Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

***Maintain* BUY**

***Revised* Target Price: RM1.05**

(from RM1.18)

In line with expectations

KEY INVESTMENT HIGHLIGHTS

- **Core PATAMI of RM41.1m in 9MFY22 met our estimate**
- **Improved earnings due to post-pandemic recovery**
- **Warehouse capacity expansion to be completed in 4QFY22**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with a revised TP of RM1.05**

Within expectations. Swift Haulage Berhad (Swift) reported core PATAMI of RM41.1m in 9MFY22. This came in within our expectation as it makes up 71% and 73% of ours and consensus estimates respectively.

Quarterly. On a yearly basis, core PATAMI of RM13.4m (+37.5%yoy) saw a notable improvement as customers increased their production capacities to cater to post-pandemic demand. In comparison with the previous quarter, earnings were slightly down by -6.7%qoq due to the lack of festivities in 3QFY22, which led to lower demand from the fast moving consumer goods (FMCG) customers under the land transportation segment. There was also lower contribution from the freight forwarding segment owing to normalising freight rates.

Cumulatively. In the 9-month period, core PATAMI increased to RM41.1m (+19.9%yoy) driven by the recovery of business activities which has led to higher demand for third-party logistics (3PL) services. The land transportation segment in particular had greatly benefitted from the restoration of business production with its revenue surging by +22.9%yoy, while the freight forwarding segment's revenue rose by +15.9%yoy supported by consistent cargo volume and favourable freight rates.

Maintain BUY. We leave our earnings estimates unchanged as the results were within our expectation. However, we lower our TP slightly to **RM1.05** (from RM1.18) as we peg the unchanged FY23F EPS to a lower PE of 15x (from 17x) for it to be more in line with the sector's historical mean and after factoring in the risk of a global economy downturn which could affect the port throughput. In the near-term, we expect earnings to be uplifted by the +46.0% increase in total warehouse capacity of which the expansion will be fully completed in 4QFY22. Key downside risks include: (i) lower-than-expected utilisation rates for its new and extended warehouses and (ii) weaker-than-expected gateway port throughput.

RETURN STATISTICS	
Price @ 14th November 2022 (RM)	0.51
Expected share price return (%)	+>100.0
Expected dividend yield (%)	3.9
Expected total return (%)	**+>100.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	9.7	3.6
3 months	1.0	-6.4
12 months	NA	NA

KEY STATISTICS	
FBM KLCI	1,464.00
Syariah compliant	Yes
F4BGM Index	-
ESG Grading Band (Star Rating)	-
Issue shares (m)	889.805
Estimated free float (%)	52.1249
Market Capitalisation (RM'm)	451.18
52-wk price range	RM0.42 - RM1.13
Beta vs FBM KLCI (x)	NA
Monthly velocity (%)	NA
Monthly volatility (%)	0.0
3-mth average daily volume (m)	3.46
3-mth average daily value (RM'm)	1.82
Top Shareholders (%)	
Persada Bina Sdn Bhd	38.20
KWAP	8.99
Bluefin Bidco Ltd	7.83

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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
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	8.7x	7.7x	7.4x	7.1x
DPS (sen)	n.a.	1.8	2.0	2.1	2.2
Dividend yield (%)	n.a.	3.5%	3.9%	4.1%	4.3%

Sources: Company, MIDFR

SWIFT: 3Q22 RESULTS SUMMARY

	Quarterly					Cumulatively		
Income Statement	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Revenue	159.3	160.1	133.5	-0.5%	19.3%	479.7	430.9	11.3%
Gross profit	48.7	50.4	42.3	-3.5%	14.9%	149.5	136.7	9.3%
EBIT	21.9	23.2	21.3	-5.6%	2.8%	68.1	65.2	4.4%
Finance cost	(6.7)	(6.6)	(6.7)	-0.9%	-0.1%	(19.3)	(19.9)	3.3%
PBT	15.3	16.7	14.7	-8.2%	4.1%	49.1	45.5	7.9%
Tax expense	(3.3)	(3.6)	(2.8)	7.9%	-18.6%	(9.5)	(10.1)	6.3%
PATAMI	11.7	13.1	11.7	-10.7%	0.4%	39.2	33.6	16.6%
Core PATAMI	13.4	14.3	9.7	-6.3%	37.5%	41.1	34.3	19.9%
EBIT margin (%)	13.8%	14.5%	16.0%			14.2%	15.1%	
PBT margin (%)	9.6%	10.4%	11.0%			10.2%	10.6%	
Core PATAMI margin (%)	8.4%	8.9%	7.3%			8.6%	8.0%	
Effective tax rate (%)	-21.6%	-21.5%	-18.9%			-19.3%	-22.2%	

Sources: Company, MIDFR

SEGMENTAL REVENUE AND PBT BREAKDOWN

(All in RM'm unless stated otherwise)	Quarterly					Cumulatively		
Revenue	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Container haulage	69.5	69.5	61.7	0.0%	12.7%	210.1	203.2	3.4%
Land transportation	51.3	53.6	39.0	-4.4%	31.5%	157.4	128.0	22.9%
Warehousing & container depot	21.2	19.8	17.2	7.1%	23.4%	60.6	55.6	9.0%
Freight forwarding	16.4	17.2	15.6	-4.9%	4.7%	50.6	43.6	15.9%
Others	1.0	0.0	0.0	n.m.	6333.3%	1.1	0.5	106.8%
PBT	**3Q22**	**2Q22**	**3Q21**	**QoQ**	**YoY**	**9M22**	**9M21**	**YoY**
Container haulage	6.8	6.6	6.3	2.9%	7.8%	20.2	23.3	-13.5%
Land transportation	3.5	4.0	2.8	-12.2%	23.4%	12.4	10.1	23.1%
Warehousing & container depot	2.6	2.2	2.6	19.0%	-1.0%	7.0	7.8	-9.7%
Freight forwarding	8.4	9.4	5.7	-10.6%	47.3%	26.2	16.6	58.0%
Others	(5.8)	(5.4)	(2.9)	-7.9%	-104.0%	(16.3)	(12.1)	-35.0%

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