

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Rough Road Ahead

KEY INVESTMENT HIGHLIGHTS


- **The decline in container handling persisted**
- **The land transportation segment remains robust**
- **New warehouses remain underutilised**
- **Downward revision of earnings by -34%/-19%/-18%**
- **Downgrade to NEUTRAL with a revised TP of RM0.52**

Below are the highlights from the recent quarterly results briefing:

Container haulage and freight forwarding. Container traffic dropped further in 3QFY23, with Malaysia's exports and imports experiencing a steeper decline of -15.2%yoy and -16.3%yoy respectively as compared to 2QFY23. Management noted a slight uptick in container volume for Oct-23 but remains uncertain about its stability continuing through the 1HFY24. Meanwhile, the notable decrease in freight forwarding revenue, compared to container haulage (despite its correlation), was partially attributed to lower freight rates and a -6.0%yoy decline in Johor port throughput, which is a focal point of its freight forwarding business.

Land transportation. The volume of land transportation trips remains robust due to recent fleet expansion. As in previous quarters, the decrease in average revenue per trip was primarily because Watt Wah handled shorter-distance trips within Singapore. Management anticipates this segment to receive a further boost in the coming year as activities at the Pengerang Integrated Complex pick up, with the expected occupancy of the warehouse they operate to increase from 50% to 80%.

Warehouse and container depot. The average warehouse utilisation rate declined to 71% (2QFY23: 72%) with the Tebrau warehouse at 45% occupancy, but a new energy drink customer joining in Oct-23 is expected to increase it to 70% by year-end, while the occupancy of the PKFZ warehouse remains at 30%. Swift Haulage aims to enhance its capacity (+378,000 sq ft) by 1QFY24 with the acquisition of a new warehouse in Perai and the Westport Warehouse, which it is constructing, already has an existing E&E customer prepared to utilise 70% of the space. As for the container depot segment, utilisation remains high at 87% in 3QFY23 due to containers being off hired by shipping lines.

Downgrade to NEUTRAL. We have grown cautious about the Group due to rising expansion costs that have reduced margins. After adjusting assumptions to align with 9MFY23 operating statistics and lower margins, earnings were revised by -34%/-19%/-18% for FY23E/FY24F/FY25F. Consequently, our TP is now lower at **RM0.52** (from RM0.65). With a year-to-date increase of +17%, the recent share price rise prompts a downgrade of our recommendation to **NEUTRAL**. The stock is trading at -1.0SD below its sector's 5-year historical mean. Key catalysts are: (i) higher-than-expected gateway container throughput and (ii) enhanced margins due to economies of scale. 

Downgrade to NEUTRAL

(Previously BUY)

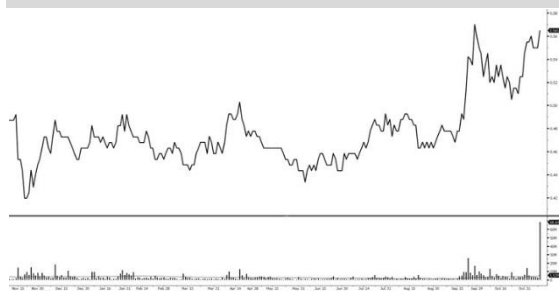
Revised Target Price: RM0.52

(Previously RM0.65)

RETURN STATISTICS

Price @ 9 th November 2023 (RM)	0.56
Expected share price return (%)	-7.1
Expected dividend yield (%)	+1.8
Expected total return (%)	-5.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.7	7.4
3 months	0.9	14.7
12 months	11.9	11.7

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	665.5	692.2	712.7
EBIT	69.9	87.0	91.1
PBT	37.5	54.6	58.7
Core PATAMI	28.5	41.5	44.6
Core EPS (sen)	3.2	4.7	5.1
DPS (sen)	1.0	1.4	1.5
Dividend Yield	1.8%	2.5%	2.7%

KEY STATISTICS

FBM KLCI	1,452.27
Issue shares (m)	889.81
Estimated free float (%)	41.17
Market Capitalisation (RM'm)	497.46
52-wk price range	RM0.43 - RM0.61
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

3Q23 OPERATING STATISTICS

Segment	Quarterly					Cumulatively		
	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
Container Haulage								
Volume (TEU)	145,087	151,557	145,288	-4.3%	-0.1%	448,112	438,656	2.2%
Avg. revenue/TEU	RM461	RM420	RM470	9.8%	-1.9%	RM447	RM482	-7.3%
Land Transportation								
Number of trips	51,974	47,813	42,951	8.7%	21.0%	150,275	128,676	16.8%
Avg. revenue/trip	RM1,152	RM1,185	RM1,400	-2.8%	-17.7%	RM1,194	RM1,408	-15.2%
Freight Forwarding								
Number of jobs	21,716	19,649	28,047	10.5%	-22.6%	63,795	76,192	-16.3%
Avg. revenue/job	RM719	RM770	RM818	-6.6%	-12.1%	RM689	RM781	-11.8%
Warehousing								
Capacity (sq ft)	1,308,771	1,308,771	1,072,155	0.0%	22.1%	1,308,771	1,072,155	22.1%
Utilisation rate	68%	73%	86%	-6.8%	-20.7%	72%	88%	-18.2%
Container Depot								
Capacity (TEU)	31,167	30,500	28,500	2.2%	9.4%	31,167	28,500	9.4%
Utilisation rate	91%	81%	87%	12.3%	4.6%	87%	73%	19.2%

Source: Swift Haulage, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	588.3	644.8	665.5	692.2	712.7
EBIT	80.2	89.6	69.9	87.0	91.1
PBT	53.8	63.3	37.5	54.6	58.7
PATAMI	47.1	50.5	28.5	41.5	44.6
Core PATAMI	48.2	49.0	28.5	41.5	44.6
EPS (sen)	5.5	5.6	3.2	4.7	5.1
PER (x)	10.2	10.1	17.3	11.9	11.1
DPS (sen)	n.a.	1.4	1.0	1.4	1.5
Dividend Yield (%)	n.a.	2.5%	1.8%	2.5%	2.7%
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	224.4	233.4	240.3
Cash	64.7	51.4	14.2	24.8	37.1
Current assets	338.0	337.8	309.5	329.5	349.0
Long-term debt	396.8	446.1	446.1	446.1	446.1
Non-current liabilities	508.8	552.2	463.7	452.7	447.9
Short-term debt	179.0	201.4	201.4	201.4	201.4
Trade creditors	102.1	116.6	122.4	126.8	130.2
Current liabilities	314.4	346.3	355.4	365.7	366.4
Share capital	384.7	384.7	384.7	384.7	384.7
Retained earnings	250.0	275.6	295.6	324.6	355.9
Equity	635.3	658.6	680.3	709.3	740.6
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	57.1	64.0	37.5	54.6	58.7
Depreciation & amortisation	57.5	60.9	61.0	61.6	62.2
Changes in working capital	-99.0	28.6	1.7	5.0	3.8
Operating cash flow	23.6	164.2	91.2	108.1	110.6
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	-8.6	-12.4	-13.4
Financing cash flow	106.2	-7.2	-23.6	-27.4	-28.4
Net cash flow	42.9	-39.8	-7.3	10.6	12.2
Beginning cash flow	18.4	61.3	21.5	14.2	24.8
Ending cash flow	61.3	21.5	14.2	24.8	37.1
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	195,740	201,612	207,660
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	1,651,071	1,651,071
Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	13.6%	13.9%	10.5%	12.6%	12.8%
PBT margin	9.1%	9.8%	5.6%	7.9%	8.2%
PATAMI margin	8.0%	7.8%	4.3%	6.0%	6.3%
Core PAT margin	8.2%	7.6%	4.3%	6.0%	6.3%

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