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GDEX'S DIVERSIFICATION INTO IT TO IMPROVE EFFICIENCY OF LOGISTICS, LAST MILE DELIVERY OPERATIONS — CEO



KUALA LUMPUR (Sept 26): GDEX Bhd's recent foray into information technology (IT) is aimed at improving the efficiency of its logistics and last mile delivery operations, said managing director and group chief executive officer Teong Teck Lean.

Speaking to The Edge on Thursday, he said the company is expanding its offerings to include both logistics and technology solutions, which could slightly increase the group's pricing power in the market.

"A lot of people think we no longer want to focus on courier services. No...in fact, express delivery remains our largest contributor. We see challenges in the courier industry, with too many foreign companies entering the domestic market and too much price pressure.

"We believe the best way to survive is to enhance our customers' experience with our business solutions so that many brand owners will prefer to use our courier services. Once our last-mile operations recover, we'll have more cash flow to potentially acquire other businesses," Teong said.

"He is targeting double-digit revenue growth from the IT segment, aiming for 12% in the upcoming financial years though he acknowledged that the growth may not be as significant as that seen in the express delivery segment.

In the first half ended June 30, 2024 (1HFY2024), the group's IT segment accounted for 10.37% of total revenue, at RM196.3 million. Express delivery remains the largest contributor at 86.03%, while logistics accounted for 3.05%.

To recap, in June, GDEX's shareholders approved the group's plan to diversify into IT services and solutions. Back in 2022, the company acquired equity stakes in three IT companies: Web Bytes Sdn Bhd (38%), Sweetmag Solutions Sdn Bhd (51%) and Anon Security Sdn Bhd (60%).

When asked about the potential for further acquisitions in the IT segment, Teong said: "Definitely, the ecosystem can be much better. Beyond these business acquisitions, we also have partnerships, collaborating with other businesses to offer solutions. So, if any future acquisitions make sense for us, we will continue on that journey as well."

Setting sights on year-end profitability

Teong further shared that the group aims to return to profitability by the end of this year after two consecutive annual losses.

"However, I know it is a bit challenging for us.

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"Overall, our second-quarter results (2QFY2024, ended June 30) show that our EBITDA (earnings before interest, taxes, depreciation, and amortisation) and cash flow are quite positive," he said.

For 2QFY2024, GDEX narrowed its net loss to RM2.92 million, down from RM11.35 million a year earlier, due to effective cost management in express delivery services. Revenue increased slightly to RM96.88 million from RM95.08 million, while EBITDA was RM11.4 million, and free cash flow stood at RM12.9 million.

"For 1HFY2024, GDEX reported a net loss of RM5.08 million on revenue of RM196.3 million.

Teong shared this information with The Edge following the signing ceremony on the collaboration between GDEX and the Government-Industry TVET Coordination Body (GITC) on Thursday, which aims to develop a skilled and competent workforce to meet the needs of the courier and logistics industry.

Through this collaboration both parties plan to jointly develop internship programmes and work-based learning opportunities for practical experience.

Both GITC and GDEX will also exchange information and expertise to align technical and vocational education and training (TVET) curricula with industry requirements, as well as explore opportunities for joint projects and initiatives related to TVET and the logistics industry.

"GDEX is a homegrown courier and logistics company that was the first in the industry to set up a training academy, known as GDEX Academy, to provide technical and vocational training on courier and logistics curriculum for its employees. These employees, who are mainly school leavers, have the opportunity to obtain their certificates and diploma through programmes that are accredited by Malaysian Skills Certification (Sijil Kemahiran Malaysia).

GITC was established in February 2022 to steer the national TVET agenda by coordinating industry cooperation through an industry-led platform at the national level to articulate skills and manpower requirements across various sectors. Additionally, GITC serves as a unified source of reference for industry input on TVET development and demand to the government.