Tasco Berhad

(5140 | TASCO MK) Transportation & Logistics | Industrials

Upbeat momentum

***Maintain* BUY**

***Revised* Target Price: 1.75**

(Previously RM1.80)

KEY INVESTMENT HIGHLIGHTS

- **6MFY23 core PATAMI of RM45.4m met our estimate**
- **Declining freight rates were largely offset by the increase in cargo volume from new and existing customers**
- **Freight rates are still about 2-3x higher relative to pre-pandemic levels**
- **Earnings estimates remain unchanged**
- **Maintain BUY with a revised TP of RM1.75**

Within expectations. Tasco Berhad (Tasco) posted core PATAMI of RM45.4m in 6MFY23, which were in line with expectations. It accounted for 54% of ours and consensus full-year estimates.

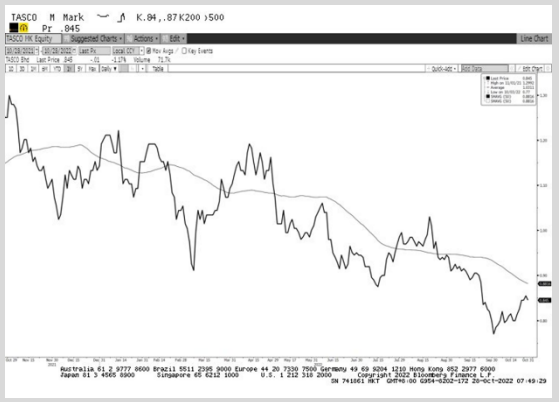
Quarterly. Core PATAMI in 2QFY23 of RM22.8m (+41.5%) showed significant improvement mainly due to the increase in goods deliveries for its newly acquired and existing customers under the ocean freight forwarding and contract logistics businesses. The international business solutions (IBS) division's PBT was up by +53.5%yoy, while the domestic business solutions (DBS) division's PBT rose by +18.5%. On a quarter-on-quarter basis, core PATAMI was up marginally by +0.8%qoq as the IBS division saw the impact of normalising freight rates, but this was largely offset by the increase in shipment volume. For comparison, ocean freight rates as indicated by Freightos Baltic Index have gone down by approximately -30%qoq on average in 2QFY23.

Cumulatively. For the 6-month period, core PATAMI rose to RM45.4m (+42.9%yoy) mainly supported by strong business volume from its diverse customer base despite the general downtrend in freight rates. Ocean freight rates have peaked in end-2QFY22 and have been on a declining trend but are still about 2-3x higher as compared to pre-pandemic levels. On the back of the full resumption in production by its customers, the IBS division's PBT jumped by +80.5%yoy, while the DBS division's PBT improved by +4.8%yoy.

Maintain BUY. We make no changes to our earnings estimates as the results were within expectation. However, we revised our TP slightly downwards to **RM1.75** (from RM1.80) after rolling over our valuation base year and pegging the FY24F EPS to a lower PE of 16x (from 18x) as we factored in further normalisation of freight rates and the risk of a global recession. Freight rates have been trending downwards, but they might remain elevated in the near future in part due to the high oil prices. In any case, we are not overly worried as Tasco has been able to secure more cargo volume from its customers to offset this and they have a diversified clientele which could partly shield them from economic shocks, hence we maintain our **BUY** call on Tasco. Downside risks include: (i) inflationary pressure on its operating costs and (ii) slower recovery of volume for its freight business.

RETURN STATISTICS	
Price @ 27th October 2022 (RM)	0.84
Expected share price return (%)	+108.3
Expected dividend yield (%)	+3.2
Expected total return (%)	**111.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	2.4	-1.3
3 months	5.6	-10.7
12 months	-34.0	-28.9

KEY STATISTICS	
FBM KLCI	1,454.09
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆☆☆
Issue shares (m)	800.00
Estimated free float (%)	32.46
Market Capitalisation (RM'm)	676.00
52-wk price range	RM0.77 - RM1.35
Beta vs FBM KLCI (x)	1.19
3-mth average daily volume (m)	0.45
3-mth average daily value (RM'm)	0.41
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Siao Choon Ping	1.92

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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)	15.4x	8.3x	8.1x	7.7x	7.4x
DPS (RM)	0.02	0.01	0.03	0.03	0.03
Dividend yield (%)	2.4%	1.2%	3.1%	3.2%	3.4%

Sources: Company, MIDFR

TASCO: 2Q23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly					Cumulatively		
Income Statement	**2Q23**	**1Q23**	**2Q22**	**QoQ**	**YoY**	**6M23**	**6M22**	**YoY**
Revenue	493.9	453.6	315.5	8.9%	56.6%	947.5	605.6	56.5%
Operating profit	36.1	36.0	27.2	0.5%	32.9%	72.1	51.6	39.7%
Finance costs	(3.3)	(3.2)	(3.4)	-1.2%	4.6%	(6.5)	(6.7)	3.9%
Associates & JV	0.1	0.2	0.2	-24.2%	-15.9%	0.3	0.4	-28.3%
PBT	33.0	32.9	23.9	0.3%	37.9%	65.9	45.3	45.5%
Tax expense	(8.4)	(8.0)	(7.7)	-5.3%	-9.5%	(16.5)	(12.9)	-27.5%
PAT	24.6	24.9	16.2	-1.3%	51.4%	49.5	32.4	52.7%
PATAMI	24.1	24.4	15.7	-1.2%	53.8%	48.6	31.5	54.4%
Core PATAMI	22.8	22.6	16.1	0.8%	41.5%	45.4	31.8	42.9%
OP margin	7.3%	7.9%	8.6%			7.6%	8.5%	
PBT margin	6.7%	7.3%	7.6%			7.0%	7.5%	
Core PATAMI margin	4.6%	5.0%	5.1%			4.8%	5.2%	
Tax rate	-25.6%	-24.4%	-32.2%			-25.0%	-28.5%	

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN

Revenue	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
International Business Solutions								
Air freight forwarding	139.2	155.3	102.7	-10.3%	35.5%	294.5	178.1	65.4%
Ocean freight forwarding	92.0	98.7	51.8	-6.8%	77.6%	190.7	96.6	97.3%
Supply chain solutions*	7.7	7.2	3.0	6.3%	157.4%	14.9	5.9	153.2%
	238.9	261.2	157.5	-8.5%	51.7%	500.1	280.6	78.2%
Domestic Business Solutions								
Contract logistics	184.0	135.8	102.3	35.5%	79.9%	319.9	218.6	46.3%
Cold supply chain	42.7	36.7	35.2	16.4%	21.5%	79.4	67.2	18.2%
Trucking	28.3	19.8	20.5	42.7%	37.7%	48.1	39.2	22.7%
	255.0	192.4	158.0	32.6%	61.4%	447.4	325.0	37.7%

PBT	2Q23	1Q23	2Q22	QoQ	YoY	6M23	6M22	YoY
International Business Solutions								
Air freight forwarding	12.7	11.6	9.7	10.3%	31.1%	24.3	16.0	52.3%
Ocean freight forwarding	4.1	6.0	1.8	-32.1%	128.2%	10.1	3.9	159.7%
Supply chain solutions*	0.9	1.0	0.0	-10.0%	3060.7%	1.9	0.2	656.3%
	17.7	18.5	11.5	-4.5%	53.5%	36.3	20.1	80.5%
Domestic Business Solutions								
Contract logistics	12.9	10.6	11.2	22.4%	15.8%	23.5	24.3	-3.2%
Cold supply chain	1.9	2.3	2.5	-16.2%	-22.5%	4.2	4.2	0.7%
Trucking	1.2	0.4	(0.1)	207.9%	943.5%	1.5	(0.5)	386.6%
	16.0	13.3	13.5	20.9%	18.5%	29.3	27.9	4.8%

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

Sources: 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