Tasco Berhad

(5140 | TASCO MK) Main | Transportation & Logistics

Steady Earnings

***Maintain* BUY**

***Unchanged* Target Price: RM1.87**

KEY INVESTMENT HIGHLIGHTS

- **FY23 core PATAMI of RM90.2m met our estimate**
- **Final dividend of 3.5 sen was declared**
- **Earnings to be supported by the affordability of ocean freight rates and investment tax allowance**
- **No changes to earnings estimates**
- **Maintain BUY with an unchanged TP of RM1.87**

Within expectation. Tasco Berhad (Tasco) reported core PATAMI of RM90.2m in FY23, which is within our expectation and accounts for 101% of our full-year estimate. The Group announced a single-tier final dividend of 3.5 sen, making the total dividend declared for FY23 amount to 5.0 sen. This exceeded our initial estimate (30%) as it represents a payout of 44%.

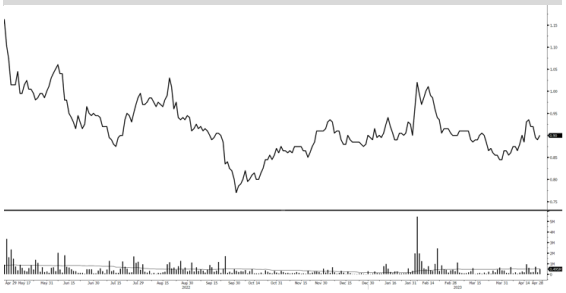
Quarterly. Core PATAMI fell to RM20.3m (-13.2%yoy) in 4QFY23 largely due to freight rates normalisation, which resulted in lower contribution to the topline from its air and ocean freight forwarding divisions. Moreover, the air freight forwarding business saw lesser business volume, particularly from/to the US and Russian markets. However, the drop was partly mitigated by reduced operating expenses for the support segment, which led to an improvement in profit margins.

Cumulatively. Tasco closed the year with a higher core PATAMI of RM90.2m (+11.6%yoy) despite the downtrend in freight rates. The drop in topline contribution from its air and ocean freight divisions was cushioned by the strong performance of its contract logistics division (mainly contributed by the custom clearance and warehousing businesses) and the cold supply-chain division. We have excluded the write offs amounting to RM16.0m in FY22 which were made in relation to the damaged PPE hit by the flood and the demolishment of a block of warehouse building.

Maintain BUY. We make no changes to our earnings estimates pending the results briefing next week. Tasco remains one of our top picks for the sector as we expect earnings to be resilient due to the affordability of ocean freight rates at current levels of which the Group is able to lock in. This will be further supported by the investment tax allowance (ITA) whereby major claimable tax credits in the near-term will be derived from its two new warehouses which will completed in Dec-22 (West Port Logistics Centre) and Jan-23 (4-storey Shah Alam Logistics Centre). The stock is trading at an attractive forward PE of 7.7x, representing a -48% discount to its 5-year historical mean, hence we maintain our **BUY** call with an unchanged TP of **RM1.87** (FY24F EPS pegged to PE of 16x).

RETURN STATISTICS	
Price @ 27th April 2023 (RM)	0.90
Expected share price return (%)	+>100.0
Expected dividend yield (%)	+4.4
Expected total return (%)	+>100.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.3	4.6
3 months	6.5	5
12 months	-23.7	-14.1

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	1606.8	1834.9	1938.1
EBIT	133.2	128.4	135.7
PBT	120.6	114.8	121.1
Core PATAMI	90.2	93.4	97.9
Core EPS (sen)	11.3	11.7	12.2
DPS (sen)	5.0	4.0	4.0
Dividend yield	5.6%	4.4%	4.4%

KEY STATISTICS	
FBM KLCI	1,418.05
Issue shares (m)	800.0
Estimated free float (%)	32.5
Market Capitalisation (RM'm)	720.0
52-wk price range	RM0.77 - RM1.19
3-mth average daily volume (m)	0.52
3-mth average daily value (RM'm)	0.49
Top Shareholders (%)	
Real Fortune Portfolio Sdn Bhd	9.89
Nippon Yusen KK	9.59
Maybank Nominees	1.92

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TASCO: 4Q23 RESULTS SUMMARY

FYE Mar (RM'm)	Quarterly					Cumulatively		
Income Statement	**4Q23**	**3Q23**	**4Q22**	**QoQ**	**YoY**	**FY23**	**FY22**	**YoY**
Revenue	266.6	392.7	420.8	-32.1%	-36.6%	1,606.8	1,481.4	8.5%
Operating profit	29.8	31.3	33.3	-4.9%	-10.4%	133.2	100.2	33.0%
Finance costs	-3.6	-3.4	-3.2	-4.1%	-11.0%	-13.5	-13.2	-2.1%
Associates & JV	0.1	0.5	0.3	-84.4%	-78.9%	0.8	1.2	-27.8%
PBT	26.3	28.3	30.4	-7.3%	-13.5%	120.6	88.1	36.8%
Tax expense	-4.3	-7.5	-4.7	42.5%	7.6%	-28.3	-20.4	-38.5%
PAT	22.0	20.8	25.7	5.5%	-14.5%	92.3	67.7	36.2%
PATAMI	21.8	20.4	25.0	6.7%	-12.8%	90.8	65.3	39.2%
Core PATAMI	20.3	24.7	23.4	-17.9%	-13.2%	90.2	80.8	11.6%
OP margin	11.2%	8.0%	7.9%			8.3%	6.8%	
PBT margin	9.9%	7.2%	7.2%			7.5%	6.0%	
Core PATAMI margin	7.6%	6.3%	5.6%			5.6%	5.5%	
Effective tax rates	-16.4%	-26.5%	-15.4%			-23.5%	-23.2%	

SEGMENTAL BREAKDOWN

	Quarterly					Cumulatively		
Revenue	**4Q23**	**3Q23**	**4Q22**	**QoQ**	**YoY**	**FY23**	**FY22**	**YoY**
International Business								
Air freight forwarding	78.6	112.7	149.8	-30.3%	-47.6%	485.8	512.7	-5.2%
Ocean freight forwarding	32.6	64.1	101.5	-49.1%	-67.9%	287.4	302.2	-4.9%
Supply chain solutions	7.8	8.1	6.0	-3.0%	29.2%	30.8	17.5	75.9%
	119.0	184.9	257.3	-35.6%	-53.8%	804.0	832.4	-3.4%
Domestic Business								
Contract logistics	81.2	144.7	104.6	-43.9%	-22.3%	545.7	428.6	27.3%
Cold supply chain	38.1	37.7	35.3	1.0%	7.9%	155.3	135.8	14.3%
Trucking	28.3	25.4	23.5	11.5%	20.4%	101.9	84.6	20.4%
	147.6	207.8	163.4	-29.0%	-9.7%	802.8	649.0	23.7%
PBT	**4Q23**	**3Q23**	**4Q22**	**QoQ**	**YoY**	**FY23**	**FY22**	**YoY**
International Business								
Air freight forwarding	5.8	11.1	16.7	-47.7%	-65.0%	41.3	47.6	-13.3%
Ocean freight forwarding	2.0	3.6	4.6	-45.2%	-57.4%	15.6	13.2	18.1%
Supply chain solutions	0.7	1.8	0.7	-63.6%	0.8%	4.4	1.4	212.4%
	8.5	16.6	21.9	-48.9%	-61.4%	61.3	62.2	-1.5%
Domestic Business								
Contract logistics	9.6	14.5	7.1	-33.9%	35.3%	47.6	43.3	10.0%
Cold supply chain	1.5	1.6	1.9	-7.6%	-22.0%	7.4	8.6	-13.7%
Trucking	3.8	1.3	0.4	190.9%	744.6%	6.6	0.6	963.2%
	14.8	17.4	9.5	-14.8%	56.9%	61.6	52.5	17.4%

Source: Bloomberg, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	946.6	1481.4	1606.8	1834.9	1938.1
EBIT	74.8	100.2	133.2	128.4	135.7
PBT	60.7	88.1	120.6	114.8	121.1
PATAMI	41.3	65.3	90.8	93.4	97.9
Core PATAMI	43.8	80.8	90.2	93.4	97.9
Core EPS (sen)	5.5	10.1	11.3	11.7	12.2
PER (x)	16.4x	8.9x	8.0x	7.7x	7.4x
DPS (sen)	3.3	2.5	5.0	4.0	4.0
Dividend yield (%)	3.6%	2.8%	5.6%	4.4%	4.4%

Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
PPE	515.4	518.1	586.1	597.8	609.8
Non-current assets	**624.4**	**645.4**	**700.8**	**728.8**	**758.0**
Receivables	169.4	338.8	289.4	295.2	301.1
Cash	77.8	87.5	241.1	278.0	294.5
Current assets	**336.7**	**727.6**	**834.4**	**726.5**	**796.6**
Long-term debt	216.6	147.0	186.0	200.0	200.0
Non-current liabilities	**254.8**	**187.2**	**217.9**	**228.7**	**240.2**
Short-term debt	29.9	70.7	31.5	35.0	35.0
Payables	65.7	421.8	478.7	495.5	512.8
Current liabilities	**169.7**	**600.9**	**653.5**	**557.0**	**575.2**
Share capital	100.8	100.8	100.8	100.8	100.8
Retained earnings	367.5	414.7	493.5	558.9	627.4
Equity	**536.6**	**584.9**	**663.9**	**669.6**	**739.2**
PPE	515.4	518.1	586.1	597.8	609.8

Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	60.7	88.1	120.6	114.8	121.1
Depreciation & amortisation	39.5	45.2	46.9	48.8	50.7
Changes in working capital	-31.2	-37.6	95.4	15.4	-10.8
Operating cash flow	**72.3**	**101.7**	**244.4**	**180.8**	**162.7**
Capital expenditure	-41.1	-46.8	-94.2	-80.0	-80.0
Investing cash flow	**-39.8**	**-48.7**	**-90.0**	**-90.9**	**-91.8**
Debt raised/(repaid)	-76.9	-28.8	43.8	-25.0	-25.0
Dividends paid	-8.0	-18.0	-12.0	-28.0	-29.4
Financing cash flow	**-111.0**	**-76.4**	**-0.8**	**-53.0**	**-54.4**
Net cash flow	**-78.6**	**-23.4**	**153.6**	**36.9**	**16.5**
Beginning cash flow	**191.8**	**110.9**	**87.5**	**241.1**	**278.0**
Ending cash flow	**110.9**	**87.5**	**241.1**	**278.0**	**294.5**

Profitability Margins	2021A	2022A	2023A	2024F	2025F
EBIT margin	7.9%	6.8%	8.3%	7.0%	7.0%
PBT margin	6.4%	5.9%	7.5%	6.3%	6.2%
PATAMI margin	4.4%	4.4%	5.7%	5.1%	5.1%
Core PATAMI margin	4.6%	5.5%	5.6%	5.1%	5.1%

Source: Bloomberg, 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