

## Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

### Weighed by Lower Handling Volume

#### KEY INVESTMENT HIGHLIGHTS

- **2QFY24 earnings missed our estimate**
- **All segments reported a quarter-on-quarter increase in revenue, except for ocean freight forwarding**
- **Earnings were lifted, in part, by the investment tax allowance**
- **Earnings estimates remain unchanged pending the briefing**
- **Maintain BUY with an unchanged TP of RM1.60**

**Below expectation.** Tasco Berhad (Tasco) reported a core PATAMI of RM14.3m in 2QFY24, resulting in a total core PATAMI of RM27.3m for 1HFY24. This constitutes only 33%/31% of our/consensus full-year estimates. The deviation from projections was mainly due to lower contributions from the ocean freight forwarding and contract logistics segment.

**Quarterly.** Core PATAMI fell by -37.3%yoy driven by lower market freight rates and reduced handling volume. The decline in forwarding volume is also likely the cause of the contraction in contract logistics revenue (-37.2%yoy), particularly from custom clearance (-48.7%yoy) and warehousing (-29.4%yoy) businesses. However, the decline in earnings was partly offset by the Group's entitlement to the investment tax allowance (ITA). Sequentially, core PATAMI increased by +9.9%qoq, with all segments reporting a rise in handling volume except for ocean freight forwarding.

**Outlook.** We anticipate handling volume to rise with the recovery of trade activities. Our macroeconomic forecast predicts exports and imports to grow by +4.5%yoy and +4.2%yoy respectively in CY24, rebounding from this year's expected declines of -6.4%yoy and -6.9% respectively. With the ability to lock in rates for a certain period, freight forwarders now have improved earnings visibility compared to the previous practice of negotiating short-term rates during periods of elevated volatility. However, we remain cautious as certain routes have witnessed freight rates below pre-pandemic levels due to the introduction of additional vessel capacity.

**Maintain BUY.** We uphold our current earnings estimates but anticipate a revision after obtaining further clarity from the management in today's briefing. Our TP is unchanged at **RM1.60** (16x FY24E EPS) for now. The stock is trading at a -50% discount to its 5-year historical mean. We expect Tasco's profit margins to improve with two new warehouses offering better returns than the current rented facility and a lower effective tax rate through ITA. Key downside risks are: (i) potential delays in handing over the new warehouse space to customers and (ii) inflationary pressures on operating costs.

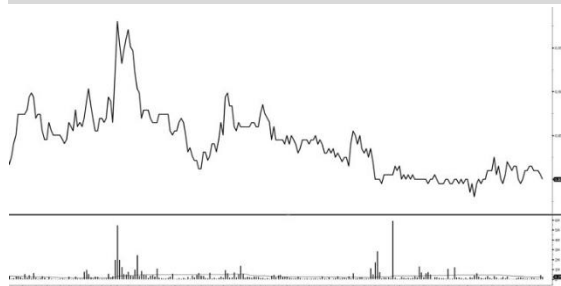
**Maintain BUY**

**Unchanged Target Price: RM1.60**

#### RETURN STATISTICS

Price @ 17 <sup>th</sup> November 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	-3.2
3 months	0.0	-1.0
12 months	-7.5	-8.2

#### 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
Core 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	1,460.67
Issue shares (m)	800
Estimated free float (%)	30.71
Market Capitalisation (RM'm)	640
52-wk price range	RM0.78-RM1.04
3-mth average daily volume (m)	0.24
3-mth average daily value (RM'm)	0.19
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Employees Provident Fund	1.57

FYE Mar (RM'm)	Quarterly					Cumulatively		
	2Q24	1Q24	2Q23	QoQ	YoY	6M24	6M23	YoY
<b>Income Statement</b>								
Revenue	273.6	253.2	493.9	8.1%	-44.6%	526.8	947.5	-44.4%
Operating profit	23.6	21.7	36.1	8.7%	-34.8%	45.3	72.1	-37.2%
Finance costs	-3.2	-3.4	-3.3	7.7%	2.7%	-6.6	-6.5	-2.0%
Associates & JV	0.1	0.2	0.1	-39.9%	-29.0%	0.3	0.3	-18.4%
PBT	20.5	18.4	33.0	11.3%	-37.9%	38.9	65.9	-40.9%
Tax expense	-3.7	-3.5	-8.4	-7.3%	56.0%	-7.2	-16.5	56.4%
PAT	16.8	15.0	24.6	12.2%	-31.7%	31.8	49.5	-35.8%
PATAMI	15.8	14.2	24.1	11.4%	-34.3%	30.1	48.6	-38.1%
Core PATAMI	14.3	13.0	22.8	9.9%	-37.3%	27.3	45.4	-39.8%
OP margin	8.6%	8.6%	7.3%			8.6%	7.6%	
PBT margin	7.5%	7.3%	6.7%			7.4%	7.0%	
Core PATAMI margin	5.2%	5.1%	4.6%			5.2%	4.8%	
Effective tax rates	-18.1%	-18.8%	-25.6%			-18.4%	-25.0%	

Revenue	Quarterly					Cumulatively		
	2Q24	1Q24	2Q23	QoQ	YoY	6M24	6M23	YoY
<b>International Business</b>								
Air freight forwarding	53.7	50.7	139.2	5.9%	-61.4%	104.4	294.5	-64.6%
Ocean freight forwarding	26.8	27.6	92.0	-2.9%	-70.9%	54.4	190.7	-71.5%
Supply chain solutions	7.4	6.9	7.7	8.1%	-3.5%	14.3	14.9	-4.3%
	87.9	85.2	238.9	3.2%	-63.2%	173.1	500.1	-65.4%
<b>Domestic Business</b>								
Contract logistics	115.6	103.8	184.0	11.4%	-37.2%	219.4	319.9	-31.4%
Cold supply chain	43.3	40.2	42.7	7.7%	1.3%	83.5	79.4	5.1%
Trucking	26.8	24.0	28.3	11.7%	-5.1%	50.9	48.1	5.8%
	185.7	168.0	255.0	10.5%	-27.2%	353.7	447.4	-20.9%
<b>PBT</b>								
<b>International Business</b>								
Air freight forwarding	1.4	2.1	12.7	-33.4%	-88.8%	3.6	24.3	-85.3%
Ocean freight forwarding	0.4	0.5	4.1	-26.5%	-91.2%	0.8	10.1	-91.6%
Supply chain solutions	1.6	1.5	0.9	5.5%	79.9%	3.1	1.9	66.0%
	3.4	4.1	17.7	-18.4%	-80.9%	7.5	36.3	-79.3%
	1.4	2.1	12.7	-33.4%	-88.8%	3.6	24.3	-85.3%
<b>Domestic Business</b>								
Contract logistics	10.3	7.6	12.9	36.0%	-20.5%	17.8	23.5	-24.1%
Cold supply chain	4.0	3.1	1.9	28.2%	108.3%	7.2	4.2	69.0%
Trucking	1.8	1.0	1.2	75.0%	52.4%	2.8	1.5	80.8%
	16.1	11.7	16.0	37.2%	0.3%	27.8	29.3	-5.1%

Source: Bloomberg, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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%
<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
PPE	518.1	586.1	681.2	722.3	731.1
<b>Non-current assets</b>	<b>645.4</b>	<b>700.8</b>	<b>797.0</b>	<b>833.0</b>	<b>834.3</b>
Receivables	338.8	289.4	219.9	225.9	230.0
Cash & cash equivalents	87.5	241.1	203.9	290.0	411.1
<b>Current assets</b>	<b>727.6</b>	<b>834.4</b>	<b>727.7</b>	<b>819.8</b>	<b>945.1</b>
Long-term debt	147.0	186.0	201.0	211.0	221.0
<b>Non-current liabilities</b>	<b>187.2</b>	<b>217.9</b>	<b>232.9</b>	<b>242.9</b>	<b>252.9</b>
Payables	421.8	478.7	347.2	356.7	363.2
Short-term debt	70.7	31.5	31.5	31.5	31.5
<b>Current liabilities</b>	<b>600.9</b>	<b>653.5</b>	<b>522.0</b>	<b>531.5</b>	<b>538.0</b>
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	414.7	493.5	599.9	708.8	819.3
<b>Equity</b>	<b>584.9</b>	<b>663.9</b>	<b>770.3</b>	<b>879.1</b>	<b>989.6</b>
<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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
<b>Operating cash flow</b>	<b>101.7</b>	<b>247.0</b>	<b>73.2</b>	<b>150.9</b>	<b>160.7</b>
Capital expenditure	-46.8	-96.0	-150.0	-100.0	-75.0
<b>Investing cash flow</b>	<b>-48.7</b>	<b>-91.8</b>	<b>-150.0</b>	<b>-100.0</b>	<b>-75.0</b>
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
<b>Financing cash flow</b>	<b>-76.4</b>	<b>-1.5</b>	<b>39.6</b>	<b>35.1</b>	<b>35.5</b>
<b>Net cash flow</b>	<b>-23.4</b>	<b>153.6</b>	<b>-37.2</b>	<b>86.1</b>	<b>121.2</b>
<b>Beginning cash flow</b>	<b>110.9</b>	<b>87.5</b>	<b>241.1</b>	<b>203.9</b>	<b>290.0</b>
<b>Ending cash flow</b>	<b>87.5</b>	<b>241.1</b>	<b>203.9</b>	<b>290.0</b>	<b>411.1</b>
<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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