Swift Haulage Berhad

(5303 | SWIFT MK) Main | Transportation & Logistics

Maintain BUY

Riding on Capacity Expansion

Unchanged Target Price: RM0.90

KEY INVESTMENT HIGHLIGHTS

- **Revenue decline per unit was attributed to shorter distance trips**
- **Take up rates for the new warehouses to improve in 2HFY23**
- **Borrowings to be pared down using net proceeds from the sale of unutilised land**
- **Core PATAMI for FY23E/FY24F/FY25F revised by -9.6%/-9.1%/-8.3%**
- **Maintain BUY with an unchanged TP of RM0.90**

Below are the key highlights from Swift Haulage Berhad's (Swift) recent quarterly results briefing:

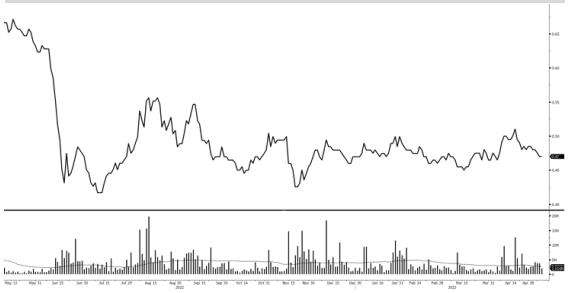
Transportation businesses. Despite a +4.2%yoy increase in container volume, revenue per TEU dropped by -6.9%yoy due to a temporary decrease in volume from a high-yielding (longer-distance trips) major glass manufacturing customer. Freight forwarding jobs declined by -5.9%yoy, primarily due to a drop in Johor's port throughput, while revenue per job decreased by -16.6%yoy as international freight rates normalised. Land transportation trips increased significantly by +15.8%yoy through fleet expansion, but revenue per trip decreased by -8.9%yoy mainly due to the newly acquired Singapore-based Watt Wah Petroleum Haulage handling lower-yielding trips (shorter-distance trips).

Storage businesses. The addition of 3 new warehouses in FY22 increased warehousing capacity by +29.5%yoy, but the utilisation rate dropped by -18.7%yoy. This was primarily due to low take-up at the new Port Klang Free Zone warehouse (completed in 4QFY22), with a major customer occupying nearly 40% of the capacity scheduled to move in only in Apr-23, and reduced production volume from customers occupying the new Tebrau warehouse (completed in 1QFY22), which has a current utilisation rate of 60%. Take-up rates are expected to improve in 2HFY23 as more customers are scheduled to move in then. Meanwhile, container depot utilisation rate increased by +48.3%yoy due to off hiring of containers by shipping lines.

Maintain BUY. Should there be any weakness in container volume this year, we expect this to be offset by the strength of the land transportation business, which has expanded considerably on the back of recent fleet expansion and company acquisitions. We expect margins to improve in 2HFY23 as take-up rates for new warehouses increase and the company reduces its borrowings through the sale of unutilised land which has estimated proceeds of RM46.0m. However, we have revised down our earnings estimates by -9.6%/-9.1%/-8.3% for FY23E/FY24F/FY25F to reflect higher overhead expenses, but our TP remains unchanged at **RM0.90** (based on FY24F PE of 15x) as we rollover our valuation base year. We maintain our **BUY** call on Swift 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 warehouses.

RETURN STATISTICS	
Price @ 11th May 2023 (RM)	0.47
Expected share price return (%)	+91.4
Expected dividend yield (%)	+3.6
Expected total return (%)	**+95.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.0	-5.4
3 months	1.1	-0.8
12 months	-30.9	-25.4

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	679.1	713.4	743.4
EBIT	94.4	101.2	105.3
PBT	64.8	71.4	75.3
Core PATAMI	49.3	54.3	57.3
EPS (sen)	5.6	6.1	6.5
DPS (sen)	1.7	1.8	1.9
Dividend yield	3.6%	3.8%	4.0%

KEY STATISTICS

FBM KLCI	1,425.18
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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OPERATIONAL METRICS

	Quarterly				
Segment	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Container Haulage					
Volume (TEU)	151,468	138,216	145,370	9.6%	4.2%
Avg. revenue/TEU (RM)	RM460	RM478	RM494	-3.8%	-6.9%
Land Transportation					
Number of trips	50,488	21,893	43,607	130.6%	15.8%
Avg. revenue/trip (RM)	RM1,245	RM1,460	RM1,366	-14.7%	-8.9%
Freight Forwarding					
Number of jobs	22,430	12,581	23,824	78.3%	-5.9%
Avg. revenue/job (RM)	RM642	RM740	RM770	-13.2%	-16.6%
Warehousing					
Capacity (sq ft)	1,308,771	1,164,931	1,010,300	12.3%	29.5%
Utilisation rate (%)	75.0%	76.0%	92.2%	-1.3%	-18.7%
Container Depot					
Capacity (TEU)	28,500	28,500	28,500	0.0%	0.0%
Utilisation rate (%)	89.0%	101.0%	60.0%	-11.9%	48.3%

Source: Swift, 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	94.4	101.2	105.3
PBT	53.8	63.3	64.8	71.4	75.3
PATAMI	47.1	50.5	49.3	54.3	57.3
Core PATAMI	48.2	49.0	49.3	54.3	57.3
EPS (sen)	5.4	5.5	5.6	6.1	6.5
PER (x)	8.6	8.5	8.5	7.7	7.3
DPS (sen)	n.a.	1.8	1.7	1.8	1.9
Dividend yield (%)	n.a.	3.8%	3.6%	3.8%	4.0%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	471.6	604.2	625.7	641.2	655.6
ROU assets	436.8	371.6	372.0	372.4	372.8
Non-current assets	**1,103.3**	**1,175.6**	**1,197.8**	**1,213.6**	**1,228.4**
Trade debtors	248.2	217.4	229.0	240.6	250.7
Cash	64.7	51.4	34.7	30.4	29.0
Current assets	**338.0**	**337.8**	**334.8**	**342.7**	**351.8**
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	201.4	206.4	211.4
Trade creditors	102.1	116.6	125.1	130.9	135.9
Current liabilities	**314.4**	**346.3**	**301.7**	**302.7**	**298.4**
Share capital	384.7	384.7	384.7	384.7	384.7
Retained earnings	250.0	275.6	310.1	348.1	388.2
Equity	**635.3**	**658.6**	**694.8**	**732.8**	**772.9**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	57.1	64.0	64.8	71.4	75.3
Depreciation & amortisation	57.5	60.9	63.1	64.2	65.2
Changes in working capital	-99.0	28.6	-19.3	-16.8	-14.7
Operating cash flow	**23.6**	**164.2**	**93.1**	**101.6**	**107.7**
Capital expenditure	-26.2	-144.7	-65.0	-60.0	-60.0
Investing cash flow	**-87.0**	**-196.8**	**-105.1**	**-94.6**	**-97.0**
Debt raised/(repaid)	40.9	57.1	40.0	5.0	5.0
Dividends paid	**0.0**	**-24.9**	**-14.8**	**-16.3**	**-17.2**
Financing cash flow	**106.2**	**-7.2**	**25.2**	**-11.3**	**-12.2**
Net cash flow	**42.9**	**-39.8**	**13.2**	**-4.2**	**-1.4**
Beginning cash flow	**18.4**	**61.3**	**21.5**	**34.7**	**30.4**
Ending cash flow	**61.3**	**21.5**	**34.7**	**30.4**	**29.0**

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%	13.9%	14.2%	14.2%
PBT margin	9.1%	9.8%	9.5%	10.0%	10.1%
PATAMI margin	8.0%	7.8%	7.3%	7.6%	7.7%
Core PATAMI margin	8.2%	7.6%	7.3%	7.6%	7.7%

Source: Swift, 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