

Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

Brighter Horizons

KEY INVESTMENT HIGHLIGHTS

- **4QFY24 earnings missed our estimate**
- **New warehouses are yet to achieve optimal utilisation**
- **Earnings boost expected from ITA**
- **Downward revision of earnings by -7.6%**
- **Maintain BUY with a revised TP of RM1.20**

Below expectations. Tasco Berhad (Tasco) reported a 4QFY24 core PATAMI of RM17.6m, resulting in a cumulative core PATAMI of RM61.5m for FY24. This represents 90%/93% of our/consensus full-year estimates. The deviation is primarily attributed to the weaker-than-anticipated performance from the contract logistics division. A dividend of 2.35 sen per share was announced for FY24, aligning with our projected payout of 30%.

Quarterly. Core PATAMI saw a -13.1%yoy decline despite a marginal +0.7%yoy growth in revenue. We suspect that the margin contraction may be partially attributed to its new warehouse operating at full cost before reaching optimal utilisation. On a quarter-on-quarter basis, revenue decline (-3.2%qoq) primarily stemmed from the air freight forwarding (AFF) division, possibly due to both reduced yields (resulting from increased availability of belly cargo space and competition from low maritime cargo rates) and decreased volume. Fortunately, core PATAMI received a boost of +27.6%qoq from qualifying capital expenditure claimed under Investment Tax Allowance (ITA).

Outlook. Overall, we believe the outlook is brighter for FY25F, anticipating a recovery in shipment volume across all segments as trade activities rebound. The International Air Transport Association (IATA) predicts a +4.5% growth in airfreight volume for CY24, potentially aiding the recovery of Tasco's AFF division. Furthermore, as customers gradually move into the two new warehouses, we anticipate improved performance in the contract logistics division, while also enabling Tasco to leverage cross-selling opportunities.

Maintain BUY. We adjusted our projections for FY25F/FY26F earnings downward by -7.6% after updating the full-year figures. As a result, our target price is now slightly reduced to **RM1.20** (from RM1.30). We maintain our **BUY** recommendation on Tasco due to its undemanding valuation, currently trading at 9.1x FY25F EPS or -1 SD of 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.



Maintain BUY

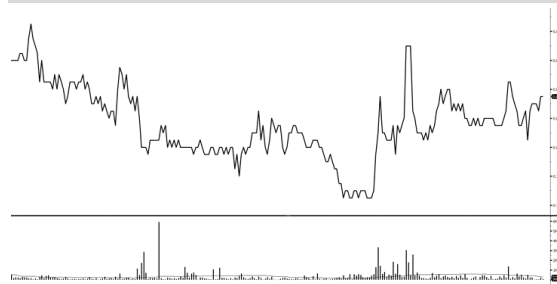
Revised Target Price: RM1.20

(Previously RM1.30)

RETURN STATISTICS

Price @ 30 th April 2024 (RM)	0.84
Expected share price return (%)	+42.9
Expected dividend yield (%)	+3.6
Expected total return (%)	+46.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	-0.5
3 months	2.5	-2.6
12 months	-6.7	-16.5

INVESTMENT STATISTICS

FYE Mar	2024A	2025F	2026F
Revenue	1,072.7	1,310.3	1,376.3
Operating profit	87.3	99.6	104.6
PBT	73.8	85.3	89.7
Core PATAMI	61.5	73.8	77.6
Core EPS (sen)	7.7	9.2	9.7
DPS (sen)	2.0	3.0	3.0
Dividend yield	2.4%	3.6%	3.6%

KEY STATISTICS

FBM KLCI	1,575.97
Issue shares (m)	800.00
Estimated free float (%)	30.48
Market Capitalisation (RM'm)	668.00
52-wk price range	RM0.76 - RM0.90
3-mth average daily volume (m)	0.34
3-mth average daily value (RM'm)	0.28
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		
	4Q24	3Q24	4Q23	QoQ	YoY	FY24	FY23	YoY
Income Statement								
Revenue	268.5	277.4	266.6	-3.2%	0.7%	1,072.7	1,606.8	-33.2%
Operating profit	18.9	23.2	29.8	-18.8%	-36.7%	87.3	133.2	-34.4%
Finance costs	-3.8	-3.7	-3.6	-2.5%	-5.2%	-14.0	-13.5	-4.1%
Associates & JV	0.3	-0.1	0.1	647.3%	323.9%	0.5	0.8	-40.1%
PBT	15.4	19.5	26.3	-21.0%	-41.4%	73.8	120.6	-38.8%
Tax expense	2.9	-4.8	-4.3	160.4%	166.7%	-9.1	-28.3	68.0%
PAT	18.3	14.7	22.0	24.1%	-16.8%	64.8	92.3	-29.8%
PATAMI	17.9	13.8	21.8	29.2%	-18.1%	61.7	90.8	-32.0%
Core PATAMI	17.6	13.8	20.3	27.6%	-13.1%	61.5	90.2	-31.8%
OP margin	7.0%	8.4%	11.2%			8.1%	8.3%	
PBT margin	5.7%	7.0%	9.9%			6.9%	7.5%	
Core PATAMI margin	6.6%	5.0%	7.6%			5.7%	5.6%	
Effective tax rates	18.7%	-24.5%	-16.4%			-12.3%	-23.5%	

Revenue	Quarterly					Cumulatively		
	4Q24	3Q24	4Q23	QoQ	YoY	FY24	FY23	YoY
International Business								
Air freight forwarding	63.0	78.3	78.6	-19.6%	-19.8%	245.7	485.8	-49.4%
Ocean freight forwarding	31.6	23.7	32.6	33.1%	-3.3%	109.7	287.4	-61.8%
Supply chain solutions	8.2	7.8	7.8	5.8%	5.1%	30.3	30.8	-1.8%
	102.8	109.8	119.0	-6.4%	-13.7%	385.7	804.0	-52.0%
Domestic Business								
Contract logistics	96.3	97.9	81.2	-1.7%	18.6%	413.5	545.7	-24.2%
Cold supply chain	42.0	42.7	38.1	-1.7%	10.3%	168.3	155.3	8.4%
Trucking	27.4	27.0	28.3	1.5%	-3.3%	105.3	101.9	3.3%
	165.7	167.6	147.6	-1.2%	12.2%	687.1	802.8	-14.4%
PBT	4Q24	3Q24	4Q23	QoQ	YoY	FY24	FY23	YoY
International Business	3.4	2.0	5.8	66.7%	-41.5%	9.0	41.3	-78.1%
Air freight forwarding	0.4	-0.1	2.0	845.3%	-79.9%	1.2	15.6	-92.4%
Ocean freight forwarding	1.4	1.4	0.7	-4.0%	107.4%	5.9	4.4	35.8%
Supply chain solutions	5.2	3.4	8.5	51.2%	-38.8%	16.1	61.3	-73.7%
	3.4	2.0	5.8	66.7%	-41.5%	9.0	41.3	-78.1%
Domestic Business								
Contract logistics	5.7	9.7	9.6	-41.9%	-41.0%	33.2	47.6	-30.2%
Cold supply chain	2.7	4.2	1.5	-36.3%	78.9%	14.1	7.4	91.0%
Trucking	2.8	3.4	3.8	-17.4%	-25.5%	9.0	6.6	36.2%
	11.2	17.4	14.8	-35.8%	-24.9%	56.3	61.6	-8.5%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	1,481.4	1,606.8	1,072.7	1,310.3	1,376.3
Operating profit	100.1	133.1	87.3	99.6	104.6
PBT	88.1	120.5	73.8	85.3	89.7
PATAMI	65.3	90.8	61.7	73.8	77.6
Core PATAMI	80.8	90.2	61.5	73.8	77.6
Core EPS (sen)	10.1	11.3	7.7	9.2	9.7
PER (x)	8.3x	7.5x	10.9x	9.1x	8.7x
DPS (sen)	2.25	5.0	2.0	3.0	3.0
Dividend yield (%)	2.7%	6.0%	2.4%	3.6%	3.6%
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
PPE	518.1	586.1	758.4	722.3	731.1
Non-current assets	645.4	700.8	873.1	833.4	834.7
Receivables	338.8	289.4	313.2	236.0	247.8
Cash & cash equivalents	87.5	241.1	167.1	225.4	341.3
Current assets	727.6	834.4	800.0	781.0	908.8
Long-term debt	147.0	186.0	246.5	211.0	221.0
Non-current liabilities	187.2	217.9	283.7	248.2	258.2
Payables	421.8	478.7	457.0	368.3	386.9
Short-term debt	70.7	75.5	75.5	31.5	31.5
Current liabilities	600.9	653.5	690.4	525.1	543.3
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	414.7	493.5	527.3	669.4	770.4
Equity	584.9	663.9	699.0	841.1	942.1
Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	88.1	120.6	73.8	85.3	89.7
Depreciation	45.2	46.9	49.9	63.7	73.3
Changes in working capital	-37.6	98.0	-36.5	-11.4	6.7
Operating cash flow	101.7	247.0	80.1	126.1	157.6
Capital expenditure	-46.8	-96.0	-208.3	-100.0	-75.0
Investing cash flow	-48.7	-91.8	-202.2	-100.0	-75.0
Debt raised/(repaid)	-28.8	43.8	110.5	10.0	10.0
Dividends paid	-18.0	-12.0	-28.0	22.1	23.3
Financing cash flow	-76.4	-1.5	47.4	32.1	33.3
Net cash flow	-23.4	153.6	-74.7	58.3	115.9
Beginning cash flow	110.9	87.5	241.1	167.1	225.4
Ending cash flow	87.5	241.1	167.1	225.4	341.3
Profitability Margins	2022A	2023A	2024A	2025F	2026F
OP margin	6.8%	8.3%	8.1%	7.6%	7.6%
PBT margin	5.9%	7.5%	6.9%	6.5%	6.5%
PATAMI margin	4.4%	5.7%	5.8%	5.6%	5.6%
Core PATAMI margin	5.5%	5.6%	5.7%	5.6%	5.6%

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