Swift Haulage Berhad

***Maintain* BUY**

(5303 | SWIFT MK) Main | Transportation & Logistics

Expanding Footprint in Borneo Island

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

DEVELOPMENT

- Swift Haulage Berhad's (Swift) wholly-owned subsidiary, Swift Integrated Logistics Sdn Bhd (SILS), had entered into a share sale agreement to purchase the entire equity interest in Standard Marine Agencies (Sarawak) Sdn Bhd (SMA).
- The purchase consideration of RM1.4m is to be fully funded by internally generated funds.
- The deal has been completed on May 2, 2023 upon the completion of the share sale agreement.

OUR VIEW

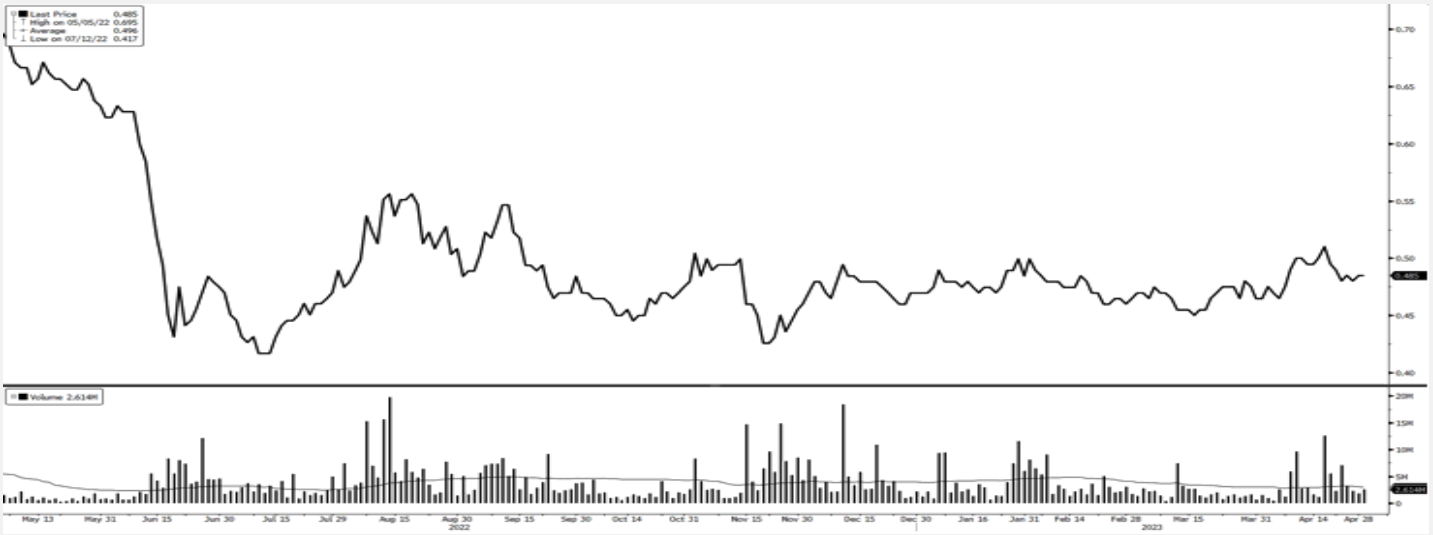
- SMA is a freight forwarding and logistics company that is based in Kota Kinabalu, Sabah.
- The acquisition is part of the Group's growth strategies to expand into the Borneo Island. We believe this presents an opportunity for Swift to upsell its services within the vicinity given that most of its ocean freight forwarding jobs is for the East-West Malaysia route. By growing through acquisitions, the Group will be able to retain the target company's truck drivers amidst the current industry-wide shortage. So far, Swift is only providing cold-chain logistics services in Sabah via its 50%-owned Hypercold Logistics Sdn Bhd and 15%-owned Platinium Coldchain Sdn Bhd.
- Swift has a cash balance of RM51.4m as at end-FY22, which should be sufficient to internally fund the acquisition. We make no changes to our earnings estimates pending further information from the management.
- We can anticipate an improvement in margins for Swift's transportation businesses following the completion of its cost pass-through exercise in 4QFY22. Earnings growth will primarily stem from its warehousing segment, driven by the full-year revenue contribution from the +42% increase in available capacity that was gradually added to its portfolio of 'own and operate' warehouses last year. Swift is one of our top picks for the sector as: (i) it achieves superior margins due to its large in-house assets, (ii) it is a direct beneficiary of growing external trade as it dominates the container haulage space (9% market share) and (iii) it is insulated from the volatility of international freight rates. Key downside risks are: (i) weaker-than-expected gateway port throughput and (ii) lower-than-expected take up rates for its new and extended warehouses.
- We maintain **BUY** on Swift with an unchanged TP of **RM0.90** (based on FY23E PE of 15x). The stock currently trades at a -48% discount to the sector's historical mean.

INVESTMENT STATISTICS

Income Statement	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)	8.8	8.7	7.8	7.2	6.8
DPS (sen)	n.a.	2.0	1.8	2.0	2.1
Dividend yield (%)	n.a.	4.2%	3.8%	4.2%	4.4%

Source: Swift, 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