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Logistic Sector

Neutral (↓)

1QCY25 Earnings Review: Unremarkable performance

- Overall, the logistics sector posted unremarkable 1QCY25 results, with Westports and Swift Haulage meeting expectations, while Tasco fell short due to significant margin pressure and operational setbacks.
- Port operations remained steady, with Westports showing resilience amid volume fluctuations and ongoing expansion. In contrast, local third-party logistics (3PL) operators Tasco and Swift Haulage faced intensified margin erosion from heightened competition and rising operational costs.
- **NEUTRAL on the sector. Preferred pick: Westports (BUY, TP: RM5.08).**

Review. The overall 1QCY25 sector performance was modest, broadly in-line with expectations for Westports and Swift Haulage, while Tasco fell short of estimates. The quarter coincided with seasonally weaker logistics activity, a trend typically observed at the start of the year due to slower restocking cycles among businesses and festive-related disruptions, contributing to softer sequential performance across the board.

Westports demonstrated operational stability, reporting a 9% yoy increase in CNP to RM222.5mn, supported by higher storage revenue and lower operating costs (fuel and depreciation). However, CNP declined 13% qoq due to softer gateway volumes amid stricter customs inspections and seasonal effects from Ramadan and leap year base effect. The Westport 2 expansion remains ahead of schedule, reinforcing the port's strategic capacity growth and long-term prospects. Westports is also poised to benefit from a potential port tariff revision, which could provide a meaningful revenue uplift if approved by year-end.

In contrast, 3PL operators faced considerable headwinds. Tasco's 71% yoy decline in CNP was primarily due to the loss of its major solar client, Jinko Solar (-RM140mn revenue impact for FY25), combined with heightened administrative and tax expenses. While the onboarding of RM80mn in new contracts and strategic investments in warehouse expansion partially mitigated the negative impact, these initiatives have yet to yield immediate profitability benefits amid ongoing margin challenges.

Swift Haulage recorded a modest performance with CNP falling 12.4% yoy to RM7.2mn, mainly due to higher finance costs and margin compression in its haulage and land transport segments. On a qoq basis, CNP improved 17.9%, driven by stronger contributions from freight forwarding.

The broader local 3PL industry is increasingly challenged by Chinese logistics companies. Many Chinese manufacturers and investors in Malaysia prefer engaging Chinese-owned logistics service providers, leading to intensified competition and reduced business volumes for local logistics operators. This dynamic continues to compress margins and limit growth opportunities for domestic players.

Outlook. The sector outlook remains cautious amid persistent geopolitical uncertainties and intense competitive pressures. Westports maintains a conservative volume growth forecast, strategically shifting its focus toward higher-margin gateway cargo to optimize earnings amid the ongoing Westport 2 development. Local 3PL firms are expected to face ongoing margin compression due to competition from Chinese logistics providers, who enjoy preferential business from China-based investors and manufacturers.

Valuation & Recommendation. We are **NEUTRAL** on the logistic sector for now, given the challenging competitive landscape and margin pressures facing local operators. That said, we believe most of these headwinds have been largely priced in. **Westports (BUY, TP: RM5.08)** remains our preferred pick due to operational resilience, expansion potential, and tariff hike catalyst. We maintain HOLD ratings on **Swift Haulage (HOLD, TP: RM0.39)** and **Tasco (HOLD, TP:**

RM0.51), reflecting ongoing competitive headwinds, margin uncertainties, and slower-than-anticipated earnings recovery trajectories.

Earnings Summary

Company	FYE	Revenue 1QCY25	Revenue 4QCY24	qoq change (%)	Revenue 1QCY24	yoy change (%)	Revenue 3MCY25	Revenue 3MCY24	yoy change (%)
Westports Holdings	Dec	621.30	675.43	-8.0%	543.2	14.4%	621.30	543.2	14.4%
Tasco	Mar	222.59	243.45	-8.6%	268.5	-17.1%	222.59	268.46	-17.1%
Swift Haulage	Dec	185.68	185.17	0.3%	179.4	3.5%	185.68	179.35	3.5%
Coverage Aggregate		1029.56	1104.06	-6.7%	990.96	3.9%	1029.56	990.96	3.9%

Source: Apex Securities Bhd

Company	FYE	CNP 1QCY25	CNP 4QCY24	qoq change (%)	CNP 1QCY24	yoy change (%)	CNP 3MCY25	CNP 3MCY24	yoy change (%)
Westports Holdings	Dec	222.46	256.65	-13.3%	204.5	8.8%	222.46	204.51	8.8%
Tasco	Mar	5.21	10.02	-48.0%	17.9	-70.8%	5.21	17.86	-70.8%
Swift Haulage	Dec	7.22	6.12	17.9%	8.2	-12.4%	7.22	8.24	-12.4%
Coverage Aggregate		234.89	272.80	-13.9%	230.61	1.9%	234.89	230.61	1.9%

Source: Apex Securities Bhd

Performance Summary

Company	1QCY25					
	APEX			CONSENSUS		
	Above	Within	Below	Above	Within	Below
Westports Holdings		✓			✓	
Tasco			✓			✓
Swift Haulage		✓			✓	
Total	0	2	1	0	2	1
Total (%)	0.0%	66.7%	33.3%	0.0%	66.7%	33.3%

Source: Apex Securities, Bloomberg

Peers Comparison

Company	FYE	Price (RM) as at 11Jun25	P/E (x)		P/B (x)		Dividend Yield (%)	Target Price (RM)	Potential Upside/Downside	ESG Rating
Westports Holdings	Dec	4.63	FY25F	FY26F	FY25F	FY26F	3.9%	5.08	9.7%	★★★
Tasco*	Mar	0.50	7.3	6.5	0.5	0.5	4.1%	0.51	2.0%	★★★
Swift Haulage	Dec	0.38	12.5	8.9	0.5	0.5	4.2	0.39	2.6%	★★★

*FY25F and FY26F refers to FY26F and FY27F data

Source: Apex Securities Bhd

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
