

## Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

**Maintain BUY**

### Buckling Up for A Stronger 2HFY24

**Revised Target Price: RM1.30**

(Previously RM1.60)

#### KEY INVESTMENT HIGHLIGHTS

- Freight rates hit a low point in mid-FY24
- Ongoing high demand for warehouses
- Reaping benefits from the investment tax allowance
- Downward revision of earnings by -2% to -8%
- **Maintain BUY with a revised TP of RM1.30**

Below are the key takeaways from yesterday's briefing:

**Freight rates may have bottomed out.** In 1HFY24, most sectors experienced volume declines, except for a notable increase in aerospace and solar energy. The only business segment showing a quarter-on-quarter decline in revenue is ocean freight forwarding, attributed to lower ocean freight rates despite minimal volume reduction. Market freight rates are generally experiencing a slight increase in Nov-23, possibly due to the upcoming peak Christmas demand period, but certain routes are still lower than pre-pandemic levels, likely due to an influx of new capacity.

**Warehousing space is still high in demand.** The demand for warehousing space remains high, with Tasco's average warehouse utilisation rate currently exceeding 90%; however, the management noted a -30%qoq drop in warehousing activity due to slower cargo movement. An E&E customer is scheduled to occupy the new 250,000 sq ft West Port Logistics Centre (WPLC) Block B in Jan-23, transforming it into a regional hub by consolidating Blocks A and C. Meanwhile, there should be some cushion time as customers transition in stages from Feb-24 to May-24 to the new 4-storey 620,000 sq ft Shah Alam Logistics Warehouse (SALC).

**Outlook.** Overall, we hold a positive outlook on the Group's long-term prospects. It appears that market freight rates have reached a bottom and are expected to stabilise, except for seasonal peaks. This enhances Tasco's earnings visibility, as customers are willing to secure rates for a longer period. Notably, the Group has attracted interest from foreign entities keen on establishing a regional distribution hub in Malaysia following the ratification of RCEP. Therefore, we anticipate that the Group will continue to experience robust demand for its integrated logistics services.

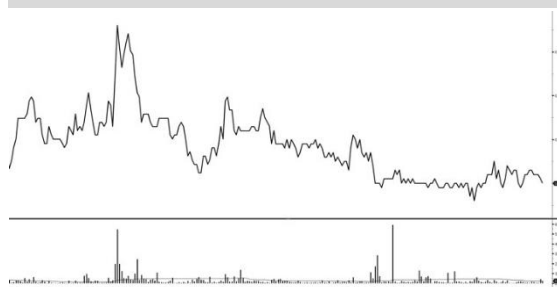
**Maintain BUY.** We revised our FY24E/FY25F/FY26F earnings by -8%/-5%/-2% to incorporate softer 1HFY24 numbers and better reflect Tasco's investment tax allowance, following management's guidance. We lowered our TP **RM1.30** (from RM1.60), now using a rolled-over 13x FY25F PER (vs. 16x previously) to align with the sector's 5-year mean. The stock is trading at a -46% discount to its 5-year historical mean. Key downside risks are: (i) potential delays in handing over the new warehouse space to customers and (ii) volatility in freight rates.



#### RETURN STATISTICS

Price @ 20 <sup>th</sup> November 2023 (RM)	0.80
Expected share price return (%)	+62.5
Expected dividend yield (%)	+3.8
<b>Expected total return (%)</b>	<b>+66.3</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-	-1.10
3 months	-	-1.10
12 months	-5.90	-6.50

#### INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	1,253.6	1,325.0	1,391.6
Operating profit	100.3	106.0	111.3
PBT	86.8	91.7	96.5
Core PATAMI	75.1	79.4	83.5
Core EPS (sen)	9.4	9.9	10.4
DPS (sen)	3.0	3.0	3.0
Dividend Yield	3.8%	3.8%	3.8%

#### KEY STATISTICS

FBM KLCI	1,456.9
Issue shares (m)	800.0
Estimated free float (%)	30.7
Market Capitalisation (RM'm)	640.0
52-wk price range	RM0.78 - RM1.04
3-mth average daily volume (m)	0.24
3-mth average daily value (RM'm)	0.2
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Employees Provident Fund	1.57

## FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	1,481.4	1,606.8	1,253.6	1,325.0	1,391.6
Operating profit	100.1	133.1	100.3	106.0	111.3
PBT	88.1	120.5	86.8	91.7	96.5
PATAMI	65.3	90.8	75.1	79.4	83.5
Core PATAMI	80.8	90.2	75.1	79.4	83.5
Core EPS (sen)	10.1	11.3	9.4	9.9	10.4
PER (x)	7.9x	7.1x	8.5x	8.1x	7.7x
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)	2022A	2023A	2024E	2025F	2026F
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	225.8	238.6	250.6
Cash & cash equivalents	87.5	241.1	203.1	287.6	411.6
<b>Current assets</b>	<b>727.6</b>	<b>834.4</b>	<b>732.7</b>	<b>830.2</b>	<b>966.2</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	361.0	381.6	400.8
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>535.8</b>	<b>556.3</b>	<b>575.5</b>
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	414.7	493.5	591.1	694.3	802.8
<b>Equity</b>	<b>584.9</b>	<b>663.9</b>	<b>761.5</b>	<b>864.6</b>	<b>973.1</b>

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	88.1	120.6	86.8	91.7	96.5
Depreciation	45.2	46.9	53.4	63.7	73.3
Changes in working capital	-37.6	98.0	-54.1	7.7	7.2
<b>Operating cash flow</b>	<b>101.7</b>	<b>247.0</b>	<b>74.4</b>	<b>150.8</b>	<b>164.0</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	22.5	23.8	25.0
<b>Financing cash flow</b>	<b>-76.4</b>	<b>-1.5</b>	<b>37.5</b>	<b>33.8</b>	<b>35.0</b>
<b>Net cash flow</b>	<b>-23.4</b>	<b>153.6</b>	<b>-38.1</b>	<b>84.6</b>	<b>124.0</b>
<b>Beginning cash flow</b>	<b>110.9</b>	<b>87.5</b>	<b>241.1</b>	<b>203.1</b>	<b>287.6</b>
<b>Ending cash flow</b>	<b>87.5</b>	<b>241.1</b>	<b>203.1</b>	<b>287.6</b>	<b>411.6</b>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	6.8%	8.3%	8.0%	8.0%	8.0%
PBT margin	5.9%	7.5%	6.9%	6.9%	6.9%
PATAMI margin	4.4%	5.7%	6.0%	6.0%	6.0%
Core PATAMI margin	5.5%	5.6%	6.0%	6.0%	6.0%

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