Swift Haulage Berhad

***Maintain* BUY**

(5303 | SWIFT MK) Main | Transportation & Logistics

Taking full ownership of BLG Swift Logistics

***Unchanged* Target Price: RM1.05**

DEVELOPMENT

- Swift Haulage Berhad (Swift Haulage) is looking to acquire the remaining ownership in its associated company, BLG Swift Logistics Sdn Bhd (BLG Swift), from BLG Industrielogistik GmbH & Co. KG. Swift Haulage, via its wholly owned Swift Integrated Logistics Sdn Bhd (SILSB, currently has a 60% ownership in BLG Swift.
- The purchase consideration of RM2.7m will be satisfied via internally generated funds whereby the deal is to be completed within 4 months.

OUR VIEW

- **Brief background.** BLG Swift and its 100%-owned subsidiary, Swift Mega Carriers Sdn Bhd (SMCSB), are mainly involved in the provision of warehousing services and car carrier transportation services. BLG Swift leases the 274,318 sq ft-vehicle distribution centre at SLC Warehouse in Port Klang and an open yard from Swift Haulage for the storage of passenger cars. The size of the open yard rented depends on its requirements. Below is the summarised historical financial information of the associated company:

Financial Information (RM'm)	FY2018A	FY2019A	FY2020A	FY2021A
Revenue	11.0	12.7	10.9	5.4
PAT/(LAT)	1.4	1.8	0.8	-2.9
Share of results	0.9	1.1	0.5	-0.9*
Net assets/(liabilities)	3.1	4.9	5.7	2.8

***** Included an adjustment on prior years post acquisition profits amounted to RM0.8m.

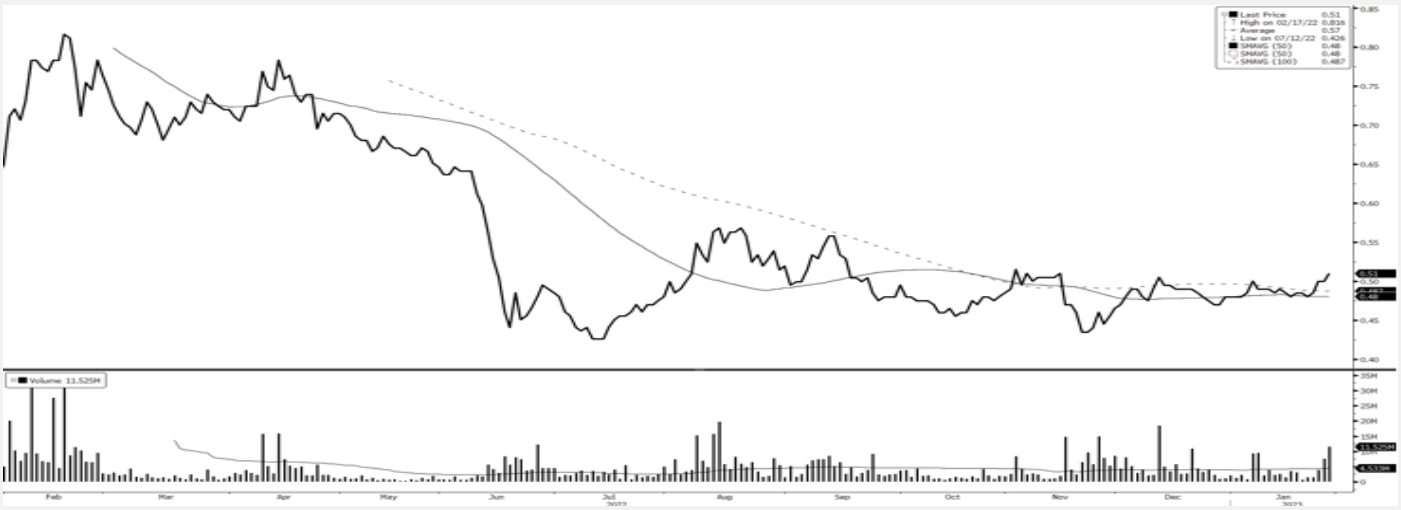
- **Valuation.** The share of loss in FY21 was attributed to the pandemic which has led to lower demand for warehousing and transportation services to its automotive industry customers whereby the total industry volume (TIV) has fallen by -3.7%yoy. BLG Swift has likely turned to profitability in FY22E on the back of +42.0%yoy growth in TIV. As there is an absence in profits for FY21, the deal is valued at 8.4x based on its FY20 PAT. A relatively recent deal involving an acquisition of a 50% stake in Hypercold Logistics Sdn Bhd (HLSB) in FY21, was valued at 16.3x. HLSB provides cold-chain logistics services in East Malaysia.
- **Impact.** Swift Haulage should have sufficient funds to take on the deal. As at end-3QFY22, Swift Haulage's cash balance stood at RM21.0m, while its gearing ratio is at 0.8x. The proposed acquisition is not expected to materially impact the earnings.
- Overall, we continue to favour Swift Haulage as: (i) it is a leading player in the container haulage business (market share of c.9% in terms of TEUs), (ii) it fetches superior PBT margins of c.11% largely attributed to its in-house assets and cost advantages from its in-house supporting services (the industry's PBT margins are within c.4%-5%), (iii) it shows earnings resiliency due to its exposure to Malaysia's imports and exports and (iv) its performance is largely insulated from the volatility of freight rates.
- We maintain our **BUY** call on Swift Haulage with an unchanged TP of **RM1.05**, derived by pegging its FY23F EPS to PE of 15x. The Group is currently trading at forward PE of 7.4x, representing a-50% discount to the sector historical mean.

INVESTMENT STATISTICS

Annual Standardised Year end 31 December	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	555.8	592.8	643.9	716.1	735.3
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)	9.6x	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%	4.2%

Source: Company, MIDFR

SHARE PRICE CHART



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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