTD stock price chg -44.6%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker SWIFT MK Equity
Market Cap (RM m) 474.5
Shares outstanding 887.0
52-week range (H) 1.13
52-week range (L) 0.43
3-mth avg daily vol: 3,027,228
Free Float 52%
Beta N/A

Major Shareholders

Persada Bina Sdn Bhd 38.1%
KWAP 9.0%
Bluefin Bidco Ltd 7.8%

Summary Earnings Table

FY Dec (RM m)	2021A	2022E	2023E
Turnover	592.8	662.1	742.5
EBITDA	127.8	152.7	164.6
PBT	61.1	72.9	83.1
PATAMI	50.6	57.2	64.3
Core PATAMI	44.1	57.2	64.3
Consensus (NP)	-	56.5	63.9
Earnings Revision	-	-	-
Core EPS (sen)	5.0	6.4	7.2
Core EPS growth (%)	9.1	29.6	12.6
NDPS (sen)	1.8	2.0	2.2
BVPS (RM)	0.72	0.76	0.81
PER (x)	10.8	8.3	7.4
PBV (x)	0.7	0.7	0.7
Net Gearing (x)	0.8	0.5	0.4
Net Div. Yield (%)	3.3	3.7	4.2

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Income Statement					Financial Data & Ratios																													
FY Dec (RM m)	2020A	2021A	2022F	2023F	FY Dec	2020A	2021A	2022F	2023F																									
Revenue	555.8	592.8	662.1	742.5	Growth (%)																													
Op. Profit	49.9	70.4	81.2	90.8	Turnover	-8.9	6.6	11.7	12.2																									
Depreciation	-87.2	-57.4	-71.5	-73.8	EBITDA	-8.9	6.6	11.7	12.2																									
Int. Inc/(Exp)	-29.1	-26.4	-26.5	-25.8	Operating Profit	-33.2	41.0	15.4	11.9																									
Joint Venture	0.0	0%	0.0	0.0	PBT	-8.9	13.4	19.3	14.0																									
Associate	-0.1	-0.1	0.2	0.0	Core Net Profit	-4.8	9.1	29.6	12.6																									
PBT	53.9	61.1	72.9	83.1	Profitability (%)																													
Taxation	-11.4	-9.5	-14.6	-17.5	Gross Margin	33.4	31.7	32.3	32.2																									
MI	0.8	1.1	1.2	1.3	EBITDA margin	24.7	21.6	23.1	22.2																									
Core PATAMI	40.4	44.1	57.2	64.3	Operating Margin	9.0	11.9	12.3	12.2																									
Balance Sheet					PBT Margin	9.7	10.3	11.0	11.2																									
FY Dec (RM m)	2020A	2021A	2022F	2023F	Core Net Margin	7.3	7.4	8.6	8.7																									
F. Assets	384.0	474.6	433.7	390.6	ROA	3.5	3.8	3.8	4.1																									
Intangible Assets	68.8	68.8	68.8	68.8	ROE	10.2	9.5	8.7	9.2																									
Other F. Assets	521.0	554.5	554.5	554.5	Leverage																													
Inventories	11.0	15.8	12.7	14.2	Debt/Asset (x)	0.4	0.4	0.4	0.4																									
Receivables	178.1	257.6	212.2	238.0	Debt/Equity (x)	1.1	0.9	0.8	0.8																									
Other C. Assets	14.6	26.8	26.8	26.8	Net (Cash)/Debt	444.4	511.0	352.0	275.7																									
Cash	34.9	64.7	223.8	300.1	Net Debt/Equity (x)	1.0	0.8	0.5	0.4																									
Total Assets	1,212.3	1,462.9	1,532.5	1,593.0	Valuations																													
Payables	110.8	102.2	132.4	148.5	Core EPS (sen)	4.5	5.0	6.4	7.2																									
ST Borrowings	112.8	177.2	177.2	177.2	NDPS (sen)	1.4	1.8	2.0	2.2																									
Other ST Liability	43.4	36.7	36.7	36.7	BV/sh (RM)	0.5	0.7	0.8	0.8																									
LT Borrowings	366.5	398.6	398.6	398.6	PER (x)	11.8	10.8	8.3	7.4																									
Other LT Liability	148.8	109.4	109.4	109.4	Div. Yield (%)	2.6	3.3	3.7	4.2																									
Net Assets	430.0	638.7	678.2	722.6	PBV (x)	1.1	0.7	0.7	0.7																									
S.Equity	430.4	638.3	677.8	722.2	EV/EBITDA (x)	3.2	3.0	2.5	3.2																									
Minority Interests	-0.3	0.4	0.4	0.4	Cashflow Statement																													
Total Equity	430.0	638.7	678.2	722.6	FY Dec (RM m)	2020A	2021A	2022F	2023F	Operating CF	139.2	58.4	233.8	152.7	Investing CF	-29.8	-176.1	-30.5	-30.7	Financing CF	-111.4	159.6	-44.3	-45.7	Change In Cash	-2.1	42.0	159.1	76.3	Free CF	108.6	27.8	203.2	122.1
FY Dec (RM m)	2020A	2021A	2022F	2023F	Operating CF	139.2	58.4	233.8	152.7	Investing CF	-29.8	-176.1	-30.5	-30.7	Financing CF	-111.4	159.6	-44.3	-45.7	Change In Cash	-2.1	42.0	159.1	76.3	Free CF	108.6	27.8	203.2	122.1					
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Source: Kenanga Research

Peer Comparison																		
Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div (1-Yr. Fwd.)	Ylc Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.				
SEAPORT & LOGISTICS																		
BINTULU PORT HOLDINGS BHD	5.20	2,392.0	Y	12/2022	7.3%	7.3%	13.8%	26.0%	24.2	21.3	16.9	1.4	1.4	6.5%	2.1%	5.95	OP	
POS MALAYSIA BHD	0.580	454.0	Y	12/2022	-15.0%	-12.4%	-134.0%	-146.2%	N.A.	N.A.	N.A.	0.6	0.6	-8.3%	0.0%	0.550	MP	
SWIFT HAULAGE BHD	0.535	476.0	Y	12/2022	11.7%	12.1%	29.7%	12.4%	10.8	8.3	7.4	0.6	0.6	7.2%	3.7%	1.01	OP	
WESTPORTS HOLDINGS BHD	3.50	11,935.0	Y	12/2022	0.2%	5.2%	-14.2%	15.5%	16.2	18.9	16.4	3.8	3.6	19.7%	4.0%	3.55	MP	
Simple Average					1.0%	3.1%	-26.2%	-23.1%	17.1	16.2	13.6	1.6	1.5	6.3%	2.5%			

Source: Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	☆		
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★			
SPECIFIC	Safety Record	★	★	☆		
	Clean Energy	★	★			
	Occupational Health and Safety	★	★	★		
	Cyber Security	★	★	★	★	
	Customer Data Protection	★	★	★	★	
OVERALL		★	★	★		

- ☆ denotes half-star
- ★ -10% discount to TP
- ★★ -5% discount to TP
- ★★★ TP unchanged
- ★★★★ +5% premium to TP
- ★★★★★ +10% premium to TP

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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