Port & Logistics

Neutral (Maintain)

Adapting with the Tide

Analyst

Amalia Zarir
amalia.zarir@midf.com.my
03-2173 8357

HIGHLIGHTS

- Frontloading activity boosted Malaysian port volumes in early CY25
- Red Sea disruptions are easing, but new chokepoint risks are emerging
- Warehousing demand stays strong, supported by steady trade flows and ongoing structural shifts
- Top pick is **Tasco (BUY, TP: RM0.68)**

SECTOR RECAP

Table 1: Container Port Throughput in Peninsular Malaysia (TEUs)

Port	Share	1QCY25	1QCY24	YoY Growth
Port Kelang	46%	3,528,800	3,458,000	2%
Penang	4%	327,100	365,900	-11%
Johor	3%	253,700	261,300	-3%
Kuantan	0%	35,000	34,200	2%
T. Pelepas	41%	3,172,600	2,856,200	11%
Total	**95%**	**7,317,300**	**6,975,700**	**5%**

Source: DynaLiners

Frontloading lifted port volumes in early CY25. Malaysia's container ports (including East Malaysia) handled 7.70m TEUs in 1QCY25, marking a solid +6.0%yoy increase. This growth was driven predominantly by Port of Tanjung Pelepas (PTP), which saw a +11.0%yoy rise compared to Port Klang's more modest +2.0%yoy gain. PTP's increase was possibly boosted by its role in the Maersk-Hapag "Gemini" alliance that was launched in Feb-25. The overall growth was aided by a frontloading wave, as exporters rushed shipments ahead of sharply rising US tariffs, spiking spot freight rates from Southeast Asia to the US West Coast from roughly USD2,465 to USD2,890 per FEU between late March and April, while broader indices like the World Container Index (WCI) neared USD5,800. Drewry recently revised its CY25 global container volume growth forecast to +1.9% (from -1.0% in Apr-25), citing stronger-than-expected demand following a temporary easing in US-China trade tensions. There has been a clear rebound in booking volumes and carrier sentiment, particularly on the trans-Pacific and intra-Asia lanes, signalling upside for transhipment-driven ports. However, the outlook for 2HCY25 remains fluid, as the tariff reprieve is short-term and downside risks persist, including weak European demand, vessel overcapacity, and geopolitical disruptions that could dampen momentum.

COMPANY *IN FOCUS*

Tasco Berhad

Maintain BUY | Target Price: RM0.68
Price @ 25 June 2025: RM0.50

- Trading at -1.0SD below its 5-year mean.
- The new pricing clause offers a buffer against freight rate fluctuations.
- Earnings to be lifted by recent customer wins in logistics and support from ITA.

SHARE PRICE CHART



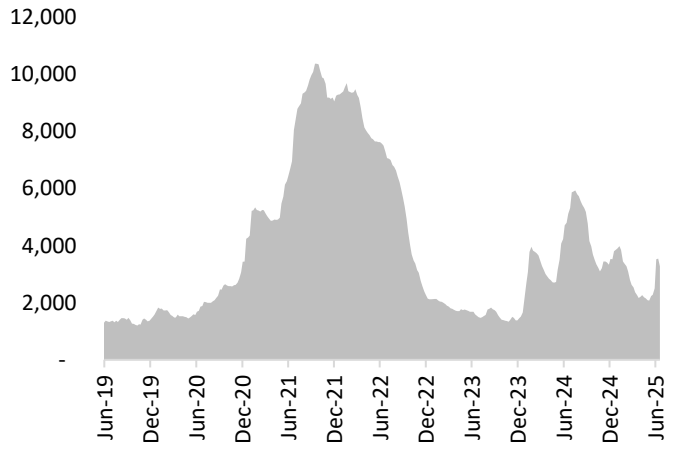
Red sea crisis normalising, but new chokepoint risks emerge. While Red Sea shipping routes have largely normalised, heightened tensions in the Strait of Hormuz present a fresh risk to regional container flows, following a recent Iranian parliamentary vote to close the Strait in retaliation for US strikes on multiple nuclear facilities inside Iran. A closure would block access to major Gulf ports such as Jebel Ali and Dammam, forcing shipping lines to suspend Gulf calls or reroute cargo through alternative hubs with limited capacity. This may cause temporary vessel bunching and higher yard utilisation at regional transhipment hubs as shipping lines adjust loops, reposition empty containers, and manage scheduling disruptions. Malaysia's main Asia-Europe trade corridor (contributing <15% of total volume at Westports) bypasses Hormuz entirely. As such, the exposure is limited, but short-term port congestion and berth delays may still occur if rescheduled calls and feeder realignments spill into the region in 2HCY25.

Warehousing demand remains robust amid steady trade flows and structural shifts. Prime logistics space continues to record healthy take-up in 1HCY25, supported by resilient manufacturing activity, sustained e-commerce fulfilment and ongoing investments under the China + 1 strategy. Industry data indicates that Klang Valley remains the dominant hub, with average monthly rentals for modern Grade-A warehouses holding steady in the RM2.00-3.50 psf range, trending slightly higher for newer automated facilities. Meanwhile, Johor rents are gradually rising due to spillover from Singapore and growing data-centre related supply chain activity, while Penang's rates have stabilised as new capacity comes online. Nationally, vacancy rates for quality assets reportedly remain low at below 5%, and most upcoming completions are largely pre-leased, keeping oversupply risks in check. Looking ahead, the Smart Logistics Complex (SLC) incentives introduced under Budget 2025 are expected to accelerate the development of high-tech, sustainable logistics facilities and support healthy rental trends over the medium term.

Stricter truckload limits ahead. Starting 1 July 2025, the government would enforce tighter truckload weight compliance at all federal ports and major highways nationwide. Haulier would be required to adhere strictly to the approved Gross Vehicle Weight (GVW) limits, with port operators expected to deny entry to any trucks found to be overloaded. Specifically, back-to-back container configurations (a common practice where hauliers pull two 20-foot containers in tandem to maximise load per trip) would be prohibited at Port Klang from July and extended nationwide from Jan-26. While industry players generally support the safety objective, they have cautioned that each truck might carry less cargo per run, which could mean more trips and higher fleet demand to move the same total volume. As a result, haulage costs might increase moderately, and available truck capacity could tighten during peak periods. Shippers and freight forwarders might face some upward pressure on inland delivery rates and could need to plan for slightly longer turnaround times at ports during the initial adjustment phase as operators recalibrate routing and fleet deployment.

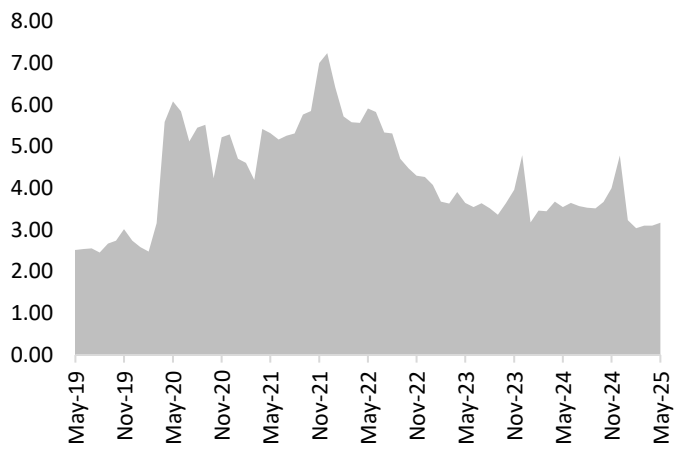
Maintain NEUTRAL. Tasco (BUY, TP: RM0.68) remains our top pick in the sector, underpinned by its appealing valuation. It is currently trading at -1.0SD below its 5-year historical mean. Although freight rates could see some swings due to tariff-related uncertainties and geopolitical risks, Tasco has included a new clause (effective Jul-24) that allows price revisions if market rates rise more than 10% above the tendered price, offering protection against sharp rate fluctuations. About 80% of its forwarding business is generally done through tenders, with the remaining 20% based on spot rates. Notably, during volatile periods, customers tend to favour shorter-term contracts, which typically yield better margins. Meanwhile, we anticipate an improvement in its contract logistics division this financial year, driven by recent customer wins. We also expect earnings to be partly supported by the Investment Tax Allowance (ITA) that the Group is eligible for.

Chart 1: Ocean Freight Rates (USD/FEU)



Source: Drewry, Bloomberg, MIDFR

Chart 2: Air Freight Rate (USD/kg)



Source: Drewry, Bloomberg, MIDFR

SECTOR VALUATION MATRIX

Company	Rating	Last Price	TP	PER		ROE		Dividend Yield	
		RM	RM	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Suria Capital	SELL	1.71	1.02	16.9x	16.5x	3.1%	3.1%	1.8%	1.8%
Swift Haulage	BUY	0.40	0.43	11.1x	10.3x	4.3%	4.5%	3.1%	3.4%
Tasco*	BUY	0.50	0.68	8.1x	8.0x	5.7%	5.4%	3.7%	3.8%
Westports	NEUTRAL	5.30	4.43	19.3x	18.5x	23.6%	23.1%	3.9%	4.0%

*Source: Companies, MIDFR, *FYE March*

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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