



# GDEX

(GDX MK EQUITY, GDEX.KL)

31 Dec 2021

*Higher sorting capacity to support growth*

## UNRATED

### AmlInvestment Bank

www.amequities.com.my

03-2036 2240

*Rationale for report: Company update*

Price **RM0.285**  
52-week High/Low **RM0.275/RM0.42**

### Investment Highlights

YE to Jun	FY17	FY18	FY19	FY20
Revenue (RM mil)	250.5	293.0	313.9	364.0
Net profit (RM mil)	36.8	23.6	32.5	18.5
EPS (sen)	0.7	0.4	0.6	0.3
EPS growth (%)	-	-36%	38%	-43%
DPS (sen)	0.3	0.2	0.3	0.2
PE (x)	43.2	67.9	49.1	86.4
EV/EBITDA (x)	24.5	22.8	26.1	19.9
Div yield (%)	0.9	0.7	0.9	0.7
ROE (%)	8.6	5.3	6.8	3.8
Net Gearing (%)	n.a	n.a	n.a	n.a

- **Stock idea.** GDEX was established in 1997. In 2000, Teong Teck Lean emerged as the major shareholder and turned the company into profitability. GDEX was listed on the ACE Market in 2005 and subsequently upgraded to the Main Market of Bursa Malaysia in 2013.

- **The company is one of the market leaders in the last-mile delivery industry in Malaysia.** It also has operations in Vietnam (via a 50% stake in Netco), Indonesia (44.5% stake in PT SAP Express) and Singapore (small operation). As of 30 Sep 2021, GDEX has 1,420 vehicles and 4,330 employees supporting its operations.

- **2022 will be an expansion year.** We gather that GDEX should complete its sorting capacity expansion in 2022, doubling the current capacity to 350,000 parcels per day (currently: 150,000 per day). We believe that this will lower the operating cost for GDEX in the long run. The cost for the sorting capacity is RM20mil–RM25mil.

- **GDEX's 3QCY21 earnings surged 48% QoQ and 32% YoY to RM9.5mil.** This is due to EBIT margin expansion at 9.1% in 5QFY21 vs. 4QFY21's 7.8%. This is attributable to better cost control in the express delivery segment which has more than offset the 4% decline in revenue QoQ.

- **Net cash position strengthened by 3% to RM281mil in 3QCY21.** GDEX's focus on generating positive cash flow despite stiff competition has resulted in higher cash position. We believe that GDEX is ready to engage in M&A. Note that it has changed the company name to GD Express Carrier to GDEX Bhd on 22 Dec 2020. This could be a strategy as it prepares to expand into other businesses besides the last-mile industry.

- **Risks to GDEX's business include stronger-than-expected competition and higher-than-expected staff costs.** Another risk is lower-than-expected growth in e-commerce demand.

- **GDEX has embarked on its Go Green initiative by introducing all-electric motorcycle into its fleet.** This is aimed at reducing the company's greenhouse gas emissions in the long run.

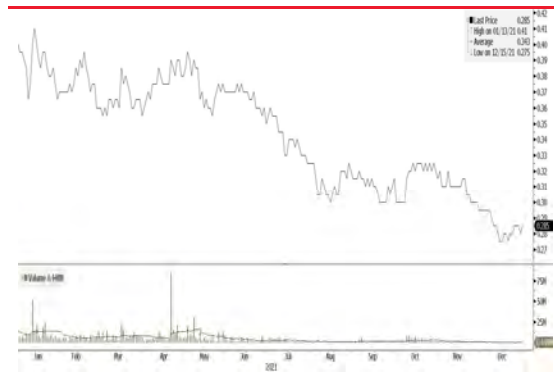
### Stock and Financial Data

Shares Outstanding (million) 5581.1  
Market Cap (RM mil) 1590.6  
Book Value (RM/share) 0.09  
P/BV (x) 3.8  
ROE (%) 15.2  
Net Gearing (%) Net Cash

Major Shareholders  
Teong Teck Lean (38.5%)  
Yamato Group (22.9%)  
Singapore Post (12.1%)

Free Float 15.4  
Avg Daily Value (RM mil) 0.5

Price performance	3mth	6mth	12mth
Absolute (%)	(9.5)	(18.6)	(28.8)
Relative (%)	(9.9)	(19.3)	(23.6)



**BACKGROUND**

❑ **Founded 24 years ago**

GDEX, formerly known as GD Express Carrier, has marked its presence as one of the major players in the Malaysian logistics industry since 1997. The company offers domestic and international express carriers, logistic services and customised logistics solutions. Over the years, GDEX has expanded its operations, organically and inorganically, into the regional markets, including Singapore, Indonesia (via SAPX – listed on Indonesia Stock Exchange) and Vietnam (via Netco). GDEX, previously listed on ACE Market of Bursa Malaysia, was transferred to the Main Market in 2013.

❑ **Express delivery remains the core segment**

At present, GDEX is operating in 3 segments – express delivery, logistics services, and property investment. In FY20, express delivery contributed 93% of GDEX revenue of RM364mil (+16% YoY) and is the highest profit-generating segment. The operating margin for express delivery is higher compared to logistics (9.6% vs. 7%).

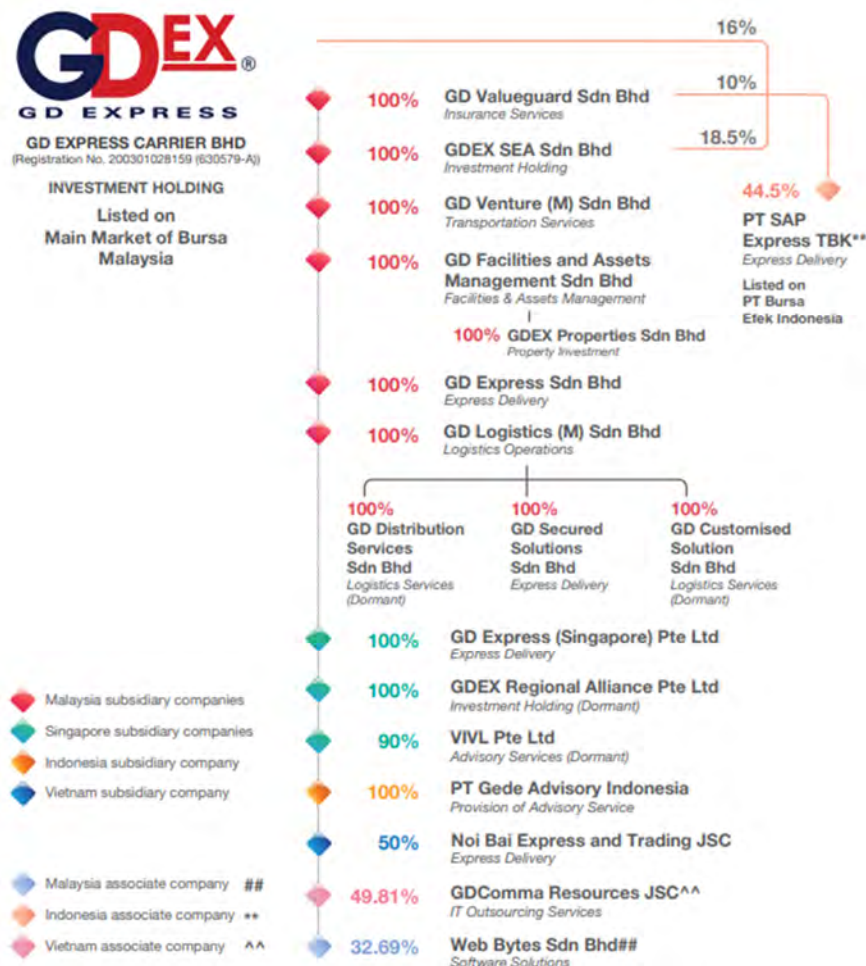
❑ **Over 110 branches and 1,400 vehicles to support local operations**

Its central hub in Petaling Jaya has a sorting capacity of up to 150K parcels per day. Local shipments will be sorted at strategically located regional hubs (Northern, Southern, Sarawak, and Sabah).

❑ **Experienced management**

Teong Teck Lean is the managing director and CEO of GDEX. He played a vital role in the listing of GDEX on Bursa Malaysia after 5 years as a major shareholder in 2000. He currently holds a 38.5% stake. At present, the other major shareholders of GDEX are Yamato Group, Japan (22.9%) and Singapore Post (12.1%), both major players in their respective local industries.

**EXHIBIT 1: GDEX CORPORATE STRUCTURE**

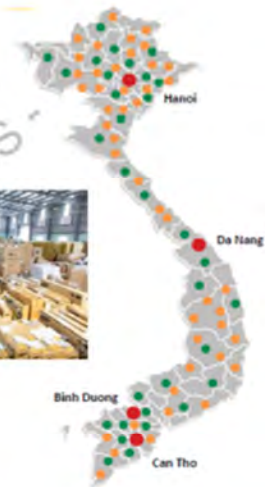


Source: GDEX

## EXHIBIT 2: GDEX REGIONAL PRESENCE



**NETCO POST**  
— Do it right now —



Source: GDEX

### FINANCIAL HIGHLIGHTS

GDEX's 5QFY21 (July to Sep) earnings surged 48% QoQ and 31.6% YoY to RM9.5mil. We gathered that GDEX FYE has changed from June to December. 5QFY21 revenue decreased 3.6% QoQ to RM102.9mil as its Vietnamese operations (Netco) were affected by the total lockdown in certain areas resulting in Netco's revenue contribution falling by 23.9%.

Notwithstanding the revenue decline, EBIT margin expanded to 9.1% in 5QFY21 vs. 1QFY21's 8% which was mainly attributable to better cost control in the express delivery segment.

## EXHIBIT 3: 5QFY21 EARNINGS SUMMARY

FY 31 Dec (RM mil)	1QFY21	4QFY21	5QFY21	QoQ %	YoY %
Revenue	108.6	106.7	102.9	-3.6%	-5.3%
<b>EBIT</b>	<b>8.6</b>	<b>8.3</b>	<b>9.4</b>	<b>13.2%</b>	<b>8.7%</b>
Pretax profit	9.6	9.9	11.0	10.8%	13.9%
Taxation	(2.2)	(2.9)	(1.8)	-37.7%	-20.0%
Minority Interest	0.2	0.6	(0.3)	-144.7%	-241.1%
<b>Net Profit</b>	<b>7.2</b>	<b>6.4</b>	<b>9.5</b>	<b>48.0%</b>	<b>31.6%</b>
EPS (sen)	0.1	0.1	0.2	54.5%	30.8%
Net gearing (x)	Net cash	Net cash	Net cash		
EBIT margin (%)	7.96%	7.78%	9.13%		
PBT margin (%)	8.87%	9.29%	10.67%		
Net profit margin (%)	6.62%	6.00%	9.20%		
Effective tax rate (%)	23.25%	29.01%	16.33%		

Source: GDEX, AmlInvestment Bank Bhd

## EXHIBIT 4: SWOT ANALYSIS

### Strengths

Strong management team with the CEO having 21 years of experience in the logistics industry.

### Weaknesses

The express delivery industry is very competitive with many players.

### Opportunities

Regional expansion in high-growth countries such as Vietnam and Indonesia.

### Threats

Relatively low barriers to entry for new players in the express delivery industry.

Source: AmlInvestment Bank Bhd

## EXHIBIT 5: PEER COMPARISON

Companies	Price (RM)	Mkt Cap (RMmil)	FYE	P/E FY20/21	P/B (x)	ROE* (%)	NDPS (sen)	DY (%)
Tasco Berhad	1.15	920	Mar	22.3	1.9	8.8	2.0	1.7
POS Malaysia	0.645	505	Dec	-	0.5	-	-	-
Harbour-Link Group	1.23	492	Jun	8.0	1.0	5.5	1.0	0.8
Freight Management	0.875	489	Jun	18.1	1.5	8.1	4.0	4.6
<b>Simple Average</b>				<b>72.0</b>	<b>1.1</b>			
GDEX	0.285	1,608	Dec	86.4	3.2	3.9	0.2	0.9

Source: Bloomberg

## EXHIBIT 6: FINANCIAL DATA

Balance Sheet (RMmil, YE 30 Jun)	2016	2017	2018	2019	2020
Fixed assets	68.0	90.1	107.4	131.2	211.1
Intangible assets	-	-	0.4	-	3.5
Other long-term assets	-	16.0	34.0	49.6	55.0
<b>Total non-current assets</b>	<b>68.0</b>	<b>106.1</b>	<b>141.7</b>	<b>180.8</b>	<b>269.6</b>
Cash & equivalent	307.4	306.3	303.3	279.7	267.7
Stock	1.2	1.6	1.1	1.5	1.2
Trade debtors	47.6	49.9	51.0	51.5	72.2
Other current assets	10.3	14.1	20.9	42.1	45.4
<b>Total current assets</b>	<b>366.6</b>	<b>371.9</b>	<b>376.3</b>	<b>374.8</b>	<b>386.5</b>
Trade creditors	2.1	3.2	2.0	2.9	11.0
Short-term borrowings	0.9	-	-	-	0.9
Other current liabilities	22.0	23.1	35.0	46.5	69.6
<b>Total current liabilities</b>	<b>25.1</b>	<b>26.3</b>	<b>37.0</b>	<b>49.4</b>	<b>81.5</b>
Long-term borrowings	19.4	21.3	26.1	20.5	70.8
Other long-term liabilities	3.3	4.3	5.3	6.6	7.3
<b>Total long-term liabilities</b>	<b>22.7</b>	<b>25.6</b>	<b>31.3</b>	<b>27.1</b>	<b>78.1</b>
<b>Shareholders' funds</b>	<b>386.8</b>	<b>426.1</b>	<b>449.7</b>	<b>479.2</b>	<b>483.2</b>
Minority interests	-	-	-	-	13.2
BV/share (RM)	0.3	0.1	0.1	0.1	0.1
<b>Cash Flow (RMmil, YE 30 Jun)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Pretax profit	40.2	44.5	44.6	32.4	23.7
Depreciation/Amortisation	9.4	11.4	14.9	19.3	40.7
Net change in working capital	1.6	(6.6)	(2.8)	0.0	5.1
Others	(9.3)	(17.5)	(29.6)	(25.5)	(14.3)
<b>Cash flow from operations</b>	<b>41.9</b>	<b>31.7</b>	<b>27.1</b>	<b>26.2</b>	<b>55.2</b>
Capital expenditure	(3.8)	(14.3)	(9.1)	(24.8)	(11.5)
Net investments & sale of fixed assets	0.2	0.1	0.3	0.2	0.2
Others	(242.0)	41.9	(46.4)	16.8	23.1
<b>Cash flow from investing</b>	<b>(245.6)</b>	<b>27.8</b>	<b>(55.3)</b>	<b>(7.8)</b>	<b>11.8</b>
Debt raised/(repaid)	(11.6)	(14.6)	(13.8)	(20.0)	(44.9)
Equity raised/(repaid)	211.6	3.1	0.7	-	(0.9)
Dividends paid	(0.7)	(0.7)	(0.7)	(1.1)	(14.1)
Others	-	-	-	-	-
<b>Cash flow from financing</b>	<b>199.3</b>	<b>(12.2)</b>	<b>(13.8)</b>	<b>(21.1)</b>	<b>(59.9)</b>
<b>Net cash flow</b>	<b>(4.4)</b>	<b>47.3</b>	<b>(42.0)</b>	<b>(2.7)</b>	<b>7.1</b>
<b>Net cash/(debt) b/f</b>	<b>31.7</b>	<b>27.4</b>	<b>74.8</b>	<b>32.7</b>	<b>30.1</b>
<b>Forex</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.7</b>
<b>Net cash/(debt) c/f</b>	<b>27.4</b>	<b>74.8</b>	<b>32.7</b>	<b>30.1</b>	<b>37.9</b>
<b>Key Ratios (YE 30 Jun)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenue growth (%)	11.7	14.0	17.0	7.1	16.0
Pretax margin (%)	18.3	17.8	15.2	10.3	6.5
Net profit margin (%)	15.7	14.7	8.1	10.3	5.1
Interest cover (x)	23.7	24.5	18.7	14.1	2.7
Effective tax rate (%)	14.3	17.2	47.0	0.3	22.2
Dividend payout (%)	40.2	37.9	47.3	43.1	60.6
Debtors turnover (days)	79.0	72.7	63.5	59.9	72.4

Source: Company, AmInvestment Bank estimates

**DISCLOSURE AND DISCLAIMER**

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.