

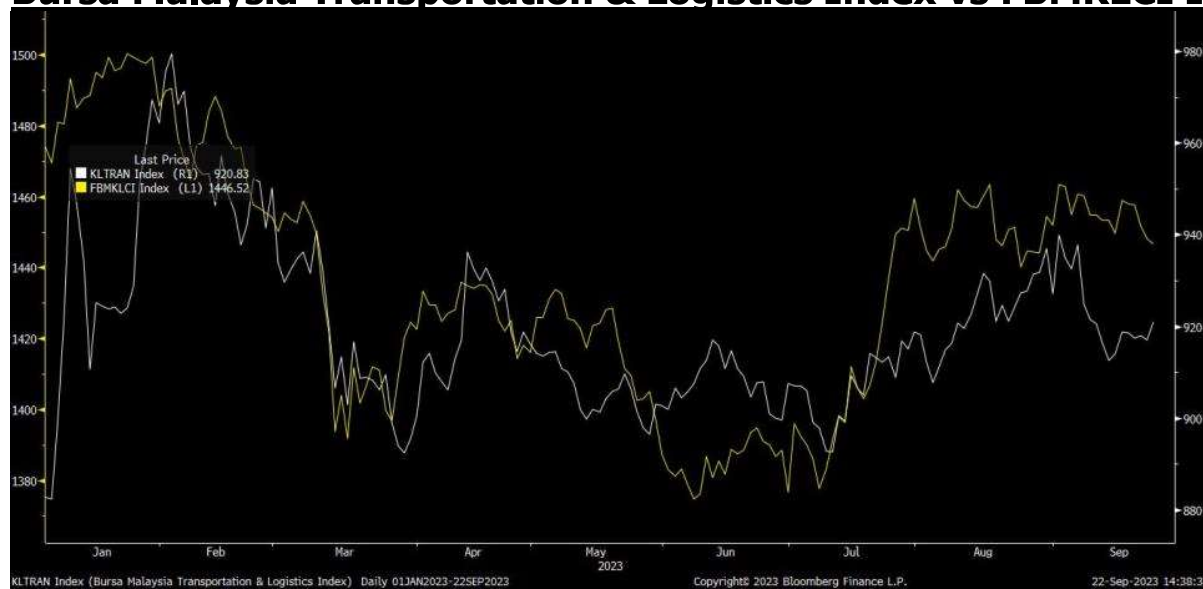
## Transportation & Logistic sector

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

### Operating in ambiguous economic prospects

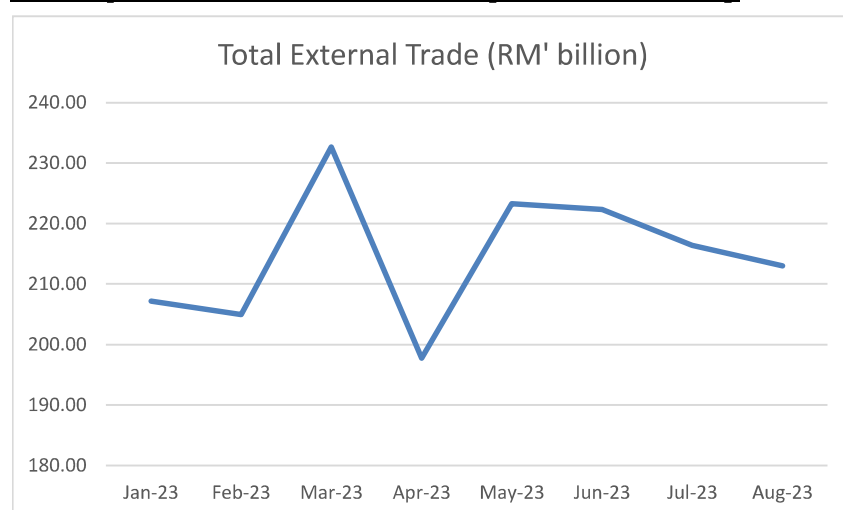
- Review.** Bursa Transport and Logistic index is similar to the overall market which the performance of the sector remains relatively flattish. The performance is in line with the uncertainties of the global economic and international trade. We can observe that our external trade (figure 2) has been declining over the past few months due to challenges in international trade (April 23 – Aug 23 average -13.7% YoY). In August, the ocean freight container index has experienced a surge in rate mainly due to seasonally peak shipping season and partly due to the Canadian West Coast dock strike. However, the rate has come down in September and return to more normal prices, but remains 4% higher than average 2019 (pre-pandemic) rates of USD1,420, Drewry is expecting the East-West spot rates trend to remain close to current levels in the next few weeks. The Air freight rates continue to showed retreat from the peak during pandemic time, but the price remains around 43% higher than average 2019 (pre-pandemic) rates.

### Bursa Malaysia Transportation & Logistics Index vs FBMKLCI Index



Source: Bloomberg

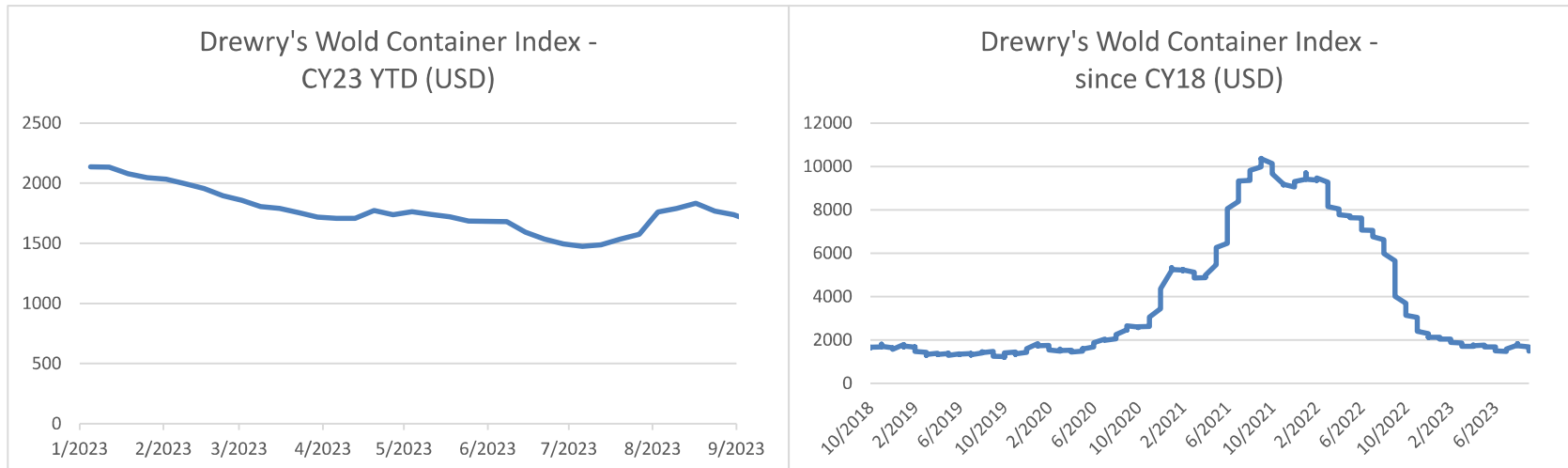
### Malaysia External Trade (Jan-23-YTD)



\*Surge in Feb and Mar due to seasonality

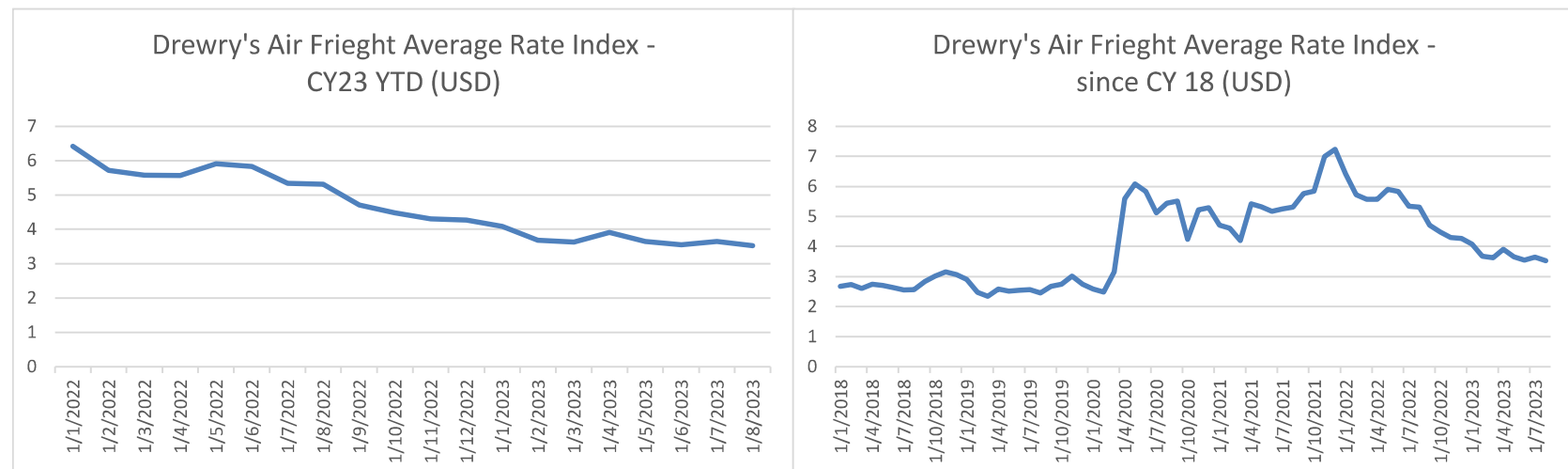
Source: DOSM, Apex Securities

### Dewry's Ocean Freight Index



Source: Bloomberg, Apex Securities

### Dewry's Air Freight Index



Source: Bloomberg, Apex Securities

- Outlook.** Given that the health of the logistics industry is closely aligned with the economic activity and international trade, the prospects of the sector are closely tied to the performance of the global as well as Malaysian economy. With the prospects of weaker global economic outlook, WTO forecasted the global merchandise trade volumes to grow merely +1.7% YoY in 2023 before picking up to +3.2% YoY on 2014. The logistic sector is expected to remain challenging, on the back of the sluggish global economic growth that is hampered by multiple headwinds such as rising costs on labour, finance and fuels, as well as declining freight rates. However, we reckon that the domestically-driven logistic players with exposure to domestic logistic, warehousing and cold-chain will outperform the sector that is supported by firm domestic economic growth and booming of e-commerce.
- Valuation & Recommendation.** The sector transportation & logistics sector is trading at the level of 14.0x of 1Y forward PER which is slightly lower than the pre-pandemic level (17.0-18.0x). We believe the discount is factoring the uncertainties of global economics, rising fuel, labour and finance cost. Our top pick would be **SWIFT Haulage Bhd (BUY; FV: RM 0.85)** as we favour its: i) attractive risk to reward ratio that is currently trading at undemanding 7.8x 1Y forward PER, ii) warehouse expansion as growth catalyst and iii) Market leader in container haulage with superior profit margin than the industry peers.
- Key Risk.** Softer-than-expected economic growth projections and an extended normalisation of freight charges may impact margins.