Corporate Update | Tuesday, 16 August 2022

Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

***Maintain* BUY**

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

Proceeds From Land Disposal to Repay Borrowings

KEY INVESTMENT HIGHLIGHTS

- **Sentiasa Hebat to sell its 518,364 sq ft land to TPC Land for a cash consideration of RM38.4m**
- **Estimated one-off net gain of RM4.9m**
- **Proceeds from the disposal would be utilised to repay borrowings**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM1.18**

The land disposal. Swift Haulage Berhad's (Swift or the Group) indirect wholly owned subsidiary, Sentiasa Hebat Sdn Bhd, has entered into a sale and purchase agreement (SPA) with TPC Land Sdn Bhd to dispose its 518,364 sq ft land in Bandar Sultan Sulaiman, Klang for a cash consideration of RM38.4m. The proposed disposal is expected to be concluded by 2QFY23.

Positive on the disposal. We are positive on the proposed disposal as it unlocks and realises capital appreciation of the land which forms part of its non-core assets, whilst providing a surplus cash flow. Based on an NBV of RM33.4m as at end-FY21, we estimate the one-off gain from the disposal to be approximately RM4.9m before adjusting for the necessary expenses and taxes upon completion.

Impact on earnings. We maintain our earnings estimate at this juncture given the non-recurring nature of the transaction. However, assuming that the deal is completed by 2QFY23, there could be an upward revision to our FY23F/FY24F earnings estimates as the Group intends to utilise the proceeds for the repayment of borrowings. As of 1QFY22, the net gearing stood at 0.98x, while the quarterly cash interest paid was reduced to RM5.9m (-8.7yoy) following the full utilisation of the RM69.7m earmarked to repay bank borrowings from the proceeds of the IPO.

Maintain BUY. We maintain our **BUY** call on Swift with an unchanged TP of **RM1.18** (FY23F EPS pegged to target PER of 17x). We prefer the Group due to the following: (1) commanding position in the container haulage business (9% market share in terms of TEUs in FY21), (2) above average profit margins due to the large vehicle fleet that it owns and operates and cost advantages from its in-house supporting services and (3) resiliency in earnings due to its dependency on trade volume. Downside risks include: (1) any delays in its primary warehouse capacity expansion plan and (2) lower gateway port throughput arising from the supply chain disruptions (any weakness would only be observable in 3Q).

RETURN STATISTICS	
Price @ 16th August 2022 (RM)	0.58
Expected share price return (%)	+>100.0%
Expected dividend yield (%)	+3.4%
Expected total return (%)	**+>100.0%**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	27.8	19.3
3 months	16.2	-16.2
12 months	n.a.	n.a.

KEY STATISTICS	
FBM KLCI	1,518.78
Syariah compliant	Yes
F4BGM Index	-
ESG Grading Band (Star Rating)	-
Issue shares (m)	889.81
Estimated free float (%)	52.27
Market Capitalisation (RM'm)	509.90
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)	3.72
3-mth average daily value (RM'm)	1.95
Top Shareholders (%)	
Persada Bina Sdn Bhd	38.11
KWAP	8.96
Bluefin Bidco Ltd	7.81

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INVESTMENT STATISTICS

Income Statement	FY20A	FY21A	FY22E	FY23F	FY24F
Revenue	555.8	592.8	643.8	716.1	735.2
Gross profit	185.7	188.2	202.8	225.6	231.6
EBIT	79.4	87.8	94.0	105.9	108.2
PBT	53.9	61.1	68.9	80.9	84.7
PATAMI	41.7	50.6	58.6	61.5	64.4
Core PATAMI	38.9	51.9	58.6	61.5	64.4
Core EPS (sen)	5.3	5.8	6.6	6.9	7.2
PER (x)	10.9x	10.0x	8.8x	8.4x	8.1x
Dividend (sen)	n.a.	1.8	2.0	2.0	2.2
Dividend yield (%)	n.a.	3.1%	3.4%	3.4%	3.8%

Source: 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