3Q23 Results Review (Above)| Friday, 03 February 2023

Tasco Berhad

(5140 | TASCO MK) Transportation & Logistics | Industrials

Maintain BUY

Exemplary performance

***Revised* Target Price: 1.87**
(from RM1.75)

KEY INVESTMENT HIGHLIGHTS

- **9MFY23 core PATAMI of RM70.3m exceeded our estimate**
- **Declining freight rates were partly offset by the increase in cargo volume from its growing clientele**
- **Contract logistics outperformed due to stronger volume from its custom clearance and warehousing segments**
- **Upward revision of FY23E/FY24F/FY25F earnings by +7.5%-8.0%**
- **Maintain BUY with a revised TP of RM1.87**

Above expectations. Tasco Berhad (Tasco) recorded core PATAMI of RM24.7m in 3QFY23, bringing the 9MFY23 net profits to RM70.3m. This came in ahead of expectations, making up 84% and 88% of our and consensus estimates respectively. The positive deviation was attributed to stronger than expected growth of the domestic business segment.

Quarterly. Core PATAMI fell to RM24.7m (-4.8%yoy) in 3QFY23 largely due to normalising freight rates which has led to lower topline contribution from its air freight forwarding (AFF) (-39.0%yoy) and ocean freight forwarding (OFF) (-38.4%yoy) businesses. Ocean freight rates as indicated by Freightos Baltic Index was about 3x lower in said quarter relative to 3QFY22. This was partly cushioned by the outperformance of its contract logistics (CL) (+37.2%yoy) division on the back of increased business volumes from its growing customer base. Note that there was an adjustment of RM15.9m made in 3QFY22 for write offs in relation to the flood and new warehouse construction. The core PATAMI was up by +9.8%qoq.

Cumulatively. For the 9-month period, core PATAMI rose to RM70.3m (+22.5%yoy) as all divisions reported higher contributions with an increased handling volume. This is despite the general downtrend in freight rates which currently are only about 1.6x higher than pre-pandemic levels after peaking in Sep-21 or 2QFY22. Notably the CL division's revenue was up by +43.4%yoy due to strong volume for its custom clearance and warehousing segments.

Maintain BUY. We revised upwards our earnings for FY23E/FY24F/FY25F by +7.5-8.0% to account for higher contribution from the CL division. The Group has proven its earnings resiliency despite the normalising market freight rates due to the compensating upswing from its shipment volume. Furthermore, Tasco has a sizeable exposure in the electronics & electrical (E&E) and semiconductor markets, which have been driving local exports. Post-adjustments, we derived a higher TP of **RM1.87** (from RM1.75) by pegging its revised FY24F EPS to 16x. Tasco is currently trading at forward PE of 7.8x or at a -49% discount to its historical mean. Downside risks include: (i) inflationary pressure on their operating costs and (ii) slower recovery of volume for its freight business.

RETURN STATISTICS	
Price @ 2nd February 2023 (RM)	0.90
Expected share price return (%)	>+100.0
Expected dividend yield (%)	+4.4
Expected total return (%)	**>+100.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.0	0.4
3 months	0.0	-0.2
12 months	-23.1	-21.9

KEY STATISTICS	
FBM KLCI	1,489.80
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)	720
52-wk price range	RM0.77 - RM1.23
Beta vs FBM KLCI (x)	1.15
3-mth average daily volume (m)	0.19
3-mth average daily value (RM'm)	0.18
Top Shareholders (%)	0.19
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Maybank Nominees	1.92

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INVESTMENT STATISTICS

Income Statement (FYE March)	2021A	2022A	2023E	2024F	2025F
Revenue	946.6	1,481.4	1,727.3	1,834.9	1,938.1
EBIT	74.8	100.2	120.9	128.4	135.7
PBT	60.7	88.1	109.3	114.8	121.1
PAT	41.3	65.3	89.4	93.4	97.9
Core PAT	43.8	80.8	89.4	93.4	97.9
Core EPS (sen)	5.5	10.1	11.2	11.7	12.2
PER (x)	16.6x	9.0x	8.1x	7.8x	7.4x
DPS (sen)	3.25	2.50	3.00	4.00	4.00
Dividend yield (%)	3.6%	2.7%	3.3%	4.4%	4.4%

Sources: Company, MIDFR

TASCO: 3Q23 RESULTS SUMMARY

(All in RM'm)	Quarterly					Cumulatively		
Income Statement	**3Q23**	**2Q23**	**3Q22**	**QoQ**	**YoY**	**9M23**	**9M22**	**YoY**
Revenue	392.7	493.9	455.1	-20.5%	-13.7%	1,340.2	1,060.7	26.4%
Operating profit	31.3	36.1	15.3	-13.3%	104.3%	103.4	66.9	54.5%
Finance costs	-3.4	-3.3	-3.2	-5.4%	-5.6%	-9.9	-10.0	0.8%
Associates & JV	0.5	0.1	0.4	229.7%	17.3%	0.8	0.8	-7.1%
PBT	28.3	33.0	12.5	-14.2%	127.4%	94.3	57.8	63.2%
Tax expense	-7.5	-8.4	-2.8	11.0%	-164.2%	-24.0	-15.8	-52.2%
PAT	20.8	24.6	9.6	-15.2%	116.5%	70.3	42.0	67.3%
PATAMI	20.4	24.1	8.8	-15.3%	131.9%	69.0	40.3	71.4%
Core PATAMI	24.7	22.5	26.0	9.8%	-4.8%	70.3	57.4	22.5%
OP margin (%)	8.0%	7.3%	3.4%			7.7%	6.3%	
PBT margin (%)	7.2%	6.7%	2.7%			7.0%	5.4%	
Core PATAMI margin (%)	6.3%	4.6%	5.7%			5.2%	5.4%	
Effective tax rates (%)	-26.5%	-25.6%	-22.8%			-25.4%	-27.3%	

Sources: Company, MIDFR

SEGMENTAL BREAKDOWN

Revenue	3Q23	2Q23	3Q22	QoQ	YoY	9M23	9M22	YoY
International Business Solutions								
Air freight forwarding	112.7	139.2	184.8	-19.0%	-39.0%	407.2	362.8	12.2%
Ocean freight forwarding	64.1	92.0	104.1	-30.3%	-38.4%	254.8	200.7	26.9%
Supply chain solutions*	8.1	7.7	5.6	4.6%	44.7%	23.0	11.5	100.6%
	184.9	238.9	294.4	-22.6%	-37.2%	685.0	575.0	19.1%
Domestic Business Solutions								
Contract logistics	144.7	184.0	105.5	-21.4%	37.2%	464.5	324.0	43.4%
Cold supply chain	37.7	42.7	33.3	-11.7%	13.2%	117.2	100.5	16.5%
Trucking	25.4	28.3	21.9	-10.1%	16.1%	73.5	61.1	20.4%
	207.8	255.0	160.7	-18.5%	29.3%	655.2	485.6	34.9%
PBT	**3Q23**	**2Q23**	**3Q22**	**QoQ**	**YoY**	**9M23**	**9M22**	**YoY**
International Business Solutions								
Air freight forwarding	11.1	12.7	15.0	-12.6%	-25.6%	35.4	30.9	14.6%
Ocean freight forwarding	3.6	4.1	4.7	-11.8%	-24.3%	13.7	8.6	58.4%
Supply chain solutions*	1.8	0.9	0.5	106.0%	273.6%	3.7	0.7	402.2%
	16.6	17.7	20.2	-6.5%	-18.1%	52.8	40.3	31.1%
Domestic Business Solutions								
Contract logistics	14.5	12.9	11.9	12.2%	21.7%	38.0	36.2	5.0%
Cold supply chain	1.6	1.9	2.4	-15.7%	-32.1%	5.9	6.6	-11.2%
Trucking	1.3	1.2	0.7	10.7%	80.8%	2.8	0.2	1517.7%
	17.4	16.0	15.0	8.8%	15.9%	46.7	43.0	8.7%

Note: Consisting of origin order management, lead logistics provider and e-commerce businesses which were previously included in the ocean freight forwarding division.

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