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# SWIFT Haulage

## Investing for Future Growth

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SWIFT's 9MFY23 results met our expectation but beat the consensus estimate. Its 9MFY23 core net profit declined 13% YoY due to higher operating and interest expenses, which were inevitable on the back of its aggressive expansion plans. We see earnings recovery in FY24 as its new warehouses are gradually filled. We maintain our forecasts, TP of RM0.63 and **OUTPERFORM** call.

Its 9MFY23 core net profit (excluding RM15.9m fair value gains from the acquisition of a 17.5% stake in Global Vision Logistics S/B) met our expectation at 70% of our full-year forecast but beat market expectation at 81% of the full-year consensus estimate.

**YoY**, its 9MFY23 revenue grew 4% driven by: (i) economy reopening, (ii) increased transportation activities for petrochemical products, particularly for the Petronas group of companies (close to 20% of revenue), and (iii) a strong gateway cargo volume on the back of robust exports by local manufacturers spurred by MYR's weakness. However, its core net profit declined by 13% due to higher operating expenses (+14%) and finance costs (+30%) to support its warehouse expansion and green fleet initiatives, namely: (i) the addition of two units of fully-electric prime movers (c.RM1.5m each), and (ii) the full upgrade of its ICE prime mover fleet to the state-of-the-art fuel-efficient Euro 5 model from the Euro 3 model, expected to be completed by April 2024 (currently, SWIFT owns 1,546 prime movers).

**QoQ**, its 3QFY23 revenue rose 2% driven by a higher demand for its container haulage service (+3%) on improved productivity from the export sector in the absence of extended festive holidays. On the other hand, land transportation, warehousing and container depot and freight forwarding business reported flattish top line performance. Similarly, its core net profit only grew 3%.

**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), Port Klang Free Zone warehouse (178k sq ft), and cold chain warehouse in Sabah (from 27k sq ft to 57k sq ft), as well as commenced warehouse management and transportation services in Pengerang for Petronas (c.1.17m sq ft).

Its on-going expansion plans include: (i) Westport on-dock depot (5 acres for 4,000 TEUs by year-end), (ii) a warehouse in Mak Mandin, Penang (150k sq ft; completion by 1QCY24), (iii) Westport warehouse, Pulau Indah, Selangor (260k sq ft; completion by 1QCY24), and (iv) the biggest green logistics hub in Asia (outside China) under 42.5%-associate GVL (first phase of 2.8m sq ft by May 2025, 6.0m sq ft when fully completed by 2028).

### Forecasts. Maintained

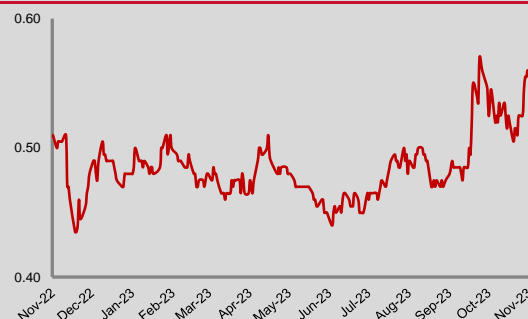
We also maintain our TP of RM0.63 based on an unchanged FY24F PER of 10x, in-line with local logistics sector benchmark. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

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 c.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. Maintain **OUTPERFORM**.

# OUTPERFORM ↔

Price: **RM0.55**  
Target Price: **RM0.63** ↔

### Share Price Performance



KLCI	1,457.60
YTD KLCI chg	-2.5%
YTD stock price chg	14.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	484.3
Shares Outstanding	880.5
52-week range (H)	0.59
52-week range (L)	0.44
3-mth avg daily vol	4,190,714
Free Float	41%
Beta	1.1

### Major Shareholders

Persada Bina Sdn Bhd	37.0%
KWAP	9.0%
Loo Hooi Keat	2.8%

### Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Revenue	644.8	703.4	789.5
EBITDA	143.8	158.7	167.0
PBT	64.0	62.7	70.0
<b>Net Profit</b>	<b>50.5</b>	<b>49.9</b>	<b>55.6</b>
<b>Core Net Profit</b>	<b>57.0</b>	<b>49.9</b>	<b>55.6</b>
Consensus (NP)	-	43.3	50.9
Earnings Revision	-	-	-
Core EPS (sen)	6.4	5.6	6.3
Core EPS (%)	7.3	-12.6	11.6
NDPS (sen)	2.0	1.7	1.9
BVPS (RM)	0.74	0.78	0.82
PER (x)	8.6	9.8	8.8
PBV (x)	0.7	0.7	0.7
Net Gearing (x)	0.9	0.8	0.6
Net Div. Yield (%)	3.6	3.2	3.5

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

Results Highlights								
FYE Dec (RM m)	3QFY23	2QFY23	QoQ	3QFY22	YoY	9MFY23	9MFY22	YoY
Revenue	168.0	165.1	2%	159.3	6%	497.9	479.7	4%
Gross Profit (GP)	48.4	50.0	-3%	48.7	0%	149.5	149.5	0%
EBIT	39.6	20.1	97%	22.3	78%	80.4	68.7	17%
PBT	30.5	12.0	154%	15.3	99%	55.3	49.1	13%
Tax Expense	(1.7)	(1.9)		(3.3)		(6.2)	(9.5)	
<b>Net Profit</b>	<b>28.4</b>	<b>9.8</b>	<b>189%</b>	<b>11.7</b>	<b>142%</b>	<b>48.2</b>	<b>39.2</b>	<b>23%</b>
<b>Core Net Profit</b>	<b>12.5</b>	<b>12.1</b>	<b>3%</b>	<b>12.4</b>	<b>0%</b>	<b>35.0</b>	<b>40.2</b>	<b>-13%</b>
<b>NDPS (sen)</b>	<b>0.0</b>	<b>0.8</b>		<b>0.0</b>		<b>0.8</b>	<b>1.0</b>	
GP Margin	28.8%	30.3%		30.6%		30.0%	31.2%	
EBIT Margin	23.6%	12.2%		14.0%		16.1%	14.3%	
PBT Margin	18.1%	7.3%		9.6%		11.1%	10.2%	
CNP Margin	7.4%	7.3%		7.8%		7.0%	8.4%	
Effective Tax Rate	5.5%	16.2%		21.6%		11.2%	19.3%	

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.				
<b>Stocks Under Coverage</b>																	
BINTULU PORT HOLDINGS BHD	OP	5.10	5.55	8.8%	2,346.0	Y	12/2023	25.3	25.8	-1.6%	2.0%	20.2	19.8	1.3	6.5%	13.0	2.5%
POS MALAYSIA BHD	UP	0.530	0.390	-26.4%	414.9	Y	12/2023	(11.0)	(5.7)	-184.9%	-152.2%	N.A.	N.A.	0.5	-10.9%	0.0	0.0%
SWIFT HAULAGE BHD	OP	0.550	0.630	14.5%	484.3	Y	12/2023	5.6	6.2	-12.5%	11.4%	9.8	8.8	0.7	7.4%	1.7	3.1%
WESTPORTS HOLDINGS BHD	MP	3.34	3.65	9.3%	11,389.4	Y	12/2023	20.6	21.7	9.3%	5.5%	16.2	15.4	3.3	20.9%	15.5	4.6%
<b>SECTOR AGGREGATE</b>					<b>3,658.6</b>							<b>15.4</b>	<b>14.6</b>	<b>1.5</b>			<b>2.6%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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