Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

***Maintain* BUY**

Margins to Improve

***Unchanged* Target Price: RM0.90**

KEY INVESTMENT HIGHLIGHTS

- **Core PATAMI in 1QFY23 came in slightly below expectation**
- **Land transportation and warehousing segments were the main contributors to topline's growth**
- **Decline in earnings was mainly due to higher finance costs and overhead expenses**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM0.90**

Below expectation. Swift Haulage Berhad (Swift) reported core PATAMI of RM9.1m in 1QFY23. This makes up 17% and 16% of our and consensus estimates respectively. We deem this to be slightly below our expectation due to higher-than-expected operating expenses.

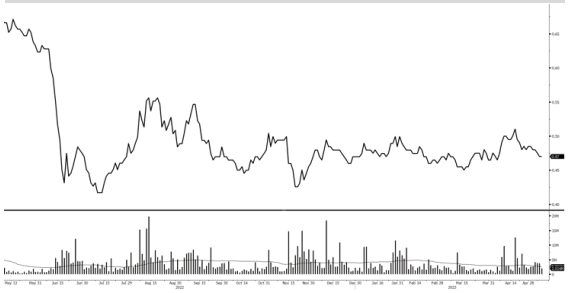
Quarterly. Revenue increased by +5.7%yoy, driven by the growth in the land transportation segment (+19.8%yoy) through fleet expansion and the warehousing segment (+13.9%yoy) with a significant increase in available capacity (+42%) of 'own and operate' warehouses last year. However, core PATAMI declined by -29.8%yoy, primarily due to higher overhead expenses and finance costs. In Oct-22, Swift has drawn the third tranche of its RM500.0m Sukuk programme (RM90.0m) to finance the capital expenditure for the new Port Klang Free Zone (PKFZ) warehouse and the acquisition of land in Penang. Additionally, increased interest rates impacted the earnings, given that approximately 90% of the Group's bank borrowings are on floating rates.

Outlook. We expect revenue growth to be supported by the full-year contribution of its new warehouses, an increase in number of land transportation trips as roughly about 50 prime movers were added to its fleet in FY22 as well as higher transportation rates as cost pass-through exercise was completed in 4QFY22. Margins are expected to see an improvement in the coming quarters as management has previously stated their intention to sell 2 pieces of unutilised land in 2QFY23, of which the net proceeds will be used to pare down their borrowings.

Maintain BUY. We have made no changes to our earnings estimates pending the results briefing later today. We maintain our **BUY** call on Swift with an unchanged TP of **RM0.90** (based on FY23F PE of 15x) as the stock is trading at a -51% discount to the sector's 5-year historical mean. Key risks to our call are: (i) weaker-than-expected gateway port throughput and (ii) lower-than-expected take-up rates for the new and extended warehouses.

RETURN STATISTICS	
Price @ 10th May 2023 (RM)	0.47
Expected share price return (%)	+91.5
Expected dividend yield (%)	+3.8
Expected total return (%)	**+95.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.0	-5.3
3 months	1.1	-0.8
12 months	-32.4	-26.2

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	679.1	713.4	743.4
EBIT	101.2	108.3	112.8
PBT	71.4	78.3	82.6
Core PATAMI	54.3	59.5	62.7
Core EPS (sen)	6.1	6.7	7.1
DPS (sen)	1.8	2.0	2.1
Dividend Yield	3.8%	4.3%	4.5%

KEY STATISTICS	
FBM KLCI	1,425.68
Issue shares (m)	889.8
Estimated free float (%)	51.3
Market Capitalisation (RM'm)	414.2
52-wk price range	RM0.42-RM0.70
3-mth average daily volume (m)	2.7
3-mth average daily value (RM'm)	1.3
Top Shareholders (%)	
Persada Bina Sdn Bhd	37.2
KWAP	9.0
Loo Hooi Keat	2.3

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SWIFT: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Revenue	169.4	165.2	160.3	2.5%	5.7%
Operating profit	20.6	22.7	23.1	-9.2%	-10.8%
Finance costs	-7.7	-7.6	-5.9	-2.1%	-30.3%
Results of associates & JV	-0.1	-0.2	-0.1	73.8%	9.1%
PBT	12.8	14.9	17.1	-14.2%	-25.2%
Tax expense	-2.6	-3.1	-2.6	18.5%	1.0%
PATAMI	10.1	11.2	14.3	-9.9%	-29.2%
Core PATAMI	9.1	12.2	12.9	-25.4%	-29.8%
EBIT margin (%)	12.2%	13.7%	14.4%		
PBT margin (%)	7.6%	9.0%	10.7%		
Core PATAMI margin (%)	5.4%	7.4%	8.1%		
Effective tax rate (%)	-20.0%	-21.1%	-15.1%		

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				
Revenue	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Container haulage	69.7	62.2	71.1	12.1%	-2.0%
Land transportation	62.9	56.6	52.5	11.1%	19.8%
Warehousing & container depot	22.3	23.9	19.6	-6.4%	13.9%
Freight forwarding	14.4	17.5	17.0	-17.7%	-15.4%
Others	0.1	0.0	0.1	640.0%	-24.5%
PBT	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Container haulage	4.9	5.5	6.8	-11.4%	-28.5%
Land transportation	5.0	3.3	4.9	51.5%	2.9%
Warehousing & container depot	3.1	2.5	2.2	22.9%	41.5%
Freight forwarding	6.7	9.9	8.4	-32.7%	-20.3%
Others	-6.9	-6.0	-5.1	-14.0%	-33.6%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	588.3	644.8	679.1	713.4	743.4
EBIT	80.2	89.6	101.2	108.3	112.8
PBT	53.8	63.3	71.4	78.3	82.6
PATAMI	47.1	50.5	54.3	59.5	62.7
Core PATAMI	48.2	49.0	54.3	59.5	62.7
EPS (sen)	5.4	5.5	6.1	6.7	7.1
PER (x)	8.6	8.5	7.7	7.0	6.6
DPS (sen)	n.a.	2.0	1.8	2.0	2.1
Dividend yield (%)	n.a.	4.3%	3.8%	4.3%	4.5%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	471.6	604.2	630.4	654.9	668.4
ROU assets	436.8	371.6	372.0	372.4	372.8
Non-current assets	**1,103.3**	**1,175.6**	**1,202.4**	**1,227.3**	**1,241.2**
Trade debtors	248.2	217.4	229.0	240.6	250.7
Cash	64.7	51.4	38.4	28.7	32.0
Current assets	**338.0**	**337.8**	**338.6**	**340.9**	**354.8**
Long-term debt	396.8	446.1	486.1	486.1	486.1
Non-current liabilities	**508.8**	**552.2**	**535.9**	**520.2**	**508.5**
Short-term debt	179.0	201.4	206.4	211.4	216.4
Trade creditors	102.1	116.6	125.2	131.1	136.2
Current liabilities	**314.4**	**346.3**	**306.8**	**308.0**	**303.6**
Share capital	384.7	384.7	384.7	384.7	384.7
Retained earnings	250.0	275.6	313.6	355.3	399.2
Equity	**635.3**	**658.6**	**698.3**	**740.0**	**783.9**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	57.1	64.0	71.4	78.3	82.6
Depreciation & amortisation	57.5	60.9	63.4	65.1	66.1
Changes in working capital	-99.0	28.6	-19.4	-17.0	-14.7
Operating cash flow	**23.6**	**164.2**	**98.3**	**107.7**	**114.1**
Capital expenditure	-26.2	-144.7	-70.0	-70.0	-60.0
Investing cash flow	**-87.0**	**-196.8**	**-110.1**	**-104.6**	**-97.0**
Debt raised/(repaid)	40.9	57.1	45.0	5.0	5.0
Dividends paid	0.0	-24.9	-16.3	-17.9	-18.8
Financing cash flow	**106.2**	**-7.2**	**28.7**	**-12.9**	**-13.8**
Net cash flow	**42.9**	**-39.8**	**16.9**	**-9.8**	**3.3**
Beginning cash flow	**18.4**	**61.3**	**21.5**	**38.4**	**28.7**
Ending cash flow	**61.3**	**21.5**	**38.4**	**28.7**	**32.0**

Key Assumptions	2021A	2022A	2023E	2024F	2025F
Container volume (TEUs)	606,378	576,872	588,409	606,062	624,244
Number of land transportation trips	169,758	150,569	155,086	158,188	161,352
Number of freight forwarding jobs	90,796	88,773	90,548	93,265	96,063
Warehousing space (sq ft)	952,871	1,273,071	1,273,071	1,423,071	1,423,071

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin	13.6%	13.9%	14.9%	15.2%	15.2%
PBT margin	9.1%	9.8%	10.5%	11.0%	11.1%
PATAMI margin	8.0%	7.8%	8.0%	8.3%	8.4%
Core PAT margin	8.2%	7.6%	8.0%	8.3%	8.4%

Source: Bloomberg, 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