

## Tasco Berhad

(5140 | TASC0 MK) Main | Transportation &amp; Logistics

**Maintain BUY**

### Cautious Optimism

**Revised Target Price: RM1.00**

#### KEY INVESTMENT HIGHLIGHTS

*(Previously RM1.20)*

- **Frontloading trends may weaken ocean freight demand ahead**
- **New client contributions to strengthen domestic business**
- **Expansion plans to leverage new tax allowance for SLC**
- **Downward revision of earnings by -12% to -15%**
- **Maintain BUY with a revised TP of RM1.00**

Tasco Berhad (Tasco) recently held its results briefing. Here are the key takeaways:

**International business solutions.** Air freight rates for major routes from Malaysia have only slightly increased as we enter 4QCY24 (3QFY25) and are expected to remain stable due to limited belly cargo space and steady demand. Meanwhile, ocean freight rates are expected to be on a downtrend due to weaker global demand despite shipping lines' efforts to increase rates through blank sailings. This weaker demand is attributed to heavy frontloading for the holiday season in 3QCY24 (2QFY25) prior to a 3-day strike by dockworkers on the East and Gulf coast of the U.S. in Oct-24.

**Domestic business solutions.** Several subsegments of the domestic business faced weak performance due to lost volume from a major China-based solar module manufacturer that halted operations in mid-2QFY25 because of U.S. sanctions. We may only see a gradual recovery in recovery in volume for this division, as new customers, including a major automotive customer, are expected to progressively fill the gap. Meanwhile, West Port Logistics Centre (WPLC) Block A has reached full occupancy, with a new US-based medical technology customer securing almost 50% of the space. The financial impact of this tenant is expected to start in 3QFY25.

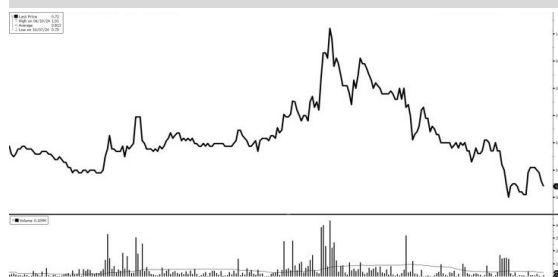
**Budget 2025.** Most of Tasco's foreign workers (47% of the workforce) will have their minimum wage raised to RM1,700 from RM1,500 by Aug 25. The exact increase depends on the hours worked, and customers have been notified that it will be passed on to them. Moreover, its expansion decisions will now consider the recently announced tax incentive for the Smart Logistics Complex (SLC). The new incentive resembles the investment tax allowance that Tasco benefits until Jul-26, minus the minimum capital expenditure requirement, and it also applies to SLC operators leasing smart warehouses for a minimum of 10 years. Requirements include a minimum area of 323,000 sq ft and the integration of at least 3 Fourth Industrial Revolution (IR4.0) elements, amongst others.

**Maintain BUY.** Taking all factors into account, we revised our earnings estimates for FY25E/FY26F by -15%/-12% respectively to reflect lower rates and volumes in the ocean freight segment, a lower average warehouse utilisation rate, and a slight increase in operating expenses. As a result, our target price is revised lower to **RM1.00** (from RM1.20) as we roll over our valuation base year. The stock is trading at 9.8x FY26F EPS, which is about -1SD of its 5-year historical mean.

#### RETURN STATISTICS

Price @ 4 <sup>th</sup> November 2024 (RM)	0.73
Expected share price return (%)	+37.0
Expected dividend yield (%)	+2.8
<b>Expected total return (%)</b>	<b>+39.8</b>

#### 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	2025E	2026F	2027E
Revenue	1,137.3	1,220.3	1,261.2
Operating profit	79.6	85.4	88.3
PBT	64.7	69.8	72.1
Core PATAMI	55.3	59.8	57.6
Core EPS (sen)	6.9	7.5	7.2
DPS (sen)	2.1	2.2	2.2
Dividend yield	2.8%	3.1%	3.0%

#### KEY STATISTICS

FBM KLCI	1,616.43
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

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**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
Revenue	1,606.8	1,072.7	1,137.3	1,220.3	1,261.2
Operating profit	133.1	87.3	79.6	85.4	88.3
PBT	120.5	73.8	64.7	69.8	72.1
PATAMI	90.8	61.7	55.3	59.8	57.6
Core PATAMI	90.2	61.5	55.3	59.8	57.6
Core EPS (sen)	11.3	7.7	6.9	7.5	7.2
PER (x)	6.5x	9.5x	10.6x	9.8x	10.1x
DPS (sen)	5.0	2.0	2.1	2.2	2.2
Dividend yield (%)	6.8%	2.7%	2.8%	3.1%	3.0%

<b>Balance Sheet (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
PPE	586.1	758.4	692.9	702.8	710.8
<b>Non-current assets</b>	<b>700.8</b>	<b>873.1</b>	<b>803.9</b>	<b>802.2</b>	<b>792.2</b>
Receivables	289.4	313.2	204.8	219.8	227.1
Cash & cash equivalents	241.1	167.1	213.4	310.8	410.6
<b>Current assets</b>	<b>834.4</b>	<b>800.0</b>	<b>736.8</b>	<b>849.3</b>	<b>956.7</b>
Long-term debt	186.0	246.5	211.0	221.0	231.0
<b>Non-current liabilities</b>	<b>217.9</b>	<b>283.7</b>	<b>248.2</b>	<b>258.2</b>	<b>268.2</b>
Payables	478.7	457.0	319.7	343.0	354.5
Short-term debt	75.5	76.5	31.5	31.5	31.5
<b>Current liabilities</b>	<b>653.5</b>	<b>690.4</b>	<b>475.5</b>	<b>498.5</b>	<b>510.9</b>
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	493.5	527.3	645.4	723.1	798.1
<b>Equity</b>	<b>663.9</b>	<b>699.0</b>	<b>817.1</b>	<b>894.8</b>	<b>969.8</b>

<b>Cash Flow (RM'm)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
PBT	120.6	73.8	64.7	69.8	72.1
Depreciation	46.9	53.4	63.1	71.4	79.6
Changes in working capital	98.0	-36.5	-28.9	8.4	4.1
<b>Operating cash flow</b>	<b>247.0</b>	<b>80.1</b>	<b>89.6</b>	<b>139.6</b>	<b>142.4</b>
Capital expenditure	-96.0	-208.3	-70.0	-70.0	-70.0
<b>Investing cash flow</b>	<b>-91.8</b>	<b>-202.2</b>	<b>-70.0</b>	<b>-70.0</b>	<b>-70.0</b>
Debt raised/(repaid)	43.8	60.5	10.0	10.0	10.0
Dividends paid	-12.0	-28.0	16.6	17.9	17.3
<b>Financing cash flow</b>	<b>-1.5</b>	<b>47.4</b>	<b>26.6</b>	<b>27.9</b>	<b>27.3</b>
<b>Net cash flow</b>	<b>153.6</b>	<b>-74.7</b>	<b>46.2</b>	<b>97.5</b>	<b>99.7</b>
<b>Beginning cash flow</b>	<b>87.5</b>	<b>241.1</b>	<b>167.1</b>	<b>213.4</b>	<b>310.8</b>
<b>Ending cash flow</b>	<b>241.1</b>	<b>167.1</b>	<b>213.4</b>	<b>310.8</b>	<b>410.6</b>

<b>Profitability Margins</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026F</b>	<b>2027F</b>
OP margin	8.3%	8.1%	7.0%	7.0%	7.0%
PBT margin	7.5%	6.9%	5.7%	5.7%	5.7%
PATAMI margin	5.7%	5.8%	4.9%	4.9%	4.6%
Core PATAMI margin	5.6%	5.7%	4.9%	4.9%	4.6%

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