

Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

Promising Outlook Ahead

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 earnings missed our estimate**
- **Shipment volume was down due to seasonality**
- **Earnings were partially lifted by the investment tax allowance**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.87**

Below expectation. Tasco Berhad (Tasco) reported core PATAMI of RM13.0m in 1QFY24. This came in slightly below our expectation, accounting for 14%/15% of our/consensus full-year estimate, even though we had expected 1QFY24 to be a seasonally weaker period. The deviation could be due to the lower-than-expected business volume for the international business division.

Quarterly. On a yearly basis, core PATAMI fell by -39.7%yoy, largely due to lower topline contribution from the air (-67.3%yoy) and ocean (-72.0%yoy) freight forwarding divisions as freight rates returned to normal. However, the decline in earnings was partly offset by the Group's entitlement to the investment tax allowance (ITA). Sequentially, core PATAMI was lower by -35.8%qoq. Global commerce was primarily affected by a slowdown caused by seasonal factors like the Hari Raya Aidilfitri break in Apr-23, Japan's Golden Week in May-23, and China's multiple long breaks in 2QCY23, potentially impacting production.

Outlook. Over the next quarters, we expect to see an increase in business volume as trade activities recover. The growth is likely to be augmented by the affordability of ocean freight rates at current levels, which Tasco can lock in for the next 6 months. Furthermore, the 2HFY24 will see the maiden contribution from its new 4-storey Shah Alam Logistics Centre (SALC), with the handover scheduled for Jan-24. Furthermore, earnings are expected to be uplifted by the ITA, with sizeable claimable tax credits expected from the two new warehouses, including the new West Port Logistics Centre.

Maintain BUY. We made no changes to our earnings pending the results briefing next week. Tasco continues to be one of our top picks for the sector due to its ability to secure rates for a certain period, providing stability to their earnings. The Group's customers also have substantial exposure to the electronics & electrical (E&E) and semiconductor markets, which have been instrumental in driving local exports. The stock is trading at a -44% discount to its 5-year historical mean, hence we maintain our **BUY** call on Tasco with an unchanged TP of **RM1.87** (FY24F EPS pegged to PE of 16x).

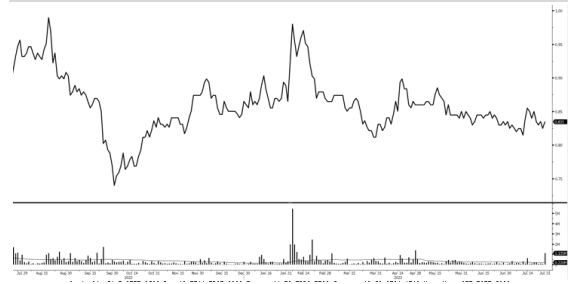
Maintain BUY

Unchanged Target Price: RM1.87

RETURN STATISTICS

Price @ 27 th July 2023 (RM)	0.84
Expected share price return (%)	+>100,0
Expected dividend yield (%)	+4.4
Expected total return (%)	+>100,0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	-3.8
3 months	0.6	-9.5
12 months	-12.1	-9.7

INVESTMENT STATISTICS

FYE Mar	2023A	2024E	2025F
Revenue	1,606.8	1,834.9	1,938.1
EBIT	133.2	128.4	135.7
PBT	120.6	114.8	121.1
Core PATAMI	90.2	93.4	97.9
Core EPS (sen)	11.3	11.7	12.2
DPS (sen)	5.0	4.0	4.0
Dividend yield	5.6%	4.4%	4.4%

KEY STATISTICS

FBM KLCI	1,451.27
Issue shares (m)	800.0
Estimated free float (%)	32.5
Market Capitalisation (RM'm)	668.0
52-wk price range	RM0.77 - RM1.04
3-mth average daily volume (m)	0.21
3-mth average daily value (RM'm)	0.18
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6
Maybank Nominees	1.9

FYE Mar (RM'm)	Quarterly				
Income Statement	1Q24	4Q23	1Q23	QoQ	YoY
Revenue	253.2	266.6	452.6	-5.0%	-44.1%
Operating profit	21.7	29.8	36.0	-27.2%	-39.6%
Finance costs	-3.4	-3.6	-3.2	3.9%	-6.7%
Associates & JV	0.2	0.1	0.2	129.6%	-10.4%
PBT	18.4	26.3	32.9	-29.9%	-44.0%
Tax expense	-3.5	-4.3	-8.0	20.0%	56.9%
PAT	15.0	22.0	24.9	-31.8%	-39.9%
PATAMI	14.2	21.8	24.4	-34.8%	-41.8%
Core PATAMI	13.0	20.3	21.6	-35.8%	-39.7%
OP margin	8.6%	11.2%	7.9%		
PBT margin	7.3%	9.9%	7.3%		
Core PATAMI margin	5.1%	7.6%	4.8%		
Effective tax rates	-18.8%	-16.4%	-24.4%		

	Quarterly				
Revenue	1Q24	4Q23	1Q23	QoQ	YoY
International Business Solutions					
Air freight forwarding	50.7	78.6	155.3	-35.5%	-67.3%
Ocean freight forwarding	27.6	32.6	98.7	-15.4%	-72.0%
Supply chain solutions	6.9	7.8	7.2	-12.0%	-5.1%
	85.2	119.0	261.2	-28.4%	-67.4%
Domestic Business Solutions					
Contract logistics	103.8	81.2	135.8	27.8%	-23.6%
Cold supply chain	40.2	38.1	36.7	5.5%	9.5%
Trucking	24.0	28.3	19.8	-15.2%	21.3%
	168.0	147.6	192.4	13.8%	-12.7%
PBT	1Q24	4Q23	1Q23	QoQ	YoY
International Business Solutions					
Air freight forwarding	2.1	5.8	11.6	-63.2%	-81.5%
Ocean freight forwarding	0.5	2.0	6.0	-75.3%	-91.9%
Supply chain solutions	1.5	0.7	1.0	127.3%	53.5%
	4.1	8.5	18.5	-51.1%	-77.7%
Domestic Business Solutions					
Contract logistics	7.6	9.6	10.6	-21.2%	-28.5%
Cold supply chain	3.1	1.5	2.3	108.7%	36.2%
Trucking	1.0	3.8	0.4	-73.0%	168.3%
	11.7	14.8	13.3	-21.1%	-11.6%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	946.6	1,481.4	1,606.8	1,834.9	1,938.1
EBIT	74.8	100.2	133.2	128.4	135.7
PBT	60.7	88.1	120.6	114.8	121.1
PATAMI	41.3	65.3	90.8	93.4	97.9
Core PATAMI	43.8	80.8	90.2	93.4	97.9
Core EPS (sen)	5.5	10.1	11.3	11.7	12.2
PER (x)	15.3x	8.3x	7.5x	7.2x	6.9x
DPS (sen)	3.3	2.5	5.0	4.0	4.0
Dividend yield (%)	3.9%	3.0%	6.0%	4.8%	4.8%

Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
PPE	515.4	518.1	586.1	597.8	609.8
Non-current assets	624.4	645.4	700.8	728.8	758.0
Receivables	169.4	338.8	289.4	295.2	301.1
Cash	77.8	87.5	241.1	278.0	294.5
Current assets	336.7	727.6	834.4	726.5	796.6
Long-term debt	216.6	147.0	186.0	200.0	200.0
Non-current liabilities	254.8	187.2	217.9	228.7	240.2
Short-term debt	29.9	70.7	31.5	35.0	35.0
Payables	65.7	421.8	478.7	495.5	512.8
Current liabilities	169.7	600.9	653.5	557.0	575.2
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	367.5	414.7	493.5	558.9	627.4
Equity	536.6	584.9	663.9	669.6	739.2
PPE	515.4	518.1	586.1	597.8	609.8

Cash Flow (RM'm)	2021A	2022A	2023A	2024E	2025F
PBT	60.7	88.1	120.6	114.8	121.1
Depreciation & amortisation	39.5	45.2	46.9	48.8	50.7
Changes in working capital	-31.2	-37.6	95.4	15.4	-10.8
Operating cash flow	72.3	101.7	244.4	180.8	162.7
Capital expenditure	-41.1	-46.8	-94.2	-80.0	-80.0
Investing cash flow	-39.8	-48.7	-90.0	-90.9	-91.8
Debt raised/(repaid)	-76.9	-28.8	43.8	-25.0	-25.0
Dividends paid	-8.0	-18.0	-12.0	-28.0	-29.4
Financing cash flow	-111.0	-76.4	-0.8	-53.0	-54.4
Net cash flow	-78.6	-23.4	153.6	36.9	16.5
Beginning cash flow	191.8	110.9	87.5	241.1	278.0
Ending cash flow	110.9	87.5	241.1	278.0	294.5

Profitability Margins	2021A	2022A	2023A	2024E	2025F
EBIT margin	7.9%	6.8%	8.3%	7.0%	7.0%
PBT margin	6.4%	5.9%	7.5%	6.3%	6.2%
PATAMI margin	4.4%	4.4%	5.7%	5.1%	5.1%
Core PATAMI margin	4.6%	5.5%	5.6%	5.1%	5.1%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology