

**Jayden Tan**

(603) 7890 8888 (ext 2069)

[kdtan@apexsecurities.com.my](mailto:kdtan@apexsecurities.com.my)

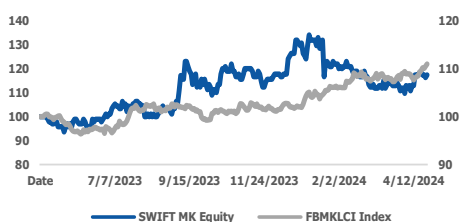
|                               |            |
|-------------------------------|------------|
| <b>Recommendation:</b>        | <b>BUY</b> |
| <b>Current Price:</b>         | RM 0.54    |
| <b>Previous Target Price:</b> | RM 0.89    |
| <b>Target Price:</b>          | RM 0.68 ↓  |
| <b>Upside/Downside:</b>       | 27.1%      |

**Stock information**

|                          |                 |
|--------------------------|-----------------|
| Board                    | MAIN            |
| Sector                   | Logistics       |
| 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)        | 882.9           |
| Market Cap (RM' m)       | 472.3           |
| 52-Week Price Range (RM) | 0.63-0.44       |
| Beta (x)                 | 1.2             |
| Free float (%)           | 37.5            |
| 3M Average Volume (m)    | 1.6             |
| 3M Average Value (RM' m) | 0.8             |

|                           |            |
|---------------------------|------------|
| <b>Top 3 Shareholders</b> | <b>(%)</b> |
| Persada Bina Sdn Bhd      | 23.9       |
| Jwd Asia Hold Pl          | 20.4       |
| Loo Hooi Keat             | 5.0        |

**Share Price Performance**



|              | 1M   | 3M   | 12M  |
|--------------|------|------|------|
| Absolute (%) | 2.9  | -5.3 | 13.8 |
| Relative (%) | -0.4 | -9.7 | 1.0  |

# Swift Haulage Berhad

## Anticipating better 2HFY24









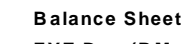
### Summary

- **SWIFT's 1QFY24 core net profit RM8.2m came within our expectations.**
- **We remain optimistic over the Group's development over the long run from growing capacity, poised to benefit from the improved throughput.**
- **Maintain our BUY recommendation with lower target price of RM0.68 by pegging PE multiple of 10x to FY25F EPS of 6.8 sen as the revision of PER assigned is in line with lower historical mean.**

### Results Review

- **Results review.** SWIFT reported a core net profit of RM8.2m, after excluding a one-off gain of RM12.9m from the disposal of shares in an associate company. This represents a decline of 48.4% yoy and 18.6% qoq, primarily due to lower other income and higher operational costs stemming from capacity expansions. Despite this, revenue saw growth of 3.5% qoq and 5.9% yoy to RM179.4m, supported by the implementation of new capacity in land transportation and warehousing operations.
- **Earnings in line with expectation.** The reported core net profit came within our expectations, despite only accounting for 18% of our forecasted full-year net profit of RM44.8m and 18% of consensus forecasted net profit of RM46.4m. We anticipate stronger profit and better margins in 2HFY24 from contributions of new customers in the warehouse segment.
- **Operations Highlights.** We observed a decrease in job volume from container haulage segment. However, SWIFT achieved higher average revenue per TEU which attributed to long-haul customers contributing more with higher volumes. This trend may persist, as the customer expects further ramp up their production. Furthermore, the new Port Klang warehouse is forecasted to reach full utilisation in May24, from the occupancy of the remaining space by a new FMCG customer. With the addition of the Perai and Port Klang warehouses, the total capacity is projected to reach 1.7m sqf in FY24, representing approximately 30% growth.
- **Industry Highlights.** Despite facing multiple external headwinds, including prolonged geopolitical tensions and slow global demand, the resilience of the Intra-Asia trade and the recovery of the E&E sector are expected to alleviate concerns regarding container throughput. Meanwhile, the surge in international freight rates is not significantly benefiting Swift, as the majority of the freight forwarding jobs handled by the Group are short-haul or Intra-Asia, where rate increases are relatively modest.
- **Outlook.** We are optimistic on SWIFT's potential for earnings growth and margin expansion particularly in 2HFY24 and FY25, bolstered by the ramping up of utilisation of expanded warehouse facilities and the anticipation of increased port throughput.
- **Valuation.** Kept our core earnings forecast unchanged for FY24F and FY25F at RM44.8m and RM60.4m respectively on expansion of capacity in tandem with recovery of global economy. Maintained our **BUY** recommendation on SWIFT with a lower target price of RM0.68 after lower PER assigned in line with lower historical mean.
- **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)        | 1QFY24 | 1QFY23 | YoY (%) | 4QFY23 | QoQ (%) | 5 Quarters Trend  | Comments   |
|-----------------------|--------|--------|---------|--------|---------|---|--|
| Revenue               | 179.4  | 169.4  | 5.9     | 173.3  | 3.5     |  | Higher revenue from new capacity in land transportation and warehousing operations |
| Gross profit          | 51.7   | 51.1   | 1.2     | 50.8   | 1.6     |  |  |
| Pre-tax profit        | 24.2   | 12.8   | 89.4    | 13.9   | 73.7    |  | One-off gain of RM12.9m from the disposal of shares in an associate company        |
| Net profit            | 21.4   | 10.2   | 109.2   | 16.6   | 28.8    |  |  |
| Core net profit       | 8.2    | 10.1   | (18.6)  | 16.0   | (48.4)  |  |  |
| Core EPS (sen)        | 0.9    | 1.1    | (18.6)  | 1.8    | (48.4)  |  |  |
| EBITDA margin (%)     | 28.8   | 30.2   |         | 29.3   |         |  |  |
| PBT margin (%)        | 13.5   | 7.6    |         | 8.0    |         |  |  |
| Core PATMI margin (%) | 4.6    | 6.0    |         | 9.2    |         |  |  |

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

| FYE Dec (RM m)               | FY21         | FY22         | FY23         | FY24F        | FY25F        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</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>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>88.5</b>  | <b>91.4</b>  | <b>103.1</b> | <b>105.8</b> | <b>112.9</b> |
| Net Finance Income/ (Cost)   | -26.8        | -29.3        | -34.1        | -37.5        | -41.3        |
| Associates & JV              | -0.6         | 0.8          | 0.2          | 0.9          | 0.9          |
| <b>Pre-tax Profit</b>        | <b>61.1</b>  | <b>64.0</b>  | <b>94.7</b>  | <b>69.2</b>  | <b>72.5</b>  |
| Tax                          | -9.5         | -14.9        | -3.5         | -10.4        | -10.9        |
| <b>Profit After Tax</b>      | <b>51.6</b>  | <b>51.4</b>  | <b>65.7</b>  | <b>58.8</b>  | <b>61.7</b>  |
| Minority Interest            | -1.1         | -0.9         | -1.5         | -1.2         | -1.2         |
| <b>Net Profit</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          | 22.3         | -12.9        | 0.0          |
| <b>Core Net Profit</b>       | <b>50.6</b>  | <b>50.5</b>  | <b>42.0</b>  | <b>44.8</b>  | <b>60.4</b>  |

**Key Ratios**

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

**Key Assumptions**

| FYE Dec (RM m)                | FY21  | FY22  | FY23   | FY24F  | FY25F  |
|-------------------------------|-------|-------|--------|--------|--------|
| Warehouse capacity (sqft,000) | 9014  | 165.0 | 1330.5 | 1687.0 | 2024.4 |
| Container Depot (TEU)         | 28500 | 28500 | 30500  | 33000  | 35000  |

| Valuations             | FY25F       |
|------------------------|-------------|
| Core EPS (RM)          | 0.068       |
| P/E multiple (x)       | 10          |
| <b>Fair Value (RM)</b> | <b>0.68</b> |

Source: Company, Apex Securities

**Balance Sheet**

| FYE Dec (RM m)                       | FY21          | FY22          | FY23          | FY24F         | FY25F         |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash                                 | 64.7          | 51.2          | 159.2         | 40.4          | 130.1         |
| Receivables                          | 257.6         | 214.0         | 220.1         | 243.2         | 285.2         |
| Inventories                          | 15.8          | 10.3          | 19.0          | 14.3          | 11.3          |
| Other current assets                 | 17.1          | 104.9         | 9.5           | 156.6         | 70.6          |
| <b>Total Current Assets</b>          | <b>355.2</b>  | <b>380.4</b>  | <b>407.7</b>  | <b>454.5</b>  | <b>497.2</b>  |
| Fixed Assets                         | 471.6         | 615.4         | 658.5         | 686.4         | 793.4         |
| Intangibles                          | 68.8          | 69.3          | 71.2          | 71.2          | 71.2          |
| Other non-current assets             | 562.8         | 490.8         | 582.9         | 517.1         | 557.8         |
| <b>Total Non-current assets</b>      | <b>1103.3</b> | <b>1175.5</b> | <b>1312.7</b> | <b>1274.7</b> | <b>1422.4</b> |
| Short-term Debt                      | 179.0         | 202.2         | 263.0         | 289.4         | 246.8         |
| Payables                             | 102.1         | 116.4         | 120.8         | 128.8         | 135.1         |
| Other Current Liabilities            | 33.4          | 24.9          | 35.7          | 21.6          | 135.8         |
| <b>Total Current Liabilities</b>     | <b>314.4</b>  | <b>343.4</b>  | <b>419.5</b>  | <b>439.8</b>  | <b>517.7</b>  |
| Long-term Debt                       | 396.8         | 445.4         | 503.8         | 452.4         | 409.8         |
| Other non-current liabilities        | 112.0         | 110.8         | 90.6          | 93.6          | 207.8         |
| <b>Total Non-current Liabilities</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>635.3</b>  | <b>656.4</b>  | <b>706.5</b>  | <b>743.4</b>  | <b>784.3</b>  |
| Minority interest                    | 0.4           | 1.1           | 2.6           | 1.8           | 1.8           |
| <b>Equity</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)              | FY21         | FY22         | FY23         | FY24F        | FY25F         |
|-----------------------------|--------------|--------------|--------------|--------------|---------------|
| <b>Net income</b>           | <b>47.1</b>  | <b>48.5</b>  | <b>64.2</b>  | <b>57.7</b>  | <b>60.4</b>   |
| Depreciation & amortisation | 56.0         | 61.0         | 69.5         | 68.6         | 79.3          |
| Changes in working capital  | -99.0        | 30.1         | 7.3          | 41.9         | 53.4          |
| Others                      | -6.0         | -0.5         | -6.1         | 0.0          | 0.0           |
| <b>Operating cash flow</b>  | <b>-1.9</b>  | <b>139.0</b> | <b>135.0</b> | <b>168.2</b> | <b>193.1</b>  |
| Net capex                   | -30.9        | -47.6        | -99.5        | -33.6        | -114.0        |
| Others                      | -56.4        | -49.1        | 29.6         | -18.3        | -33.7         |
| <b>Investing cash flow</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          | -24.9        | -15.9        | -19.6        | -19.6         |
| Others                      | 132.2        | -44.2        | 65.2         | -66.5        | -85.2         |
| <b>Financing cash flow</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>43.0</b>  | <b>-26.7</b> | <b>114.5</b> | <b>30.2</b>  | <b>-59.3</b>  |
| Forex                       | 0.1          | 0.1          | 0.2          | 0.1          | 0.1           |
| Others                      | -11.1        | 13.1         | -6.5         | -149.0       | 149.0         |
| Beginning cash              | 32.9         | 64.7         | 51.2         | 159.2        | 40.4          |
| <b>Ending cash</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**

| <b>APEX SECURITIES BHD</b>   | <b>DEALING TEAM</b>   | <b>RESEARCH TEAM</b>  |
|--|---|---|
| <p><b>Head Office:</b><br/>5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p><b>Petaling Jaya Office:</b><br/>16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p> | <p><b>Head Office:</b><br/>Kong Ming Ming (ext 2002)<br/>Shirley Chang (ext 2026)<br/>Norisam Bojo (ext 2027)<br/>Ahmad Mujib (ext 2028)</p> <p><b>Institutional Dealing Team:</b><br/>Siti Nur Nadhirah (ext 2032)</p> <p><b>PJ Office:</b><br/>General Line: (603) 7620 1118<br/>Azfar Bin Abdul Aziz (Ext 822)</p> | <p><b>Mutiara Damansara Office:</b><br/>Kenneth Leong (ext 2093)<br/>Steven Chong (ext 2068)<br/>Jayden Tan (ext 2069)<br/>Chealsea Chew (ext 2070)</p> |

**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.

**DISCLAIMER**

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.