

GDEX's long term industry prospect remains bright

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KUCHING: GD Express Carrier Bhd's (GDEX) long term industry prospect remains bright, analysts opine, particularly as online shopping continues to grow with potential to rival the size and scale of brick-and-mortar retailers in Malaysia.

With more consumers incorporating online purchases as part of their shopping habit, the research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) believed that the industry is on track for expansion.

"This in turn will bode well for logistics players as increasing demand will contribute positively to GDEX's financial performance," MIDF Research

said.

"Furthermore, our view is that online shopping is here to stay and will continue to grow with potential to rival the size and scale of brick and mortar retailers in Malaysia."

On another note, MIDF Research recalled that GDEX's wholly owned subsidiary GDSB received an approval letter from the Malaysian Investment Development Authority (MIDA) for the second round of tax incentive.

"This is to carry out Integrated Logistics Services (ILS) activities as an expansion project and e-commerce or e-fulfilment diversity project.

"The tax incentive is one of the initiatives introduced by the Government to enhance the capabilities of logistics services providers, in line with The Logistics and Trade Facilitation Masterplan, introduced by Ministry of Transportation back in 2015.

"At this juncture, the management has yet to quantify the expected amount of tax saving from the incentive as the details are still pending disclosures and negotiation with MIDA."

Earlier on, MIDF Research had estimated and assessed the potential savings from the incentive.

To reiterate, the research arm estimated the tax impact to uplift the financial year 2022-2023 forecast (FY22F-FY23F) earnings by 10.9 per cent and 9.7 per cent.

This was derived by estimating tax exemption at 70 per cent statutory income (MIDF Research used profit before tax (PBT) as statutory income approximation) and multiplied it with corporate tax rate at 24 per cent, per the research arm's assumption.

"However, this estimate remains subjected to further disclosure from the management."

Overall, MIDF Research gathered that GDEX's lean balance sheet with a net cash position of above RM150 million has supported the group's various expansion plans.

"This includes the acquisition of a 44.5 per cent stake in PT SAP Express, and the acquisition of 55 per cent stake in a Vietnamese company.

"Meanwhile, valuation remains stretched at a 12-month trailing price-to-earnings ratio of 126.5-fold compared to the average industry of approximately 24.5-fold."

The research arm believed that other non-listed players such as Ninja Van and J&T will remain as a threat in the next two to three years as these companies continue to aggressively grabbing market share.

"Furthermore, despite our positivity on the impact of the tax scheme, we maintain our call on the company.

"This is premised on the recent price surge that we deemed has accounted for the tax scheme."

All factors considered, MIDF Research maintained its 'neutral' stance on GDEX at this juncture.