Briefing Note| Friday, 10 February 2023

Tasco Berhad

(5140 | TASCO MK) Transportation & Logistics | Industrials

Maintain BUY

Remarkable resilience

***Unchanged* Target Price: 1.87**

KEY INVESTMENT HIGHLIGHTS

- **Locking in the favourable ocean freight rates for 1HCY23**
- **Lower effective tax rates in the future thanks to ITA**
- **Plans to reduce third party outsourcing in the case of a global recession**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.87**

RETURN STATISTICS	
Price @ 9th February 2023 (RM)	0.97
Expected share price return (%)	+92.8
Expected dividend yield (%)	+4.1
Expected total return (%)	**+96.9**

Tasco Berhad (Tasco) hosted its quarterly results briefing yesterday. Below are the highlights:

Volume to support normalising freight rates. The average air freight rates to major destinations currently are only about 2x higher, while average ocean freight rates are slightly lower than its 2019 levels. The reason for the latter is the drop in rates for major trade lanes in the U.S. as ocean carriers rebalance vessel capacity to weakening demand. Fortunately for Tasco, the normalisation of freight rates is being largely offset by the increase in handling volume as ocean freight rates are more affordable now and the Group is looking into locking in the favourable rates for 1HCY23.

Further boost from ITA. Recall that Tasco was granted investment tax allowance (ITA) of 60% on its qualifying capital expenditure (capex) since Aug-21 until Jul-26. Major claimable tax credits in the near-term will be derived from its two new warehouses: (i) the 620,000 sq ft 4-storey Shah Alam Logistics Centre (SALC) which is slated to complete in Jan-24, and (ii) the 250,000 sq ft West Port Logistics Centre (WPLC) which is expected to be handed over in Dec-23. There are about 2-3 prospective customers that intend to fully take up the warehousing space in SALC, of which the commercial terms are still under negotiations.

Managing recessionary risks. Although the general downtrend in market freight rates is not a big concern, the management remains cautious of the growing recessionary risks which could impact its throughput. The Group plans to reduce its third-party outsourcing for the contract logistics division (CL) and highly utilise its in-house assets in the case of a sudden drop in volume. Currently about 30% of its businesses are being outsourced to other third-party logistics providers (3PL).

Maintain BUY. Post-briefing, we make no changes to our earnings estimates, and we maintain our **BUY** call on Tasco with an unchanged TP of **RM1.87** (FY24F EPS pegged to PE of 16x). The stock is trading at an attractive forward PE of 8.3x, representing a -52% 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.

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	8.4	9.9
3 months	7.8	9.7
12 months	-19.8	-14.1

KEY STATISTICS	
FBM KLCI	1,464.64
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)	776.00
52-wk price range	RM0.77 - RM1.23
Beta vs FBM KLCI (x)	1.04
3-mth average daily volume (m)	0.37
3-mth average daily value (RM'm)	0.35
Top Shareholders (%)	
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	1,481.40	1,727.30	1,834.90	1,938.10
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)	17.6x	9.6x	8.7x	8.3x	8.0x
DPS (sen)	3.3	2.5	3.0	4.0	4.0
Dividend yield (%)	3.4%	2.6%	3.1%	4.1%	4.1%

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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