Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

***Maintain* BUY**

***Unchanged* Target Price: RM1.18**

Earnings to be uplifted by the warehousing segment

KEY INVESTMENT HIGHLIGHTS

- **Swift's core PATAMI of RM27.0m in 1HFY22 was within expectation**
- **Earnings saw an improvement due to the relaxed Covid-19 restrictions and tax allowance**
- **Softer quarter-on-quarter performance due to lower gateway throughput**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM1.18**

Within expectations. Swift Haulage Berhad (Swift or the Group) reported core PATAMI of RM27.0m in 6MFY22. This was within expectations as it makes up 46% and 48% of ours and consensus full-year estimates respectively. In line with our expectation, the Group has announced its first single tier dividend of 1.0sen for FY22. Swift has a dividend payout policy of up to 30%.

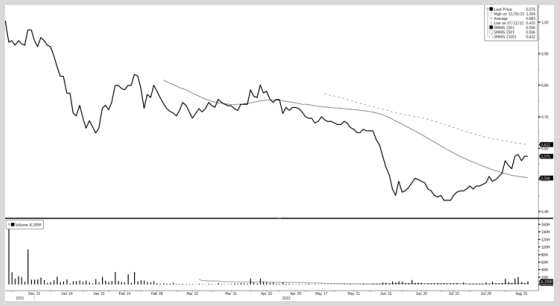
Quarterly. In 2QFY22, Swift's core PATAMI was higher at RM13.8m (+11.8%yoy). The improvement in its topline of RM160.1m (+11.0%yoy) was mainly attributed to the absence of movement restrictions. On a quarter-on-quarter basis, core PATAMI was up by +4.5%qoq after excluding the one-off items. Revenue was flat (-0.1%qoq) due to slightly lower contribution from the container haulage business. Based on the data released by the Ministry of Transport Malaysia, the top 3 main ports that Swift has presence in – Port Klang, Johor Ports (Johor Port and Port of Tanjung Pelepas) and Penang Port saw a decline in gateway container throughput between -2% to -7% in 2QCY22.

Cumulatively. Swift posted higher core PATAMI of RM27.0m (+24.4%yoy) in 6MFY22. This was on the back of the full resumption of its customers' business activities which contributed to the growth in its topline to RM320.4m (+7.8%yoy). Its core PATAMI margin of 8.4% saw an expansion thanks to the uplift from the Investment Tax Allowance (ITA) which brought down its effective tax rate to 18.3% (6MFY21: 23.8%) for the 6-month period.

Maintain BUY. We leave our earnings estimates unchanged as the results were within our expectation. 2HFY22 is seasonally a stronger period for the container haulage business and we expect earnings to be further uplifted by the commencement of operations of its 2 extended warehouses (+300,000 sq ft in total) in 1HFY22 and its new PKFZ warehouse (178,000 sq ft) in 3QFY22. Overall, we maintain our **BUY** call with an unchanged TP of **RM1.18** (FY23F EPS pegged to PER of 17x). Downside risks include: (1) delayed completion of its new PKFZ warehouse (2) lower gateway throughput as a result of the lingering supply chain issues which could affect the performance of its primary business.

RETURN STATISTICS	
Price @ 17th August 2022 (RM)	0.58
Expected share price return (%)	+>100.0
Expected dividend yield (%)	+3.6%
Expected total return (%)	**+>100.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	25.0	17.7
3 months	16,2	-14.6
12 months	n.a.	n.a.

KEY STATISTICS	
FBM KLCI	1,518.16
Syariah compliant	Yes
F4BGM Index	-
ESG Grading Band (Star Rating)	-
Issue shares (m)	889.81
Estimated free float (%)	52.26
Market Capitalisation (RM'm)	509.87
52-wk price range	RM0.42–RM1.13
Beta vs FBM KLCI (x)	-
Monthly velocity (%)	-
Monthly volatility (%)	0.00
3-mth average daily volume (m)	3.79
3-mth average daily value (RM'm)	1.99
Top Shareholders (%)	
Persada Bina Sdn Bhd	38.11
KWAP	8.97
Bluefin Bidco Ltd	7.81

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	555.8	592.8	643.9	716.1	735.3
Gross profit	185.7	188.2	201.5	221.8	227.9
EBITDA	137.6	149.7	156.5	164.7	168.5
EBIT	83.5	92.3	99.1	105.8	108.2
PBT	54.4	65.9	74.1	81.6	85.0
PATAMI	41.7	50.6	58.5	61.6	64.2
Core PATAMI	38.9	51.9	58.5	61.6	64.2
EPS (sen)	5.3	5.8	6.6	6.9	7.2
PER (x)	10.9x	9.9x	8.8x	8.4x	8.0x
DPS (sen)	n.a.	1.8	2.0	2.1	2.2
Dividend yield (%)	n.a.	3.1%	3.4%	3.6%	3.7%

Sources: Company, MIDFR

SWIFT: 2Q22 RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Revenue	160.1	160.3	144.2	-0.1%	11.0%	320.4	297.3	7.8%
Gross profit	50.4	50.4	46.1	0.0%	9.5%	100.9	94.4	6.8%
EBIT	23.3	23.1	23.3	1.1%	0.1%	46.4	45.1	2.9%
Finance cost	(6.6)	(5.9)	(6.7)	-11.5%	1.6%	(12.6)	(13.2)	5.1%
PBT	16.7	17.1	16.3	-2.4%	2.2%	33.8	30.8	9.7%
Tax expense	(3.6)	(2.6)	(4.0)	-38.9%	9.6%	(6.2)	(7.3)	15.8%
PATAMI	13.2	14.3	11.6	-7.9%	13.7%	27.5	22.3	23.4%
Core PATAMI	13.8	13.2	12.3	4.5%	11.8%	27.0	21.7	24.5%
EBIT margin (%)	14.6%	14.4%	16.2%			14.5%	15.2%	
PBT margin (%)	10.4%	10.7%	11.3%			10.5%	10.4%	
Core PATAMI margin (%)	8.6%	8.2%	8.6%			8.4%	7.3%	
Effective tax rate (%)	-21.5%	-15.1%	-24.3%			-18.3%	-23.8%	

Sources: Company, MIDFR

SEGMENTAL REVENUE AND PBT BREAKDOWN

(All in RM'm unless stated otherwise)	Quarterly					Cumulatively		
Revenue	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Container haulage	69.5	71.1	69.0	-2.3%	0.7%	140.6	141.5	-0.6%
Land transportation	53.6	52.5	41.3	2.2%	29.9%	106.1	88.9	19.3%
Warehousing & container depot	19.8	19.6	19.5	1.0%	1.4%	39.4	38.4	2.6%
Freight forwarding	17.2	17.0	14.1	1.0%	22.1%	34.2	28.0	22.2%
Others	0.0	0.1	0.3	-85.7%	-95.7%	0.1	0.5	-76.9%
PBT	**2Q22**	**1Q22**	**2Q21**	**QoQ**	**YoY**	**6M22**	**6M21**	**YoY**
Container haulage	6.6	6.8	8.8	-4.0%	-25.0%	13.4	17.0	-21.1%
Land transportation	4.0	4.9	3.0	-18.0%	33.8%	8.9	7.2	23.2%
Warehousing & container depot	2.2	2.2	2.6	1.7%	-14.6%	4.5	5.2	-13.7%
Freight forwarding	9.4	8.4	5.2	11.6%	81.7%	17.8	10.8	64.0%
Others	(5.4)	(5.1)	(3.1)	-5.5%	-73.1%	(10.6)	(9.3)	-13.9%

Sources: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology