

27 March 2023

SWIFT Haulage

A Bigger Slice in Green Logistics Hub

SWIFT is paying RM19.1m cash for an additional 17.5% stake in associate Global Vision Logistics (GVL), raising its ownership in the promoter of a proposed 6m sq ft green logistics hub in Shah Alam from 25% to 42.5%. We believe SWIFT is getting a reasonably good deal that values the land at RM100 per sq ft (psf). We are positive on the latest development that strengthens SWIFT's presence in the booming e-commerce sector. We keep our earnings forecasts, TP of RM1.00 and OUTPERFORM call, pending the completion of the deal.

Raising its bet in the e-commerce hub. SWIFT is paying RM19.1m cash for an additional 17.5% stake in associate GVL, raising its ownership in the promoter of a proposed 6m sq ft green logistics hub in Shah Alam from 25% to 42.5%. The vendor of the stake is partner Aspen Vision Properties Sdn Bhd that will see its stake in GVL reduced from 30% to 12.5%. The proposed acquisition is expected to be completed by 2HCY23.

GVL owns 70.9 acres of land in Shah Alam which will be developed into a 6m sq ft green logistics hub (the largest in Asia ex-China) at a cost of RM1.3b by 2028, to be funded with ASEAN Green Sri Sukuk (nominal value of up to RM1.5b). The first phase of the development entails 2.8m sq ft of warehouse space at RM700m, to be completed by May 2025 with a ready customer, i.e. Watsons that will occupy up to 400k sq ft of space.

Valuation. GVL owns 70.9 acres of land strategically located near Batu Tiga, i-City in Shah Alam and Subang Jaya township, with a debt of RM200m. At RM19.1m for an additional 17.5% stake, the deal values GVL in its entirety at RM309m, translating to RM100 psf for its land. A quick check on online listings shows that asking prices for comparable land surrounding the area range between RM109 psf and RM138 psf. Meanwhile, independent valuer Knight Frank Malaysia Sdn Bhd values the land in its entirety at RM495m or RM159 psf. We believe SWIFT is getting a reasonably good deal here.

Impact on earnings and gearing. SWIFT guided potential revenue of RM72m/year at 100% utilisation for the first phase while we forecast GVL to report EBIT of RM29m-RM32m. Applying interest cost from the sukuk at RM21m/year and a 24% corporation tax rate, this translates to a net profit of RM6m-RM8m. Additionally, at 42.5% stake and interest cost on acquisition of RM0.8m, our calculations shows that the acquisition will enhance SWIFT's FY26F earnings by 3%-4% with a slight increase in net gearing from 0.91x to a still manageable 0.94x.

The acquisition will enable enables SWIFT to strengthen its presence in the booming e-commerce sector by providing a one-stop centre for well-known brands such as Watsons, Shopee, Lazada, Zalora and DKSH and connecting the bridge with other international third-party logistics such as DHL, Ceva Logistics and LF Logistics.

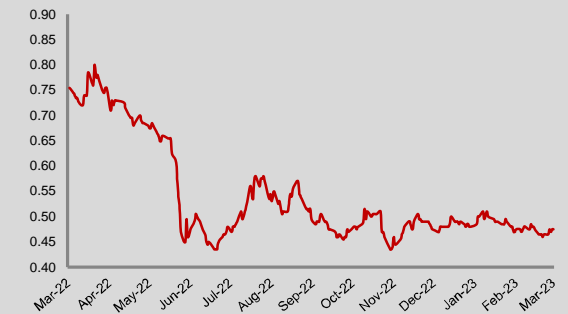
Forecasts. Maintained pending the completion of the deal.

Still in expansion mode. SWIFT has completed the expansion of its warehouses in Tebrau (from 108k sq ft to 308k sq ft), Seberang Prai (from 113k sq ft to 222k sq ft), and is building a warehouse in Port Klang Free Zone (178k sq ft), as well as commenced warehouse management and transportation services in Pengerang for Petronas (c.1.17m sq ft). It is in the midst of expanding its cold chain warehouse in Sabah (from 27k sq ft to 57k sq ft; completion by 2QCY23), Westports' on-dock depot (5 acres for 4,000 TEUs; completion by 2QCY23), a warehouse in Mak Mandin, Penang (150k sq ft; completion by 1QCY24), Pulau Indah, Selangor (250k sq ft; completion by 1QCY24), and the biggest green logistics hub in Asia (outside China) under associate GVL (first phase at 2.8m sq ft by May 2025, 6.0m sq ft when fully completed by 2028).

OUTPERFORM ↔

Price : RM0.475
Target Price : RM1.00 ↔

Share Price Performance



KLCI 1,399.70
YTD KLCI chg -6.4%
YTD stock price chg -1.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	418.6
Shares outstanding	881.2
52-week range (H)	0.82
52-week range (L)	0.43
3-mth avg daily vol:	3,102,656
Free Float	51%
Beta	N/A

Major Shareholders

Persada Bina Sdn Bhd	38.1%
KWAP	9.0%
Loo Hooi Keat	1.8%

Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Revenue	644.8	709.4	795.9
EBITDA	143.8	170.6	177.2
PBT	64.0	79.0	84.2
Net Profit	50.5	62.8	67.0
Core Net Profit	57.0	62.8	67.0
Consensus (NP)	-	57.1	63.0
Earnings Revision	-	-	-
Core EPS (sen)	6.4	7.1	7.5
Core EPS (%)	7.3	10.1	6.6
NDPS (sen)	2.0	2.2	2.3
BVPS (RM)	0.74	0.79	0.84
PER (x)	7.5	6.8	6.4
PBV (x)	0.6	0.6	0.6
Net Gearing (x)	0.9	1.1	0.9
Net Div. Yield (%)	4.2	4.6	4.9

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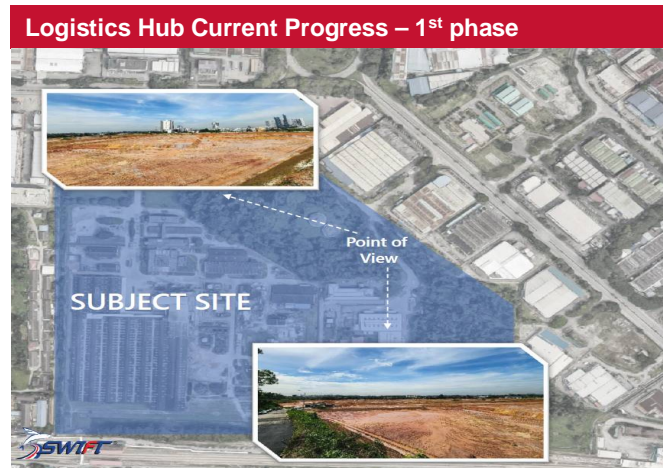
We maintain our forecasts and **OUTPERFORM** call with a TP of RM1.00 based on FY23F PER of 14x which is in line with the average forward PER of local logistics companies (i.e. TASCOS, and TNLOGIS). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

We like SWIFT for: (i) its leading position in the Malaysia haulage market commanding close to 10% share, (ii) its value-adding integrated offerings resulting in a superior pre-tax profit margin of 10% compared to the industry average of 4%, and (iii) the tremendous growth potential of its warehousing business, riding on the booming domestic e-commerce.

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.



Source: Company, Kenanga Research



Source: Company, Kenanga Research

Potential Customers

Potential Customers

E-Commerce



Large distributors



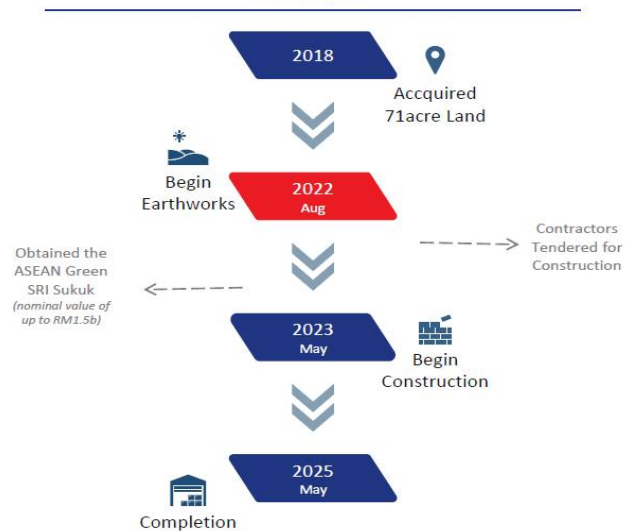
International 3rd Party Logistics



Source: Company, Kenanga Research

1st Phase – Timeline – To Complete by May 2025

Timeline



Source: Company, Kenanga Research

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	5.00	6.00	20.00%	2,300.0	Y	12/2023	31.3	32.0	21.8%	2.2%	16.0	15.6	1.3	8.1%	17.4	3.5%
POS MALAYSIA BHD	UP	0.560	0.460	-17.86%	438.4	Y	12/2023	(6.9)	(2.1)	-153.3%	-129.9%	N.A.	N.A.	0.6	-6.8%	0.0	0.0%
SWIFT HAULAGE BHD	OP	0.475	1.00	110.53%	422.7	Y	12/2023	7.1	7.7	11.6%	8.0%	6.6	6.2	0.6	9.4%	2.2	4.6%
WESTPORTS HOLDINGS BHD	MP	3.62	3.65	0.83%	12,344.2	Y	12/2023	20.6	21.7	9.3%	5.5%	17.6	16.6	3.6	20.9%	15.5	4.3%
SECTOR AGGREGATE					15,505.2					-27.6%	-28.5%	13.4	12.8	1.5	7.9%		3.1%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Services Quality & Safety	★	★	★		
	Cybersecurity & Data Privacy	★	★	★	★	
	Customer Experience	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	
	Waste Management	★	★	★		
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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