

# GDex's earnings to be driven by e-commerce demand

*GDex will be able to meet our earnings projections as prospect remains positive in the foreseeable future, says analyst*

**by NUR HANANI AZMAN/ pic source GDEX Facebook**

[GD EXPRESS Carrier Bhd \(GDex\)](#) is expected to benefit from sustained growth at its logistics division, with the segment expected to cover losses made in its property division.

MIDF Amanah Investment Bank analyst Ummar Fitri left his current earnings estimates for GDex unchanged for the financial year 2021 forecast (FY21F) and FY22F as the logistics business continues to perform well.

"We opine that GDex will be able to meet our earnings projections as the industry's prospect remains positive in the foreseeable future.

"With the share price retracement from its peak in late calendar year 2020, we posit that current price level is a good opportunity to accumulate the shares," he wrote in a research note yesterday.

All factors considered, Ummar has a 'Buy' call on GDex with a target price at 45 sen per share, derived using discounted cashflow valuation method.

The stock closed half a sen higher at 37.5 sen yesterday, giving the company a market valuation of RM2.1 billion.

"We are using a weighted average cost of capital of 11.2% with expected terminal growth at 2%," he added.

He believes GDex is among the foremost beneficiaries of growth in the e-commerce space in Malaysia. GDex recorded a nine-month FY21

(9MFY21) core profit after tax and minority interests of RM19.7 million (up 81.7% year-on-year [YoY]) on the back of higher revenue recorded at RM323.8 million (+25.2% YoY).

Ummar said the figures were a positive surprise as earnings deviated from his expectation by +4.2% and deemed this performance as exceeding his expectation.

In the third quarter ended March 31, 2021 (3Q21), GDex's express delivery business saw a 16.9% YoY jump in revenue, while its profit before tax (PBT) increased by 13.3% YoY. Cumulatively, for 9MFY21, revenue for the segment was to the tune of RM297.2 million (+23% YoY), whereas PBT was at RM25.2 million (+49.3% YoY).

"The stellar performance of the segment was due to the increase in demand for courier services brought by the boom of e-commerce spending amid the pandemic," Ummar added.

Likewise, the logistics business recorded an increase in revenue by +59.5% YoY in 3Q21. The increase was mainly attributable to the increase in demand from the market- place for the warehousing and logistics services during the period.

The property segment recorded a bigger loss before tax (LBT) in 9MFY21 at RM2.2 million (-16.9% YoY) on the back of RM200,00 revenue (-60.7% YoY).

The LBT reported was due to decline in rental income as a result of cessation of tenancy agreement by the tenant and increase in property maintenance expenses during the period.

Furthermore, on Dec 8, 2020, GDex and Tasco Bhd inked a memorandum of understanding to enhance logistics delivery services between end consumers in Malaysia with domestic and international destinations.