SWIFT Haulage

Hit by Shipping Disruptions

MARKET PERFORM ↔

Price:	RM0.54
Target Price:	RM0.51 ↓

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SWIFT's 1QFY24 results disappointed. Its 1QFY24 core net profit declined 21% YoY due to start-up costs from a new warehouse and loss of operational scale due to global shipping disruptions. We cut our FY24-25F net profit forecasts by 7% each, reduce our TP by 7% to RM0.51 (from RM0.55) but maintain our MARKET PERFORM call.

Its 1QFY24 core net profit (excluding one-offs of RM13m) disappointed, coming in at only 17% and 18% of our full-year forecast and the full-year consensus estimate, respectively. The variance against our forecast came largely from higher-than-expected start-up costs from its new warehouse in Westport and loss of operational scale at its container depot and freight forwarding businesses due to global shipping disruptions arising from the Red Sea conflict. No dividend was declared as SWIFT typically distributes half-yearly dividends.

YoY, its 1QFY24 revenue rose 9% driven by stronger performance across all segments:- (i) container haulage (+2%) and freight forwarding (+6%) as gateway container volume remained strong on the back of brisk exports by local manufacturers (partly fuelled by the weak MYR), (ii) land transportation (+12%) with increased transportation activities for petrochemical products, particularly for the Petronas group of companies (close to 20% of revenue), and (iii) warehousing and container depot (+23%) with the increased capacity utilisation by new customers.

However, its core net profit declined by 21% due to: (i) start-up costs from the new warehouse in Westport, (ii) loss of operational scale at its container depot and freight forwarding businesses due to shipping disruptions, particularly, long-haul routes such as Asia-Europe and Asia-America, and (iii) higher finance cost (+11%) on warehouse expansion.

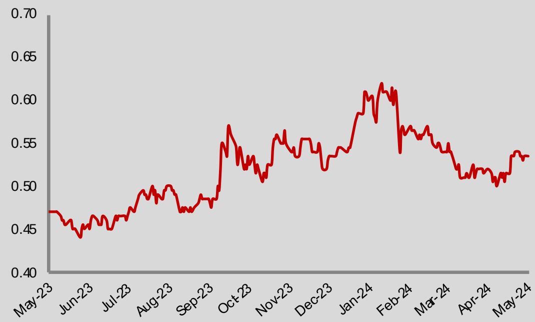
QoQ, its 1QFY24 revenue rose 3% driven by higher demand across all segments as gateway container volume remained strong on the back of brisk exports by local manufacturers. However, its core net profit plunged 47% in the absence of investment tax allowance.

The key takeaways from its results briefing are as follows:

1. SWIFT echoed WPRTS's guidance for a low single-digit container volume growth rate in FY24 (vs. our container haulage segment growth assumption of 2%) as it believes the prolonged war in the Middle East with no immediate sign of the Red Sea conflict de-escalating will continue to weigh down on the Asia-Europe trade. Nonetheless, it is slightly more positive on FY25, guiding for a single-digit container volume growth rate (vs. our container haulage segment growth assumption of 2%).

2. Its new warehouse in Westport (260k sq ft) commenced operation on 1 Mar 2024 with 70% of space taken up by Sharp (distributor of white goods), while the remaining 30% will be filled by a new FMCG customer by May 2024. Meanwhile, its Tebrau warehouses (200k sq ft) onboarded a new customer in Apr 2024, and will onboard a new FMCG customer by 4QCY24 which should boost its occupancy rate to 80% (from 60%). It hopes to lease the remaining 20% to Singapore-based businesses as distribution hubs given the warehouse's proximity to Tuas Second Link. The occupancy rate of its PKFZ warehouse (178k sq ft) rose to 60% (vs. 30%, three months ago). It is in active discussions with potential tenants. In terms of total warehouse space, we maintain our assumption of 1.7m sq ft in FY24F (+30%) and introduce an assumption of 1.9m sq ft (+17%) for FY25F.

Share Price Performance



KLCI	1,602.91
YTD KLCI chg	10.2%
YTD stock price chg	-1.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	472.3
Shares Outstanding	882.9
52-week range (H)	0.63
52-week range (L)	0.44
3-mth avg. daily vol.	1,566,005
Free Float	38%
Beta	1.2

Major Shareholders

Persada Bina Sdn Bhd	23.9%
Jwd Asia Holding Private Limited	20.4%
Loo Hooi Keat	5.0%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	671.2	716.7	777.5
EBITDA	136.7	145.4	154.3
PBT	67.9	56.2	60.3
Net Profit	**62.9**	**45.3**	**48.5**
Core Net Profit	**50.5**	**45.3**	**48.5**
Consensus (NP)	-	46.4	49.2
Earnings Revision	-	-7%	-7%
Core EPS (sen)	5.7	5.1	5.5
Core EPS Growth (%)	-11.5	-10.4	7.2
NDPS (sen)	1.6	1.6	1.7
BVPS (RM)	0.79	0.83	0.86
PER (x)	9.4	10.5	9.8
PBV (x)	0.7	0.6	0.6
Net Gearing (x)	0.9	0.7	0.6
Net Div. Yield (%)	3.0	2.9	3.2

3. It will continue to leverage on its new shareholder, Thailand-listed SCGJWD Logistics PCL, to expand its cross-border trucking by utilising SCGJWD's wide logistics network in Thailand. It onboarded a new customer, i.e. Sharp, for the service of its land transportation service in Mar 2024, in addition to warehousing service in Westport. We maintain our volume growth assumption of 5% for both FY24 and FY25 for its land transportation segment.

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, Westport on-dock depot (5 acres for 4,000 TEUs), Westport warehouse, Pulau Indah, Selangor (260k sq ft; operation started in March 2024) 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) a warehouse in Seberang Perai, Penang (118k sq ft; acquisition completion by 2QCY24), and (ii) the biggest green logistics hub in Asia (outside China) under 30%-associate GVL (first phase of 2.8m sq ft by Nov 2025, 6.0m sq ft when fully completed by 2028).

Forecasts. We cut our FY24-25F net profit forecasts by 7% each.

Valuations. Correspondingly, we cut our TP by 7% to RM0.51 (from RM0.55) based on an unchanged FY24F PER of 10x, in-line with the average forward PER of the local logistics sector. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

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, we believe the current market valuations have fully reflected its fundamentals. Maintain **MARKET PERFORM.**

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

Results Highlights

FYE Dec (RM m)	1QFY24	4QFY23	QoQ	1QFY23	YoY	1QFY24	1QFY23	YoY
Revenue	179.4	173.3	3%	164.8	9%	179.4	164.8	9%
Gross Profit (GP)	51.7	50.8	2%	51.1	1%	51.7	51.1	1%
EBIT	19.8	22.2	-11%	21.0	-6%	19.8	21.0	-6%
Interest expense	(8.6)	(9.2)	-6%	(7.7)	11%	(8.6)	(7.7)	11%
Associates and JVs	0.0	0.4		(0.1)		0.0	(0.1)	
EI^	13.0	0.5		(0.4)		13.0	(0.4)	
PBT	24.2	13.9	74%	12.8	89%	24.2	12.8	89%
Tax Expense	(2.8)	2.7		(2.6)		(2.8)	(2.6)	
Minority interest	(0.3)	(0.6)	-59%	(0.3)	4%	(0.3)	(0.3)	4%
Net Profit	**21.1**	**16.0**	**32%**	**10.0**	**111%**	**21.1**	**10.0**	**111%**
Core Net Profit	**8.2**	**15.5**	**-47%**	**10.4**	**-21%**	**8.2**	**10.4**	**-21%**
NDPS (sen)	**0.0**	**0.8**		**0.0**		**0.0**	**0.0**	
GP Margin	28.8%	29.3%		31.0%		28.8%	31.0%	
EBIT Margin	11.1%	12.8%		12.7%		11.1%	12.7%	
PBT Margin	13.5%	8.0%		7.8%		13.5%	7.8%	
CNP Margin	4.6%	8.9%		6.3%		4.6%	6.3%	
Effective Tax Rate	11.7%	-19.2%		20.0%		11.7%	20.0%	

Source: Company, Bursa Malaysia, Kenanga Research

^ Gain from disposal of 12.5% stake in Global Vision Logistics Sdn. Bhd (GVL) at RM13m

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	6.30	5.90	-6.3%	2,898.0	Y	12/2024	25.8	30.3	1.2%	17.4%	24.4	20.8	1.5	6.4%	13.0	2.1%
POS MALAYSIA BHD	UP	0.465	0.330	-29.0%	364.0	Y	12/2024	(11.5)	(6.7)	-161.5%	-158.3%	N.A.	N.A.	0.8	-19.0%	0.0	0.0%
SWIFT HAULAGE BHD	MP	0.535	0.510	-4.7%	476.0	Y	12/2024	5.1	5.5	-10.3%	7.1%	10.5	9.8	0.6	6.3%	1.7	3.2%
WESTPORTS HOLDINGS BHD	MP	3.96	3.80	-4.0%	13,503.6	Y	12/2024	23.4	24.5	2.5%	4.6%	16.9	16.2	3.6	22.1%	17.6	4.4%
SECTOR AGGREGATE					**34,041.6**					**113.4%**	**14.9%**	**20.1**	**17.5**	**1.3**	**2.9%**		**2.0%**

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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