

GDEX eyes growth in Indonesia, Vietnam

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by ASILA JALIL / pic source: GDEX FB

GDEX Bhd is eyeing expansions in Indonesia and Vietnam as both countries have huge market sizes and are poised to register positive growth in the next five years.

GDEX MD and group CEO Teong Teck Lean told *The Malaysian Reserve* that Indonesia and Vietnam are expected to grow at a five-year compound annual growth rate of 12% and 15% respectively.

He said the growth in both countries would be driven by higher demand for delivery services due to the increased adoption of e-commerce and online transactions.

“This demonstrates tremendous business potential in the countries and region, thus providing abundant opportunities.

“We remain optimistic with the growth as both the markets in Indonesia and Vietnam are huge with 270 million and 100 million population respectively. That is the reason why we expanded to the region to tap into their growth,” he said.

Teong said the group will leverage its locally made end-to-end solution to assist the expansion which will serve its customers' requirement in the South-East Asia region.

SAP Express

GDEX has a 44.5% stake in PT Satria Antaran Prima Tbk (SAP Express) in

Indonesia, which began as an emerging courier company five years ago. The collective stake in SAP Express started with the purchase of its convertible bonds in December 2016.

The company is currently ranked among the top 10 courier companies in Indonesia, with a total of 154 branches across the country. SAP Express was listed on the Indonesian stock exchange in 2018.

“It was a loss-making company but has turned profitable in the financial year 2019 (FY19) with a profit of approximately RM12 million. For its consolidated nine months in FY20, SAP Express reported a net profit of approximately RM7.5 million,” he said, adding that SAP Express aims to become among the top five courier companies in Indonesia.

To achieve this goal, he said SAP Express will continue to invest and strengthen both physical and digital infrastructures in the company.

Netco

As for Vietnam, the group completed an acquisition of 50% stake in Noi Bai Express and Trading Joint Stock Co (Netco) in December 2019.

The Hanoi-based subsidiary has four central hubs with 45 branches and sub-branches to serve across all the provinces in Vietnam. Teong said Netco is a profitable group albeit with thin margins as it focuses more on managing bulky items.

“We had the plan to help them grow the small-mid size business segment but unfortunately, the plan was put on hold due to the Covid-19 pandemic. Nonetheless, Netco is contributing positively despite the outbreak,” he said.

Once the pandemic settles, Teong said the immediate plan in store for Netco is to relook at the internal processes and to optimise operational efficiency.

There are also plans to digitise Netco’s operations to elevate customer

experience while making the company more competitive in terms of pricing and services in the marketplace.

“We will continue to explore to widen Netco’s customer base by introducing business-to-consumer and customer-to-customer services,” Teong said.

Regional Challenges

GDEX also has a branch in Singapore on which Teong said the group maintains a “lean operations team” to service cross-border customers between Malaysia and Singapore.

The branch also operates as an important service network to cater for multinational corporations, he said.

With operations now running in four countries, Teong admitted that it has been quite a challenge to penetrate into new markets in the region, mainly due to differences in culture, regulatory framework and business environment.

“We are thankful that we have good partners in each country who know the market and regulations very well,” he said.

He said the group views itself as a newcomer into the regional space which Teong described as a “whole new ball game” for GDEX.

In addition to the different environment, the pandemic also poses another challenge to the group to manage its operations across the region. Teong said the group’s investee companies currently operate independently though they are all under GDEX’s close scrutiny.

“The challenge will be the seamless integration of business and operations across the region, especially during this pandemic period. It will take some time for the group to fully integrate with each other and to enjoy the synergies,” he added.

For its second quarter ended Dec 31, 2020 (2QFY21), GDEX’s net profit

increased 17.9% year-on-year (YoY) to RM6.92 million from RM5.87 million.

Revenue for the quarter came in at RM109.42 million, up 25.2% YoY from RM87.39 million mainly due to increase in demand for delivery services from online business activities especially under the pandemic.

The better performance was also attributable to the increase in demand for logistics and warehousing services, contribution of sales revenue from Vietnam subsidiary company, as well as the operational efficiencies as a result of digitalisation of internal system and processes.

Revenue and pretax earnings for its courier services in 2QFY21 rose 22.4% and 13.3% respectively compared to the corresponding quarter ended Dec 31, 2019.

Its logistics services segment also recorded an increase in revenue and profit before tax of 70.4% and 413.5% respectively in the quarter.

Moving forward, GDEX said it will continue to invest in human capital, IT infrastructure, network expansion and strengthen its intra-Asean delivery network.