

## OSK slashes FMH's earnings projection

2009/09/02

OSK Research has revised downward its earnings projection for Freight Management Holdings Bhd (FMH) for financial years 2010 and 2011 by 10 to 16 per cent.

The research house said the revision is due to the fact that the high spread in earnings from sea freight is unlikely to be repeated this year, as market rates adjust to improving demand.

"While we expect the group to see positive growth for financial year 2010, we are concerned that the stellar margins achieved in financial year 2009 is unlikely to be repeated as market freight rates normalise on recovering demand.

"As such, we have scaled down our profitability assumptions, where the earnings estimation is slashed by 10 to 16 per cent," OSK said in its research note here, today.

Freight Management, an integrated logistics services provider, recorded revenue and earnings of RM229.4 million and RM11.14 million respectively, for the financial year ended June 2009.

"Despite the difficult period during which rates in the freight market shrank sharply by 60 to 70 per cent, Freight Management was able to fetch a higher profit spread in its sea freight business.

"This boosted its overall bottom-line margins amid a contracting revenue base in the second half, which sustained its double digit growth earnings by 11.5 per cent, year-on-year basis for the financial year 2009," OSK said.

The company is involved in provision of freight services, investment holding and the charter of barges and tugboats.

OSK forecast Freight Management to achieve a net profit of RM16 million for financial year 2011 against its forecast of RM14.4 million for financial year 2010.

It also forecast a revenue growth of 12.7 per cent to RM299.1 million for financial year 2011 from an estimated RM261.1 million for financial year 2010. - Bernama