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GDEX'S PANDEMIC-INDUCED TECH PIVOT SHOWING RESULTS, EYES MORE PARTNERSHIPS

Teong: We have been actively engaging with some of the biggest tech companies in the world to become our partners to help enhance the GDEX ecosystem. (Photo by Sam Fong/The Edge)

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GDEX Bhd (KL:GDEX) is beginning to see "a light at the end of the tunnel" following the company's diversification into the information technology (IT) services sector, according to its managing director and group CEO Teong Teck Lean.

The group struggled for much of the last three years amid a series of challenges, which included a tough operating environment post-Covid-19 pandemic arising from competition from foreign logistics start-ups such as Lalamove from Hong Kong, Singapore-based Ninja Van and Indonesia's J&T Express that have driven incumbents in the express delivery industry into a fierce price war, plus the loss of Astro Malaysia Holdings Bhd as a key customer.

In response, GDEX has made some bold moves, including shifting its focus from a pure play express delivery provider to a company with a portfolio of services that includes express delivery, logistics and IT services, with the latter providing better margins.

While it's still early days, Teong says GDEX's latest financials demonstrate that its strategy is paying off. It returned to profitability for the first time since the company fell into a loss-making position in the quarter ended March 31, 2022, posting a net profit of RM4.76 million in the fourth quarter ended Dec 31, 2024 (4QFY2024) compared with an RM8.09 million net loss in the same quarter of 2023.

For FY2024, GDEX reported a narrower net loss of RM1.76 million compared with RM34.8 million in the previous year. Revenue grew 6% year on year (y-o-y) to RM420.46 million, with its IT services segment accounting for 13% of the total at RM54.24 million, up 62% from RM33.45 million in FY2023.

Teong is confident that GDEX is in a stronger position this financial year. However, he stopped short of declaring FY2025 a turnaround year due to uncertainties surrounding US tariffs and their potential impact, which could slow down both global and local economies.

SOURCE: ANNUAL REPORT 2023/BURSA MALAYSIA

GDEX Bhd's financial highlights

FOR YEAR ENDED DEC 31 (RM MIL)	2019*	2020*	2021	2022	2023	2024 (UNAUDITED)
Revenue	313.86	364.01	636.94	383.47	397.18	420.46
Net profit/(loss)	32.47	18.53	41.46	(17.27)	(34.80)	(1.76)
Dividend per share (sen)	0.25	0.20	0.20	0.15	0.10	0.20

* In July 2021, the company changed its financial year end from June 30 to Dec 31

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The company's plans this year are still intact, but it intends to review its capital expenditure (capex) due to the global trade disruptions. It is planning to renovate its headquarters in Petaling Jaya, Selangor, to include an experience centre showcasing its supply chain and technology solutions within GDEX's ecosystem. Additionally, the company aims to purchase more fuel-efficient trucks.

"Our business and partnership strategies will continue, just that the capex will be reviewed. The capital for mergers and acquisitions will still be set aside, but with more stringent criteria [instituted]," Teong, 63, tells The Edge in an interview.

The company is going ahead with plans to enter into more partnerships with leading solutions providers to strengthen its technology ecosystem as part of its digital transformation under GDEXchange that kicked off in 2022.

"With the pivot to technology, our usage of cloud-based solutions has gone up exponentially. Because of this, in the last couple of months, we have been actively engaging with some of the biggest tech companies in the world to become our partners to help enhance the GDEX ecosystem," he says.

Last year, GDEX, through its 51%-owned tech unit Sweetmag Solutions (M) Sdn Bhd, entered into a collaboration with Canadian e-commerce platform Shopify Inc to enhance cross-border e-commerce opportunities for its clients. Shopify is a unified commerce platform that helps merchants process sales, run stores and grow their businesses across online and offline channels.

Teong says the provision of IT services and solutions holds immense potential, as businesses increasingly turn to artificial intelligence (AI) to streamline workflows.

"The AI megatrend is transforming every business. For us, we have to ensure that GDEX is on the right business path to ride this mega trend, as well as to reinvent ourselves. For example, AI adoption has made our processes more seamless.

"We find that not only us, but a lot of organisations are also in search of better ways to improve themselves. And GDEX is now in a good position to help these companies as we have different kinds of talents to satisfy what they are looking for," he asserts, adding that the company has over 300 IT personnel across its tech business units and within GDEX.

RM20 MIL FOR ACQUISITIONS

Notably, GDEX's revenue from the IT segment has increased significantly, driven by heightened contributions from its smart retail systems, web and enterprise solutions, as well as cybersecurity software distribution following a series of acquisitions in 2022. The company now owns controlling stakes in Sweetmag (51%) and Anon Security Sdn Bhd (60%), as well as a 38% stake in Web Bytes Sdn Bhd.

Still, express delivery revenue accounted for the majority of the company's revenue at RM351.97 million in FY2024, a 3% y-o-y increase. The segment made up 84% of total company revenue, followed by the IT services (13%) and logistics (3%) segments.

Teong says express delivery remains core to GDEX's business. "We only pivoted to technology [in 2022] and so it's still a 'small baby' [in terms of revenue contribution]."

Meanwhile, GDEX is setting aside about RM20 million for acquisitions in the tech industry as it hunts for assets that could help the company generate growth and accelerate its path to profitability. The company does not yet have a potential target, but Teong notes that in any potential acquisition GDEX must take a majority stake.

"This time, we will only go for majority interest in order to have control of the company. That way, it's easier to drive GDEX's broader vision and goals."
There are no plans to tap the capital market to finance its acquisitions, Teong says, pointing to GDEX's strong balance sheet, with RM194.72 million in net cash as at end-2024. However, it may turn to debt financing for its acquisitions.

"Even though our bottom line is a loss, we have been generating free cash flow, which allows us to pay dividends to shareholders. We will try to pay more dividends by improving our cash flow."

Teong says there was no increase in GDEX's dividends in the last few years because it had to pour capital into its digital transformation to defend its main express delivery business from venture capital-backed logistics start-ups. GDEX's net cash from operating activities stood at RM43.03 million as at end-December 2024.

It plans to propose the approval of shareholders a cash dividend per share of 0.20 sen for FY2024, double the 0.10 sen in FY2023.

"Going forward, through our investments into the tech companies [Sweetmag, Anon Security and Web Bytes], we will improve our cash flow. In fact, the investee companies are encouraged to pay dividends to the parent company so that we can sustain our investment, as well as pay dividends to reward our shareholders that have been with us through thick and thin."

GDEX's Annual Report 2023 shows Teong to be the single largest shareholder with a 1.97% direct stake and an indirect stake of 37.07% through GD Express Holdings (M) Sdn Bhd, GD Holdings International Ltd and GDEX Foundation. Japan's Yamato Holdings Co Ltd currently holds a 23.24% stake, making it the second largest shareholder, followed by Singapore Post Ltd with a 12.27% stake.

It is worth noting that GDEX has not undertaken any rights issue since its listing on the Mesdaq Market (now known as ACE Market) of Bursa Malaysia in 2005.

"I'm proud to say we haven't done a single rights issue yet. We haven't asked for money from shareholders. Our cash and bank balances stood at RM199.6 million [at end-2024]. And at the worst time, we still reward our shareholders," says Teong.

EXPRESS INDUSTRY CONSOLIDATION

The entry of private venture-backed start-ups such as Lalamove, Ninja Van and J&T Express, which are known for offering low prices, has disrupted the domestic express delivery sector. A price war has seen incumbent Nationwide Express Holdings Bhd and start-up Pgeon Delivery calling it quits, and CJ Century Logistics Holdings Bhd (KL:CJCEN) disposing of its loss-making courier business, in the last four years.

National post and parcel service provider Pos Malaysia Bhd (KL:POS), which has been bleeding red ink for nearly six years, reported a wider net loss of RM202.66 million in the financial year ended Dec 31, 2024, from RM157.85 million in the previous year.

"Consolidation has already started, but not at a fast pace. The express delivery business is still very challenging because we have the monthly minimum wage revised upwards by RM200 in February. Basically, logistics companies now have to become much more efficient because at present, they are still not able to pass on the added costs to customers.

"For GDEX, we will focus on offering more premium services," says Teong.

Companies Commission of Malaysia (SSM) data shows that Lalamove Malaysia Sdn Bhd returned to profitability in the financial year ended Dec 31, 2023 (FY2023) after two years of losses. It posted a net profit of RM18.86 million in FY2023 compared with a net loss of RM899,515 in FY2022.

Ninja Logistics Sdn Bhd has continued to record losses for the third consecutive year since its financial year ended June 30, 2022 (FY2022), posting a net loss of RM3.41 million for FY2024.

J&T Express (Malaysia) Sdn Bhd, meanwhile, narrowed its net loss to RM44.7 million in the financial year ended Dec 31, 2023 (FY2023) from RM179.14 million in FY2022.

GDEX shares have fallen 6% year to date to close at 15.5 sen last Wednesday, giving it a market capitalisation of RM874 million.

"What does GDEX need to do to get investors' attention again? We will have to scale up our business by relooking our business model again. I will take this opportunity every year to make sure that GDEX's version for next year will be better than this year," says Teong.

"I haven't been doing that in the last 20 years. I realised that it was a gross mistake that I didn't do that. Maybe I was too complacent. The Covid-19 pandemic was a wake-up call for all of us."