

## Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

### Glimpsing Stronger Quarters Ahead

#### KEY INVESTMENT HIGHLIGHTS

- **3QFY24 earnings missed our estimate**
- **Air freight forwarding saw double-digit growth with increased shipments**
- **Contribution of two new warehouses starting in 4QFY24**
- **Earnings estimates remain unchanged pending the briefing**
- **Maintain BUY with an unchanged TP of RM1.30**

**Below expectations.** Tasco Berhad (Tasco) posted a 3QFY24 core PATAMI of RM14.7m, bringing the total core PATAMI for 9MFY24 to RM42.1m, accounting for 56%/50% of our/consensus full-year estimates. The deviation is mainly due to weaker-than-expected contributions from the ocean freight forwarding and contract logistics segment.

**Quarterly.** Core PATAMI experienced a -40.4%yoy decline, driven by a drop in market freight rates and shipment reductions, particularly impacting the ocean freight forwarding division. The decline in freight forwarding volume is likely the main factor behind the revenue contraction in contract logistics, notably with the customs clearance business recording a -46.9%yoy decline. On a positive note, core PATAMI saw a modest sequential increase of +3.0%qoq, driven by the robust performance of the air freight forwarding division, fueled by increased shipments from the aerospace, E&E, capacitor, and FMCG customers.

**Outlook.** Ocean freight rates are on the rise due to the Red Sea geopolitical crisis, where the Houthis have targeted commercial ships. While this circumstance is expected to benefit logistics players like Tasco, the immediate impact remains limited as shipment volumes have not substantially picked up. Nonetheless, we maintain our expectation of an increase in handling volume, anticipating a gradual recovery of trade activities throughout the year. We also expect improved performance in the contract logistics division from 4QFY24 onwards, driven by the inaugural contributions from the two new warehouses (West Port Logistics Centre and Shah Alam Logistics Centre), which are expected to yield better rates.

**Maintain BUY.** We maintain our earnings estimates, with a potential revision pending further insights from a scheduled management briefing on February 5, 2024. Our TP is unchanged at **RM1.30** (13x FY25E EPS). The stock is trading at a -40% discount to its 5-year historical mean. Key downside risks are: (i) volatility in freight rates and (ii) underutilisation of the newly constructed warehouses.

**Maintain BUY**

**Unchanged Target Price: RM1.30**

#### RETURN STATISTICS

Price @ 29 <sup>th</sup> January 2024 (RM)	0.87
Expected share price return (%)	+49.4
Expected dividend yield (%)	+3.4
Expected total return (%)	+52.8

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	12.4	8.0
3 months	12.4	1.1
12 months	-5.0	-6.0

#### 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	3.4%	3.4%	3.4%

#### KEY STATISTICS

FBM KLCI	1,515.39
Issue shares (m)	800.0
Estimated free float (%)	30.48
Market Capitalisation (RM'm)	688.0
52-wk price range	RM0.76-RM1.04
3-mth average daily volume (m)	0.46
3-mth average daily value (RM'm)	0.37
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Employees Provident Fund	1.80

FYE Mar (RM'm)	Quarterly					Cumulatively		
	3Q24	2Q24	3Q23	QoQ	YoY	9M24	9M23	YoY
<b>Income Statement</b>								
Revenue	277.4	273.6	392.7	1.4%	-29.3%	804.3	1,340.2	-40.0%
Operating profit	23.2	23.6	31.3	-1.5%	-25.9%	68.5	103.4	-33.8%
Finance costs	-3.7	-3.2	-3.4	-15.9%	-6.9%	-10.3	-9.9	-3.7%
Associates & JV	-0.1	0.1	0.5	-156.1%	-112.1%	0.2	0.8	-73.4%
PBT	19.5	20.5	28.3	-5.0%	-31.2%	58.4	94.3	-38.0%
Tax expense	-4.8	-3.7	-7.5	-28.5%	36.5%	-11.9	-24.0	50.2%
PAT	14.7	16.8	20.8	-12.4%	-29.3%	46.5	70.3	-33.9%
PATAMI	13.8	15.8	20.4	-12.8%	-32.4%	43.9	69.0	-36.4%
Core PATAMI	14.7	14.3	24.7	3.0%	-40.4%	42.1	70.3	-40.2%
OP margin	8.4%	8.6%	8.0%			8.5%	7.7%	
PBT margin	7.0%	7.5%	7.2%			7.3%	7.0%	
Core PATAMI margin	5.3%	5.2%	6.3%			5.2%	5.2%	
Effective tax rates	-24.5%	-18.1%	-26.5%			-20.4%	-25.4%	

Revenue	Quarterly					Cumulatively		
	3Q24	2Q24	3Q23	QoQ	YoY	9M24	9M23	YoY
<b>International Business</b>								
Air freight forwarding	78.3	53.7	112.7	45.9%	-30.5%	182.7	407.2	-55.1%
Ocean freight forwarding	23.7	26.8	64.1	-11.5%	C	78.1	254.8	-69.3%
Supply chain solutions	7.8	7.4	8.1	4.4%	-3.7%	22.1	23.0	-4.1%
	109.8	87.9	184.9	24.9%	-40.6%	282.9	685.0	-58.7%
<b>Domestic Business</b>								
Contract logistics	97.9	115.6	144.7	-15.3%	-32.3%	317.3	464.5	-31.7%
Cold supply chain	42.7	43.3	37.7	-1.2%	13.3%	126.2	117.2	7.7%
Trucking	27.0	26.8	25.4	0.5%	6.2%	77.9	73.5	5.9%
	167.6	185.7	207.8	-9.7%	-19.3%	521.4	655.2	-20.4%
<b>PBT</b>	<b>3Q24</b>	<b>2Q24</b>	<b>3Q23</b>	<b>QoQ</b>	<b>YoY</b>	<b>9M24</b>	<b>9M23</b>	<b>YoY</b>
<b>International Business</b>								
Air freight forwarding	2.0	1.4	11.1	43.3%	-81.6%	5.6	35.4	-84.2%
Ocean freight forwarding	-0.1	0.4	3.6	-114.8%	-101.5%	0.8	13.7	-94.2%
Supply chain solutions	1.4	1.6	1.8	-9.9%	-21.3%	4.5	3.7	22.9%
	3.4	3.4	16.6	1.5%	-79.3%	10.9	52.8	-79.3%
<b>Domestic Business</b>								
Contract logistics	9.7	10.3	14.5	-5.2%	-32.9%	27.6	38.0	-27.4%
Cold supply chain	4.2	4.0	1.6	5.0%	159.4%	11.4	5.9	94.1%
Trucking	3.4	1.8	1.3	90.6%	162.4%	6.2	2.8	117.9%
	17.4	16.1	17.4	7.9%	-0.4%	45.2	46.7	-3.3%

Source: Bloomberg, MIDFR

## 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)	8.6x	7.7x	9.3x	8.8x	8.3x
DPS (sen)	2.25	5.0	3.0	3.0	3.0
Dividend yield (%)	2.6%	5.7%	3.4%	3.4%	3.4%

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	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>

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
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>

Profitability Margins	2022A	2023A	2024E	2025F	2026F
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