Tasco Berhad

(5140 | TASCO MK) Transportation & Logistics | Industrials

Putting the best foot forward

***Maintain* BUY**

***Revised* Target Price: 1.80**
(from RM1.62)

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 core PATAMI of RM22.6m beats estimates**
- **Core PATAMI was lower quarter-on-quarter due to the reduction in tax credit**
- **Expect sustained growth in volume for its freight business**
- **Upward revision of FY23E/FY24F PATAMI to RM83.2m and RM86.9m**
- **Maintain BUY with a revised TP of RM1.80**

Above expectations. Tasco Berhad (Tasco) reported core PATAMI of RM22.6m in 1QFY23, which came in above ours and consensus estimates at 30%. The positive deviation was due to the stronger than expected performance from its international business segment (IBS).

Quarter-on-quarter. The air freight division's PBT declined to RM11.6m (-30.6%qoq) despite the topline improvement due to the freight surcharge cost recovery for US shipments which boosted the profits in 4QFY22. The ocean freight division's PBT of RM6.0m (+13.7qoq) was higher despite the drop in revenue due to the tightness in vessel space and equipment. Nonetheless, the Group's overall PBT improved to RM32.9m (+8.4%qoq) due to the uplift from their domestic business (DBS) which recorded higher PBT of RM13.3m (+40.1%qoq) on the back of higher business volumes from its growing clientele. 1QFY23 posted lower core PATAMI of RM22.6m (-3.5%qoq) attributable to lower tax savings from the ILS tax incentive scheme which kicked in at the end of FY22.

Year-on-year. The air and ocean freight divisions' PBT of RM11.6m (+85.4%yoy) and RM6.0m (+186.6%yoy) respectively saw a significant jump owing to the increase in shipment of goods as the economy reopened and this was further boosted by the elevated freight rates. The IBS segment managed to fetch better margin of +1.14ppts yoy thanks to more long-haul routes. Meanwhile, the DBS segment's PBT of RM13.3m (-8.1%yoy) saw a drop attributable to lower container deliveries under the haulage business and a drop in profit from the custom clearance business. On a year-on-year basis, the Group's PBT and core PATAMI rose to RM32.9m (+54.0%yoy) and RM22.6m (+39.7%yoy).

Maintain BUY. We revised up our FY23E/FY24F earnings to RM83.2m (+9.8%)/RM86.9m (+10.6%) as we made a few adjustments to our topline assumptions. Our TP is now higher at **RM1.80** (from RM 1.62) as we peg the revised FY23 EPS to an unchanged PER of 18x (5-year historical mean). We are also introducing our FY25F PATAMI of RM91.1m. Having considered the normalising freight rates, we remain optimistic on the prospects of the Group due to the expected sustained growth in throughput volume from its well-diversified customer base. Key downside risks include: inflationary pressure on its operating costs and slower recovery of volume for its freight business. Note that most logistics players, including Tasco, have the fuel adjustment clause in their contracts which safeguards them should there be an increase in fuel price.

RETURN STATISTICS	
Price @ 26th July 2022 (RM)	0.93
Expected share price return (%)	+93.5
Expected dividend yield (%)	+2.8
Expected total return (%)	**+96.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.5	-1.3
3 months	-2.1	-11.8
12 months	-9.7	-6.7

KEY STATISTICS	
FBM KLCI	1,463.69
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	No
Issue shares (m)	800.00
Estimated free float (%)	33.13
Market Capitalisation (RM'm)	744.00
52-wk price range	RM0.86-RM1.42
Beta vs FBM KLCI (x)	0.99
Monthly velocity (%)	0.00
Monthly volatility (%)	36.46
3-mth average daily volume (m)	0.65
3-mth average daily value (RM'm)	0.67
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Siao Choon Ping	0.99

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INVESTMENT STATISTICS

Income Statement	2021A	2022A	2023E	2024F	2025F
Revenue	946.6	1,481.40	1,604.2	1,705.8	1,802.6
Gross profit	151.2	203.9	240.6	255.9	270.4
EBIT	74.8	100.2	113.3	120.4	126.2
PBT	60.7	88.1	100.7	105.8	111.6
PAT	43.7	67.7	83.2	86.9	91.1
Core PAT	43.7	80.9	83.2	86.9	91.1
Core EPS (RM)	0.05	0.10	0.10	0.11	0.11
PER (x)	17.0x	9.2x	8.9x	8.6x	8.2x
DPS (RM)	0.02	0.01	0.03	0.03	0.03
Dividend yield (%)	2.2%	1.1%	2.8%	2.9%	3.1%

Source: Company, MIDFR

TASCO: 1Q23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly				
Income Statement	**1Q23**	**4Q22**	**1Q22**	**QoQ**	**YoY**
Revenue	453.6	420.8	290.1	7.8%	56.4%
Cost of sales	(401.6)	(351.9)	(249.4)	-14.1%	-61.0%
Gross profit	52.0	68.8	40.6	-24.4%	27.9%
Other income	3.6	(2.0)	1.4	274.5%	153.8%
Admin. & general expenses	(18.0)	(37.9)	(15.9)	52.6%	-12.8%
Other expenses	(1.7)	4.4	(1.7)	-138.2%	2.9%
Operating profit	36.0	33.3	24.4	8.1%	47.3%
Finance costs	(3.2)	(3.2)	(3.3)	0.1%	3.1%
Share of results of associate & JV	0.2	0.3	0.3	-46.0%	-35.5%
PBT	32.9	30.4	21.4	8.4%	54.0%
Tax expense	(8.0)	(4.7)	(5.2)	-71.5%	-54.2%
PAT	24.9	25.7	16.2	-3.1%	53.9%
PATAMI	24.4	25.0	15.8	-2.2%	55.0%
Core PATAMI	22.6	23.4	16.2	-3.5%	39.7%

Source: Company, MIDFR

SEGMENTAL BREAKDOWN

Revenue	1Q23	4Q22	1Q22	QoQ	YoY
Air Freight	155.3	149.8	75.3	3.6%	106.1%
Ocean Freight	98.7	107.5	44.9	-8.2%	120.1%
Supply Chain Solutions*	7.2	-	2.9	-	149.0%
International Business Solutions	**261.2**	**257.3**	**123.1**	**1.5%**	**112.2%**
Contract Logistics	135.8	104.6	116.3	29.9%	16.8%
Cold Supply Chain	36.7	35.3	32.0	3.9%	14.6%
Trucking	19.8	23.5	18.6	-15.8%	6.3%
Domestic Business Solutions	**192.4**	**163.4**	**166.9**	**17.7%**	**15.2%**

PBT	1Q23	4Q22	1Q22	QoQ	YoY
Air Freight	11.6	16.7	6.2	-30.6%	85.4%
Ocean Freight	6.0	5.3	2.1	13.7%	186.6%
Supply Chain Solutions*	1.0	-	0.2	-	348.9%
International Business Solutions	**18.5**	**21.9**	**8.5**	**-15.5%**	**116.9%**
Contract Logistics	10.6	7.1	13.1	49.1%	-19.3%
Cold Supply Chain	2.3	1.9	1.7	19.6%	34.2%
Trucking	0.4	0.4	(0.4)	-14.9%	194.5%
Domestic Business Solutions	**13.3**	**9.5**	**14.4**	**40.1%**	**-8.1%**
Others	1.1	(1.0)	(1.6)	209.7%	170.3%

*Previously reported in Ocean Freight Forwarding Division and consists of origin cargo management, lead logistics provider and e-commerce business.

Source: Company, 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 *rise* 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 *fall* 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