

Tasco Berhad

(5140 | TASC0 MK) Main | Transportation & Logistics

Results Fall Short of Estimates

KEY INVESTMENT HIGHLIGHTS

- **2QFY25 earnings below projections**
- **Weaker domestic business likely tied to U.S. sanctions on solar panel customer**
- **Freight forwarding margins up from lower buying costs**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.20**

Below expectation. Tasco Berhad (Tasco) announced a core PATAMI of RM13.4m for 2QFY25, raising the total for 1HFY25 to RM24.7m, which accounts for 38% of our full-year estimates. We consider this to be below expectations due to the weaker-than-expected performance of its domestic business.

Quarterly. Revenue saw an increase (+8.1%yoy) compared to 2QFY24, mainly driven by a boost in air and ocean freight shipments. This helped counterbalance the weakness in the contract logistics division (-22.3%yoy), which was likely affected by decreased shipments from a major solar panel customer impacted by U.S. sanctions. The cold supply chain (CSC) division (-7.4%yoy) also experienced weaker revenue due to the ongoing Israel boycott. As expected, PBT margins for the air and ocean freight divisions improved due to higher tender prices compared to buying costs. However, overall core PATAMI (-6.5%yoy) declined due to a reduction in investment tax allowance (ITA). Sequentially, core PATAMI (+20.1%qoq) increased due to higher revenue from all divisions except the CSC.

Outlook. Market ocean freight rates are expected to remain elevated, despite being on a downward trend since Jul-24. The majority of Tasco's freight business still operates on a tender basis, and customers' preference for short-term contracts of 3 to 6 months offers some earnings visibility. Tasco is partly safeguarded from fluctuations in market freight rates because of a newly implemented clause that permits revisions in tender prices. In addition, we remain optimistic about the warehousing business, as demand remains strong, and the increase in capacity provides cross-selling opportunities for transportation services. Tasco has begun an extension of its 4-storey Shah Alam Logistics Centre, which will add 400,000 sq ft of lettable space connected to the existing 600,000 sq ft warehouse, with completion expected in CY26.

Maintain BUY. We are maintaining our earnings estimates for now, awaiting further guidance from the results briefing. Our target price remains at **RM1.20** (based on 14x FY25F EPS). The stock is trading at 8.8x FY25F EPS, which is -1.0SD of its 5-year historical mean. Key downside risks include: (i) the loss of a major customer, (ii) fluctuations in freight rates, and (iii) a decline in trade activity.

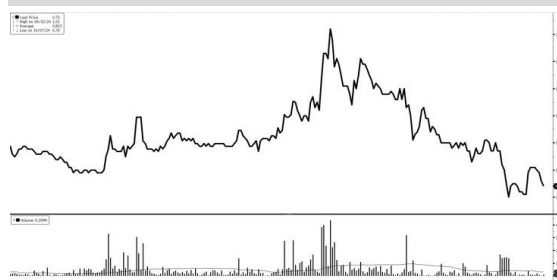
Maintain BUY

Unchanged Target Price: RM1.20

RETURN STATISTICS

| | |
|--|-------|
| Price @ 29 th October 2024 (RM) | 0.72 |
| Expected share price return (%) | +66.7 |
| Expected dividend yield (%) | +2.8 |
| Expected total return (%) | +69.5 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | -8.3 | -6.4 |
| 3 months | -8.3 | -20.2 |
| 12 months | -11.7 | -21.3 |

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 | 2.8% | 2.8% | 4.2% |

KEY STATISTICS

| | |
|----------------------------------|-----------------|
| FBM KLCI | 1,615.08 |
| Issued shares (m) | 800.00 |
| Estimated free float (%) | 31.44 |
| Market Capitalisation (RM'm) | 576.00 |
| 52-wk price range | RM0.69 - RM1.02 |
| 3-mth average daily volume (m) | 0.38 |
| 3-mth average daily value (RM'm) | 0.30 |
| Top Shareholders (%) | |
| Real Fortune Portfolio Sdn Bhd | 9.89 |
| Nippon Yusen KK | 9.59 |
| Employees Provident Fund | 3.10 |

TASCO: 2Q25 RESULTS SUMMARY

| FYE Mar (RM'm) | Quarterly | | | | | Cumulatively | | |
|-------------------------|-----------|--------|--------|-------------|-------------|--------------|--------|-------------|
| | 2QFY25 | 1QFY25 | 2QFY24 | QoQ | YoY | 6MFY25 | 6MFY24 | YoY |
| Income Statement | | | | | | | | |
| Revenue | 295.7 | 249.9 | 273.6 | 18.3% | 8.1% | 545.6 | 526.8 | 3.6% |
| Operating profit | 15.4 | 12.8 | 23.6 | 20.0% | -34.9% | 28.2 | 45.3 | -37.8% |
| Finance costs | -4.0 | -4.1 | 0.1 | 4.2% | <-100% | -8.1 | -6.6 | -22.4% |
| Associates & JV | 0.02 | -0.1 | 0.1 | 126.2% | -77.6% | -0.1 | 0.3 | -123.8% |
| PBT | 11.4 | 8.6 | 20.5 | 33.0% | -44.3% | 20.0 | 38.9 | -48.6% |
| Tax expense | -2.5 | -0.8 | -3.7 | -204.0% | 33.0% | -3.3 | -7.2 | 53.9% |
| PAT | 8.9 | 7.8 | 16.8 | 15.0% | -46.8% | 16.7 | 31.8 | -47.4% |
| PATAMI | 8.1 | 7.0 | 15.8 | 16.2% | -48.7% | 15.3 | 30.1 | -49.1% |
| Core PATAMI | 13.4 | 11.1 | 14.3 | 20.1% | -6.5% | 24.7 | 30.1 | -17.9% |
| | | | | ppts | ppts | | | ppts |
| OP margin | 5.2% | 5.1% | 8.6% | 0.1 | -3.4 | 5.2% | 8.6% | -3.4 |
| PBT margin | 3.9% | 3.4% | 7.5% | 0.4 | -3.6 | 3.7% | 7.4% | -3.7 |
| Core PATAMI margin | 4.5% | 4.5% | 5.2% | 0.1 | -0.7 | 4.5% | 5.7% | -1.2 |
| Effective tax rates | -21.8% | -9.5% | -18.1% | -12.2 | -3.7 | -16.5% | -18.4% | 1.9 |

SEGMENTAL BREAKDOWN

| Revenue | Quarterly | | | | | Cumulatively | | |
|-------------------------------|-----------|--------|--------|-------------|-------------|--------------|--------|-------------|
| | 2QFY25 | 1QFY25 | 2QFY24 | QoQ | YoY | 6MFY25 | 6MFY24 | YoY |
| International Business | | | | | | | | |
| Air freight forwarding | 82.3 | 63.7 | 53.7 | 29.1% | 53.3% | 146.0 | 104.4 | 39.9% |
| Ocean freight forwarding | 45.9 | 27.1 | 26.8 | 69.3% | 71.1% | 73.0 | 54.4 | 34.1% |
| Supply chain solutions | 10.7 | 10.0 | 7.4 | 7.8% | 44.6% | 20.7 | 14.3 | 44.8% |
| | 138.9 | 100.8 | 87.9 | 37.8% | 58.0% | 239.7 | 173.1 | 38.5% |
| Domestic Business | | | | | | | | |
| Contract logistics | 89.8 | 87.0 | 115.6 | 3.2% | -22.3% | 176.8 | 219.4 | -19.4% |
| Cold supply chain | 40.1 | 41.1 | 43.3 | -2.5% | -7.4% | 81.2 | 83.5 | -2.8% |
| Trucking | 26.9 | 21.1 | 26.8 | 27.6% | 0.1% | 47.9 | 50.9 | -5.8% |
| | 156.8 | 149.1 | 185.7 | 5.1% | -15.6% | 305.9 | 353.7 | -13.5% |
| PBT | | | | | | | | |
| International Business | | | | | | | | |
| Air freight forwarding | 3.2 | 1.6 | 1.4 | 107.6% | 126.2% | 4.8 | 3.6 | 34.0% |
| Ocean freight forwarding | 1.5 | 0.7 | 0.4 | 136.7% | 332.4% | 2.2 | 0.8 | 160.6% |
| Supply chain solutions | 1.1 | 0.6 | 1.6 | 74.1% | -33.2% | 1.7 | 3.1 | -46.0% |
| | 5.8 | 2.8 | 3.4 | 107.1% | 72.9% | 8.7 | 7.5 | 15.2% |
| Domestic Business | | | | | | | | |
| Contract logistics | 8.0 | 6.1 | 10.3 | 30.4% | -22.0% | 14.2 | 17.8 | -20.6% |
| Cold supply chain | 3.6 | 3.5 | 4.0 | 1.6% | -11.1% | 7.1 | 7.2 | -0.9% |
| Trucking | 1.5 | 1.9 | 1.8 | -22.9% | -16.9% | 3.4 | 2.8 | 21.4% |
| | 13.1 | 11.6 | 16.1 | 12.8% | -18.7% | 24.7 | 27.8 | -11.3% |
| PBT Margins | | | | | | | | |
| International Business | | | | ppts | ppts | | | ppts |
| Air freight forwarding | 3.9% | 2.4% | 2.7% | 1.5 | 1.3 | 3.3% | 3.4% | -0.1 |
| Ocean freight forwarding | 3.4% | 2.4% | 1.3% | 1.0 | 2.0 | 3.0% | 1.6% | 1.5 |
| Supply chain solutions | 9.9% | 6.1% | 21.4% | 3.8 | -11.5 | 8.1% | 21.7% | -13.6 |
| Domestic Business | | | | ppts | ppts | | | ppts |
| Contract logistics | 8.9% | 7.1% | 8.9% | 1.9 | 0.03 | 8.0% | 8.1% | -0.1 |
| Cold supply chain | 8.9% | 8.6% | 9.3% | 0.4 | -0.4 | 8.8% | 8.6% | 0.2 |
| Trucking | 5.5% | 9.1% | 6.6% | -3.6 | -1.1 | 7.1% | 5.5% | 1.6 |

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) | 7.1x | 6.4x | 9.4x | 8.8x | 8.5x |
| DPS (sen) | 2.25 | 5.0 | 2.0 | 2.0 | 3.0 |
| Dividend yield (%) | 3.1% | 6.9% | 2.8% | 2.8% | 4.2% |

| 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