

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Guarded Optimism

KEY INVESTMENT HIGHLIGHTS

- **3QFY23 core PATAMI missed our expectation**
- **Warehousing and land transportation segments drove revenue growth**
- **Margin shrank due to increased finance costs and overheads**
- **Earnings estimates maintained with a downward bias**
- **Maintain BUY with an unchanged TP of RM0.65**

Below expectations. In 3QFY23, Swift Haulage Berhad (Swift Haulage) reported a core PATAMI of RM2.1m, which adds up to a cumulative core PATAMI of RM18.3m in 9MFY23. There was a gain on bargain purchase of RM25.5m for the acquisition of Global Vision Logistics (GVL) in 3QFY23, which we have excluded from the core earnings calculation. This accounts for only 42% of our/consensus full-year estimates, primarily due to the unexpectedly lower profit margin.

Quarterly. The +5.5%yoy revenue growth in 3QFY23 was primarily driven by the expansion of the land transportation fleet in the past year, which saw the addition of 50 prime movers as well as an increase in warehousing capacity (+487,000 sq ft). However, the core PATAMI declined by -80.4%yoy due to increased finance costs and higher overhead expenses from business expansion as well as reduced contributions from the higher-yielding freight forwarding segment. On a quarter-on-quarter basis, revenue increased marginally by +1.8% as the container haulage segment entered its high-demand season, but core PATAMI declined by -69.7% due to similar factors.

Outlook. Based on our macroeconomic projections, we expect Malaysia's external trade to stabilise and regain momentum starting in the 4QCY23. Exports and imports are expected to return to growth mainly on the back of better recovery in China and positive sentiments over stabilising monetary policy in major economies. This should benefit logistics players, including Swift Haulage, given its strong position in the container haulage market and the expanded fleet, enabling the Group to capitalise on cross-selling opportunities within the land transportation business. The new warehouses (Tebrau and PKFZ) could see increased occupancy rates, potentially leading to improvements in profit margins.

Maintain BUY. We maintain our earnings estimates, but we expect to revise them downward after gaining more clarity from the management during today's briefing. As such, we maintain our **BUY** call with an unchanged TP at **RM0.65** (11x FY24E EPS). The stock is trading at a -30% discount to the sector's 5-year historical mean. Key downside risks are: (i) weaker-than-expected gateway container throughput and (ii) lower-than-expected take-up rates for the new warehouses.

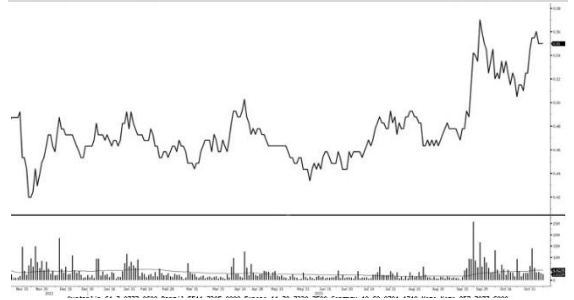
Maintain BUY

Unchanged Target Price: RM0.65

RETURN STATISTICS

Price @ 8 th November 2023 (RM)	0.55
Expected share price return (%)	+18.1
Expected dividend yield (%)	+2.7
Expected total return (%)	+20.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.8	2.8
3 months	-1.8	11.4
12 months	8.9	8.1

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	2.7%	3.1%	3.3%

KEY STATISTICS

FBM KLCI	1,457.60
Issue shares (m)	889.81
Estimated free float (%)	41.17
Market Capitalisation (RM'm)	484.25
52-wk price range	RM0.43 - RM0.58
3-mth average daily volume (m)	4.21
3-mth average daily value (RM'm)	2.21
Top Shareholders (%)	
Persada Bina Sdn Bhd	36.98
KWAP	9.03
Loo Hooi Keat	2.77

SWIFT HAULAGE: 3Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Income Statement								
Revenue	168.0	165.1	159.3	1.8%	5.5%	497.9	479.7	3.8%
Operating profit	39.6	19.0	22.3	108.7%	77.7%	80.4	68.7	17.0%
Finance cost	-9.1	-8.1	-6.7	-12.0%	-36.1%	-25.0	-19.3	-29.7%
Results of associates & JV	-0.07	-0.04	-0.30	-102.8%	75.5%	-0.2	-0.4	59.6%
PBT	30.5	10.8	15.3	181.4%	98.8%	55.3	49.1	12.6%
Tax expense	-1.7	-1.9	-3.3	14.0%	49.5%	-6.2	-9.5	34.9%
PATAMI	28.4	9.7	11.7	192.0%	142.3%	48.2	39.2	23.0%
Core PATAMI	2.1	7.1	11.0	-69.7%	-80.4%	18.3	36.2	-49.4%
OP margin (%)	23.6%	11.5%	14.0%			16.1%	14.3%	
PBT margin (%)	18.1%	6.6%	9.6%			11.1%	10.2%	
Core PATAMI margin (%)	1.3%	4.3%	6.9%			3.7%	7.5%	
Effective tax rate (%)	-5.5%	-18.0%	-21.6%			-11.2%	-19.3%	

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Revenue								
Container haulage	67.1	63.6	69.5	5.5%	-3.4%	200.4	210.1	-4.6%
Land transportation	60.0	56.6	51.3	6.0%	17.0%	179.4	157.4	14.0%
Warehousing & container depot	26.7	24.9	21.2	7.2%	26.1%	73.9	60.6	22.0%
Freight forwarding	14.2	15.3	16.4	-7.0%	-12.9%	43.9	50.6	-13.1%
PBT								
Container haulage	6.0	5.9	6.8	1.5%	-12.1%	16.7	20.2	-17.2%
Land transportation	0.6	4.2	3.5	-85.0%	-82.1%	9.8	12.4	-20.8%
Warehousing & container depot	4.5	2.5	2.6	85.3%	76.8%	10.1	7.0	44.1%
Freight forwarding	5.8	5.6	8.4	3.0%	-31.1%	18.1	26.2	-30.8%

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)	10.1	9.9	11.1	9.5	8.9
DPS (sen)	n.a.	1.7	1.5	1.7	1.8
Dividend yield (%)	n.a.	3.1%	2.7%	3.1%	3.3%

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	1,103.3	1,175.6	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	495.9	480.2	468.5
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	301.2	297.1	287.6
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

Key Assumptions	2021A	2022A	2023E	2024F	2025F
Container volume (TEUs)	606,378	576,872	588,409	606,062	624,244
Number of land transportation trips	169,758	150,569	155,086	158,188	161,352
Number of freight forwarding jobs	90,796	88,773	90,548	93,265	96,063
Warehousing space (sq ft)	952,871	1,273,071	1,273,071	1,423,071	1,423,071

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