

28 February 2025

SWIFT Haulage

Higher OPEX

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SWIFT's FY24 results disappointed. Its core net profit plunged 45% YoY due to start-up costs from a new warehouse and loss of operational scale arising from global shipping disruption and rising local competition. We cut FY25F net profit by 17% and our TP by 9% to RM0.41 (from RM0.45). Maintain MARKET PERFORM call.

Its FY24 core net profit (excluding one-offs of RM13m) came in at only 74% and 76% of our forecast and the consensus estimate, respectively. The key variance against our forecast was higher-than-expected operating costs. Note that, we will provide more details in the briefing note.

The group declared an interim NDPS of 0.8 sen as in 4QFY23, leading FY24 NDPS to 1.6 sen, also similar to FY23, as expected.

YoY, its FY24 revenue rose 7% driven by stronger performance across all segments:- (i) container haulage (+6%) and freight forwarding (+14%) as gateway container volume remained strong on the back of brisk exports by local manufacturers (partly fuelled by the weak MYR), (ii) land transportation (+3%) 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 (+19%) with the increased capacity utilisation by new customers.

However, its core net profit declined by 45% due to: (i) start-up costs from the new warehouse in Westport, (ii) loss of operational scale at its container haulage, land transportation, and freight forwarding businesses due to the shipping disruption, particularly, long-haul routes such as Asia-Europe and Asia-America, as well as rising local competition and (iii) higher finance cost (+7%) on warehouse expansion.

QoQ, its 4QFY24 revenue rose 1% as weaker container haulage (+0%) and land transportation (-6%) was netted off by stronger warehousing and container depot (+11%) with the increased capacity utilisation by new customers and freight forwarding (+14%), as ports congestion eased. However, its core net profit fell 15% mainly due to the higher operating expenses in line with the increased business activities and higher effective tax rate of 28.7% vs 24.8% in 3QFY24.

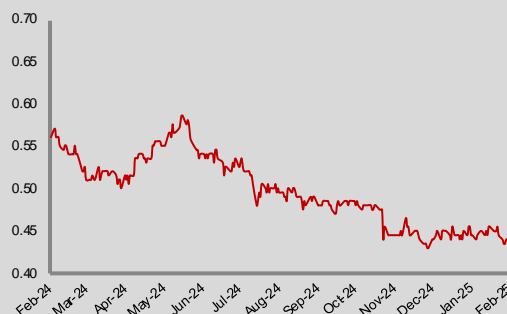
Still in expansion mode. SWIFT has completed the expansion of its warehouses in Tebrau (from 108k sq ft to 308k sq ft), Seberang Prai (from 113k sq ft to 222k sq ft), Port Klang Free Zone warehouse (178k sq ft), cold chain warehouse in Sabah (from 27k sq ft to 57k sq ft, Westport on-dock depot (5 acres for 4,000 TEUs), Westport warehouse, Pulau Indah, Selangor (260k sq ft; operation started in Mar 2024), and another warehouse in Seberang Perai, Penang (118k sq ft; acquisition completed in Aug 2024), as well as commenced warehouse management and transportation services in Pengerang for Petronas (c.1.17m sq ft). We expect SWIFT to further its expansion in the northern region, i.e. Kedah, due to the recent increase in the FDI there.

Its on-going expansion plan includes the biggest green logistics hub in Asia (outside China) under 30%-associate GVL (first phase of 2.8m sq ft by Nov 2025 and 6.0m sq ft when fully completed by 2028) which is on track and expected to contribute to its earnings starting 4QFY25 (1-2 months contribution) and the new Perai, Penang warehouse (200k sq ft), currently under construction, expected to be completed by end-2025.

MARKET PERFORM ↔

Price: RM0.43
Target Price: RM0.41 ↓

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-4.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SWIFT MK Equity
Market Cap (RM m)	377.5
Shares Outstanding	877.8
52-week range (H)	0.60
52-week range (L)	0.43
3-mth avg. daily vol.	548,241
Free Float	37%
Beta	0.9

Major Shareholders

Persada Bina Sdn Bhd	24.1%
Jwd Asia Holding Private Limited	20.5%
Loo Hooi Keat	5.2%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	720.5	777.5	844.1
EBITDA	140.3	158.4	169.7
PBT	51.6	45.3	51.9
Net Profit	40.8	36.5	41.8
Core Net Profit	27.5	36.5	41.8
Consensus (NP)	-	41.5	41.5
Earnings Revision	-	-17%	NEW
Core EPS (sen)	3.1	4.1	4.7
Core EPS Growth (%)	-45.5	32.5	14.5
NDPS (sen)	1.6	1.6	1.6
BVPS (RM)	0.82	0.84	0.87
PER (x)	13.9	10.5	9.2
PBV (x)	0.5	0.5	0.5
Net Gearing (x)	1.0	0.9	0.7
Net Div. Yield (%)	3.7	3.7	3.7

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Forecasts. We reduced FY25F net profit by 17% as we factored in: (i) start-up costs from the new warehouse in Westport, and (ii) loss of operational scale at its container haulage. We introduced FY26F net profit of RM41.8m (+15%).

Valuations. Correspondingly, we cut our TP by 9% to RM0.41 (from RM0.45) based on unchanged FY25F 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.7% 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)	4QFY24	3QFY24	QoQ	3QFY23	YoY	FY24	FY23	YoY
Revenue	185.2	183.1	1%	168.0	10%	720.5	671.2	7%
Gross Profit (GP)	53.0	50.8	4%	48.4	10%	201.4	200.3	1%
EBIT	17.4	18.0	-3%	23.7	-26%	75.7	89.4	-15%
Interest expense	(9.4)	(9.7)	-2%	(9.1)	4%	(36.7)	(34.1)	7%
Associates and JVs	0.3	0.0		(0.1)		1.1	0.2	
EI [^]	(0.1)	(0.3)		15.9		12.3	13.7	
PBT	8.2	8.1	1%	30.5	-73%	52.5	69.2	-24%
Tax Expense	(2.3)	(2.0)	17%	(1.7)	40%	(9.3)	(3.5)	166%
Minority interest	(0.8)	(0.3)	169%	(0.4)	106%	(2.9)	(1.5)	94%
Net Profit	5.0	5.8	-13%	28.4	-82%	40.3	64.2	-37%
Core Net Profit	5.1	6.1	-15%	12.5	-59%	27.9	50.5	-45%
NDPS (sen)	0.8	0.0		0.0		1.6	1.6	
GP Margin	28.6%	27.7%		28.8%		28.0%	29.8%	
EBIT Margin	9.4%	9.8%		14.1%		10.5%	13.3%	
PBT Margin	4.4%	4.4%		18.1%		7.3%	10.3%	
CNP Margin	2.8%	3.3%		7.4%		3.9%	7.5%	
Effective Tax Rate	28.7%	24.8%		5.5%		17.7%	5.1%	

Source: Company, Bursa Malaysia, Kenanga Research

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

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BINTULU PORT HOLDINGS BHD	MP	6.00	6.20	3.3%	2,760.0	Y	12/2025	33.1	36.3	0.8%	9.9%	18.1	16.5	1.4	7.8%	15.0	2.5%
POS MALAYSIA BHD	UP	0.200	0.150	-25.0%	156.6	Y	12/2024	(20.8)	(18.5)	-184.4%	-189.1%	N.A.	N.A.	0.7	-64.6%	0.0	0.0%
SWIFT HAULAGE BHD	MP	0.430	0.410	-4.7%	382.6	Y	12/2024	4.1	4.7	32.7%	14.5%	10.5	9.2	0.5	4.9%	1.6	3.7%
WESTPORTS HOLDINGS BHD	MP	4.69	4.40	-6.2%	15,992.9	Y	12/2025	26.3	26.5	15.2%	0.6%	17.8	17.7	4.2	24.5%	19.8	4.2%
SECTOR AGGREGATE					4,823.0					-33.9%	-41.0%	15.5	14.5	1.7	-6.9%		2.6%

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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Published by:

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