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Profit growth goal revised upwards

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Managing director Chew Chong Keat said the group has fixed an internal net profit growth target of 15 to 20 per cent for the current year to June 30 from RM13.6 million a year earlier.

"We have raised our full-year profit growth forecast to double digits compared to an earlier estimate of single digit, after our positive financial performance in the first half ended December 31 2009," he told Business Times.

It posted a 21 per cent rise in its first-half net profit from a year earlier, thanks to improved topline performances across all its business lines, tight cost management and increased productivity.

Chew expects the sea freight business to remain as FMHB's main revenue contributor in fiscal 2009/2010, followed by customs brokerage. It accounted for 52 per cent of the group's total gross profit for the six months ended December 31.

"(Nevertheless,) we have challenged all our managers to improve their respective sectors. This is part of our initiative to diversify our earnings base and become a total multimodal logistics service provider.

"Over the years, we have seen contributions from our other business segments grow. My ultimate aim is to see sea freight accounting for only 50 per cent of gross profit and the rest will be from the other businesses," he said, adding that the container haulage business has growth potential.

However, profit contribution from the rail freight services segment fell to 2.2 per cent for the first half of 2009/2010 from 4.3 per cent because of infrastructural problems besetting the State Railways of Thailand.

"But we are still maintaining our rail freight business, so that we can offer customers an alternative," said Chew.

Meanwhile, FMHB will continue to keep a lookout for possible acquisitions and joint venture (JV) partners in both the domestic and regional markets.

It had earlier this month entered into a JV with its Vietnamese counterpart to provide freight and logistics services to the Vietnamese market and is looking to venture into Cambodia and the Philippines.

"I think we can do better in countries that are manufacturing based and growing in terms of population and gross domestic product," said Chew.

"(Apart from JVs,) we are constantly on the lookout for potential acquisitions within the (logistics) industry. Malaysia will be our main focus. The potential companies must be contributing to any one of our existing businesses. It is important that the firms are profit making and that the target of the acquisition must have a fair market value. So far we have yet to identify an acquisition," he added.

Chew believes the worst of the economic downturn is over as demand for both import and export freight services has picked up over the last few months.
