

GDEX stands to benefit from pickup in e-commerce activities, says Kenanga Research

KUALA LUMPUR (Sept 23): Kenanga Research said GD Express Carrier Bhd (GDEX) stands to benefit from the pick-up in e-commerce activities as demand for courier services (on the back of more on-line purchases) is expected to increase in the wake of the Covid-19 pandemic.

In its daily technical highlights note today, the research said GDEX has delivered consistent annual net earnings ranging between RM24 million and RM37 million over the last five financial years.

"Its latest financial year ended (FY) June 2020, however, was affected by the Covid-19-related disruptions, the absence of gain on redemption of convertible bonds (FY19: RM8 million) and the accounting impact on lease recognition (RM17.7 million).

"These factors consequently caused its net profit to slide to RM18.8 million (-42% year-on-year)," it said.

Kenanga Research said GDEX's balance sheet remains

healthy with net cash holdings & short-term funds of RM237.2 million (or 4.2 sen per share) as of end-June 2020.

It said the Company has been using some of the cash pile to buy back its own shares in the open market.

“On the chart, GDEX’s share price – following its pullback from a high of 44.5 sen in late May – is currently in a sideways trading pattern.

“After bouncing up from the bottom of its consolidation range recently, the stock is eager to climb further. This is supported by the share price crossing over the lower boundary of the Bollinger Bands.

“We have set our resistance thresholds at 40 sen (R1; 14% upside potential) and 45 sen (R2; 29% upside potential).

“Our stop loss level is pegged at 31 sen (or 11% downside risk),” it said.