

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Heading into A Stronger 2H


KEY INVESTMENT HIGHLIGHTS

- **2QFY24 core PATAMI came in below expectation**
- **Increased warehouse and depot activity boosted transportation segments**
- **Warehouse utilisation rate to increase to 80%**
- **No changes to earnings estimates**
- **Upgrade to BUY with an unchanged TP of RM0.54**

Below expectation. Swift Haulage Berhad (Swift) reported a core PATAMI of RM8.3m for 2QFY24, resulting in a total core PATAMI of RM15.9m for 1HFY24, which fell short of our estimates at 39% due to lower-than-expected profit margins. A first interim single-tier dividend of 0.8 cents has been declared, reflecting a dividend payout of 44%.

Quarterly. In 2QFY24, revenue increased by +4.7%yoy, primarily driven by the expansion of warehouse facilities and growth in depot operations. Revenue in this segment grew by double digits, with an increase of +11.7%yoy. The boost in activity at these facilities also positively impacted the container haulage (+4.0%yoy) and land transportation (+4.9%yoy) businesses. Overall core PATAMI saw a growth of +9.7%yoy. Sequentially, revenue fell by -3.6%qoq, with declines across all segments except for warehousing and container depot operations (+2.8%qoq). This drop was likely due to the slower quarter caused by the festive period. However, core PATAMI rose by +8.9%qoq due to margin improvements resulting from economies of scale in the new warehouses.

Outlook. With the anticipated trade recovery, we expect a gradual increase in container and freight forwarding volumes throughout FY24. The second half of the year is typically stronger for the container haulage business as it approaches the peak season. Furthermore, given the port congestion issue, demand for warehouse storage could remain high. The Group anticipates adding a total of +387,000 sq ft of new capacity this year. We anticipate margin improvement as the overall warehouse utilisation rate is expected to rise to 80% this year, up from 74% in FY23.

Upgrade to BUY. No adjustments were made to our earnings estimate as we await further guidance from management following the briefing. The stock is trading at 10.2x FY25F EPS, which is -0.5 SD below the sector's 5-year historical mean. Given the recent drop in the share price, we believe that it presents a trading opportunity for investors given the current price does not reflect its fundamentals. Hence, we are upgrading our call from NEUTRAL to **BUY**. Our target price remains unchanged at **RM0.54**. Potential upside catalysts for our projections include higher-than-expected gateway container throughput and further improvements in margins from economies of scale. 

Upgrade to BUY

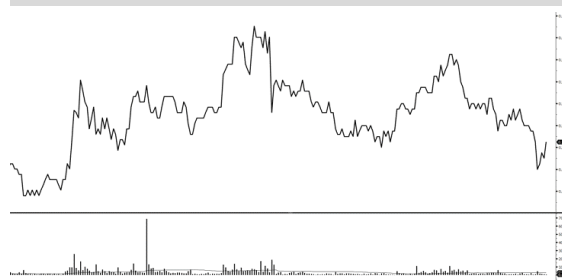
(Previously NEUTRAL)

Unchanged Target Price: RM0.54

RETURN STATISTICS

Price @ 9 th August 2024 (RM)	0.50
Expected share price return (%)	+8.0
Expected dividend yield (%)	+3.2
Expected total return (%)	+11.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-0.5
3 months	-6.5	-5.3
12 months	2.0	-6.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	725.5	749.9	775.0
EBIT	90.7	93.7	96.9
PBT	53.9	56.9	60.1
Core PATAMI	40.9	43.3	45.7
Core EPS (sen)	4.6	4.9	5.2
DPS (sen)	1.6	1.7	1.8
Dividend yield	3.2%	3.4%	3.6%

KEY STATISTICS

FBM KLCI	1,596.05
Issue shares (m)	890.10
Estimated free float (%)	37.36
Market Capitalisation (RM'm)	445.82
52-wk price range	RM0.46 - RM0.63
3-mth average daily volume (m)	2.97
3-mth average daily value (RM'm)	1.63
Top Shareholders (%)	
Persada Bina Sdn Bhd	23.94
KWAP	20.39
Loo Hooi Keat	5.10

SWIFT HAULAGE: 2Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
Income Statement								
Revenue	172.9	179.4	165.1	-3.6%	4.7%	352.2	329.9	6.8%
Operating profit	20.2	32.8	-116.3	-38.4%	117.4%	53.0	40.8	29.9%
Finance cost	-9.0	-8.6	-8.1	-5.0%	-10.7%	-17.6	-15.9	-10.6%
Results of associates & JV	-0.1	0.004	-0.04	>-100%	-161.1%	-0.1	-0.1	-4.7%
PBT	11.1	24.2	12.0	-54.2%	-7.7%	35.3	24.8	42.4%
Tax expense	-2.1	-2.8	-1.9	24.1%	-10.2%	-5.0	-4.5	-10.2%
PATAMI	8.3	21.1	9.7	-60.6%	-14.3%	29.5	19.9	48.5%
Core PATAMI	8.3	7.7	7.6	8.9%	9.7%	15.9	17.1	-7.0%
OP margin (%)	11.7%	18.3%	-70.4%			15.0%	12.4%	
PBT margin (%)	6.4%	13.5%	7.3%			10.0%	7.5%	
Core PATAMI margin (%)	4.8%	4.3%	4.6%			4.5%	5.2%	
Effective tax rate (%)	-19.3%	-11.7%	-16.2%			-14.1%	-18.2%	

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
Revenue								
Container haulage	67.6	69.6	65.0	-2.9%	4.0%	137.2	133.3	2.9%
Land transportation	62.6	67.1	59.7	-6.7%	4.9%	129.7	119.4	8.6%
Warehousing & container depot	28.0	27.2	25.1	2.8%	11.7%	55.2	47.2	16.9%
Freight forwarding	14.7	15.3	15.3	-4.2%	-4.2%	30.0	29.7	0.9%
PBT								
Container haulage	4.6	5.6	5.9	-18.4%	-21.9%	10.2	10.8	-5.3%
Land transportation	1.8	4.6	2.9	-60.1%	-37.4%	6.4	7.9	-19.9%
Warehousing & container depot	2.7	2.9	3.7	-7.0%	-27.0%	5.6	6.8	-17.8%
Freight forwarding	5.7	6.0	5.6	-4.4%	1.6%	11.7	12.3	-4.9%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	643.8	671.2	725.5	749.9	775.0
EBIT	88.6	103.3	90.7	93.7	96.9
PBT	62.3	69.2	53.9	56.9	60.1
PATAMI	48.5	64.2	40.9	43.3	45.7
Core PATAMI	49.0	31.8	40.9	43.3	45.7
EPS (sen)	5.6	3.6	4.6	4.9	5.2
PER (x)	9.0	13.8	10.8	10.2	9.6
DPS (sen)	1.6	1.6	1.6	1.7	1.8
Dividend Yield (%)	3.2%	3.2%	3.2%	3.4%	3.6%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	615.4	658.5	669.7	680.1	689.7
ROU assets	362.0	356.0	346.2	337.0	328.2
Non-current assets	1,219.2	1,312.7	1,215.9	1,217.0	1,219.0
Trade debtors	214.0	220.1	237.9	245.9	254.1
Cash	51.2	159.2	183.1	214.3	264.8
Current assets	336.7	407.7	501.4	541.2	598.8
Long-term debt	445.4	503.8	503.8	503.8	503.8
Non-current liabilities	556.1	594.4	573.5	585.2	632.3
Short-term debt	202.2	263.0	263.0	263.0	263.0
Trade creditors	116.4	138.5	149.1	153.5	137.9
Current liabilities	343.4	419.5	446.2	447.3	429.1
Share capital	384.7	384.9	384.9	384.9	384.9
Retained earnings	273.7	322.0	312.7	340.8	370.5
Equity	656.4	706.5	697.6	725.7	756.4

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	62.3	69.2	53.9	56.9	60.1
Depreciation & amortisation	61.0	69.4	68.6	68.9	69.1
Changes in working capital	30.1	7.3	8.6	4.2	21.8
Operating cash flow	163.9	135.0	118.2	116.3	136.5
Capital expenditure	-61.2	-99.9	-70.0	-70.0	-70.0
Investing cash flow	-96.0	-69.9	-70.0	-70.0	-70.0
Debt raised/(repaid)	-1.1	129.8	0.0	0.0	0.0
Dividends paid	-24.9	-15.9	-14.3	-15.1	-16.0
Financing cash flow	-94.6	49.3	-14.3	-15.1	-16.0
Net cash flow	-26.7	114.5	33.8	31.2	50.5
Beginning cash flow	61.3	34.6	149.3	183.1	214.3
Ending cash flow	34.6	149.3	183.1	214.3	264.8

Key Assumptions	2022A	2023A	2024E	2025F	2026F
Container volume (TEUs)	576,872	588,736	606,398	624,590	643,328
Number of land transportation trips	150,569	216,703	225,371	234,386	243,761
Number of freight forwarding jobs	88,773	87,402	90,024	92,725	95,507
Warehousing space (sq ft)	1,273,071	1,273,071	1,660,071	1,660,071	1,660,071

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	13.8%	15.4%	12.5%	12.5%	12.5%
PBT margin	9.7%	10.3%	7.4%	7.6%	7.8%
PATAMI margin	7.5%	9.6%	5.6%	5.8%	5.9%
Core PAT margin	7.6%	4.7%	5.6%	5.8%	5.9%

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