

## Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

### Banking on Higher Warehouse Uptake

#### KEY INVESTMENT HIGHLIGHTS


- **Port throughput growth not translating into container haulage volume**
- **The land transportation segment remains robust**
- **New warehouses are underutilised, with room for growth**
- **Earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM0.65**

Below are the highlights from the recent quarterly results briefing:

**Throughput volume disparity.** In 2QFY23, the main local ports posted a +10.0%qoq and +20.0%yoy growth in container throughput. This was driven by Port Klang, specifically via a China-based paper mill plant in Banting. However, the plant's in-house hauliers exclusively support its operations, resulting in the Group's container volume growth remaining relatively flat. Moreover, the monthly average freight forwarding jobs declined by -12.0%qoq and -19.0%yoy, mainly correlated with the drop in throughput at Johor Port. Notably, the lower revenue contribution from the container haulage segment (-8.7%qoq, -8.4%yoy) in 2QFY23 was primarily attributed to reduced medium to long-haul trips.

**Robust land transportation business.** The land transportation trips surged by +13.5%yoy, owing to (i) fleet expansion, (ii) contribution from newly acquired Watt Wah Petroleum Haulage (Watt Wah) and (iii) activities picking up at the Pengerang Integrated Complex. As compared to 1QFY23, the number of trips fell by -5.3%qoq due to shorter working months. The decline in average revenue per trip (-4.8%qoq, -18.7%yoy) was mainly due to Watt Wah handling shorter distance trips within Singapore, generating about RM600-RM700 per trip.

**Warehouse utilisation has not improved much,** standing at 73% in 2QFY23. The Tebrau warehouse (+200,000 sq ft) is presently only 60% occupied as the volume from an FMCG customer (specialising in hygiene products) dropped post-pandemic. The Group plans to boost occupancy by exploring Singapore distribution, capitalising on its cost advantages and the warehouse's proximity to the Tuas Second Link. Meanwhile, the PKFZ warehouse (+178,000 sq ft) is 25% occupied but projected to rise to 45% by early-4QFY23 with the onboarding of two new customers. For the container depot, utilisation remains strong, exceeding 80% despite the additional capacity (+4,000 TEUs) due to containers being off hired by shipping lines.

**Maintain BUY.** Our estimates remain unchanged. The stock is trading at a -42% discount to the sector's 5-year historical mean. We maintain our **BUY** call on Swift Haulage with an unchanged TP of **RM0.65** (11x FY24F EPS). Key downside risks are: (i) slow take-up for the new warehouses and (ii) unexpectedly weaker gateway container port throughput. 

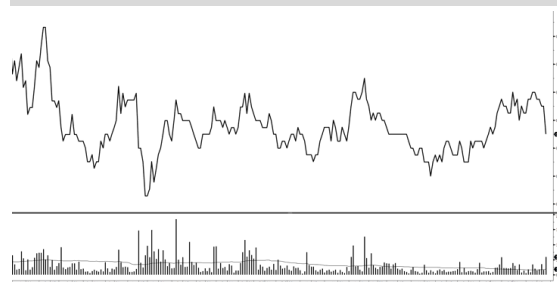
**Maintain BUY**

**Unchanged Target Price: RM0.65**

#### RETURN STATISTICS

Price @ 21 <sup>st</sup> August 2023 (RM)	0.47
Expected share price return (%)	+38.3
Expected dividend yield (%)	+3.2
<b>Expected total return (%)</b>	<b>+41.5</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.1	-6.5
3 months	4.4	-2.2
12 months	-17.5	-15.5

#### 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	3.2%	3.6%	3.8%

#### KEY STATISTICS

FBM KLCI	1,450.57
Issue shares (m)	889.81
Estimated free float (%)	41.21
Market Capitalisation (RM'm)	413.95
52-wk price range	RM0.43 - RM0.58
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

## OPERATIONAL STATISTICS

Segment	Quarterly				Cumulatively			
	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
<b>Container Haulage</b>								
Volume (TEU)	151,557	151,468	147,998	0.1%	2.4%	303,025	293,368	3.3%
Avg. revenue/TEU	RM420	RM460	RM482	-8.7%	-12.9%	RM440	RM488	-9.8%
<b>Land Transportation</b>								
Number of trips	47,813	50,488	42,118	-5.3%	13.5%	98,301	85,725	14.7%
Avg. revenue/trip	RM1,185	RM1,245	RM1,458	-4.8%	-18.7%	RM1,215	RM1,412	-14.0%
<b>Freight Forwarding</b>								
Number of jobs	19,649	22,430	24,321	-12.4%	-19.2%	42,079	48,145	-12.6%
Avg. revenue/job	RM770	RM642	RM740	19.9%	4.1%	RM706	RM755	-6.5%
<b>Warehousing</b>								
Capacity (sq ft)	1,308,771	1,308,771	1,077,012	0.0%	21.5%	1,308,771	1,077,012	21.5%
Utilisation rate	73%	75%	86%	-2.7%	-15.1%	74%	89%	-16.9%
<b>Container Depot</b>								
Capacity (TEU)	32,500	28,500	28,500	7.0%	7.0%	30,500	28,500	7.0%
Utilisation rate	81%	89%	72%	-9.0%	12.5%	85%	66%	28.8%

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
<b>Non-current assets</b>	<b>1,120.5</b>	<b>1,219.3</b>	<b>1,189.8</b>	<b>1,198.2</b>	<b>1,206.0</b>
Trade debtors	248.2	217.4	229.0	240.6	250.7
Cash	64.7	51.4	27.3	46.1	66.9
<b>Current assets</b>	<b>338.0</b>	<b>337.8</b>	<b>327.4</b>	<b>358.3</b>	<b>389.6</b>
Long-term debt	396.8	446.1	446.1	446.1	446.1
<b>Non-current liabilities</b>	<b>508.8</b>	<b>552.2</b>	<b>468.9</b>	<b>460.8</b>	<b>459.7</b>
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
<b>Current liabilities</b>	<b>314.4</b>	<b>346.3</b>	<b>357.5</b>	<b>369.1</b>	<b>371.4</b>
Share capital	384.7	384.7	384.7	384.7	384.7
Retained earnings	250.0	275.6	306.1	341.8	379.7
<b>Equity</b>	<b>635.3</b>	<b>658.6</b>	<b>690.8</b>	<b>726.5</b>	<b>764.5</b>
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
<b>Operating cash flow</b>	<b>23.6</b>	<b>164.2</b>	<b>108.8</b>	<b>119.2</b>	<b>122.0</b>
Capital expenditure	-26.2	-144.7	-75.0	-70.0	-70.0
<b>Investing cash flow</b>	<b>-87.0</b>	<b>-196.8</b>	<b>-75.0</b>	<b>-70.0</b>	<b>-70.0</b>
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
<b>Financing cash flow</b>	<b>106.2</b>	<b>-7.2</b>	<b>-28.0</b>	<b>-30.3</b>	<b>-31.3</b>
<b>Net cash flow</b>	<b>42.9</b>	<b>-39.8</b>	<b>5.8</b>	<b>18.8</b>	<b>20.8</b>
<b>Beginning cash flow</b>	<b>18.4</b>	<b>61.3</b>	<b>21.5</b>	<b>27.3</b>	<b>46.1</b>
<b>Ending cash flow</b>	<b>61.3</b>	<b>21.5</b>	<b>27.3</b>	<b>46.1</b>	<b>66.9</b>
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