

Tasco Berhad

(5140 | TASCO MK) Main | Transportation & Logistics

Maintain BUY

Optimism for FY25

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 earnings met our estimate**
- **New warehouses to see increased utilisation**
- **Shipment volume recovery ahead**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.20**

Within expectation. Tasco Berhad (Tasco) reported a core PATAMI of RM11.1m for 1QFY25, accounting for 17% of our full-year estimates. We consider this result to be aligned with expectations, as we anticipate contributions from its new warehouses will start to impact results in the coming quarters.

Quarterly. Revenue experienced a slight decline (-1.3%yoy) primarily due to a downturn in the domestic business (-11.2%yoy). Within contract logistics (-16.2%yoy), several sub-divisions were impacted by a decrease in shipments from a major energy customer affected by US sanctions. Meanwhile, the drop in trucking revenue (-12.4%yoy) was due to reduced deliveries for a food customer and the loss of an automotive customer. Core PATAMI fell more sharply (-14.4%yoy) partly due to slim profit margins in the air freight forwarding division (driven by increased buying costs compared to client contract tender prices). We believe that margin contraction may also be partly due to the new warehouses operating at full cost before achieving optimal utilisation. Sequentially, core PATAMI (-36.9%qoq) decreased more significantly than revenue (-6.9%qoq), primarily due to the factors mentioned earlier.

Outlook. We are optimistic about the outlook for FY25F, expecting a recovery in shipment volumes as trade activities pick up. The upcoming tender process for freight forwarding is expected to help Tasco secure higher business volumes for both air and ocean freight forwarding. Furthermore, as the utilisation rate for the new warehouses increases, we expect enhanced performance in the contract logistics division and greater opportunities for Tasco to leverage cross-selling. Margins are also expected to improve further due to the qualifying capital expenditures claimed under the Investment Tax Allowance (ITA).

Maintain BUY. There have been no changes to our earnings estimates. Our target price remains unchanged at **RM1.20** (based on 14x FY25F EPS). The stock is trading at 11.0x FY25F EPS or -0.5 SD of its 5-year historical mean. Key downside risks include: (i) losing a major customer, (ii) fluctuations in freight rates and (iii) a reduction in trade activity.



Unchanged Target Price: RM1.20

RETURN STATISTICS

Price @ 30 th July 2024 (RM)	0.90
Expected share price return (%)	+33.3
Expected dividend yield (%)	+2.2
Expected total return (%)	+35.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.7	-3.7
3 months	-3.8	4.7
12 months	6.0	-9.0

INVESTMENT STATISTICS

FYE Mar	2024A	2025F	2026F
Revenue	1,072.7	1,190.6	1,241.5
Operating profit	87.3	90.5	94.4
PBT	73.8	76.2	79.5
Core PATAMI	61.7	65.3	68.1
Core EPS (sen)	7.7	8.2	8.5
DPS (sen)	2.0	2.0	3.0
Dividend yield	2.2%	2.2%	3.3%

KEY STATISTICS

FBM KLCI	1,611.94
Issued shares (m)	800.00
Estimated free float (%)	30.48
Market Capitalisation (RM'm)	712.00
52-wk price range	RM0.76 - RM1.02
3-mth average daily volume (m)	0.88
3-mth average daily value (RM'm)	0.80
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Employees Provident Fund	1.80

TASCO: 1Q25 RESULTS SUMMARY

FYE Mar (RM'm)	Quarterly				
	4QFY24	3QFY24	4QFY23	QoQ	YoY
Income Statement					
Revenue	249.9	268.5	253.2	-6.9%	-1.3%
Operating profit	12.8	18.9	21.7	-32.1%	-41.0%
Finance costs	-4.1	-3.8	-3.4	-9.7%	-20.1%
Associates & JV	-0.1	0.3	0.2	-127.9%	-151.5%
PBT	8.6	15.4	18.4	-44.2%	-53.4%
Tax expense	-0.8	2.9	-3.5	-128.4%	76.3%
PAT	7.8	18.3	15.0	-57.5%	-48.1%
PATAMI	7.0	17.9	14.2	-60.8%	-50.8%
Core PATAMI	11.1	17.6	13.0	-36.9%	-14.4%
OP margin	5.1%	7.0%	8.6%		
PBT margin	3.4%	5.7%	7.3%		
Core PATAMI margin	4.5%	6.6%	5.1%		
Effective tax rates	-9.5%	18.7%	-18.8%		

	Quarterly				
	4QFY24	3QFY24	4QFY23	QoQ	YoY
Revenue					
International Business					
Air freight forwarding	63.7	63.0	50.7	1.2%	25.7%
Ocean freight forwarding	27.1	31.6	27.6	-14.2%	-1.9%
Supply chain solutions	10.0	8.2	6.9	21.4%	45.0%
	100.8	102.8	85.2	-1.9%	18.3%
Domestic Business					
Contract logistics	87.0	96.3	103.8	-9.6%	-16.2%
Cold supply chain	41.1	42.0	40.2	-2.3%	2.3%
Trucking	21.1	27.4	24.0	-23.1%	-12.4%
	149.1	165.7	168.0	-10.0%	-11.2%
PBT					
International Business					
Air freight forwarding	1.6	3.4	2.1	-54.4%	-27.4%
Ocean freight forwarding	0.7	0.4	0.5	65.6%	34.3%
Supply chain solutions	0.6	1.4	1.5	-55.6%	-59.5%
	2.8	3.4	4.1	-17.7%	-31.9%
	1.6	3.4	2.1	-54.4%	-27.4%
Domestic Business					
Contract logistics	6.1	5.7	7.6	8.6%	-18.7%
Cold supply chain	3.5	2.7	3.1	30.8%	12.2%
Trucking	1.9	2.8	1.0	-31.6%	88.6%
	11.6	17.4	11.7	-33.2%	-1.1%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	1,481.4	1,606.8	1,072.7	1,190.6	1,241.5
Operating profit	100.1	133.1	87.3	90.5	94.4
PBT	88.1	120.5	73.8	76.2	79.5
PATAMI	65.3	90.8	61.7	65.3	68.1
Core PATAMI	80.8	90.2	61.5	65.3	68.1
Core EPS (sen)	10.1	11.3	7.7	8.2	8.5
PER (x)	8.9x	8.0x	11.7x	11.0x	10.6x
DPS (sen)	2.25	5.0	2.0	2.0	3.0
Dividend yield (%)	2.5%	5.6%	2.2%	2.2%	3.3%
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
PPE	518.1	586.1	758.4	692.9	702.8
Non-current assets	645.4	700.8	873.1	803.9	802.2
Receivables	338.8	289.4	313.2	214.4	223.6
Cash & cash equivalents	87.5	241.1	167.1	231.6	336.6
Current assets	727.6	834.4	800.0	765.7	879.9
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	334.7	349.0
Short-term debt	70.7	75.5	76.5	31.5	31.5
Current liabilities	600.9	653.5	690.4	490.4	504.4
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	414.7	493.5	527.3	658.3	746.8
Equity	584.9	663.9	699.0	830.0	918.5
Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	88.1	120.6	73.8	76.2	79.5
Depreciation	45.2	46.9	53.4	63.1	71.4
Changes in working capital	-37.6	98.0	-36.5	-23.5	5.1
Operating cash flow	101.7	247.0	80.1	104.9	144.6
Capital expenditure	-46.8	-96.0	-208.3	-70.0	-70.0
Investing cash flow	-48.7	-91.8	-202.2	-70.0	-70.0
Debt raised/(repaid)	-28.8	43.8	60.5	10.0	10.0
Dividends paid	-18.0	-12.0	-28.0	19.6	20.4
Financing cash flow	-76.4	-1.5	47.4	29.6	30.4
Net cash flow	-23.4	153.6	-74.7	64.5	105.0
Beginning cash flow	110.9	87.5	241.1	167.1	231.6
Ending cash flow	87.5	241.1	167.1	231.6	336.6
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%	6.4%	6.4%
PATAMI margin	4.4%	5.7%	5.8%	5.5%	5.5%
Core PATAMI margin	5.5%	5.6%	5.7%	5.5%	5.5%

Source: Tasco, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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