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SWIFT Haulage

Buying a Warehouse in Penang

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SWIFT is acquiring a 101k sq ft warehouse with an attached 31k sq ft office block in Seberang Perai, Penang, for RM30.2m cash. The acquisition will boost its warehouse capacity in Penang by 45% to 323k sq ft (from 222k sq ft), which is also well within its warehouse capacity growth target of 1.7m sq ft in FY24. We maintain our forecasts, TP of RM0.63 and OUTPERFORM call.

A new warehouse in Seberang Prai, Penang. SWIFT is acquiring a 101k sq ft warehouse with an attached 31k sq ft office block in Seberang Perai, Penang for RM30.2m cash from TOCEAN (Not Rated). The proposed acquisition is expected to be completed by 1QCY24.

At the RM30.2m price tag, this translates to RM228 per sq ft (psf). A quick online check shows that asking prices for comparable property surrounding the area range between RM272 psf and RM400 psf. We believe SWIFT is getting a decent deal here.

The warehouse is located just right next to SWIFT's northern region office beside the TOCEAN's warehouse. The acquisition will boost its warehouse capacity in Penang by 45% to 323k sq ft (from 222k sq ft), which is also well within its warehouse capacity growth target of 1.7m sq ft in FY24. Post the acquisition, SWIFT's net gearing will rise from 0.96x to 0.98x which is not excessive for a capital-intensive warehousing business.

To recap, 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 Seberang Perai, Penang (101k sq ft; acquisition 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).

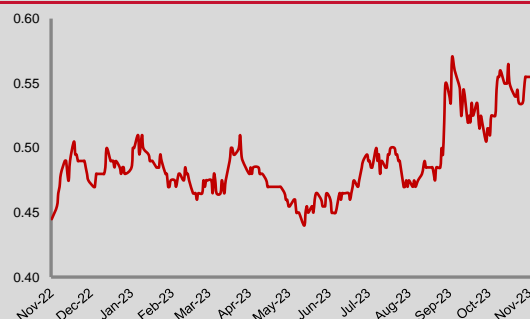
We like SWIFT for: (i) its leading position in the Malaysia haulage market commanding close to 10% share, (ii) its value-adding integrated offerings resulting in a superior pre-tax profit margin of c.10% compared to the industry average of 4%, and (iii) the tremendous growth potential of its warehousing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

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 : **RM0.56**
Target Price : **RM0.63** ↔

Share Price Performance



KLCI	1,448.02
YTD KLCI chg	-3.2%
YTD stock price chg	15.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	488.7
Shares outstanding	880.5
52-week range (H)	0.62
52-week range (L)	0.44
3-mth avg daily vol:	5,995,123
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
Net Profit	50.5	49.9	55.6
Core Net Profit	57.0	49.9	55.6
Consensus (NP)	-	38.5	47.1
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)	8.7	9.9	8.9
PBV (x)	0.8	0.7	0.7
Net Gearing (x)	0.9	0.8	0.6
Net Div. Yield (%)	3.6	3.1	3.5

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	MP	5.20	5.55	6.7%	2,392.0	Y	12/2023	25.3	25.8	-1.6%	2.0%	20.6	20.2	1.3	6.5%	13.0	2.5%
POS MALAYSIA BHD	UP	0.505	0.390	-22.8%	395.3	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%	489.4	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	OP	3.51	3.80	8.3%	11,969.1	Y	12/2023	21.8	23.2	15.7%	6.3%	16.1	15.2	3.5	22.1%	16.3	4.6%
SECTOR AGGREGATE					31,023.6					-154.7%	12.2%	20.7	18.5	1.1	4.3%		1.9%

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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