

18 August 2022

SWIFT Haulage Berhad

A Confluence of Positive Factors

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SWIFT's 1HFY22 results met expectations. It chalked up a stronger YoY performance driven largely by recovery in business activities on the easing of Covid-19 restrictions, while the transportation of petrochemical products, particularly for Petronas group of companies, was brisk on the back of strong crude oil prices. Also helping was the easing of the congestion at the ports. Maintain OP with a TP of RM1.01.

Within expectations. 1HFY22 CNP of RM27.5m (+19%) came in within expectations at 48%/49% of our full-year forecast / full-year consensus estimates.

Results' highlight, YoY, 1HFY22 CNP soared 19% driven by: (i) recovery in business activities on the easing of Covid-19 restrictions, while the transportation of petrochemical products, particularly for Petronas group of companies (close to 20% of revenue), was brisk on the back of strong crude oil prices; (ii) improved volumes as the congestion at the ports started to ease in 2QCY22 (manifested in a 9% QoQ growth in Westports' transshipment volume during the same period); and (iii) a lower effective tax rate at 18.3% (1HFY21: 23.8%) arising from investment tax allowance and reversal of deferred tax liability due to the disposal of a non-core asset.

Expansion plan on track. SWIFT has already completed Tebrau Warehouse expansion (200k sq ft) and Seberang Prai warehouse expansion (109k sq ft). Currently, in progress are the addition of 30 new prime movers (current 1,516 units) which was delayed due to inventory shortages faced by truck makers, Sabah Cold Chain warehouse expansion (current addition completed in June 2021 - by 4QCY22 adding another 30k sq ft), new PKFZ warehouse (3QCY22 - 178k sq ft), and Pengerang warehouse and transportation management (c.1.17m sq ft)

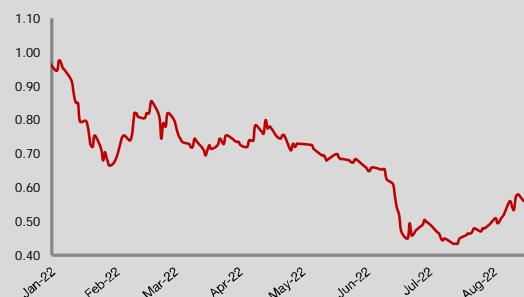
Maintain OUTPERFORM with a TP of RM1.01 based on FY23F PER of 14x which is in-line with the average forward PER of local logistics companies (i.e. Tasco Bhd, and Tiong Nam Logistics Holdings Bhd). There is no adjustment to our TP based on ESG of which it is given a 3-star rating as appraised by us (see Page 4). 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: **RM0.575**
Target Price: **RM1.01** ↔

Share Price Performance



KLCI 1,518.16
YTD KLCI chg -3.1%
YTD stock price chg -40.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK EQUITY
Market Cap (RM m)	509.9
Shares Outstanding	886.8
52-week range (H)	1.13
52-week range (L)	0.43
3-mth avg daily vol	3,718,264
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	2022F	2023F
Revenue	592.8	662.1	742.5
EBITDA	127.8	154.5	167.0
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
Core EPS (sen)	-	-	-
Earnings Revision	5.0	6.4	7.2
Core EPS (%)	9.1	29.6	12.6
NDPS (sen)	1.8	2.0	2.2
BVPS (RM)	0.72	0.76	0.81
PER (x)	11.6	9.0	8.0
PBV (x)	0.8	0.8	0.7
Net Gearing (x)	0.8	0.8	0.7
Net Div. Yield (%)	3.1	3.5	3.9



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Result Highlight								
FY Dec (RM m)	2QFY22	1QFY22	QoQ	2QFY21	YoY	1HFY22	1HFY21	YoY
Revenue	160.1	160.3	0%	144.2	11%	320.4	297.3	8%
Gross Profit (GP)	50.4	50.4	0%	46.1	10%	100.9	94.4	7%
EBIT	23.3	23.1	1%	23.3	0%	46.4	45.1	3%
PBT	16.7	17.1	-2%	16.3	2%	33.8	30.8	10%
Tax Expense	(3.6)	(2.6)		(4.0)		(6.2)	(7.3)	
PATAMI	13.2	14.3	-8%	12.4	7%	27.5	23.0	19%
Core PATAMI	13.2	14.3	-8%	12.4	7%	27.5	23.0	19%
NDPS (sen)	1.0	0.0		0.0		1.0	0.0	
GP Margin	31.5%	31.5%		31.9%		31.5%	31.8%	
EBIT Margin	14.6%	14.4%		16.2%		14.5%	15.2%	
PBT Margin	10.4%	10.7%		11.3%		10.5%	10.4%	
CNP Margin	8.2%	8.9%		8.6%		8.6%	7.7%	
Effective Tax Rate	21.5%	15.1%		24.3%		18.3%	23.8%	

Source: Company, Bursa Malaysia, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)		ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	
Stocks Under Coverage																		
BINTULU PORT HOLDINGS BHD	OP	5.20	5.95	14.42%	2,392.0	Y	12/2022	24.4	30.8	13.8%	26.0%	21.3	16.9	1.4	6.5%	11.0	2.1%	
POS MALAYSIA BHD	MP	0.580	0.550	-5.17%	454.0	Y	12/2022	(8.5)	(3.9)	-134.0%	-146.2%	N.A.	N.A.	0.6	-8.3%	-	-	
SWIFT HAULAGE BHD	OP	0.575	1.01	75.65%	511.6	Y	12/2022	6.4	7.2	29.7%	12.4%	8.9	8.0	0.8	8.7%	2.0	3.5%	
WESTPORTS HOLDINGS BHD	MP	3.52	3.55	0.85%	12,003.2	Y	12/2022	18.5	21.4	-14.2%	15.5%	19.0	16.5	3.7	19.7%	13.9	3.9%	
Simple Average								10.2	13.9	-26.2%	-23.1%	16.4	13.8	1.6	6.6%			2.4%

Source: Kenanga Research

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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

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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