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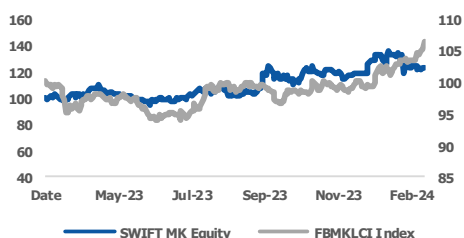
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.56</b>
<b>Previous Target Price:</b>	<b>RM 0.85</b>
<b>Target Price:</b>	<b>RM 0.89</b>
<b>Upside/Downside:</b>	<b>58.9%</b>

**Stock information**

Board	MAIN
Sector	LOGISTICS SERVICES
Bursa / Bloomberg Code	5303 / SWIFT MK
Syariah Compliant	Yes
FTSE4Good Index	N/A
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	880.8
Market Cap (RM' m)	493.2
52-Week Price Range (RM)	0.63-0.44
Beta (x)	1.1
Free float (%)	31.7
3M Average Volume (m)	4.5
3M Average Value (RM' m)	2.6

<b>Top 3 Shareholders</b>	<b>(%)</b>
PERSADA BINA SDN BHD	24.0
JWD ASIA HOLD PL	20.4
Kumpulan Wang Persaraan Diperbadan	9.0

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-8.2	0.9	17.9
Relative (%)	-10.7	-5.3	10.9

# Swift Haulage Berhad

## Expansions positioned for long term growth










### Summary

- **SWIFT's 4QFY23 net profit at RM42.0m came within our expectations.**
- **We remain optimistic over the Group's development in the long run from growing capacity that is poised to benefit from the economic recovery.**
- **We maintain our BUY recommendation with higher target price of RM0.89 by pegging PE multiple of 13.0x to FY25F EPS of 6.9 sen as we rolled over our valuation metrics to FY25F.**

### Results Review

- **Results review.** SWIFT Haulage posted a core net profit of RM16.0m which jumped 161.2% qoq and 72.3% yoy, mainly due to lower admin cost, tax gains from qualifying capital expenditure and reversal of deferred tax liability. Revenue for the quarter grew 5.6% yoy and 3.1% qoq to RM173.3m thanks to higher revenue from the expansion to Singapore as well as car carrier business.
- **In line with expectations.** In FY23, cumulative core net profit at RM42.0m makes up to 109%/100% of our/consensus forecasted net profit of RM38.5m and RM42.2m respectively. We deemed the reported result to be within our expectation, after stripping off the tax gains on reversal of tax liabilities.
- **Operations Highlights.** Container haulage segment pre-tax profit rose 30% qoq and 40% yoy to RM 7.7m. Land transportation segment pre-tax profit jumped 254% qoq but fell -34% yoy to RM 2.2m; dropped in yoy mainly due to higher depreciation cost following the fleet capacity expansion. Warehousing segment pre-tax profit fell -6% qoq but climbed 69% yoy to RM4.3m, while waiting the ramp up from expanded capacity in Port Klang and new warehouse contribution. Freight forwarding segment pre-tax profit grew 88% qoq but flat yoy at RM9.9m. Growth in qoq was benefited from the higher freight rate. Swift is aggressively expanding their warehouse capacity following the commencement Westport warehouse recently and aims to add 1 warehouse in Penang tentatively in 2Q24 which will bring 1.7m sqft of total capacity (~ 30% growth).
- **Industry Highlights.** With the recovery in external trade and the resilience of the domestic economy, Swift is poised to benefit from higher port throughput and increased business activities in 2024. However, potential downside risks, including market competition impacting price rates and rising costs associated with labor, finance, and fuels, could pose challenges for industry players.
- **Outlook.** We are optimistic on SWIFT's potential for earnings growth, bolstered by the expansion of their warehouse facilities and the anticipation of increased port throughput. Additionally, the strategic partnership with SCGJWD from Thailand is expected to further develop SWIFT's land transportation business.
- **Valuation.** We kept our earnings forecast unchanged for FY24F and introduce earnings forecast of FY25F at RM60.4m (+5% yoy) on expansion of capacity in tandem with recovery of global economic. We maintained our **BUY** recommendation on SWIFT with a higher target price of RM0.89 as we rollover our valuation metrics to FY25F.
- **Risk.** Revenue and volume growth lags behind escalating costs (depreciation and finance cost) due to capacity expansion.

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	173.3	164.1	5.6	168.0	3.1	643.8	675.8	5.0		Higher trips from Land Transportation segment
Gross profit	50.8	47.9	6.1	48.4	5.0	197.4	200.3	1.5		
Pre-tax profit	13.9	13.2	5.8	30.5	(54.2)	62.3	69.2	11.1		
Net profit	16.6	9.6	72.9	28.8	(42.3)	49.2	65.7	33.5		
Core net profit	16.0	9.3	72.3	6.1	161.2	48.5	42.0	(13.5)		One-off gain from bargain purchase in last quarter
Core EPS (sen)	1.8	1.1	72.3	0.7	161.2	5.5	4.8	(13.5)		
EBITDA margin (%)	29.3	29.2		28.8		30.7	29.6			
PBT margin (%)	8.0	8.0		18.1		9.7	10.2			
Core PATMI margin (%)	9.2	5.7		3.6		7.5	6.2			

Source: Company, Apex Securities

**Income Statement**

FYE Dec (RM m)	FY20	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>555.8</b>	<b>592.8</b>	<b>644.8</b>	<b>671.2</b>	<b>715.4</b>	<b>750.4</b>
<b>Gross Profit</b>	<b>185.7</b>	<b>188.2</b>	<b>201.1</b>	<b>197.9</b>	<b>226.3</b>	<b>234.9</b>
<b>Profit From Operation</b>	<b>83.6</b>	<b>88.5</b>	<b>91.4</b>	<b>103.1</b>	<b>105.8</b>	<b>112.9</b>
Net Finance Income/ (Cost)	-29.6	-26.8	-29.3	-34.1	-37.5	-41.3
Associates & JV	-0.1	-0.6	0.8	0.2	0.9	0.9
<b>Pre-tax Profit</b>	<b>53.9</b>	<b>61.1</b>	<b>64.0</b>	<b>94.7</b>	<b>69.2</b>	<b>72.5</b>
Tax	-11.4	-9.5	-14.9	-3.5	-10.4	-10.9
<b>Profit After Tax</b>	<b>42.5</b>	<b>51.6</b>	<b>51.4</b>	<b>65.7</b>	<b>58.8</b>	<b>61.7</b>
Minority Interest	-0.8	-1.1	-0.9	-1.5	-1.2	-1.2
<b>Net Profit</b>	<b>41.7</b>	<b>50.6</b>	<b>50.5</b>	<b>64.2</b>	<b>57.7</b>	<b>60.4</b>
Exceptionals	0.0	0.0	0.0	22.3	0.0	0.0
<b>Core Net Profit</b>	<b>41.7</b>	<b>50.6</b>	<b>50.5</b>	<b>42.0</b>	<b>57.7</b>	<b>60.4</b>

**Key Ratios**

FYE Dec (RM m)	FY20	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	15.0%	14.9%	14.2%	15.4%	14.8%	15.0%
PBT margin	9.7%	10.3%	9.9%	14.1%	9.7%	9.7%
PAT margin	7.6%	8.7%	8.0%	9.8%	8.2%	8.2%
NP margin	7.5%	8.5%	7.8%	9.6%	8.1%	8.1%
Core NP margin	7.5%	8.5%	7.8%	9.6%	8.1%	8.1%
ROE	9.7%	8.0%	7.7%	9.1%	7.8%	7.7%
ROA	3.4%	3.5%	3.2%	3.7%	3.3%	3.1%
Net gearing	103.7%	80.5%	91.0%	86.3%	94.6%	67.3%

**Key Assumptions**

FYE Dec (RM m)	FY20	FY21	FY22	FY23	FY24F	FY25F
Warehouse capacity (sqft,000)	953.0	901.4	165.0	1330.5	1687.0	2024.4
Container Depot (TEU)	28500	28500	28500	30500	33000	35000

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY20	FY21	FY22	FY23	FY24F	FY25F
Cash	32.9	64.7	51.2	159.2	40.4	130.1
Receivables	178.1	257.6	214.0	220.1	243.2	285.2
Inventories	11.0	15.8	10.3	19.0	14.3	11.3
Other current assets	16.6	17.1	104.9	9.5	156.6	70.6
<b>Total Current Assets</b>	<b>238.6</b>	<b>355.2</b>	<b>380.4</b>	<b>407.7</b>	<b>454.5</b>	<b>497.2</b>
Fixed Assets	384.0	471.6	615.4	658.5	686.4	793.4
Intangibles	68.8	68.8	69.3	71.2	71.2	71.2
Other non-current assets	521.0	562.8	490.8	582.9	517.1	557.8
<b>Total Non-current assets</b>	<b>973.7</b>	<b>1103.3</b>	<b>1175.5</b>	<b>1312.7</b>	<b>1274.7</b>	<b>1422.4</b>
Short-term Debt	112.8	179.0	202.2	263.0	289.4	246.8
Payables	110.8	102.1	116.4	120.8	128.8	135.1
Other Current Liabilities	43.4	33.4	24.9	35.7	21.6	135.8
<b>Total Current Liabilities</b>	<b>267.0</b>	<b>314.4</b>	<b>343.4</b>	<b>419.5</b>	<b>439.8</b>	<b>517.7</b>
Long-term Debt	366.5	396.8	445.4	503.8	452.4	409.8
Other non-current liabilities	148.8	112.0	110.8	90.6	93.6	207.8
<b>Total Non-current Liabilities</b>	<b>515.3</b>	<b>508.8</b>	<b>556.1</b>	<b>594.4</b>	<b>546.0</b>	<b>617.6</b>
<b>Shareholder's equity</b>	<b>430.0</b>	<b>635.3</b>	<b>656.4</b>	<b>706.5</b>	<b>743.4</b>	<b>784.3</b>
Minority interest	-0.3	0.4	1.1	2.6	1.8	1.8
<b>Equity</b>	<b>430.4</b>	<b>634.9</b>	<b>655.2</b>	<b>703.9</b>	<b>741.6</b>	<b>782.5</b>

**Cash Flow**

FYE Dec (RM m)	FY20	FY21	FY22	FY23	FY24F	FY25F
<b>Net income</b>	<b>41.6</b>	<b>47.1</b>	<b>48.5</b>	<b>64.2</b>	<b>57.7</b>	<b>60.4</b>
Depreciation & amortisation	54.1	56.0	61.0	69.5	68.6	79.3
Changes in working capital	4.1	-99.0	30.1	7.3	41.9	53.4
Others	54.0	-6.0	-0.5	-6.1	0.0	0.0
<b>Operating cash flow</b>	<b>112.2</b>	<b>-1.9</b>	<b>139.0</b>	<b>135.0</b>	<b>168.2</b>	<b>193.1</b>
Net capex	-30.3	-30.9	-47.6	-99.5	-33.6	-114.0
Others	0.0	-56.4	-49.1	29.6	-18.3	-33.7
<b>Investing cash flow</b>	<b>-30.3</b>	<b>-87.4</b>	<b>-96.6</b>	<b>-69.9</b>	<b>-51.9</b>	<b>-147.6</b>
Dividends paid	0.0	0.0	-24.9	-15.9	-19.6	-19.6
Others	-84.0	132.2	-44.2	65.2	-66.5	-85.2
<b>Financing cash flow</b>	<b>-84.0</b>	<b>132.2</b>	<b>-69.1</b>	<b>49.3</b>	<b>-86.1</b>	<b>-104.8</b>
<b>Net cash flow</b>	<b>-2.2</b>	<b>43.0</b>	<b>-26.7</b>	<b>114.5</b>	<b>30.2</b>	<b>-59.3</b>
Forex	-0.1	0.1	0.1	0.2	0.1	0.1
Others	0.0	-11.1	13.1	-6.5	-149.0	149.0
Beginning cash	30.8	32.9	64.7	51.2	159.2	40.4
<b>Ending cash</b>	<b>32.9</b>	<b>64.7</b>	<b>51.2</b>	<b>159.2</b>	<b>40.4</b>	<b>130.1</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

**APEX SECURITIES BHD**

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**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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