Transport companies seen returning to profit in 2021

All in, Affin Hwang Capital said 2020 has been an unprecedented, challenging year for the aviation industry. “We expect both AirAsia and Malaysia Airports to report substantial losses in 2020 due to lower passenger movement arising from cautious sentiment, the closure of borders and movement restrictions during the movement control order (MCO) and conditional MCO period."

All in, Affin Hwang Capital said 2020 has been an unprecedented, challenging year for the aviation industry. “We expect both AirAsia and Malaysia Airports to report substantial losses in 2020 due to lower passenger movement arising from cautious sentiment, the closure of borders and movement restrictions during the movement control order (MCO) and conditional MCO period."

PETALING JAYA: Transport and logistics companies are only expected to return to profitability in 2021, as business volume will need time to recover from the current Covid-19 pandemic.

In light of the challenges, Affin Hwang Capital said transport and logistics firms are expected to report a net loss this year.

“Broadly speaking, the transport and logistics companies have observed lower business activity in April and May 2020 (except parcel volume).

“We concur with the corporate views that business volume will recover in the second half of 2020, but may not return to 2019 levels until 2021, ” it said in a report yesterday.

All in, Affin Hwang Capital said 2020 has been an unprecedented, challenging year for the aviation industry.

"We expect both AirAsia and Malaysia Airports to report substantial losses in 2020 due to lower passenger movement arising from cautious sentiment, the closure of borders and movement restrictions during the movement control order (MCO) and conditional MCO period.

"Meanwhile, the slower regional economic activities should affect Westport's container volumes and hence, weaken its 2020 profitability.

"While the spike in parcel volume may lift the couriers' near-term earnings, stiff competition may continue to suppress their long-term profit margins, " it added.

For now, the research house is continuing to avoid the aviation segment due to the difficult business environment, where travel is currently curtailed by the closure of borders.

"While we expect a gradual relaxation in cross-border travels in the coming months, the recovery in passenger traffic may be slow due to concerns over contracting the Covid-19 virus and weakened business and consumer spending, " it said.

Separately, Affin Hwang Capital said it is "neutral" on Westports.

"While its container volumes are also affected by weaker economic activities, the decline in business volume should not be as severe and Westports has a robust balance sheet to weather the downturn.

"Upside risks to our negative sector view include government support for the aviation sector, consolidation in the aviation industry and strong volume recovery (tourist arrivals, container cargoes)."

The research house also said rising parcel volume and higher postal rates should support revenue for Pos Malaysia.

"Pos Malaysia expects small and medium-sized enterprises to drive ecommerce growth, prompted by changing customer behaviour and aided by accessible digitalisation applications/ proactive government support.

At the same time, management anticipates that mail volumes will stabilise in 2020, as the digital substitution has taken place for several years now and management does not foresee further acceleration in the adoption of digitalisation."

Additionally, the research house said GD Express Carrier Bhd (GDex) is focusing on pricing, sustainability and profitability over market share.

"GDex has an estimated 15% to 16% market share by volume among the top-10 courier companies in Malaysia.

"Unlike some of its peers, GDex's business strategy is to focus on service quality, pricing, sustainability and profitability, " it said.