

18 August 2017 | 1QFY18 Results Review

Tasco Berhad

A breakout year expected in FY18

INVESTMENT HIGHLIGHTS

- 1QFY18 results within expectations
- Gold Cold and Renesas to start contributing from 2QFY18
- International segment growth in line with external trade
- Contract logistics benefitting from more E&E customers
- Maintain BUY with TP of RM2.91


Results within expectations. Tasco recorded 1QFY18 core PATAMI of RM7m (+16%yoy, +49%qoq) accounted for 14% of our full year forecast. We deem the results to be within estimates as:

- The acquisition of Gold Cold** completed on 12th July 2017, hence contributions will only be reflected from 2QFY17 onwards,
- Tasco's 70k sq. ft. global distribution hub** for Renesas Electronics Corp incurred further start-up costs in 1QFY18 and only commenced operations in mid-June 2017,
- The first quarter is typically the weakest**, where 1Q represented 19% and 22% of respective FY15 and FY16 full year profits.

External trade growth bolstered the international segment.

Tasco's air and sea freight forwarding revenue grew +28%yoy and +43%yoy respectively, outpacing Malaysia's total external trade which increased +20%yoy during the quarter. On a micro level, Tasco's clients in the E&E, aerospace, solar panel increased their cargo volumes while the securing of a new furniture manufacturer account chipped in too.

Domestic segment revenue rose +12.5%yoy, led by improvements in the contract logistics sub-segment. During the quarter, Tasco acquired a couple of new clients, including an E&E replacement parts supplier and an electrical appliance distributor. The E&E industry contributes 38% of Tasco's overall revenue, its largest contributor, having carved a niche for itself as a total logistics provider for various high-tech industries such as E&E, aerospace and renewable energy.

Maintain BUY with a target price (TP) of RM2.91 based on a price-to-earnings ratio of 12x FY18 EPS. We believe that Tasco's impetus for growth lies in its newly acquired cold chain logistics assets and its newly acquired global distribution contract for Renesas. 

Maintain BUY

Target Price (TP): RM2.91

RETURN STATS	
Price (17 Aug 2017)	RM2.45
Target Price	RM2.91
Expected Share Price Return	+18.8%
Expected Dividend Yield	+2.0%
Expected Total Return	+20.8%

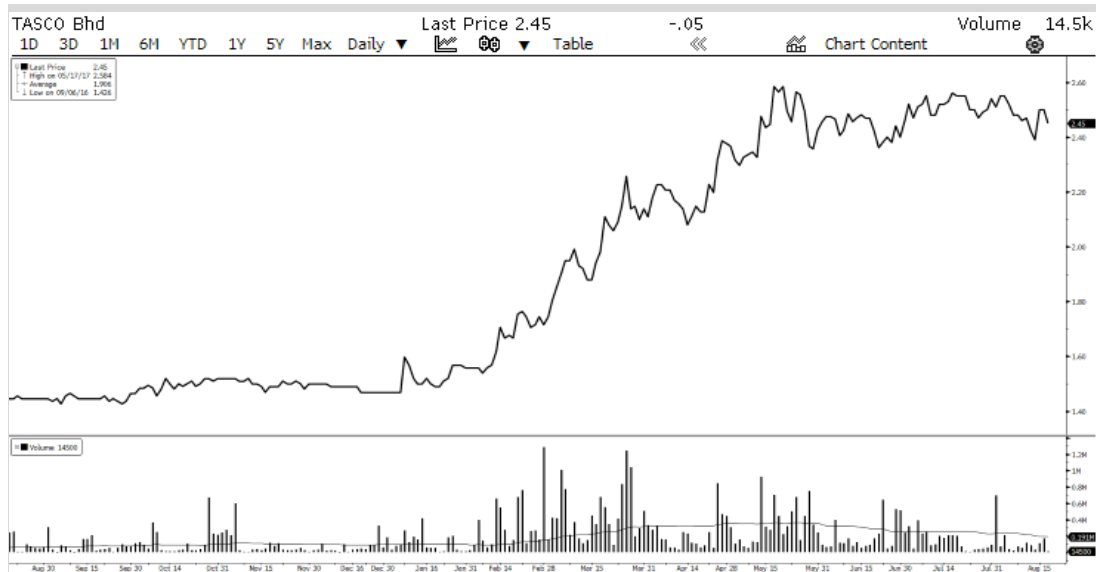
STOCK INFO	
KLCI	1,776.31
Bursa / Bloomberg	5140 TASCO MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	200.00
Market cap. (RM'm)	490.00
Price over NA	1.44
52-wk price Range	RM1.48 - RM2.7
Beta (against KLCI)	0.75
3-mth Avg Daily Vol	0.20m
3-mth Avg Daily Value	RM0.51m
Major Shareholders	
NYK Group	65%
Lee Check Poh	10%
Etiqua	3.34%

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue (RM'm)	494.3	515.7	585.0	745.2	792.6
EBIT (RM'm)	42.2	45.9	43.3	80.5	85.6
Pre-tax Profit (RM'm)	41.5	44.1	41.8	64.9	71.2
Core PATAMI (RM'm)	30.8	30.7	31.2	48.7	53.4
FD EPS (sen)	15	15	16	24	27
EPS growth (%)	0.9	-0.2	1.2	56.5	9.8
PER(x)	15.4	15.4	15.2	9.7	8.9
Net Dividend (sen)	9.0	4.5	4.5	5.0	5.5
Net Dividend Yield (%)	3.8	1.8	1.8	2.0	2.2

Source: MIDFR, Company

DAILY PRICE CHART



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Source: Bloomberg

TASCO: 1QFY18 RESULTS SUMMARY

<i>All in RM'000 unless stated otherwise</i>	Quarterly Results			Cumulative	
	1018	%YoY	%QoQ	3MFY18	%YoY
FYE Mar					
Revenue	156,959	21.0%	6.5%	156,959	21.0%
COGS	-119,392	-22.6%	-5.9%	-119,392	-22.6%
GP	37,567	16.4%	8.4%	37,567	16.4%
Other income	752	69.4%	-88.3%	752	69.4%
S&GA expense	-28,164	-17.6%	1.6%	-28,164	-17.6%
EBIT	10,155	16.0%	-18.5%	10,155	16.0%
Share from associates	7	-93.3%	-93.7%	7	-93.3%
Finance expense	-660	7.6%	-62.2%	-660	7.6%
PBT	9,502	16.6%	-21.9%	9,502	16.6%
Tax expense	-2,391	-15.6%	48.2%	-2,391	-15.6%
PAT	7,111	17.0%	-5.9%	7,111	17.0%
NCI	-67	5.6%	-109.4%	-67	5.6%
PATAMI	7,044	17.2%	-6.4%	7,044	17.2%
Exceptional items	83	N/A	-97.1%	83	N/A
Core PATAMI	6,961	15.8%	49.0%	6,961	15.8%

BREAKDOWN BY SEGMENTS

International segment	1018	%YoY	%QoQ	3MFY18	%YoY
Air Freight					
Revenue	42,976	27.9%	-12.2%	42,976	27.9%
PBT	1,386	133.3%	123.2%	1,386	133.3%
Ocean Freight					
Revenue	28,014	42.5%	23.9%	28,014	42.5%
PBT	2,442	80.4%	-12.7%	2,442	80.4%
Domestic segment					
Contract Logistics					
Revenue	63,211	11.6%	16.4%	63,211	11.6%
PBT	6,898	3.9%	34.9%	6,898	3.9%
Trucking					
Revenue	22,758	15.2%	5.6%	22,758	15.2%
PBT	-688	22.6%	-262.1%	-688	22.6%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.