

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Margins Under Pressure

KEY INVESTMENT HIGHLIGHTS

- **Land transportation led margin drop**
- **Warehouse utilisation rate expected to improve**
- **Reduced freight and project cargo volumes**
- **Downward revision of earnings between -14% to -16%**
- **Downgrade to NEUTRAL with a revised TP of RM0.46**

Here are the main highlights of Swift's results briefing:

Land transportation drove the main drop in margin. The number of containers handled for haulage was higher than the quarterly figures in 1HFY24 but still lower by -1.6%yoy in 3QFY24. Revenue grew by +7.9%yoy mainly from higher rates driven by more long-haul trips. In contrast, the land transportation segment saw double-digit growth in trips as compared to 3QFY23, but rates declined due to a shift toward smaller trucking and shorter-haul trips. Management also highlighted that part of this segment had to be outsourced, leading to the lower margin.

The warehousing margin is set to improve. The margins for the warehousing and container depot segment remain below expectations due to high startup costs from the new Westports warehouse (269,000 sq ft) that began operations in Apr-24 and lost revenue as the Tebrau warehouse in Johor (200,000 sq ft) underwent renovations for a new client. The new FMCG client, which began fully occupying the Tebrau warehouse in Oct-24, is expected to increase its utilisation rate from below 50% to up to 70%. A new Perai Warehouse in Penang (+200,000 sq ft) is under construction, but its completion has been delayed to 3QFY25 from the previously expected 2QFY25. Once completed, it will expand Swift's owned/leased and operated warehouse portfolio to 1.9m sq ft (+12%) by the end of next year.

Lower freight and project cargo volumes. In the freight forwarding segment, the number of jobs increased substantially, but revenue declined due to fewer freight and project cargo shipments. However, PBT margin improved by +1.0ppts, likely due to a higher proportion of customs clearance jobs.

Downgrade to NEUTRAL. While our revenue estimates are on track, we have downgraded our earnings forecast for FY24E/FY25F/FY26F by -16%/-15%/-14% to account for lower margins across the segments. Consequently, our target price is now revised lower to **RM0.46** (from RM0.54). We downgraded our call to **NEUTRAL** from BUY, as the stock is now trading close to the sector's 5-year historical mean at 10.5x FY25F EPS. A key upside to earnings is the potential for improved efficiency through economies of scale.



Downgrade to NEUTRAL

(Previously BUY)

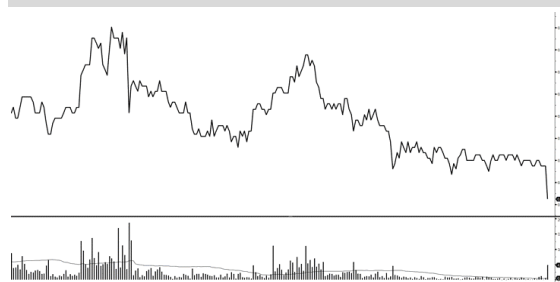
Revised Target Price: RM0.46

(Previously RM0.54)

RETURN STATISTICS

Price @ 14 th November 2024 (RM)	0.44
Expected share price return (%)	+4.5
Expected dividend yield (%)	+2.7
Expected total return (%)	+7.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.2	-6.4
3 months	-8.2	-11.4
12 months	-17.6	-25.4

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	706.3	749.2	778.5
EBIT	77.0	85.4	88.7
PBT	40.2	48.6	51.9
Core PATAMI	30.5	36.9	39.5
Core EPS (sen)	3.5	4.2	4.5
DPS (sen)	1.2	1.5	1.6
Dividend yield	2.7%	3.3%	3.5%

KEY STATISTICS

FBM KLCI	1,600.68
Issue shares (m)	890.10
Estimated free float (%)	37.16
Market Capitalisation (RM'm)	391.86
52-wk price range	RM0.44 - RM0.63
3-mth average daily volume (m)	0.50
3-mth average daily value (RM'm)	0.24
Top Shareholders (%)	
Persada Bina Sdn Bhd	24.00
JWD Asia Hold PL	20.44
Loo Hooi Keat	5.16

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Revenue								
Container haulage	72.4	67.6	67.1	7.1%	7.9%	209.6	200.4	4.6%
Land transportation	63.1	62.6	60.0	0.7%	5.1%	192.8	179.4	7.4%
Warehousing & container depot	30.3	28.0	26.7	8.3%	13.6%	85.6	73.9	15.7%
Freight forwarding	17.2	14.7	14.2	17.0%	20.5%	47.1	43.9	7.3%
PBT								
Container haulage	5.2	4.6	6.0	13.9%	-12.4%	15.4	16.7	-7.8%
Land transportation	1.5	1.8	1.9	-15.6%	-18.3%	7.9	9.8	-19.6%
Warehousing & container depot	3.7	2.7	3.3	35.7%	11.6%	9.3	10.1	-8.3%
Freight forwarding	7.2	5.7	5.8	25.1%	23.5%	18.9	18.1	4.2%
PBT Margin								
Container haulage	7.2%	6.8%	8.9%	0.4 ppts	-1.7 ppts	7.4%	8.3%	-1.0 ppts
Land transportation	2.4%	2.9%	3.1%	-0.5 ppts	-0.7 ppts	4.1%	5.5%	-1.4 ppts
Warehousing & container depot	12.1%	9.7%	12.3%	2.4 ppts	-0.2 ppts	10.8%	13.7%	-2.8 ppts
Freight forwarding	41.8%	39.1%	40.8%	2.7 ppts	1.0 ppts	40.1%	41.3%	-1.2 ppts

OPERATIONAL STATISTICS

Segment	Quarterly					Cumulatively		
	3QFY24	2QFY24	3QFY23	QoQ	YoY	9MFY24	9MFY23	YoY
Container Haulage								
Volume (TEU)	142,795	134,942	145,087	5.8%	-1.6%	416,817	448,112	-7.0%
Avg. revenue per TEU	RM507	RM502	RM461	1.0%	10.0%	RM503	RM447	12.5%
Land Transportation								
Number of trips	62,046	58,854	51,974	5.4%	19.4%	181,819	150,275	21.0%
Avg. revenue per trip	RM1,014	RM1,065	RM1,152	-4.8%	-12.0%	RM1,060	RM1,194	-11.2%
Freight Forwarding								
Number of jobs	25,560	23,041	21,716	10.9%	17.7%	73,891	63,795	15.8%
Avg. revenue per job	RM689	RM635	RM719	8.5%	-4.2%	RM638	RM689	-7.4%
Warehousing								
Capacity (sq ft)	1.47	1.39	1.31	5.7%	12.1%	1.47	1.31	12.1%
Utilisation rate	84%	80%	68%	4.0 ppts	16.0 ppts	80%	72%	8.0 ppts
Container Depot								
Capacity (TEU)	31,500	28,500	31,167	10.5%	1.1%	31,500	31,167	1.1%
Utilisation rate	76%	79%	91%	-3.0 ppts	-15.0 ppts	78%	87%	-9.0 ppts

Source: Swift Haulage, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	643.8	671.2	706.3	749.2	778.5
EBIT	88.6	103.3	77.0	85.4	88.7
PBT	62.3	69.2	40.2	48.6	51.9
PATAMI	48.5	64.2	30.5	36.9	39.5
Core PATAMI	49.0	31.8	30.5	36.9	39.5
EPS (sen)	5.6	3.6	3.5	4.2	4.5
PER (x)	7.9x	12.2x	12.7x	10.5x	9.8x
DPS (sen)	1.2	1.6	1.2	1.5	1.6
Dividend Yield (%)	2.7%	3.6%	2.7%	3.3%	3.5%

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	231.6	245.7	255.2
Cash	51.2	159.2	173.0	203.3	250.5
Current assets	336.7	407.7	484.5	530.0	585.7
Long-term debt	445.4	503.8	503.8	503.8	503.8
Non-current liabilities	556.1	594.4	566.8	585.0	633.5
Short-term debt	202.2	263.0	263.0	263.0	263.0
Trade creditors	116.4	138.5	145.7	153.4	138.5
Current liabilities	343.4	419.5	442.8	447.2	429.7
Share capital	384.7	384.9	384.9	384.9	384.9
Retained earnings	273.7	322.0	305.9	330.0	355.6
Equity	656.4	706.5	690.8	714.8	741.5

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	62.3	69.2	40.2	48.6	51.9
Depreciation & amortisation	61.0	69.4	68.6	68.9	69.1
Changes in working capital	30.1	7.3	5.2	7.4	22.5
Operating cash flow	163.9	135.0	104.4	113.2	131.0
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	-10.7	-12.9	-13.8
Financing cash flow	-94.6	49.3	-10.7	-12.9	-13.8
Net cash flow	-26.7	114.5	23.7	30.3	47.2
Beginning cash flow	61.3	34.6	149.3	173.0	203.3
Ending cash flow	34.6	149.3	173.0	203.3	250.5

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	1,860,071	1,860,071

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	13.8%	15.4%	10.9%	11.4%	11.4%
PBT margin	9.7%	10.3%	5.7%	6.5%	6.7%
PATAMI margin	7.5%	9.6%	4.3%	4.9%	5.1%
Core PAT margin	7.6%	4.7%	4.3%	4.9%	5.1%

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