

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Optimism with Caution


KEY INVESTMENT HIGHLIGHTS

- **2QFY23 core PATAMI missed our expectation**
- **Revenue growth was fueled by the warehousing and land transportation segments**
- **Margin contracted on higher finance costs, overheads, and depreciation.**
- **Downward revision of earnings by -5% to -12%**
- **Maintain BUY with a revised TP of RM0.65**

Below expectations. Swift Haulage Berhad (Swift Haulage) reported a core PATAMI of RM7.1m in 2QFY23, contributing to a cumulative core PATAMI of RM16.2m in 1HFY23. This reflects only 30%/32% of our/consensus full year estimates due to the unexpectedly lower profit margin. The Group has announced a first single tier dividend of 0.8 sen for 1HFY23, representing a payout of 44%.

Quarterly. Core PATAMI dropped by -48.7%yoy in 2QFY23, despite a +3.1%yoy increase in revenue as margin contracted on higher finance costs, overheads, and depreciation. Driven by FY22's fleet (+50 prime movers) and warehousing capacity expansion (+487,000 sq ft), revenue growth was led by the warehousing & container depot (+25.7%yoy) and land transportation (+5.5%yoy) segments, offsetting weaker contributions from the container haulage (-8.4%yoy) and freight forwarding (-10.9%yoy) segments. As compared to 1QFY23, core PATAMI declined by -22.1%qoq, with the margin contraction stemming from the aforementioned factors.

Outlook. We have adopted a more cautious stance on the Group's earnings outlook due to the prevailing macroeconomic challenges that could affect the container haulage and freight forwarding volume. Notably, the first seven months of CY23 saw a -5.9%yoy decline in exports and a -6.5% drop in imports, resulting in an overall -6.1%yoy decrease in total trade. Nonetheless, we expect the profit margins to improve once the new warehouses (Tebrau and PKFZ) attain optimal utilisation in the upcoming quarters. Furthermore, the fleet expansion in FY22 positions the Group well to tap into cross-selling opportunities within the land transportation business. Apart from that, the management aims to monetise two pieces of its unutilised landbank, generating approximately RM46.0m to reduce its borrowings.

Maintain BUY. After accounting for higher operating and finance costs, we have revised down our earnings estimates for FY23E/FY24F/FY25F by -12%/-6%/-5%. Our updated TP is **RM0.65** (from RM0.90), derived from revised 11x FY24E EPS (-1.0SD below sector's historical mean). The target multiple has been adjusted from 15x, considering challenges from the slowdown in trade. The stock is trading at a -40% discount to the sector's 5-year historical mean. We maintain our **BUY** recommendation for the stock. Key downside risks are: (i) weaker-than-expected gateway container throughput and (ii) lower-than-expected take-up rates for the new warehouses. 

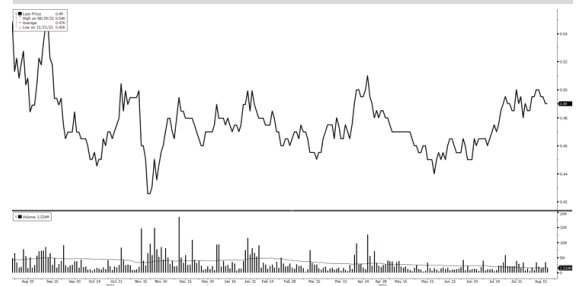
Maintain BUY

Revised Target Price: RM0.65
(Previously RM0.90)

RETURN STATISTICS

Price @ 18 th August 2023 (RM)	0.49
Expected share price return (%)	+32.7
Expected dividend yield (%)	+3.1
Expected total return (%)	+35.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.2	0.8
3 months	8.9	3.0
12 months	-14.0	-10.6

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	679.1	713.4	743.4
EBIT	88.3	98.3	102.4
PBT	57.2	67.2	71.3
Core PATAMI	43.5	51.1	54.2
Core EPS (sen)	4.9	5.8	6.1
DPS (sen)	1.5	1.7	1.8
Dividend Yield	3.1%	3.5%	3.7%

KEY STATISTICS

FBM KLCI	1,446.09
Issue shares (m)	889.81
Estimated free float (%)	41.21
Market Capitalisation (RM'm)	431.57
52-wk price range	RM0.43 - RM0.59
3-mth average daily volume (m)	1.7
3-mth average daily value (RM'm)	0.81
Top Shareholders (%)	
Persada Bina Sdn Bhd	36.97
KWAP	9.03
Loo Hooi Keat	2.76

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SWIFT HAULAGE: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Income Statement								
Revenue	165.1	164.8	160.1	0.2%	3.1%	329.9	320.4	2.9%
Operating profit	20.2	20.5	23.3	-1.7%	-13.6%	40.7	46.4	-12.3%
Finance cost	-8.1	-7.7	-6.6	-5.0%	-22.6%	-15.9	-12.6	-26.2%
Results of associates & JV	-0.04	-0.1	-0.04	28.0%	12.2%	-0.1	-0.1	10.4%
PBT	12.0	12.8	16.7	-6.1%	-27.9%	24.8	33.8	-26.5%
Tax expense	-1.9	-2.6	-3.6	24.1%	45.9%	-4.5	-6.2	27.1%
PATAMI	9.7	10.1	13.2	-4.0%	-26.3%	19.9	27.5	-27.8%
Core PATAMI	7.1	9.1	13.8	-22.1%	-48.7%	16.2	27.0	-40.1%
EBIT margin (%)	12.2%	12.5%	14.6%			12.3%	14.5%	
PBT margin (%)	7.3%	7.8%	10.4%			7.5%	10.5%	
Core PATAMI margin (%)	4.3%	5.5%	8.6%			4.9%	8.4%	
Effective tax rate (%)	-16.2%	-20.0%	-21.5%			-18.2%	-18.3%	

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
Revenue								
Container haulage	63.6	69.7	69.5	-8.7%	-8.4%	133.3	140.6	-5.2%
Land transportation	56.6	62.9	53.6	-10.0%	5.5%	119.4	106.1	12.6%
Warehousing & container depot	24.9	22.3	19.8	11.4%	25.7%	47.2	39.4	19.8%
Freight forwarding	15.3	14.4	17.2	6.3%	-10.9%	29.7	34.2	-13.1%
PBT								
Container haulage	5.9	4.9	6.6	19.9%	-10.7%	10.8	13.4	-19.7%
Land transportation	4.2	5.0	4.0	-17.6%	3.4%	9.2	8.9	3.1%
Warehousing & container depot	2.5	3.1	2.2	-21.5%	9.2%	5.6	4.5	25.2%
Freight forwarding	5.6	6.7	9.4	-15.7%	-39.8%	12.3	17.8	-30.6%

Source: Swift Haulage, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	588.3	644.8	679.1	713.4	743.4
EBIT	80.2	89.6	88.3	98.3	102.4
PBT	53.8	63.3	57.2	67.2	71.3
PATAMI	47.1	50.5	43.5	51.1	54.2
Core PATAMI	48.2	49.0	43.5	51.1	54.2
EPS (sen)	5.5	5.6	4.9	5.8	6.1
PER (x)	8.6	8.5	9.5	8.1	7.6
DPS (sen)	n.a.	1.7	1.5	1.7	1.8
Dividend yield (%)	n.a.	3.6%	3.2%	3.6%	3.8%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	471.6	604.2	623.7	642.0	659.2
ROU assets	436.8	371.6	366.1	356.2	346.8
Non-current assets	1,120.5	1,219.3	1,189.8	1,198.2	1,206.0
Trade debtors	248.2	217.4	229.0	240.6	250.7
Cash	64.7	51.4	27.3	46.1	66.9
Current assets	338.0	337.8	327.4	358.3	389.6
Long-term debt	396.8	446.1	446.1	446.1	446.1
Non-current liabilities	508.8	552.2	468.9	460.8	459.7
Short-term debt	179.0	201.4	201.4	201.4	201.4
Trade creditors	102.1	116.6	124.6	130.2	135.2
Current liabilities	314.4	346.3	357.5	369.1	371.4
Share capital	384.7	384.7	384.7	384.7	384.7
Retained earnings	250.0	275.6	306.1	341.8	379.7
Equity	635.3	658.6	690.8	726.5	764.5

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	57.1	64.0	57.2	67.2	71.3
Depreciation & amortisation	57.5	60.9	61.0	61.6	62.2
Changes in working capital	-99.0	28.6	4.3	6.4	5.6
Operating cash flow	23.6	164.2	108.8	119.2	122.0
Capital expenditure	-26.2	-144.7	-75.0	-70.0	-70.0
Investing cash flow	-87.0	-196.8	-75.0	-70.0	-70.0
Debt raised/(repaid)	40.9	57.1	0.0	0.0	0.0
Dividends paid	0.0	-24.9	-13.0	-15.3	-16.3
Financing cash flow	106.2	-7.2	-28.0	-30.3	-31.3
Net cash flow	42.9	-39.8	5.8	18.8	20.8
Beginning cash flow	18.4	61.3	21.5	27.3	46.1
Ending cash flow	61.3	21.5	27.3	46.1	66.9

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	13.6%	13.9%	13.0%	13.8%	13.8%
PBT margin	9.1%	9.8%	8.4%	9.4%	9.6%
PATAMI margin	8.0%	7.8%	6.4%	7.2%	7.3%
Core PAT margin	8.2%	7.6%	6.4%	7.2%	7.3%

Source: Swift Haulage, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology