

## Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

### Earnings Lifted by Underclaimed Tax Allowance

#### KEY INVESTMENT HIGHLIGHTS

- **4QFY23 core PATAMI surpassed our expectation**
- **Business volume recovery across all segments**
- **Margin improvement from lower tax rate**
- **New Westports Warehouse operational in 1QFY24**
- **Maintain NEUTRAL with a revised TP of RM0.50**

**Above expectation.** In 4QFY23, Swift Haulage Berhad (Swift) recorded a core PATAMI of RM13.5m, contributing to a total core PATAMI of RM31.8m. This surpassed our expectations but fell short of consensus, representing 117%/83% of our/consensus full-year expectations. The deviation was due to the underclaimed investment tax allowance (ITA). The group announced a second single-tier dividend of 0.8 cents, resulting in a total dividend of 1.6 cents for the year, with a payout ratio of 45%.

**Quarterly.** The +5.6%yoy revenue growth in 4QFY23 was driven by increased business volumes across all segments, compensating for the decline in freight forwarding rates and lower average transportation rates from shorter distance trips. The core PATAMI margins saw significant improvement due to the ITA impact. Sequentially, revenue increased by +3.1%qoq, primarily driven by the land transportation segment following its vehicle fleet expansion, along with contributions from the car carrier segment. Similarly, core PATAMI grew almost sevenfold, driven by similar factors.

**Outlook.** Customers' adoption of a "just-in-case" inventory storage model continues to drive warehouse capacity expansion, with the Group anticipating a total of +387,000 sq ft of additional capacity this year. This expansion offers avenues to cross-sell its transportation services. The newly launched +269,000 sq ft Westport Warehouse is set to begin operations in Mar-24, with major customer Sharp Electronics Malaysia expected to occupy 70% of the space. With the anticipation of trade recovery, we expect a gradual volume uptick in container and freight forwarding throughout CY24. Management projects single-digit growth for these segments.

**Maintain NEUTRAL.** Following the update of full-year operational statistics, our forward earnings were marginally adjusted by -1%/-3% for FY24F/FY25F. Our target price has been revised to **RM0.50** from RM0.52. Trading in line with the sector's 5-year historical mean, we maintain our **NEUTRAL** call on the stock. Upside catalysts for our projections include higher-than-expected gateway container throughput and improved margins resulting from economies of scale.



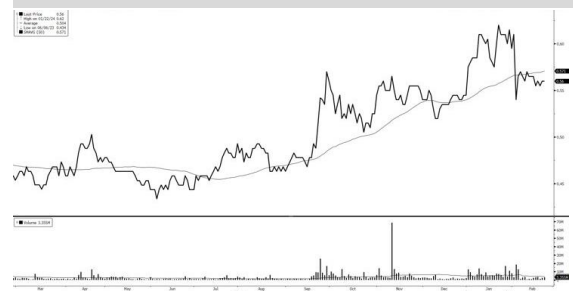
**Maintain NEUTRAL**

**Revised Target Price: RM0.50**  
(Previously RM0.52)

#### RETURN STATISTICS

|   |       |
|---|-------|
| Price @ 23 <sup>rd</sup> February 2024 (RM) | 0.56  |
| Expected share price return (%)             | -10.7 |
| Expected dividend yield (%)                 | +2.9  |
| Expected total return (%)                   | -7.8  |

#### SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month               | -8.2     | -10.7    |
| 3 months              | 2.8      | -5.3     |
| 12 months             | 17.9     | 10.9     |

#### INVESTMENT STATISTICS

| FYE Dec        | 2023A | 2024F | 2025F |
|----------------|-------|-------|-------|
| Revenue        | 671.2 | 725.5 | 749.9 |
| EBIT           | 103.3 | 90.7  | 93.7  |
| PBT            | 69.2  | 53.9  | 56.9  |
| Core PATAMI    | 31.8  | 40.9  | 43.3  |
| Core EPS (sen) | 3.6   | 4.6   | 4.9   |
| DPS (sen)      | 1.6   | 1.6   | 1.7   |
| Dividend yield | 2.9%  | 2.9%  | 3.0%  |

#### KEY STATISTICS

|                                  |                 |
|----------------------------------|-----------------|
| FBM KLCI                         | 1549.11         |
| Issue shares (m)                 | 880.71          |
| Estimated free float (%)         | 31.68           |
| Market Capitalisation (RM'm)     | 493.23          |
| 52-wk price range                | RM0.44 - RM0.63 |
| 3-mth average daily volume (m)   | 4.53            |
| 3-mth average daily value (RM'm) | 2.62            |
| Top Shareholders (%)             |                 |
| Persada Bina Sdn Bhd             | 24.0            |
| KWAP                             | 20.4            |
| Loo Hooi Keat                    | 9.0             |

**SWIFT HAULAGE: 4Q23 RESULTS SUMMARY**

| FYE Dec (RM'm)             | Quarterly |       |        |        |        | Cumulatively |        |        |
|----------------------------|-----------|-------|--------|--------|--------|--------------|--------|--------|
|                            | 4Q23      | 3Q23  | 4Q22   | QoQ    | YoY    | FY23         | FY22   | YoY    |
| <b>Income Statement</b>    |           |       |        |        |        |              |        |        |
| Revenue                    | 173.3     | 168.0 | 164.1  | 3.1%   | 5.6%   | 671.2        | 643.8  | 4.3%   |
| Operating profit           | 22.7      | 39.6  | 21.0   | -42.7% | 8.4%   | 103.1        | 89.7   | 15.0%  |
| Finance cost               | -9.2      | -9.1  | -7.6   | -0.6%  | -20.0% | -34.1        | -26.9  | -26.9% |
| Results of associates & JV | 0.4       | -0.07 | -0.2   | 617.8% | 350.3% | 0.2          | -0.5   | 140.2% |
| PBT                        | 13.9      | 30.5  | 13.2   | -54.2% | 5.8%   | 69.2         | 62.3   | 11.1%  |
| Tax expense                | 2.7       | -1.7  | -3.6   | 260.0% | 174.8% | -3.5         | -13.1  | 73.2%  |
| PATAMI                     | 16.0      | 28.4  | 9.3    | -43.7% | 72.3%  | 64.2         | 48.5   | 32.4%  |
| Core PATAMI                | 13.5      | 2.1   | 8.5    | 530.2% | 58.4%  | 31.8         | 44.9   | -29.1% |
| OP margin (%)              | 13.1%     | 23.6% | 12.8%  |        |        | 15.4%        | 13.9%  |        |
| PBT margin (%)             | 8.0%      | 18.1% | 8.0%   |        |        | 10.3%        | 9.7%   |        |
| Core PATAMI margin (%)     | 7.8%      | 1.3%  | 5.2%   |        |        | 4.7%         | 7.0%   |        |
| Effective tax rate (%)     | 19.2%     | -5.5% | -27.1% |        |        | -5.1%        | -21.0% |        |

**SEGMENTAL BREAKDOWN**

| FYE Dec (RM'm)                | Quarterly |      |      |        |        | Cumulatively |       |        |
|-------------------------------|-----------|------|------|--------|--------|--------------|-------|--------|
|                               | 4Q23      | 3Q23 | 4Q22 | QoQ    | YoY    | FY23         | FY22  | YoY    |
| <b>Revenue</b>                |           |      |      |        |        |              |       |        |
| Container haulage             | 66.9      | 67.1 | 62.2 | -0.3%  | 7.6%   | 267.3        | 272.3 | -1.8%  |
| Land transportation           | 65.2      | 60.0 | 56.6 | 8.6%   | 15.1%  | 244.6        | 214.0 | 14.3%  |
| Warehousing & container depot | 26.8      | 26.7 | 23.9 | 0.3%   | 12.2%  | 100.7        | 84.5  | 19.2%  |
| Freight forwarding            | 14.4      | 14.2 | 17.5 | 0.9%   | -17.8% | 58.3         | 68.1  | -14.3% |
| <b>PBT</b>                    |           |      |      |        |        |              |       |        |
| Container haulage             | 7.7       | 6.0  | 5.5  | 29.8%  | 39.9%  | 24.4         | 25.7  | -4.9%  |
| Land transportation           | 2.2       | 0.6  | 3.3  | 253.5% | -33.8% | 12.0         | 15.7  | -23.6% |
| Warehousing & container depot | 4.3       | 4.5  | 2.5  | -5.6%  | 68.8%  | 14.4         | 9.6   | 50.6%  |
| Freight forwarding            | 9.9       | 5.8  | 9.9  | 70.7%  | -0.3%  | 28.1         | 36.2  | -22.4% |

**OPERATIONAL STATISTICS**

| Segment                    | Quarterly |           |           |        |        | Cumulatively |           |        |
|----------------------------|-----------|-----------|-----------|--------|--------|--------------|-----------|--------|
|                            | 4Q23      | 3Q23      | 4Q22      | QoQ    | YoY    | FY23         | FY22      | YoY    |
| <b>Container Haulage</b>   |           |           |           |        |        |              |           |        |
| Volume (TEU)               | 140,624   | 145,087   | 138,216   | -3.1%  | 1.7%   | 588,736      | 576,872   | 2.1%   |
| Avg. revenue per TEU       | RM475     | RM461     | RM478     | 3.0%   | -0.6%  | RM454        | RM481     | -5.6%  |
| <b>Land Transportation</b> |           |           |           |        |        |              |           |        |
| Number of trips            | 66,428    | 51,974    | 21,893    | 27.8%  | 203.4% | 216,703      | 150,569   | 43.9%  |
| Avg. revenue per trip      | RM934     | RM1,152   | RM1,460   | -18.9% | -36.0% | RM1,129      | RM1,421   | -20.5% |
| <b>Freight Forwarding</b>  |           |           |           |        |        |              |           |        |
| Number of jobs             | 23,607    | 21,716    | 12,581    | 8.7%   | 87.6%  | 87,402       | 88,773    | -1.5%  |
| Avg. revenue per job       | RM537     | RM719     | RM740     | -25.3% | -27.4% | RM667        | RM767     | -13.0% |
| <b>Warehousing</b>         |           |           |           |        |        |              |           |        |
| Capacity (sq ft)           | 1,308,771 | 1,308,771 | 1,164,931 | 0.0%   | 12.3%  | 1,308,771    | 1,164,931 | 12.3%  |
| Utilisation rate           | 80%       | 68%       | 76%       | 17.6%  | 5.3%   | 74%          | 85%       | -12.9% |
| <b>Container Depot</b>     |           |           |           |        |        |              |           |        |
| Capacity (TEU)             | 31,500    | 31,167    | 28,500    | 1.1%   | 10.5%  | 31,500       | 28,500    | 10.5%  |
| Utilisation rate           | 51%       | 91%       | 65%       | -44.0% | -21.5% | 78%          | 71%       | 9.9%   |

Source: Swift Haulage, MIDFR

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2021A | 2022A | 2023A | 2024F | 2025F |
|-------------------------|-------|-------|-------|-------|-------|
| Revenue                 | 588.3 | 643.8 | 671.2 | 725.5 | 749.9 |
| EBIT                    | 80.2  | 88.6  | 103.3 | 90.7  | 93.7  |
| PBT                     | 53.8  | 62.3  | 69.2  | 53.9  | 56.9  |
| PATAMI                  | 47.1  | 48.5  | 64.2  | 40.9  | 43.3  |
| Core PATAMI             | 48.2  | 49.0  | 31.8  | 40.9  | 43.3  |
| EPS (sen)               | 5.5   | 5.6   | 3.6   | 4.6   | 4.9   |
| PER (x)                 | 10.2  | 10.1  | 15.5  | 12.0  | 11.4  |
| DPS (sen)               | n.a.  | 1.6   | 0.0   | 1.6   | 1.7   |
| Dividend Yield (%)      | n.a.  | 2.9%  | 0.0%  | 2.9%  | 3.0%  |

| Balance Sheet (RM'm)           | 2021A          | 2022A          | 2023A          | 2024F          | 2025F          |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| PPE                            | 471.6          | 615.4          | 658.5          | 669.7          | 680.1          |
| ROU assets                     | 436.8          | 362.0          | 356.0          | 346.2          | 337.0          |
| <b>Non-current assets</b>      | <b>1,120.5</b> | <b>1,219.2</b> | <b>1,312.7</b> | <b>1,215.9</b> | <b>1,217.0</b> |
| Trade debtors                  | 248.2          | 214.0          | 220.1          | 237.9          | 245.9          |
| Cash                           | 64.7           | 51.2           | 159.2          | 183.1          | 214.3          |
| <b>Current assets</b>          | <b>338.0</b>   | <b>336.7</b>   | <b>407.7</b>   | <b>501.4</b>   | <b>541.2</b>   |
| Long-term debt                 | 396.8          | 445.4          | 503.8          | 503.8          | 503.8          |
| <b>Non-current liabilities</b> | <b>508.8</b>   | <b>556.1</b>   | <b>594.4</b>   | <b>573.5</b>   | <b>585.2</b>   |
| Short-term debt                | 179.0          | 202.2          | 263.0          | 263.0          | 263.0          |
| Trade creditors                | 102.1          | 116.4          | 138.5          | 149.1          | 153.5          |
| <b>Current liabilities</b>     | <b>314.4</b>   | <b>343.4</b>   | <b>419.5</b>   | <b>446.2</b>   | <b>447.3</b>   |
| Share capital                  | 384.7          | 384.7          | 384.9          | 384.9          | 384.9          |
| Retained earnings              | 250.0          | 273.7          | 322.0          | 312.7          | 340.8          |
| <b>Equity</b>                  | <b>635.3</b>   | <b>656.4</b>   | <b>706.5</b>   | <b>697.6</b>   | <b>725.7</b>   |

| Cash Flow (RM'm)            | 2021A        | 2022A        | 2023A        | 2024F        | 2025F        |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| PBT                         | 57.1         | 62.3         | 69.2         | 53.9         | 56.9         |
| Depreciation & amortisation | 57.5         | 61.0         | 69.4         | 68.6         | 68.9         |
| Changes in working capital  | -99.0        | 30.1         | 7.3          | 8.6          | 4.2          |
| <b>Operating cash flow</b>  | <b>23.6</b>  | <b>163.9</b> | <b>135.0</b> | <b>118.2</b> | <b>116.3</b> |
| Capital expenditure         | -26.2        | -61.2        | -99.9        | -70.0        | -70.0        |
| <b>Investing cash flow</b>  | <b>-87.0</b> | <b>-96.0</b> | <b>-69.9</b> | <b>-70.0</b> | <b>-70.0</b> |
| Debt raised/(repaid)        | 40.9         | -1.1         | 129.8        | 0.0          | 0.0          |
| Dividends paid              | 0.0          | -24.9        | -15.9        | -14.3        | -15.1        |
| <b>Financing cash flow</b>  | <b>106.2</b> | <b>-94.6</b> | <b>49.3</b>  | <b>-14.3</b> | <b>-15.1</b> |
| <b>Net cash flow</b>        | <b>42.9</b>  | <b>-26.7</b> | <b>114.5</b> | <b>33.8</b>  | <b>31.2</b>  |
| <b>Beginning cash flow</b>  | <b>18.4</b>  | <b>61.3</b>  | <b>34.6</b>  | <b>149.3</b> | <b>183.1</b> |
| <b>Ending cash flow</b>     | <b>61.3</b>  | <b>34.6</b>  | <b>149.3</b> | <b>183.1</b> | <b>214.3</b> |

| Key Assumptions                     | 2021A   | 2022A     | 2023A     | 2024F     | 2025F     |
|-------------------------------------|---------|-----------|-----------|-----------|-----------|
| Container volume (TEUs)             | 606,378 | 576,872   | 588,736   | 606,398   | 624,590   |
| Number of land transportation trips | 169,758 | 150,569   | 216,703   | 225,371   | 234,386   |
| Number of freight forwarding jobs   | 90,796  | 88,773    | 87,402    | 90,024    | 92,725    |
| Warehousing space (sq ft)           | 952,871 | 1,273,071 | 1,273,071 | 1,660,071 | 1,660,071 |

| Profitability Margins | 2021A | 2022A | 2023A | 2024F | 2025F |
|-----------------------|-------|-------|-------|-------|-------|
| EBIT margin           | 13.6% | 13.8% | 15.4% | 12.5% | 12.5% |
| PBT margin            | 9.1%  | 9.7%  | 10.3% | 7.4%  | 7.6%  |
| PATAMI margin         | 8.0%  | 7.5%  | 9.6%  | 5.6%  | 5.8%  |
| Core PAT margin       | 8.2%  | 7.6%  | 4.7%  | 5.6%  | 5.8%  |

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