SWIFT HAULAGE BHD — Fair Value: RM1.16

DESCRIPTION

Swift Haulage Bhd is principally engaged in integrated logistics services

Fair Value	RM1.16
IPO Price	RM1.03
Expected Return	13.0%
Closing Application Date	7 Dec 2021
Indicative Listing Date	21 Dec 2021
Market	Main
Bursa Code	5303
Bloomberg Ticker	SWIFT MK
Shariah-compliant	Yes

IPO DETAILS	**Shares(m)**
Offer for Sale	157.0
Public Issue	157.1

UTILISATION OF PROCEEDS	**RM (m)**
Capital expenditure	82.1
Repayment of borrowings	69.7
Estimated listing expenses	10.0
Total	**161.8**

KEY STOCK DATA

Market Capitalisation (RM m)	916.5
No. of Shares (m)	889.8

MAJOR SHAREHOLDERS

	%
Persada Bina	38.1
KWAP	9.1
Bluefin	7.8
Kenanga Private Equity	2.9

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Integrated Logistic Service Provider

Swift Haulage Bhd (Swift) is principally involved in the provision of integrated logistics services comprising container haulage, land transportation, warehousing and freight forwarding agency services. The group's integrated logistics and headquarters are located in Malaysia, while its operations in Thailand are focused on cross-border transportation and freight forwarding. Its integrated logistics operations are supported by its fleet operations in Malaysia and Thailand including 1,546 prime movers, 5,518 container trailers, 811 box or curtain-sider trailers, 53 trucks and 42 CNG tankers. The group operates warehouses with a total storage capacity of 849,371 sqft and container depots with total capacity of 28,500 TEU.

Moving forward, Swift's business strategy is to focus on leveraging its core competencies and strengths in integrated logistics to address business opportunities and grow its business, via strengthening and expanding its operational facilities including warehousing and container depot as well as expanding its fleet operations.

We derive a fair value of **RM1.16** based on 14.0x PE multiple to its FY23F EPS of 8.3sen. The IPO is expected to raise approximately RM161.8m from the issuance of 157.1m new shares. Bulks of the proceeds are for capital expenditure and repayment of borrowing, utilizing 50.7% and 43.1% of the proceeds respectively.

- **Growth drivers.** Swift's growth will be dependent on successful implementation of its business strategies and future plans which entails: i) construction of a new warehouse, ii) purchase of land, iii) acquisition of cold-chain logistics companies, and iv) expansion of vehicle fleet.
- **Competitive strengths.** Swift's competitive strengths include: i) comprehensive coverage of the main seaports in Peninsula Malaysia for container haulage, ii) able to provide convenient one-stop logistics solution, iii) own and operate its fleet of commercial vehicles which enables control and customization to meet customers' needs, iv) cost and service advantage from its in-house supporting services, and v) 10 years track record.
- **Catalysts.** Key drivers may include: i) rapid growth of E-commerce, ii) adoption of tech by integrated logistics, and iii) talks of free trade pact with EU re-starting.
- **Key risks.** Key downside risks, among others, include i) competition from large number of operators in the industry, ii) shortage of drivers, iii) deterioration of Covid-19 pandemic, iv) threat of cargo hijacking and theft incident**,** v) an increase in diesel prices which may reduce profitability, vi) fluctuations in interest rates, and vii) dependence on its customers' business performance.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	**2019A**	**2020A**	**2021F**	**2022F**	**2023F**	**CAGR**
Revenue	610.2	555.8	596.5	686.0	823.1	6.2%
Operating Profit	93.6	83.6	100.0	108.8	125.0	6.0%
Pre-tax Profit	59.2	53.9	70.2	80.9	97.1	10.4%
Net Profit	37.0	42.5	53.6	65.0	77.6	16.0%
Core PATMI	42.4	40.4	51.5	61.8	73.7	11.7%
EPS (Sen)	4.8	4.5	5.8	6.9	8.3	
P/E (x)	21.6	22.7	17.8	14.8	12.4	
DPS (Sen)	0.0	0.0	0.0	2.1	2.5	
Dividend Yield (%)	0.0	0.0	0.0	2.0	2.4	

Source: Company, PublicInvest Research estimates

Is principally involved in the provision of integrated logistics services

Integrated logistics operations supported by 1,546 prime movers, 5,518 container trailers, 811 box or curtain-sider trailers, 53 trucks and 42 CNG tankers

1st port Klang warehouses

Access to provision of logistics services to O&G, power generation and defence equipment industry

Company Background

Swift Haulage Bhd (Swift) is principally involved in the provision of integrated logistics services comprising container haulage, land transportation, warehousing and freight forwarding agency services. The group's integrated logistics and headquarters are located in Malaysia, while its operations in Thailand are focused on cross-border transportation and freight forwarding. Its integrated logistics operations are supported by its fleet operations in Malaysia and Thailand including 1,546 prime movers, 5,518 container trailers, 811 box or curtain-sider trailers, 53 trucks and 42 CNG tankers. The group operates warehouses with a total storage capacity of 849,371 sqft and container depots with total capacity of 28,500 TEU.

Table 1: Key milestones

Year	Event
2011	- History began on 24 Feb 2011 when Persada Bina completed the acquisition 100% of Yinson Haulage SB and subsequently changed its name to Swift Haulage SB on 2 Nov 2012 - Acquired 65% equity interest in Macro Logistics (M) SB on 1 Sept 2011, subsequently acquired the remaining 35% of equity interest on 10 Aug 2012
2012	- Started freight forwarding operations after acquired the entire 100% equity interest in Delta Express on 9 Jan 2012 - Acquired land approximately 348,482 sqft at Kawasan Perindustrian Sultan Suleiman in the Northport area of Port Klang, subsequently constructed the Group's 1st purpose-built operational facility - Port Klang Warehouses with 100,000 sqft storage and a container haulage area
2013	- Expand freight forwarding business by acquiring 100% equity interest in DKSH Transport Agencies (M) SB on 31 Oct 2013, subsequently changed the company's name to Swift Logistics TA - On 30 Sept 2013, acquired the entire equity interests of Q-Team, and its wholly-owned subsidiaries namely, Q-Team Risk Management and Fleet Engineering Services from Persada Bina. Q-Team is involved in sales, service and spare parts dealership for commercial vehicles, tyre retreading and investment holding, while Q-Team Risk Management is involved in general insurance agency services, and Fleet Engineering Services is involved in the repair, maintenance and configuration of commercial vehicle superstructures.
2014	- On 4 April 2014, completed acquisition of a piece of land measuring approximately 2.9 acres in size at Bandar Sultan Suleiman in Port Klang, Selangor, which developed for use as a haulage yard to support container haulage operations - On 14 Nov 2014, completed acquisition of a piece of land measuring approximately 58.3 acres in size at Pulau Indah in Port Klang, Selangor and subsequently developed part of this land in 2015 as a haulage yard to support our container haulage operations, and as a container depot
2015	- entered into the container depot services business by acquiring 51.5% equity interest in Container Connections on 20 May 2015, a provider of container depot services with container depots in Northport and Westport in Port Klang, Selangor, subsequently acquired an additional 10% equity interest in Container Connections on 14 Sept 2020, bringing our total equity interest to 61.5%
2016	- On 24 Oct 2016, completed acquisition of 100% equity interest in MISC - Integrated Logistics SB subsequently changed its name to Swift

		Integrated Logistics on 11 Nov 2016. The acquisition also enabled the Group to gain access to the provision of logistics services to the oil and gas, power generation and defence equipment industries. - Through Swift Integrated Logistics, attained a multimodal transport operator licence from the Ministry of Finance for the shipment of cargo on behalf of government agencies and departments, in addition to obtaining a Petroliam Nasional Berhad (Petronas) licence with SWEC codes related to providing container haulage, land transportation, warehousing and freight forwarding agency services.
Started providing cross-border transportation and freight forwarding services *Promoters approached the following private equity firms to invest in the Group*	2017	- Acquired 49% of equity interest in Crossland Logistics (Thailand) Co. Ltd, a land transportation and freight forwarding agency services company, and its wholly-owned subsidiary, Crossland Forwarders on 16 Aug 2017. Crossland Logistics (Thailand) Co. Ltd subsequently changed its name to Swift Crossland Logistics on 22 Dec 2017. Through the acquisition, the Group started providing cross-border transportation and freight forwarding services to destinations in Thailand, Laos, Cambodia, Vietnam, Myanmar and the southern border of China and freight forwarding. - During 2017, the Promoters approached the following private equity firms to invest in the Group: · On 26 January 2017, Kenanga Private Equity acquired 4,4m Shares for a purchase consideration of RM10.2m; · On 12 May 2017, Bluefin subscribed for 106.9m CRLS at a price of RM106.9m and 1,000 RPS at a price of RM1,000; and · Between 30 Nov 2017 to 11 Dec2017, KWAP acquired 14.2m Shares for a purchase consideration of RM32.8m and subscribed for 1.3m Shares for a total consideration of RM3.3m
Expanded the coverage of our container haulage in the Northern region	2018	- acquired 100% equity interest in Tanjong Express and its wholly-owned subsidiary Tanjong Express Logistic, and 100% equity interest in Komunajaya on 6 July 2018, which expanded the coverage of our container haulage in the Northern region of Peninsular Malaysia, and land transportation businesses throughout Peninsular Malaysia.
Expanded container haulage and freight forwarding operations in the Central and Southern regions of Peninsular Malaysia	2019	- acquired 100% equity interest in Agenda Wira on 30 Jan 2019, which expanded container haulage and freight forwarding operations in the Central and Southern regions of Peninsular Malaysia
Expanded in Central and Northern regions	2020	- Acquired 100% equity interest in Sentiasa Hebat, Sentiasa Hebat (Penang), Northern Gateway Depot, Agensi Tanjung Bruas, Earth Move International and Top Tyres & Workshop on 31 Aug 2020
To provide cold chain logistics services in Sabah, East Malaysia	2021	- Acquired 50% equity interest in Hypercold Logistics and 15% equity interest in Platinium Coldchain on 16 June 2021 - Completed the acquisition of the entire equity interest in Ann Joo Properties on 15 July 2021 - On 26 Aug 2021, Ann Joo Properties entered into the PKNS SPA for the acquisition of the Bandar Sultan Sulaiman Land from PKNS, which is a leasehold land of approximately 1,263,231 sqft in size that is currently leased out to two external tenants. - The acquisition of the Bandar Sultan Sulaiman Land expect to be completed by the fourth quarter of 2021

Source: Company Prospectus, PublicInvest Research

Business Overview

As an integrated logistics service provider, the Group's services include container haulage, land transportation, warehousing, container depot and freight forwarding. Other services which complement and support its core logistics services consist of sales, service and spare parts dealership for commercial vehicles and general insurance agency services. The Group is also involved in e-commerce retailing.

Table 2: Revenue segmentation by business activities

Business activities	FY18 (%)	FY19 (%)	FY20 (%)	FPE21 (%)
Container Haulage	43.0	45.7	45.5	47.7
Land Transportation	32.2	31.6	31.7	30.1
Warehousing and Container Depot	12.5	11.3	12.8	12.6
Freight Forwarding	11.8	10.6	9.7	9.4
Other services	0.5	0.8	0.3	0.2
Total revenue (RMm)	497.0	610.2	555.8	248.5

Source: Company Prospectus, PublicInvest Research

Integrated logistics services is Group's core business

Integrated logistics service is the Group's core business as they collectively accounted for RM494.7m (99.5%), RM605.5m (99.2%), RM554.4m (99.7%) and RM248.0m (99.8%) of the Group's total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. Other services accounted for RM2.3m (0.5%), RM4.7m (0.8%), RM1.4m (0.3%) and RM0.5m (0.2%) of total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.

a. Container haulage services

Container haulage services accounted for RM213.6m (43.0%), RM278.7m (45.7%), RM252.7m (45.5%) and RM118.5m (47.7%) of total revenue for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.

Container haulage accounted for approximately 43% of total revenue

Container haulage services involve transporting mainly laden containers from one location to another. The Group provides inbound and outbound container movements, where inbound container haulage is mainly concerned with the delivery of laden containers from a seaport to another facility, while outbound container haulage is mainly concerned with the delivery of laden containers from a facility to a seaport.

The Group provides container haulage services by transporting containers to and from the locations designated by the customers and the various ports including:

(i) Central region: Northport and Westport in Port Klang, Selangor and Tanjung Bruas Port, Melaka;
(ii) Northern region: Penang Port, Penang;
(iii) Southern region: Johor Port and the Port of Tanjung Pelepas, Johor; and
(iv) Eastern region: Kuantan Port, Pahang.

Within container haulage operations, the Group owns and operates a fleet of 995 prime movers (comprising 966 active prime movers and 29 prime movers held for sale) and 5,402 container trailers for container haulage operations in Peninsular Malaysia. The Group also operates eight haulage yards within or close to these seaports to support our container haulage services.

b. Land transportation services

Land transportation services accounted for approximately than 32% of total revenue

The Group's revenue from providing land transportation services amounted to RM160.4m (32.2%), RM193.2m (31.6%), RM176.0m (31.7%) and RM74.8m (30.1%) of total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. The Group's land transportation services involve the movement of cargo by road. The types of land transportation services that the Group currently provide include the following:

- Inland transportation for point-to-point movement of cargo within a local area or between regions in Peninsular Malaysia;
- Inland distribution transportation for point-to-multipoint movement of cargo within a local area in Peninsular Malaysia;
- Inland specialised transportation for the movement of cargo that requires specialised delivery vehicles, such as CNG tankers; and
- Cross-border transportation involving the movement of cargo across international land borders. We currently provide cross-border transportation for destinations in Malaysia, Singapore, Thailand, Cambodia, Laos, Myanmar, Vietnam and the southern border of China. Within land transportation operations, the Group owns and operates a fleet that included 465 prime movers, 811 box or curtain-sider trailers, 53 trucks and 42 CNG tankers for its land transportation services in Malaysia, as well as six inland yards and one cross-border yard to support its land transportation services as at the LPD. In Thailand, the Group owns and operates 86 prime movers, 118 container trailers and 2 trucks, and operate a cross-border yard.

c. Warehousing and container depot services

Warehousing and container depot services accounted for approximately than 12% of total revenue

Revenue from warehousing and container depot services amounted to RM62.2m (12.5%), RM68.9m (11.3%), RM71.5m (12.8%) and RM31.2m (12.6%) of the Group's total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. The Group provides the following warehousing and container depot services:

- operate five warehouses to store, handle and manage our customers' goods with a collective storage capacity of 575,053 sqft;
- leasing of property comprising a warehouse with a storage capacity of 274,318 sqft and an open yard of 144,123 sqft which is used as a vehicle distribution centre;
- providing e-fulfilment services to manage goods for e-commerce retailers at its SLC Warehouse;
- managing four warehouses on behalf of customers; and
- operating four container depots with a collective storage capacity of 28,500 TEU.

d. Freight forwarding

Freight forwarding accounted for approximately than 10% of total revenue

For FYE 2018, FYE 2019, FYE 2020 and FPE 2021, freight forwarding accounted for RM58.5m (11.8%), RM64.7m (10.6%), RM54.2m (9.7%) and RM23.5m (9.4%) of its total revenue respectively. Freight forwarding mainly involves organising end-to-end transportation of cargo from one country to another country, or to and from Peninsular and East Malaysia including customs clearance. The Group currently carries out sea, air and land freight forwarding, and project logistics under this business activity. Sea, air and land freight forwarding involve general cargo that is predominantly transported by sea, air or land, respectively. Project logistics involves organising the transportation of cargo that requires specialized vehicles and handling, commonly for heavy and/or large-sized objects, by sea, air and/or land transportation. The Group also provide in-plant logistics and ship husbandry services.

e. Other services

Other services complementary and support integrated logistics services

Other services collectively accounted for RM2.3m (0.5%), RM4.7m (0.8%), RM1.4m (0.3%) and RM0.5m (0.2%) of the Group's total revenue for the FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. The other services that the Group provide include the following:

- Sales, service and spare parts dealerships for commercial vehicles;
- General insurance agency services; and
- E-commerce retailing.

In addition to generating revenue from serving external customers, sales, service and spare parts dealerships for commercial vehicles and general insurance agency services also support the Group's core integrated logistics services.

Table 3: Revenue segmentation by geographical market

Countries	FY18 (%)	FY19 (%)	FY20 (%)	FPE21 (%)
Malaysia	96.5	96.2	96.8	93.8
Thailand	2.0	2.5	2.0	2.8
Other Countries	1.5	1.3	1.2	3.4

Source: Company Prospectus, PublicInvest Research

Malaysia largest market of the Group

Malaysia was the Group's largest market as it accounted for RM479.6m (96.5%), RM587.1m (96.2%), RM538.0m (96.8%) and RM233.0m (93.8%) of its total revenue for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively. Foreign markets accounted for the remaining RM17.4m (3.5%), RM23.1m (3.8%), RM17.8m (3.2%) and RM15.5m (6.2%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.

Thailand is Group's largest foreign market

The Group's largest foreign market, Thailand accounted for RM9.8m (2.0%), RM15.0m (2.5%), RM10.9m (2.0%) and RM7.0m (2.8%) of its total revenue for FYE 2018, FYE 2019, FYE 2020 and FPE 2021 respectively.

Other foreign countries served are Australia, Brazil, Cambodia, China, Germany, Hong Kong, India, Indonesia, Ireland, Japan, Mauritius, Myanmar, Nepal, New Zealand, Pakistan, Russia, Saudi Arabia, Seychelles, Singapore, South Africa, South Korea, Spain, Sri Lanka, Taiwan, the Netherlands, United Arab Emirates, United Kingdom, United States and Vietnam.

Table 4: Distribution channels and customer base

Distribution Channel	FY18 (%)	FY19 (%)	FY20 (%)	FPE21 (%)
Direct	73.6	71.9	72.4	68.3
- O&G and petrochemical	28.8	22.0	20.8	16.5
- Other manufacturing	23.4	20.5	18.6	25.3
- F&B	9.3	11.8	14.4	12.6
- Distributive trades	7.6	12.2	13.0	12.8
- Others	4.5	5.4	5.6	1.1
Indirect				
- Logistics services providers	26.4	28.1	27.6	31.7

Source: Company Prospectus, PublicInvest Research.

The Group adopts both **direct** and **indirect distribution** channel strategies for its marketing and sales activities.

With the **direct distribution** channel strategy, the Group deals directly with one of the following parties:

The Group deals directly with owners, shipper or consignee

- The owner of the goods - operators in the O&G and petrochemical, other manufacturing, food and beverage, and distributive trade industries.

- With freight forwarding, direct customers comprise the shipper or consignee of the cargo. The shipper is the party who sends the goods, while the consignee refers to the party who receives the goods.

With the **indirect distribution** channel strategy, customers mainly comprise other logistics services providers who represent the owners, shippers or consignees to transport goods on their behalf. The indirect distribution channel usually arises when other logistics services providers are engaged to carry out some portion of the transportation process on their behalf, typically because they do not have a physical presence in Malaysia, and/or to utilise the Group's resources. The services provided include some combination of preparing and processing documentation, customs brokerage, container haulage, land transportation, warehousing and container depot, and other services.

High utilisation rate for Prime Movers and warehouses

Table 5: Capacity and Utilisation

Prime Movers for Container Haulage			
Financial year	**Average Capacity (unit)**	**Average Usage (units)**	**Average Utilisation Rate (%)**
FY18	568	488	86
FY19	905	774	86
FY20	944	768	81
FPE21	939	788	84

Summary of all Warehouse			
Financial year	**Capacity (m Sqft)**	**Average Usage (m Sqft)**	**Utilisation Rate (%)**
FY18	1.11	1.00	90
FY19	1.05	0.99	94
FY20	0.95	0.92	97
FPE21	0.95	0.91	96

Source: Company Prospectus, PublicInvest Research

Extension works are currently being undertaken at Perai Warehouse and Tebrau Warehouse and are expected to be completed in the second quarter of 2022 and fourth quarter of 2021, respectively.

Business Strategies and Plans

The Group's business strategy is to focus on leveraging its core competencies and strengths in integrated logistics as a platform to address business opportunities and grow its business. The Group will expand its operational facilities including warehousing, container depot and expanding its fleet operations.

New Warehouse

Expansion of operational facilities. The Group intends to construct a new warehouse on a piece of leasehold land of approximately 300,564 sqft in the Port Klang Free Zone in Selangor. The Group's plan is to build an ambient temperature warehouse for the storage of general goods with approximately 178,000 sqft of floor storage and racking space. Upon completion of the warehouse construction, the Group will relocate its existing warehousing operations at the Westport Warehouse, which is currently a rented premise, to this new warehouse. This new warehouse will enable the Group to address business opportunities in providing warehousing services to potential as well as existing customers within the Port Klang Free Zone.

Purchase land for container haulage

Purchase of land. The Group expects to complete the acquisition of the Bandar Sultan Sulaiman Land by the fourth quarter of 2021, following which the Group intend to continue leasing the Bandar Sultan Sulaiman Land to the 2 existing tenants. The tenancy agreements with the 2 existing tenants expire on 15 Jan 2022 and 28 Feb 2022, respectively. After the expiry of the tenancy agreements, the Group intends to use the land to expand its existing container haulage, land transportation and/or warehousing and container depot services. Part of the Bandar Sultan Sulaiman Land is used as a container depot by one of the current tenants, and consequently the Group can use it as a container haulage yard, inland yard or container depot without carrying out further development. However, should the plans be delayed, the Group proposes to extend the tenancy to the 2 existing tenants accordingly.

Expand cold-chain logistic business

Expansion of business activities – cold chain logistic. Part of the Group's future plans is to expand recently-acquired Hypercold Logistics' (50% equity interest) existing cold-chain facilities by expanding its cold-chain storage capacity from approximately 3,000 pallets to approximately 4,500 pallets. The total estimated cost of this expansion is RM6.0m, of which the Group's portion is RM3.0m based on 50.0% equity interest. Hypercold Logistics has obtained the approval for the building plan to construct the additional cold-chain warehouse space but has yet to commence construction. The Group plans to begin construction works in Dec 2021 and expect to complete construction by the third quarter of 2022.

Expansion of vehicle fleet

Expansion of vehicle fleet. Part of the Group's strategy is to purchase new prime movers for its business operations in Malaysia throughout 2022 with the aim of expanding its commercial vehicle fleet. These prime movers are similar to the existing ones owned and operated. The Group's integrated logistics are supported by its extensive fleet operations including 1,460 prime movers registered in Malaysia and 86 prime movers registered in Thailand. For the FYE 2020, the average utilisation rate of prime movers for its container haulage operations and inland transportation and distribution operations in Malaysia were 81% and 89% respectively, while the average utilisation rate of prime movers for cross-border transportation for Malaysia and Thailand were 88% and 86% respectively. In this respect, the acquisition of new prime movers will provide the Group with the capacity to grow its container haulage, and land transportation business operations. The Group intends to purchase 30 new prime movers, which are estimated to cost RM12.0 million to be financed via IPO proceeds.

Competitive Strengths

Comprehensive coverage of main seaports

Comprehensive coverage of the main seaports in Peninsular Malaysia for container haulage. The Group serves the major seaports in Peninsular Malaysia comprising Northport and Westport in Selangor, Penang Port in Penang, Johor Port and Port of Tanjung Pelepas in Johor, Kuantan Port in Pahang and Tanjung Bruas Port in Melaka. The total container throughput in the abovementioned seaports in Malaysia accounted for 89.8% of the total container throughput in Malaysia seaports in 2020 (Source: IMR Report). This indicates a comprehensive coverage of the major seaports in Peninsular Malaysia for the Group container haulage operations.

One-stop logistics solution

Integrated logistics service provider supported by the Group's warehouses, container depot and other facilities. The Group provides customers a convenient one-stop logistics solution as the latter only has to deal with one party for their end-to-end logistics requirements. The Group's one-stop solution is supported by its various in-house services and resources including its own fleet of commercial vehicles, and warehouses and container depots which enables the Group to have control and management of projects to provide coordinated services to its customers within Malaysia. The Group's one-stop solution combined with its relatively large sized operations provides the Group a good platform to grow its business.

The Group's operational facilities in Malaysia and Thailand include the following:

- Six warehouses to provide warehousing storage of goods services with a collective storage capacity of 849,371 sqft in Malaysia;
- Four container depots with a collective storage capacity of 28,500 TEU in Malaysia; and
- Other supporting facilities including eight container haulage yards, six inland yards and two cross-border yards in Malaysia and Thailand.

Own and operate its own fleets

Own and operate its fleet of commercial vehicles to support container haulage and land transportation services. The Group owns and operates a fleet of commercial vehicles to provide container haulage as well as land transportation services. The Malaysian operations comprises 1,460 prime movers, 5,400 container trailers, 811 box or curtain-sider trailers, 42 CNG tankers and 51 trucks and operated by 1,477 drivers. The Group's Thailand operations comprised 86 primer movers, 118 container trailers and 2 trucks that operated by 144 drivers in Thailand. By utilising its in-house vehicle fleet and employees, it enables the Group to maintain control over service availability, delivery and scheduling, and fulfill customers' requirement.

Cost advantages from its in-house supporting services, - Mercedes Benz and Mitsubishi FUSO commercial vehicles dealership and insurance agent

Cost and service advantages from its in-house supporting services. The Group has dealership agreements with Hap Seng Trucks Distribution SB for the sales, service and spare parts of Mercedes Benz and Mitsubishi FUSO commercial vehicles and an agent to provide general insurance for motor vehicles, medical insurance, and other general insurance from Pacific Insurance Bhd. Besides revenue earned from external customers, these services for in-house operations at dealer prices provides the Group a cost advantage compared to external service providers.

Key Risks

Competitive industry

Competition from large number of operators in the industry. The group operates in a competitive industry in Malaysia, competing against other logistics services providers on the basis of, among others, rates, range of services, availability of commercial vehicles, warehouses and other facilities, and areas of coverage. As a result of the large number of operators in the industry, the Group's existing customers and prospective customers may have the option of selecting one or more of its competitors to provide them with logistics services. This competition may result in, among others, reduction in rates and profit margins, and/or loss of business, which could materially affect the results of its business operations and financial performance.

Risk of shortage of drivers

Risk of shortage of drivers. There is a risk that the industry may face a shortage of drivers, whereby the number of suitable drivers is not sufficient to meet the requirements of operators. This may affect service delivery to customers and/or increase drivers' wages and benefits resulting in higher costs for operators. The measures that the Group takes to maintain sufficient drivers include, among others, employing drivers as permanent employees to provide job stability (as opposed to on a contract basis), offering competitive wages and benefits, providing drivers with rewards for good performance, providing a path for career advancement by assigning jobs to drivers based on their experience, managing the allocation of jobs to drivers to give them the opportunity to earn consistent and stable income and providing on the job training to drivers.

May be adversely affected by Covid019 pandemic

Business operations and financial performance may be adversely affected by the COVID-19 pandemic. Although the Group's business operations are deemed as "essential services" and have continued throughout the MCO, the operating environment has changed since the COVID-19 pandemic with the need to adhere to strict standard operating procedures at additional costs. Any deterioration in the conditions of the COVID-19 pandemic may also potentially result in a tightening of the MCO including targeted enhanced MCO in a specific location, which could potentially interrupt and/or suspend its customers' operations. This could lead to an adverse impact on the Group's business and financial conditions.

Threat of cargo hijack

Threat of cargo hijacking and theft incident. Risks of cargo hijacking and theft incidents are inherent to the nature of the Group's business. The potential impact of cargo hijacking or theft includes among others, a reduction in the demand for services by customers, the loss of traffic thereby affecting revenue, increased security and insurance costs and delays due to tightened security.

Risk of interest rate fluctuations

Subject to interest rate fluctuations. The Group has borrowings and lease liabilities which are subject to floating interest rate amounting to approximately RM525.7m and RM32.2m respectively. The cost of financing namely floating interest rates for the abovementioned borrowings and lease liabilities ranges from 3.09% to 4.81% per year (for borrowings) and 5.58% per year (for lease liabilities). the event of any increase in interest rates, the Group may incur additional financing costs which would result in higher repayments to its financiers. Such repayments may have an adverse effect on the Group's financial performance and results of operations.

Increase in fuel cost

increase in diesel prices may reduce profitability. Diesel was the Group's largest category of the purchases used to operate its fleet of commercial vehicles in Malaysia and Thailand. Purchases of diesel accounted for 36.4% 42.3%, 37.9% and 44.3% of the total purchases of materials, consumables and services respectively for the FYE2018, FYE 2019, FYE 2020 and FPE 2021. An increase in diesel prices may increase the Group's operating costs and have an adverse impact on its profitability

Dependent on customers' performance

Dependence on customers' business performance. The Group is indirectly and largely dependent on its customers' business performance and developments in their markets and industries. If customers' sales in Malaysia decline, such decline will likely lead to a corresponding decrease in demand for the Group's services. The Group's customers' business performance could likely be affected by factors such as global or regional economic conditions, trade restrictions, changes in trade policies, tariff regulations or embargoes.

Industry Outlook

Malaysia's economy is projected to grow between 5.5% and 6.5% in 2022

Swift Group registered a market share of 6.5% for its container haulage services for 2020 however for 3rd party warehousing and container depot services, there were no publicly available statistic thus not possible to derive a market share.

In 2020, the logistics industry in Malaysia was affected by border closures and lower economic and trade activities due to the adverse impact of the COVID-19 pandemic. The lockdown in China at the beginning of 2020 disrupted their manufacturing activities which in turn impacted on the global supply chain. As the COVID-19 pandemic began to spread outside of China, many countries implemented lockdown measures which interrupted economic activities. The various restrictions imposed, and closure of international borders disrupted the flow of import and export of goods globally including Malaysia.

Malaysia's recovery will be subject to the downside risks relating to the resurgence of the COVID-19 infections

With the rollout of vaccines which commenced at the end of 2020, the global economy is expected to recover in 2021. However, the recovery is expected to vary across economies, with recovery dependent on each of the country's ability to contain the COVID-19 pandemic as well as the effectiveness of fiscal measures implemented. Malaysia's economy is projected to grow within the range of 3.0% to 4.0% in 2021, with a forecasted real GDP growth between 5.5% and 6.5% in 2022 (Source: MoF). However, Malaysia's recovery will be subject to the downside risks relating to the resurgence of the COVID-19 infections globally and domestically, the reintroduction of containment measures, the effectiveness of the vaccines amidst the new strains of COVID-19, progress of major infrastructure projects and volatility of the financial markets.

(*Source: Vital Factor Consulting, from Company Prospectus*)

Financials

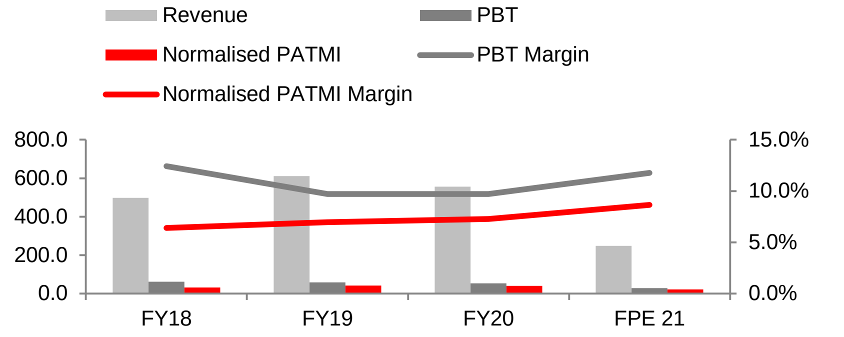
Revenue and earnings recovered in FY21 due to higher contribution from container haulage and lesser impact from MCO 2.0

Revenue and profitability. The business activities of the Group are directly affected by import and export activities. The Group's revenue decreased by RM54.4m or 8.9% to RM555.8m in FYE20, from RM610.2m in FYE19 due to the outbreak of COVID-19 pandemic which resulted in the world being locked down, including Malaysia. Nevertheless, the Group's revenue recovered and increased by RM24.4m or 10.9% to RM248.5m in FPE21 due to higher contribution from container haulage segment because of higher TEU delivered and lesser impact from MCO 2.0 as more economic sectors and trade activities were allowed to operate as compared to the MCO 1.0.

In terms of profitability, the Group's PBT reduced by RM5.3m or 8.9% to RM53.9m in FYE 2020, from RM59.2m in FYE 2019 mainly due to the reduction in GP margin by 1.0% against the GP margin for FYE 2019 which stood at 33.4% resulting from the impact of MCO in the first half of FYE 2020.

Nevertheless, the GP margin gradually recovered in the second half of FYE 2020 once the MCO was lifted. For the FPE 2021, the Group's PBT increased by RM14.0m or 92.7% to RM29.2m, from RM15.2m in FPE 2020 due to higher revenue and PBT margin. The PBT margin improved by 5.0% to 11.8% in FPE 2021, from 6.8% in FPE 2020, mainly due to higher revenue recorded as well as lower operating and interest expenses.

Figure 1: Revenue and profitability



Source: Company Prospectus, PublicInvest Research

Dividend at 30% of PATMI

Dividend policy. It is the Board's intention to recommend and distribute a dividend of up to 30% of the profit attributable to the owners of the company.

Gearing reduce to 0.9x

Gearing. As of FY22, Swift's gearing ratio is at 1.4x. Post listing, the group's gearing ratio is expected to reduce to 0.9x.

Forecast revenue and PATMI grow at 15%/20% and 20%/19 for FY22F/23F respectively

Forecast. We are forecasting a revenue growth of 15%/20% for FY22/23F respectively, mainly driven by the Group's expansion plans. In terms of profitability, we are projecting a 20%/19.3% increase in PATMI for FY22F/F23F respectively mainly due to higher revenue, savings in finance cost and better efficiency.

Valuation

P/E valuation approach. We derive a fair value of RM1.16, pegging it to 14.0x PE multiple to Swift's FY23F EPS, in-line with the industry average. We expect the expansion of warehouse, container depot and fleets to drive earnings growth moving forward.

Table 6: Peer Comparison Table

Company	Share Price (RM)	Market Cap (RM m)	EPS (RM)	P/E	ROE (%)
TASCO	1.070	856.0	7.7	13.9	12.5
FM Global	0.805	449.5	7.0	11.5	11.6
CJ Century	0.565	331.4	7.5	7.5	10.6
Tiong Nam	0.735	377.8	4.8	15.3	3.1
Tri-Mode System	0.595	101.8	2.7	21.9	5.7

Source: Bloomberg

IPO Details

Swift is seeking a listing with an enlarged issued and paid-up share capital of 889,804,502 shares on Bursa Malaysia's Main Market. Pursuant to the IPO listing, the company's market capitalisation is RM916.5m based on its IPO price of RM1.03.

The IPO allocation, post-IPO share capital of Swift and utilisation of IPO proceeds are shown in the following tables.

Table 7: IPO allocation

Categories	No. of shares	% of enlarged share capital
Public Issue:		
Malaysian public (via balloting)^	17,796,200	5.7
Eligible parties	21,137,300	6.7
Placement to investors	118,209,400	37.6
Subtotal	157,142,900	50.0
Offer for sale:		
Placement to selected investors	157,000,000	50.0
Sub-total	157,000,000	50.0
Total	**314,142,900**	**100.0**

Source: Company Prospectus
^ 50.0% shall be set aside for Bumiputera investors

Table 8: Post-IPO share capital

	No. of shares
Issued share capital at 30 Nov 2021	732,661,602
To be issued pursuant to the IPO	157,142,900
Enlarged share capital upon listing	**889,804,502**

Source: Company Prospectus

Table 9: Utilisation of IPO proceeds*

Details of utilisation	RM m	%
Capital expenditure:		
- Construction of a new warehouse	28.6	17.6
- Purchase of land	41.6	25.7
- Purchase of prime movers	12.0	7.4
Factory and hostel construction	69.7	43.1
Purchase of raw material	10.0	6.2
Total	**161.9**	**100.0**

Source: Company Prospectus
*based on RM1.03 for 157.1m new shares issued

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	610.2	555.8	596.5	686.0	823.1
Operating Profit	**93.6**	**83.6**	**100.0**	**108.8**	**125.0**
EBITDA	144.0	137.1	149.9	165.8	185.0
Net finance income/ (cost)	35.2	29.6	30.0	27.9	27.9
Depreciation	50.0	54.1	53.8	59.2	65.1
Others	0	0	0	0	0
Pre-tax Profit	**59.2**	**53.9**	**70.2**	**80.9**	**97.1**
Income Tax	22.2	11.4	16.8	16.5	20.3
Effective Tax Rate (%)	37.5	21.2	24.0	20.4	20.9
Net Profit (PAT)	**37.0**	**42.5**	**53.3**	**64.4**	**76.8**
Minority Interest (MI)	0.7	0.8	2.1	2.6	3.1
PATMI	36.3	41.7	51.5	61.8	73.7
Core PATMI	**42.4**	**40.4**	**51.5**	**61.8**	**73.7**

Growth (%)					
Revenue	-	-8.9	7.3	15.0	20.0
Operating Profit	-	-10.7	19.7	8.8	14.9
Net Profit	-	-4.8	27.5	20.0	19.3

Source: Company Prospectus, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2019A	2020A	2021A	2022F	2023F
Fixed assets	835.9	880.2	876.8	917.9	958.9
Cash at bank	30.5	34.9	36.4	69.0	37.9
Receivables	191.1	178.1	191.2	219.8	263.8
Other assets	126.1	119.1	168.6	111.5	102.2
Total Assets	**1,183.6**	**1,212.3**	**1,273.0**	**1,318.1**	**1,362.8**
Borrowings	616.6	617.4	647.2	577.5	566.0
Payables	127.2	110.8	118.9	136.7	164.1
Other liabilities	51.3	54.1	26.5	80.3	57.6
Total Liabilities	**795.1**	**782.3**	**792.6**	**794.5**	**787.6**
Shareholders' Equity & Minority	388.4	428.8	480.3	523.6	575.2
Total Equity and Liabilities	**1,183.6**	**1,211.1**	**1,272.9**	**1,318.1**	**1,362.8**

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2019A	2020A	2021A	2022F	2023F
Book Value Per Share (Sen)	43.7	48.2	54.0	58.8	64.6
NTA Per Share (Sen)	35.2	40.5	46.3	51.1	56.9
EPS (Sen)	4.8	4.5	5.8	6.9	8.3
DPS (Sen)	0.0	0.0	0.0	2.1	2.5
Payout Ratio (%)	0.0	0.0	0.0	30.0	30.0
ROA (%)	3.6	3.3	4.0	4.7	5.4
ROE (%)	10.9	9.4	10.7	11.8	12.8

Source: Company Prospectus, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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