

15 January 2024

SWIFT Haulage

Paring Down Stake in Logistics Hub

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SWIFT is selling a 12.5% stake in Shah Alam International Logistics Hub (SAILH) for RM44.4m cash to IJM, paring down its interest to 30% from 42.5%. IJM will emerge as a partner in addition to its role as the building contractor. We maintain our forecasts and TP of RM0.63 but downgrade our call to MARKET PERFORM from OUTPERFORM after the recent run-up in its share price.

A smaller slice of e-commerce hub. SWIFT is selling a 12.5% stake in Global Vision Logistics (GVL), the developer of SAILH for RM44.4m cash to IJM (OP; TP: RM2.31), reducing its ownership in a 6m sq ft green logistics hub, currently under construction in Shah Alam, from 42.5% to 30%. Concurrently, IJM is also acquiring another 12.5% in GVL from private company Hartamas Mentari Sdn Bhd, giving it a total 25% ownership in GVL. The proposed disposal is expected to be completed within 1QCY24.

The key rationale is to rope in IJM as a partner, in addition to its role as the building contractor for the project. Having a financially strong partner like IJM is also crucial to funding further expansion of the hub.

GVL is developing 70.9 acres of land in Shah Alam into a 6m sq ft green logistics hub SAILH 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 which will occupy up to 400k sq ft of space.

Deal valuation. GVL's key asset is 70.9 acres of land strategically located near Batu Tiga, i-City in Shah Alam and Subang Jaya township. It has a debt of RM200m.

At RM44.4m for a 12.5% stake, the deal values GVL in its entirety at an enterprise value of RM555.2m (having reflected RM200m debt at GVL), translating to RM180 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 valued the land in its entirety at RM495m or RM159 psf. We believe SWIFT is parting with the stake at a good price. SWIFT is expected to record a one-off disposal gain of RM11m.

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 (for the first phase of 2.8m sq ft of warehousing space).

We estimate the disposal could boost our FY25F earnings forecast by 2% as earnings foregone from the 12.5% stake of RM11m, will be more than offset by RM2m net interest savings from the disposal proceeds. The proceeds will also reduce SWIFT's net gearing slightly from 0.96x to 0.9x.

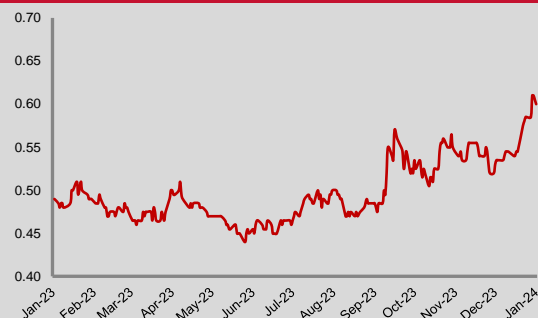
Forecasts. Maintained, pending the completion of the deal.

Valuation. 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).

MARKET PERFORM ↓

Price : RM0.60
Target Price : RM0.63 ↔

Share Price Performance



KLCI	1,487.34
YTD KLCI chg	2.2%
YTD stock price chg	10.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	528.4
Shares outstanding	880.7
52-week range (H)	0.63
52-week range (L)	0.44
3-mth avg daily vol:	5,373,414
Free Float	41%
Beta	1.2

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	781.4
EBITDA	143.8	158.7	166.1
PBT	64.0	62.7	69.1
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	11.5
NDPS (sen)	2.0	1.7	1.9
BVPS (RM)	0.74	0.78	0.82
PER (x)	9.4	10.7	9.6
PBV (x)	0.8	0.8	0.7
Net Gearing (x)	0.9	0.8	0.6
Net Div. Yield (%)	3.3	2.9	3.2

15 January 2024

Investment case. 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.

However, the upside to its share price is limited after the recent run-up in its share price. Downgrade to **MARKET PERFORM** from **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.

Logistics Hub Illustration – by 2028



Source: Company, Kenanga Research

Logistics Hub Current Progress – 1st phase



Source: Company, Kenanga Research

Potential Customers

Potential Customers

E-Commerce



Large distributors



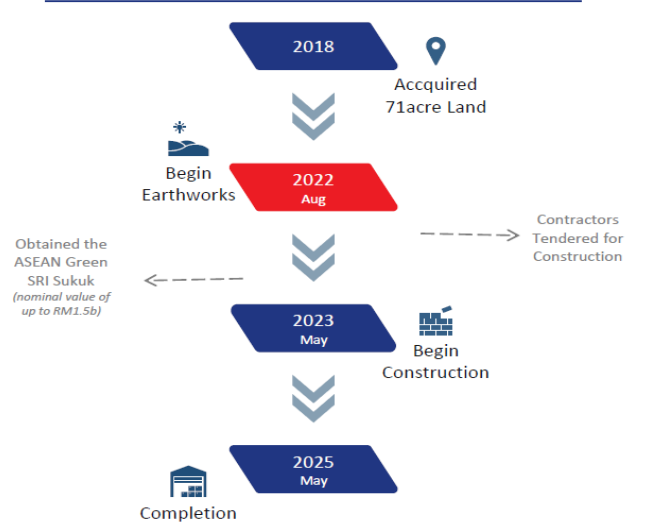
International 3rd Party Logistics



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	MP	5.55	5.55	0.0%	2,553.0	Y	12/2023	25.3	25.8	-1.6%	2.0%	22.0	21.5	1.4	6.5%	13.0	2.3%
POS MALAYSIA BHD	UP	0.500	0.390	-22.0%	391.4	Y	12/2023	(11.0)	(5.7)	-184.9%	-152.2%	N.A.	N.A.	0.5	-10.9%	-	-
SWIFT HAULAGE BHD	MP	0.600	0.630	5.0%	533.9	Y	12/2023	5.6	6.2	-12.5%	11.4%	10.7	9.6	0.8	7.4%	1.7	2.8%
WESTPORTS HOLDINGS BHD	OP	3.75	3.80	1.3%	12,787.5	Y	12/2023	21.8	23.2	15.7%	6.3%	17.2	16.2	3.7	22.1%	16.3	4.3%
SECTOR AGGREGATE					31,774.4					-144.6%	37.6%	26.0	18.9	1.2	5.0%		1.7%

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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