

**Jayden Tan**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.505</b>
<b>Previous Target Price:</b>	<b>RM 0.680</b>
<b>Target Price:</b>	<b>RM 0.620</b>
<b>Upside/Downside:</b>	<b>22.8%</b>

**Stock information**

Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5303 / SWIFT MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	882.8
Market Cap (RM' m)	445.8
52-Week Price Range (RM)	0.46-0.63
Beta (x)	0.8
Free float (%)	37.4
3M Average Volume (m)	3.0
3M Average Value (RM' m)	1.6

**Top 3 Shareholders (%)**

Persada Bina Sdn Bhd	23.9
Jwd Asia Hold Pl	20.4
Loo Hooi Keat	5.1

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-3.8	-5.6	1.0
Relative (%)	-2.4	-5.3	-7.8

## Swift Haulage Berhad

### Looking forward to better 2H










#### Summary

- **SWIFT's 2QFY24 core net profit RM8.3m came below our expectations, primarily due to weaker-than-expected margins in the container haulage and land transportation segments.**
- **We remain optimistic over the Group's 2H24 recovery supported by improvements in container throughput and contribution new warehouse.**
- **Maintained our BUY recommendation with lower target price of RM0.62.**

#### Results Review

- **Results review.** 2QFY24 core net profit at RM8.3m, reflecting flattish qoq performance and a 14.6% decline yoy amid higher finance costs. Revenue for the quarter showed a decline of 3.6% QoQ but an increase of 4.7% YoY. Along with the results, the Group declared a dividend of 0.8 sen per share during the quarter.
- **Earnings missed expectation.** Reported core net profit in 6MFY24 at RM19.9m came below our expectations, accounting for only 37% of full-year forecast, despite revenue meeting 49% of the full-year projection. The shortfall was primarily due to weaker-than-expected margins from container haulage and land transportation segments.
- **Operations Highlights.** Experienced a decrease in job volume across the Container Haulage, Land Transportation, and Freight Forwarding segments compared to the previous quarter. The decline is touted be impacted by fewer working days due to the festive season in April and the inefficiencies in customer volumes caused by port congestion challenges. Additionally, margin for the Land Transportation business (PBT: RM1.8m) dropped significantly, with a 4-percentage point decline in PBT margin yoy and qoq. This was due to lower pricing aimed at maintaining competitiveness, as observed by the reduced revenue per trip, while the cost environment remained challenging. The Warehousing and Container Depot segment also disappointed, with both revenue and profit remaining flat for the quarter, despite the new 270,000 sqf warehouse in Port Klang became operational.
- **Industry Highlights.** Over the past few months, the Red Sea crisis has led to escalating port congestion in Asia ports, impacting the throughput volumes. However, congestion has slightly eased recently as liners have adapted to rerouting and scheduling changes.
- **Outlook.** Despite the 2QFY24 earnings missed expectations, we remain optimistic that recovery are on the cards in 2HFY24. This is supported by improvements in container throughput as congestion eases and the contribution from the new Penang warehouse.
- **Valuation.** We trimmed our earnings forecast by -11% for FY24F and -8% for FY25F, primarily due to the challenging operational environment affecting margins in the land transportation segment. Additionally, we have introduced our FY26F earnings estimate at RM61.9m, reflecting a +11% yoy growth. Consequently, we have adjusted our target price to RM 0.62 in line with the earnings downgrade. Despite the unremarkable earnings growth outlook at this juncture, we maintain a **BUY** recommendation on SWIFT, supported by its relatively undemanding valuation (1-year forward PER of 8.0x) compared to its peers' average of 10.0x.
- **Risk.** Further margin compression on competitive pricing and cost pressure environment and escalating expenses from depreciation and finance cost due to capacity expansion.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	172.9	165.1	4.7	179.4	(3.6)	334.5	352.2	5.3		Fewer working days due to the festive season in April and the inefficiencies in customer volumes caused by port congestion
Gross profit	45.9	50.0	(8.1)	51.7	(11.1)	101.1	97.6	(3.4)		
Pre-tax profit	11.1	12.0	(7.7)	24.2	(54.2)	24.8	35.3	42.4		
Net profit	9.0	10.1	(11.2)	21.4	(58.2)	20.3	30.4	49.5		
Core net profit	8.3	9.7	(14.3)	8.2	1.1	19.9	16.6	(16.5)		
Core EPS (sen)	0.9	1.1	(14.3)	0.9	1.1	2.3	1.9	(16.5)		
EBITDA margin (%)	26.6	30.3		28.8		30.2	27.7			Lower margin from land transportation due to lower pricing, while the cost environment remained challenging
PBT margin (%)	6.4	7.3		13.5		7.4	10.0			
Core PATMI margin (%)	4.8	5.9		4.6		5.9	4.7			

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

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>644.8</b>	<b>671.2</b>	<b>714.9</b>	<b>750.3</b>	<b>799.0</b>
<b>Gross Profit</b>	<b>201.1</b>	<b>197.9</b>	<b>220.4</b>	<b>229.1</b>	<b>246.6</b>
<b>Profit From Operation</b>	<b>91.4</b>	<b>103.1</b>	<b>99.9</b>	<b>107.1</b>	<b>122.9</b>
Net Finance Income/ (Cost)	-29.3	-34.1	-37.5	-41.3	-49.5
Associates & JV	0.8	0.2	0.9	0.9	0.9
<b>Pre-tax Profit</b>	<b>64.0</b>	<b>94.7</b>	<b>63.3</b>	<b>66.7</b>	<b>74.3</b>
Tax	-14.9	-3.5	-9.5	-10.0	-11.1
<b>Profit After Tax</b>	<b>51.4</b>	<b>65.7</b>	<b>53.8</b>	<b>56.7</b>	<b>63.2</b>
Minority Interest	-0.9	-1.5	-1.1	-1.1	-1.3
<b>Net Profit</b>	<b>50.5</b>	<b>64.2</b>	<b>52.7</b>	<b>55.6</b>	<b>61.9</b>
Exceptionals	0.0	22.3	-12.9	0.0	0.0
<b>Core Net Profit</b>	<b>50.5</b>	<b>42.0</b>	<b>39.8</b>	<b>55.6</b>	<b>61.9</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	14.2%	15.4%	14.0%	14.3%	15.4%
PBT margin	9.9%	14.1%	8.9%	8.9%	9.3%
PAT margin	8.0%	9.8%	7.5%	7.6%	7.9%
NP margin	7.8%	9.6%	7.4%	7.4%	7.7%
Core NP margin	7.8%	9.6%	7.4%	7.4%	7.7%
ROE	7.7%	9.1%	7.1%	7.2%	7.6%
ROA	3.2%	3.7%	3.1%	2.9%	3.2%
Net gearing	90.9%	86.0%	95.0%	69.2%	51.6%

**Key Assumptions**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Warehouse capacity (sqft,000)	1165	1331	1700	1800	1950

Valuations	FY25F
Core EPS (RM)	0.062
P/E multiple (x)	10
<b>Fair Value (RM)</b>	<b>0.62</b>

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	512	159.2	40.4	120.4	139.2
Receivables	244.0	220.1	243.0	285.1	303.6
Inventories	10.3	19.0	14.3	11.3	12.0
Other current assets	104.9	9.5	151.8	70.6	72.6
<b>Total Current Assets</b>	<b>380.4</b>	<b>407.7</b>	<b>449.5</b>	<b>487.4</b>	<b>527.5</b>
Fixed Assets	615.4	658.5	686.4	793.4	810.4
Intangibles	69.3	712	712	712	712
Other non-current assets	490.8	582.9	517.1	557.8	525.8
<b>Total Non-current assets</b>	<b>1175.5</b>	<b>1312.7</b>	<b>1274.7</b>	<b>1422.4</b>	<b>1407.4</b>
Short-term Debt	202.2	263.0	289.4	246.8	196.8
Payables	116.4	120.8	128.7	135.1	143.8
Other Current Liabilities	24.9	35.7	216	135.8	176.3
<b>Total Current Liabilities</b>	<b>343.4</b>	<b>419.5</b>	<b>439.7</b>	<b>517.7</b>	<b>517.0</b>
Long-term Debt	445.4	503.8	452.4	409.8	359.8
Other non-current liabilities	110.8	90.6	93.6	207.8	248.3
<b>Total Non-current Liabilities</b>	<b>556.1</b>	<b>594.4</b>	<b>546.0</b>	<b>617.6</b>	<b>608.1</b>
<b>Shareholder's equity</b>	<b>656.4</b>	<b>706.5</b>	<b>738.5</b>	<b>774.5</b>	<b>809.7</b>

**Cash Flow**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Net income</b>	<b>48.5</b>	<b>64.2</b>	<b>52.7</b>	<b>55.6</b>	<b>61.9</b>
Depreciation & amortisation	610	69.5	68.6	79.3	81.0
Changes in working capital	30.1	7.3	46.8	48.5	-12.5
Others	-0.5	-6.1	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>139.0</b>	<b>135.0</b>	<b>168.2</b>	<b>183.4</b>	<b>130.5</b>
Net capex	-47.6	-99.5	-33.6	-114.0	-17.0
Others	-49.1	29.6	-18.3	-33.7	32.0
<b>Investing cash flow</b>	<b>-96.6</b>	<b>-69.9</b>	<b>-51.9</b>	<b>-147.6</b>	<b>15.0</b>
Dividends paid	-24.9	-15.9	-19.6	-19.6	-26.7
Others	-44.2	65.2	-66.5	-85.2	-100.0
<b>Financing cash flow</b>	<b>-69.1</b>	<b>49.3</b>	<b>-86.1</b>	<b>-104.8</b>	<b>-126.7</b>
<b>Net cash flow</b>	<b>-26.7</b>	<b>114.5</b>	<b>30.2</b>	<b>-69.0</b>	<b>18.8</b>
Forex	0.1	0.2	0.1	0.1	0.1
Others	13.1	-6.5	-148.9	149.0	0.1
Beginning cash	64.7	512	159.2	40.4	120.4
<b>Ending cash</b>	<b>51.2</b>	<b>159.2</b>	<b>40.4</b>	<b>120.4</b>	<b>139.2</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
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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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