

**Jayden Tan**

(603) 7890 8888 (ext 2069)

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

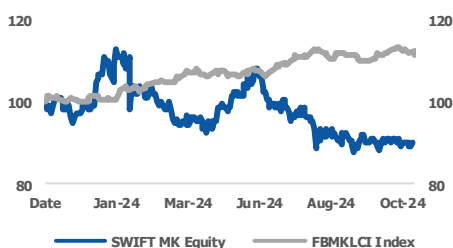
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.475</b>
<b>Previous Target Price:</b>	<b>RM 0.620</b>
<b>Target Price:</b>	<b>↓ RM 0.580</b>
<b>Upside/Downside:</b>	<b>22.1%</b>

**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)	880.6
Market Cap (RM' m)	418.3
52-Week Price Range (RM)	0.465-0.63
Beta (x)	0.7
Free float (%)	37.2
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.2

<b>Top 3 Shareholders</b>	<b>(%)</b>
Persada Bina Sdn Bhd	24.0
Jwd Asia Hold Pl	20.4
Loo Hooi Keat	5.2

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-1.0	-4.0	-13.6
Relative (%)	0.5	-4.0	-22.2

## Swift Haulage Berhad

### Expecting earnings to gradually recover


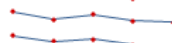







#### Summary

- **SWIFT's 3QFY24 CNP RM5.8m (-5.7% yoy, +0.9% qoq), bringing 9MFY24 CNP to RM19.7m (-24.0% yoy) came in only at 50% and 53% of ours and consensus expectations respectively.**
- **We anticipate a seasonally robust performance in 4QFY24, driven by increased occupancy and capacity utilisation of warehouses.**
- **We maintain our BUY recommendation with lower target price of RM0.58 based on 9.0x PE multiple pegged to rolled-over FY26F EPS of 6.5 sen.**

#### Results Review

- **Results review.** SWIFT reported a core net profit (CNP) of RM5.8m, reflecting flattish qoq performance and a -5.7% yoy decline, the latter attributed to lower profit margin and higher finance costs associated with capacity expansions. Quarterly revenue rose 5.9% qoq and 8.9% yoy to RM183.1m, driven by seasonally stronger 2H and higher contributions from the Warehouse & Container Depot (WCD) segment.
- **Earnings missed expectation.** 9MFY24 CNP at RM19.7m missed expectations at only 53% and 50% of our and consensus full-year forecasts, respectively, despite revenue achieving 75% of our full-year projection. The shortfall was mainly attributed to higher depreciation costs and lower-than-expected profit margins in the land transportation and warehouse segments, due to warehouse capacity expansions.
- **Operations Highlights.** During the quarter, Swift recorded higher revenue across all segments yoy and qoq, driven by seasonally stronger 2H performance and contributions from the expanded warehouse capacity, which provided synergies to other segments. However, bottomline was impacted by higher depreciation and finance costs, stemming from the capacity expansions, particularly in the warehouse segment, amid intense competition. On a positive note, the freight forwarding business delivered a strong performance, with PBT rising 36% yoy and 25% qoq, largely due to freight rates normalising from their peak since Jul 24.
- **Industry Highlights.** External headwinds, including global economic uncertainties, persistent geopolitical tensions, and intense competition, continue to pressure profitability, creating challenging and ambiguous market conditions for the industry.
- **Outlook.** We view the recent performance weakness to be temporary in anticipation of seasonally robust performance in 4QFY24, driven by recovery in occupancy rates at the Tebrau warehouse (estimated to rebound to 80%) with the addition of a new FMCG customer, and the full contribution from the Seberang Prai warehouse.
- **Valuation.** Revised our earnings forecasts downward by -22.6%/-17%/-6.8% for FY24F/FY25F/FY26F in reflection of weaker PBT margin assumptions for the land transportation and WCD segments by 3%/3%/1% and 2%/2%/1%, respectively. Maintain our **BUY** recommendation with a lower target price of **RM0.58** as we roll over our valuation metrics to FY26F with an unchanged 9.0x PE multiple pegged to EPS of 6.5 sen, as we anticipate a gradual earnings recovery supported by the contributions from the expanded warehouse capacity.
- **Risk.** Margin further denting with 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)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	183.1	168.0	8.9	172.9	5.9	502.5	535.3	6.5		Higher revenue driven by seasonally stronger 2H and higher contributions from the Warehouse & Container Depot (WCD) segment.
Gross profit	50.8	48.4	4.9	45.9	10.6	149.5	148.4	(0.7)		
Pre-tax profit	8.1	30.5	(73.5)	11.1	(27.2)	55.3	43.4	(21.5)		
Net profit	6.1	28.8	(78.9)	9.0	(32.1)	49.1	36.4	(25.8)		
Core net profit	5.8	6.1	(5.7)	5.7	0.9	26.0	19.7	(24.0)		
Core EPS (sen)	0.7	0.7	(5.7)	0.6	0.9	2.9	2.2	(24.0)		
EBITDA margin (%)	27.7	28.8		26.6		29.7	27.7			Lower margin from higher depreciation costs and lower-than-expected profit margins in the land transportation and warehouse segments, caused by warehouse capacity expansions.
PBT margin (%)	4.4	18.1		6.4		11.0	8.1			
Core PATMI margin (%)	3.2	3.6		3.3		5.2	3.7			

Source: Company, Apex Securities

**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>747.7</b>	<b>781.1</b>	<b>831.6</b>
<b>Gross Profit</b>	<b>201.1</b>	<b>197.9</b>	<b>227.9</b>	<b>236.3</b>	<b>254.5</b>
<b>Profit From Operation</b>	<b>91.4</b>	<b>103.1</b>	<b>92.9</b>	<b>94.6</b>	<b>111.3</b>
Net Finance Income/(Cost)	-29.3	-34.1	-37.5	-39.4	-42.2
Associates & JV	0.8	0.2	0.2	0.2	0.2
<b>Pre-tax Profit</b>	<b>64.0</b>	<b>94.7</b>	<b>55.6</b>	<b>55.4</b>	<b>69.3</b>
Tax	-14.9	-3.5	-8.3	-8.3	-10.4
<b>Profit After Tax</b>	<b>51.4</b>	<b>65.7</b>	<b>47.3</b>	<b>47.1</b>	<b>58.9</b>
Minority Interest	-0.9	-1.5	-0.9	-0.9	-1.2
<b>Net Profit</b>	<b>50.5</b>	<b>64.2</b>	<b>46.3</b>	<b>46.1</b>	<b>57.7</b>
Exceptionals	0.0	22.3	-15.5	0.0	0.0
<b>Core Net Profit</b>	<b>50.5</b>	<b>42.0</b>	<b>30.8</b>	<b>46.1</b>	<b>57.7</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	14.2%	15.4%	12.4%	12.1%	13.4%
PBT margin	9.9%	14.1%	7.4%	7.1%	8.3%
PAT margin	8.0%	9.8%	6.3%	6.0%	7.1%
NP margin	7.8%	9.6%	6.2%	5.9%	6.9%
Core NP margin	7.8%	9.6%	6.2%	5.9%	6.9%
ROE	7.7%	9.1%	6.3%	6.1%	7.3%
ROA	3.2%	3.7%	2.7%	2.4%	3.0%
Net gearing	90.9%	86.0%	95.8%	73.7%	56.3%

**Key Assumptions**

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

**Valuations**

	FY26F
Core EPS (RM)	0.065
P/E multiple (x)	9
<b>Fair Value (RM)</b>	<b>0.58</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	51.2	159.2	40.4	97.9	112.2
Receivables	214.0	220.1	254.2	296.8	316.0
Inventories	10.3	19.0	15.0	11.7	12.5
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>461.3</b>	<b>477.1</b>	<b>513.3</b>
Fixed Assets	615.4	658.5	686.4	793.4	810.4
Intangibles	69.3	71.2	71.2	71.2	71.2
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	134.6	140.6	149.7
Other Current Liabilities	24.9	35.7	21.6	135.8	176.3
<b>Total Current Liabilities</b>	<b>343.4</b>	<b>419.5</b>	<b>445.6</b>	<b>523.2</b>	<b>522.8</b>
Long-term Debt	445.4	503.8	452.4	409.8	359.8
Other non-current liabilities	110.8	90.6	105.9	207.8	248.3
<b>Total Non-current Liabilities</b>	<b>556.1</b>	<b>594.4</b>	<b>558.3</b>	<b>617.6</b>	<b>608.1</b>
<b>Shareholder's equity</b>	<b>656.4</b>	<b>706.5</b>	<b>732.1</b>	<b>758.6</b>	<b>789.6</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>46.3</b>	<b>46.1</b>	<b>57.7</b>
Depreciation & amortisation	61.0	69.5	68.6	79.3	81.0
Changes in working capital	30.1	7.3	40.9	47.8	-12.8
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>155.9</b>	<b>173.2</b>	<b>125.9</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>17.8</b>	<b>-79.2</b>	<b>14.2</b>
Forex	0.1	0.2	0.1	0.1	0.1
Others	13.1	-6.5	-136.6	136.7	0.1
Beginning cash	64.7	51.2	159.2	40.4	97.9
<b>Ending cash</b>	<b>51.2</b>	<b>159.2</b>	<b>40.4</b>	<b>97.9</b>	<b>112.2</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
<p><b>Head Office:</b> 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> 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> Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p><b>Institutional Dealing Team:</b> Low Jin Wu (ext 2109)</p> <p><b>PJ Office:</b> General Line: (603) 7620 1118</p>	<p><b>Head Office:</b> Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095) Ong Tze Hern (ext 2113) Samuel Woo (ext 2121) Muhammad Subaiyil Amir (ext 2112)</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

**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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