GDEX rises after co says subsidiary receives MIDA approval | The Edge Markets

KUALA LUMPUR (Nov 11): GD Express Carrier Bhd's (GDEX) share price rose more than 8% in Bursa Malaysia morning trades today after the company said yesterday its wholly-owned subsidiary GD Express Sdn Bhd (GDSB) had received approval from the Malaysian Industrial Development Authority (MIDA) for a second round of tax incentive to carry out integrated logistics services (ILS) activities.

At 9:04am today, GDEX rose 3.5 sen or 8.14% to 46.5 sen.

GDEX saw some 17 million shares traded. At 46.5 sen, the company has a market value of about RM2.62 billion.

Yesterday, GDEX said in a Bursa filing that with the ILS tax incentive, GDSB via pioneer status, will be eligible for income tax exemption of up to 70% on statutory income for each year of assessment for a period of five years.

"The board [of GDEX] is of the opinion that the ILS incentive will contribute positively to strengthening the operations and future earnings of GDEX Group," it said.

Today, MIDF Amanah Investment Bank Bhd's research team wrote in a note that while details on what entails within the tax incentive are still pending disclosures, MIDF is upbeat on the impact of the tax incentive on GDEX's earnings.

According to the research team, MIDF has raised its GDEX share target price to 40 sen from 34 sen following an upward revision to MIDF's earnings per share (EPS) forecast for GDEX. The research team said MIDF however maintained its "neutral" call on GDEX.

"Based on our preliminary deductions, pending further management disclosures, we estimate that the savings from the tax exemption could translate to between RM2.0 million–RM3.5 million for FY22-FY26. Hence, the tax exemption impact is significant in comparison to our previous earnings forecast for FY22F/FY23F at RM30.3 million/RM32.8 million — which is a +10.9% and +9.7% increase.

"This is derived by estimating tax exemption at 70% statutory income (we use PBT (profit before tax) as statutory income approximation) and multiply it with corporate tax rate at 24%, per our assumption. However, this estimate remains subject to further disclosure from the management.

"Hence, we are revising our EPS forecast for FY22F/FY23F to 54/58 sen from our previous forecast of 48/53 sen," the analysts said.