

Freight takes flight



Chew: We are targeting strong single-digit growth in FY27.

IN freight forwarding, stronger earnings do not necessarily require a corresponding jump in revenue.

Just look at [FM Global Logistics Holdings Bhd](#) . The group is expanding profit margins in financial year 2026 (FY26) despite posting flat top-line growth.

The logistics group's FY26 revenue slipped 0.4% year-on-year to RM949.3mil from RM952.8mil, but pre-tax profit rose 10.9% to RM52.9mil, while net profit climbed 14.1% to RM35.5mil.

This lifted its net profit margin to about 3.7%, from 3.3% previously, while pre-tax margin improved to about 5.6% from 5%.

The improvement came as freight volumes gained momentum, with the group handling a record 142,076 twenty-foot equivalent units (TEUs) in FY26, despite an uncertain global trading environment marked by US tariff measures and geopolitical tensions.

For group managing director Chew Chong Keat, the numbers point to the underlying resilience of FM Global's business model rather than a repeat of the extraordinary freight-rate windfall seen during the Covid-19 pandemic.

"The freight component of our business experienced more robust growth," Chew says in an interview with StarBiz 7, referring to the group's ocean, air and cross-border land freight operations. Together, the three freight businesses account for more than 70% of the group's gross profit.

Unlike shipping lines, FM Global does not own or operate vessels. It buys freight capacity from carriers and bundles this with services such as trucking, Customs clearance and warehousing.

This is important because higher freight rates can inflate revenue without necessarily translating into proportionate earnings growth. Conversely, stronger volumes and better operating efficiency can improve profitability even when reported revenue is flat.

During the pandemic, Chew points out that freight rates surged dramatically and margins became thinner even as absolute profit increased.

"This round" is different, he says, with demand for container freight picking up but without the extraordinary disruption seen during the pandemic.

China+1 changing the map

More importantly, FM Global is seeing the effects of the China+1 manufacturing strategy increasingly show up in its own shipment flows.

As manufacturers diversify production beyond China to mitigate tariff, geopolitical and supply-chain risks, South-East Asia is gaining greater importance as both a production base and a regional distribution hub.

Chew says FM Global had recently mapped the main trading partners and top destinations for each of its offices, with China consistently ranking among the top one or two markets.

He adds that there is a growing presence of Chinese producers in Malaysia, Indonesia and the Philippines. The shift is also visible in Malaysia's trade data.

In the first eight months of 2026, Malaysia's trade with China rose 35% year-on-year to RM456.68bil, with imports from China jumping 41.2% to RM308.12bil. At the same time, trade with Asean increased 25.8% to RM641.4bil, with exports to the region rising 22.7%.

This suggests China+1 is not simply about companies moving factories out of China. It is creating more complex regional supply chains, with components, intermediate goods and finished products moving between China and multiple South-East Asian production locations.

Malaysia is already seeing substantial investment interest.

Malaysian Investment Development Authority (Mida) says approved investments reached RM218.5bil in the first half of 2026, with China contributing RM16.5bil of foreign investment. Manufacturing accounted for RM51.3bil of approved investments.

The Northern Corridor Economic Region, meanwhile, is explicitly positioning northern Malaysia as a supply-chain hub amid the China+1 realignment, supported by cross-border infrastructure linking Malaysia and Thailand.

For FM Global, that potentially translates into more than simply additional Malaysia-bound cargo.

Its network spans 10 countries, including the likes of Thailand, Vietnam, China, Australia and the United States. Rather than aggressively adding more offices, Chew wants to deepen its presence in the markets where it already operates.

"The overseas component is very important," he says, adding that the long-term ambition is for international operations to become a larger contributor while continuing to grow the Malaysian business.

He adds that the group would rather build a "bigger pie" than simply allow overseas operations to overtake Malaysia because the domestic business has weakened.

A 60:40 Malaysia-to-overseas contribution would be ideal, although the shift would be gradual.

From freight volumes to better yields

The changing trade map is also making FM Global's multimodal model more relevant.

A Chinese manufacturer setting up in Malaysia, for example, may need inbound components from China, outbound shipments to the United States or Europe, domestic trucking, warehousing and Customs clearance.

That allows FM Global to capture several parts of the logistics chain instead of relying on a single freight movement. The group is also focusing on increasing the yield from its existing warehouse footprint rather than rushing into major new capacity.

Chew says its existing facilities are seeing high utilisation and the immediate priority is to "better utilise whatever warehouses we have" and improve the cargo mix, particularly by expanding temperature-controlled logistics for pharmaceuticals.

That is potentially important for margins because higher-value services can generate better returns than simply moving cargo from one port to another.

FM Global also owns land in Setia Alam and Shah Alam for future warehouse development, but management is in no hurry to deploy capital, preferring to assess demand and warehouse availability before committing to large projects.

The approach is consistent with management's broader strategy: grow volumes, but ensure that growth translates into earnings.

Chew says the group is targeting strong single-digit growth in FY27, while acknowledging that achieving 10% growth on a business already generating more than RM1bil in turnover requires substantial additional working capital and resources.

The group also intends to maintain shareholder returns. FM Global declared a total dividend of 4.5 sen for FY26, matching FY25, even as it continues to invest in expansion.

For FM Global, therefore, the bigger opportunity from China+1 may not necessarily be a sudden surge in revenue.

It could be the gradual reshaping of regional trade routes in a way that allows the group to capture more shipments, more destinations and more services from each customer.

The focus is on volume, network density and the ability to turn increasingly fragmented Asian supply chains into higher-margin logistics business.

As Chew puts it: "We are not a company that is looking backwards. We are always trying to push forward."

