



Tasco Berhad

(5140 | TASCO MK) Main | Transportation & Logistics

Maintain BUY

To A Stronger 2HFY24

Revised Target Price: RM1.60
(previously RM1.87)

KEY INVESTMENT HIGHLIGHTS


- **Two new upcoming warehouses are on track for completion this year-end**
- **SALC will boast a total capacity of 1.0m sq ft once Phase 2 is completed**
- **TYGC currently has a utilisation rate of 88%**
- **Better margins from the new warehouses**
- **Maintain BUY with a revised TP of RM1.60**

We recently visited Tasco Berhad's operations in Shah Alam. These are the highlights from our site visit:

Expansion progress. The new 620,000 sq ft 4-storey Shah Alam Logistics Warehouse (SALC) is on track to be handed over to its new and existing E&E and retail customers in Jan-24. Likewise, the newly expanded 250,000 sq ft West Port Logistics Centre (WPLC) is expected to be handed over in Dec-23/Jan-24. The demand for warehouse space remains strong, with the current utilisation rate exceeding 90%. Therefore, Tasco has started the design works for Phase 2 (400,000 sq ft) of the SALC, and it is projected to be constructed as early as Jun-24, with an estimated completion time of 18 months.

Largest cold-chain logistics provider. Tasco, through its subsidiary Tasco Yusen Gold Cold Sdn Bhd (TYGC), holds the title of being the largest cold-chain logistics provider in Malaysia, boasting an impressive current capacity of 56,000 pallets. We understand that the current utilisation rate of TYGC stands at 88%. This segment continues to receive strong demand as evidenced by it being one of the two divisions that recorded growth on a yearly basis (+9.5%yoy) in 1QFY24. Meanwhile, Hypercold Logistics Sdn Bhd (Hypercold) - a 50:50 JV with **Swift Haulage Berhad (BUY, TP: RM0.90)** - has recently doubled its capacity to 6,400 pallets as it was operating close to full capacity. To note, Hypercold operates the largest third-party logistics cold-chain facilities in Sabah.

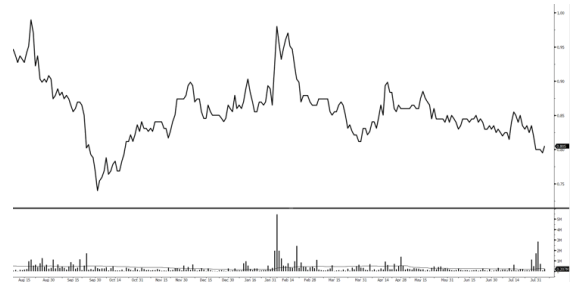
Outlook. The revenue from the freight division is expected to decline now that freight rates have largely normalised, with certain key lanes seeing rates lower than pre-pandemic levels due to lower demand. However, this will be partly cushioned by an increase in shipment volume as trade activities recover. Additionally, we expect Tasco to enjoy better profit margins with its two upcoming new warehouses, as they yield better margins compared to its current rented warehouse and would provide a lower effective tax rate via the investment tax allowance (ITA).

Maintain BUY. We cut our FY24E/FY25F earnings by -12%/-14% to better reflect the normalised freight market. Consequently, our TP is now lower at **RM1.60** from RM1.87 (FY24E EPS pegged to PE of 16x). The stock is trading at a -51% discount to its 5-year historical mean, hence we maintain our **BUY** call on Tasco. Key downside risks are: (i) inflationary pressures on operating costs and (ii) potential delays in handing over the new warehouse space to customers. 

RETURN STATISTICS

Price @ 4 th August 2023 (RM)	0.80
Expected share price return (%)	+100.0
Expected dividend yield (%)	+3.8
Expected total return (%)	+103.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.8	-6.4
3 months	-3.0	-10.9
12 months	-18.3	-15.1

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	1,221.0	1,254.4	1,277.2
Operating profit	111.1	114.1	116.2
PBT	98.6	100.9	102.4
Core PATAMI	81.8	83.7	85.0
EPS (sen)	10.2	10.5	10.6
DPS (sen)	3.0	3.0	3.0
Dividend yield	3.8%	3.8%	3.8%

KEY STATISTICS

FBM KLCI	1,445.21
Issue shares (m)	800.0
Estimated free float (%)	30.7
Market Capitalisation (RM'm)	644.0
52-wk price range	RM0.77 - RM1.04
3-mth average daily volume (m)	0.27
3-mth average daily value (RM'm)	0.23
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Employees Provident Fund	1.57

Figure 1: 4-storey SALC Progress Update



Source: Tasco

Figure 2: 4-storey SALC Progress Update (cont'd)



Source: Tasco

Figure 3: WPLC Progress Update



Source: Tasco

FINANCIAL SUMMARY

Income Statement (RM'm)	FY2022	FY2023	FY2024E	FY2025F	FY2026F
Revenue	1,481.4	1,606.8	1,221.0	1,254.4	1,277.2
Operating profit	100.1	133.1	111.1	114.1	116.2
PBT	88.1	120.5	98.6	100.9	102.4
PATAMI	65.3	90.8	81.8	83.7	85.0
Core PATAMI	80.8	90.2	81.8	83.7	85.0
Core EPS (sen)	10.1	11.3	10.2	10.5	10.6
PER (x)	7.9x	7.1x	7.8x	7.6x	7.5x
DPS (sen)	2.25	5.0	3.0	3.0	3.0
Dividend yield (%)	2.8%	6.3%	3.8%	3.8%	3.8%

Balance Sheet (RM'm)	FY2022	FY2023	FY2024E	FY2025F	FY2026F
PPE	518.1	586.1	681.2	722.3	731.1
Non-current assets	645.4	700.8	797.0	833.0	834.3
Receivables	338.8	289.4	219.9	225.9	230.0
Cash & cash equivalents	87.5	241.1	203.9	290.0	411.1
Current assets	727.6	834.4	727.7	819.8	945.1
Long-term debt	147.0	186.0	201.0	211.0	221.0
Non-current liabilities	187.2	217.9	232.9	242.9	252.9
Payables	421.8	478.7	347.2	356.7	363.2
Short-term debt	70.7	31.5	31.5	31.5	31.5
Current liabilities	600.9	653.5	522.0	531.5	538.0
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	414.7	493.5	599.9	708.8	819.3
Equity	584.9	663.9	770.3	879.1	989.6

Cash Flow (RM'm)	FY2022	FY2023	FY2024E	FY2025F	FY2026F
PBT	88.1	120.6	98.6	100.9	102.4
Depreciation	45.2	46.9	53.4	63.7	73.3
Changes in working capital	-37.6	98.0	-62.0	3.5	2.4
Operating cash flow	101.7	247.0	73.2	150.9	160.7
Capital expenditure	-46.8	-96.0	-150.0	-100.0	-75.0
Investing cash flow	-48.7	-91.8	-150.0	-100.0	-75.0
Debt raised/(repaid)	-28.8	43.8	15.0	10.0	10.0
Dividends paid	-18.0	-12.0	24.6	25.1	25.5
Financing cash flow	-76.4	-1.5	39.6	35.1	35.5
Net cash flow	-23.4	153.6	-37.2	86.1	121.2
Beginning cash flow	110.9	87.5	241.1	203.9	290.0
Ending cash flow	87.5	241.1	203.9	290.0	411.1

Profitability Margins (%)	FY2022	FY2023	FY2024E	FY2025F	FY2026F
OP margin	6.8%	8.3%	9.1%	9.1%	9.1%
PBT margin	5.9%	7.5%	8.1%	8.0%	8.0%
PATAMI margin	4.4%	5.7%	6.7%	6.7%	6.7%
Core PATAMI margin	5.5%	5.6%	6.7%	6.7%	6.7%

Source: Tasco, 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