

**Jayden Tan**  
 (603) 7890 8888 (ext 2069)  
[kdan@apexsecurities.com.my](mailto:kdan@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	RM 0.80
<b>Previous Target Price:</b>	RM 1.00
<b>Target Price:</b>	↑ RM 1.18
<b>Upside/Downside:</b>	47.5%

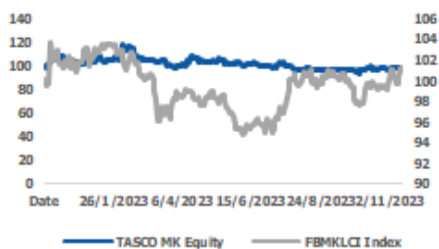
**Stock information**

Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5140 / TASCO MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	800.0
Market Cap (RM' m)	640.0
52-Week Price Range (RM)	1.04-0.78
Beta (x)	0.9
Free float (%)	30.7
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.2

**Top 3 Shareholders (%)**

Real Fortune Portfolio	9.9
Nippon Yusen KK	9.6
Employees Provident Fund	1.6

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-0.6	0.0	-7.5
Relative (%)	-2.0	-1.0	-8.2

## Tasco Berhad

### Looking forward to better 2HFY24

#### Summary

- **Tasco's 1HFY23 core net profit at RM30.1m came within our expectations.**
- **Looking ahead, we expect better performance, in anticipation of recovery in external trade and resilient of domestic demand.**
- **We maintain our BUY recommendation with higher target price of RM1.18 by pegging PE multiple of 11.0x to FY25F EPS of 10.67 sen.**

#### Results Review

- **Results review.** 2QFY24 core net profit declined -34.3% yoy, but grew +11.4% qoq to RM16.8m, mainly dragged down by freight forwarding business from normalizing of freight rates. However, signs of recovery are on the cards in terms quarter-to-quarter basis, supported by (i) relatively stable freight rates, (ii) gradual recovery of trade activities and (iii) resilience in domestic businesses. Revenue for the quarter fell -44.6% yoy, but improve +8.1% qoq to RM273.6m.
- **Within expectations.** In 1HFY24, cumulative net profit at RM30.1m makes up to 42% and 36% of our and consensus forecasted net profit of RM71.7m and RM84.1m respectively. Nevertheless, we reckon performance still in line with our expectations as we anticipate stronger 2HFY24 results.
- **Operations Highlights.** Tasco's International business solutions (IBS) pre-tax profit sank -80.9% yoy and -18.4% qoq, mainly dragged by lower revenue and higher market buying costs against bid price of customer contracts. The decline was partially cushioned by the solid performance from Supply Chain Solutions segment that contributed from trading business. On the other hand, Domestic business solutions (DBS) grew +0.3% yoy and +37.2% qoq supported by the resilient of domestic demand especially in Cold Supply Chain division (CSC).
- **Industry Highlights.** Following the (i) stability of freight rates, (ii) signs of recovery from external trade performance and manufacturing activities which posted better qoq data in 3QCY23 recently and (iii) the seasonality effect of year end festive season, we expect Tasco to deliver stronger result in upcoming quarters.
- **Outlook.** IBS segment is expected to recover on improved external trade performance. Meanwhile, DBS segment is poised for further improvement, supported by firm warehouse and CSC demand, coupled new warehouse expansions at Shah Alam Logistics Warehouse (SALC) and West Port Logistics Centre (WPLC) that are expected to hand over to customers in early 4QFY24 (Jan-CY24).
- **Valuation.** Kept our earnings forecast unchanged for FY24F and FY25F at RM71.7m and RM85.4m respectively. Re-iterate our **BUY** recommendation on Tasco with a higher target price of RM1.18, as we rollover our valuation metrics to FY25F.
- **Risk.** Prolonged global economic downturn and longer than expecting on the recovery of domestic economy. Competitiveness in warehouse space potentially dampen the rate and squeeze the margin.

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	273.6	493.9	(44.6)	253.2	8.1	947.5	526.8	(44.4)		Dragged down by normalizing of freight rates
EBITDA	39.0	53.2	(26.7)	36.0	8.4	105.2	74.9	(28.8)		
Pre-tax profit	20.5	33.0	(37.9)	18.4	11.3	65.9	38.9	(40.9)		Turning stable on increase contribution from DBS
Net profit	16.8	24.6	(31.6)	15.0	12.2	49.5	31.8	(35.8)		
Core net profit	15.8	24.1	(34.3)	14.2	11.4	48.6	30.1	(38.1)		
Core EPS (sen)	2.0	3.0	(34.3)	1.8	11.4	6.1	3.8	(38.1)		
EBITDA margin (%)	14.3	10.8		14.2		11.1	14.2			
PBT margin (%)	7.5	6.7		7.3		7.0	7.4			
Core PATMI margin (%)	5.8	4.9		5.6		5.1	5.7			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>946.6</b>	<b>1481.4</b>	<b>1606.8</b>	<b>1197.4</b>	<b>1325.8</b>
<b>Gross Profit</b>	<b>151.2</b>	<b>203.9</b>	<b>199.9</b>	<b>167.2</b>	<b>184.0</b>
Other income	4.4	4.7	4.7	3.6	4.0
Admin and general expense	-80.8	-108.5	-71.5	-71.8	-79.5
<b>Profit from operations</b>	<b>74.8</b>	<b>100.2</b>	<b>133.2</b>	<b>99.0</b>	<b>108.4</b>
Net Finance Income/(Cost)	-14.4	-13.2	-13.5	-9.0	-5.0
Associates & JV	0.3	1.2	0.8	2.7	6.3
<b>Pre-tax Profit</b>	<b>60.7</b>	<b>88.1</b>	<b>120.6</b>	<b>92.6</b>	<b>109.7</b>
Tax	-17.0	-20.4	-28.3	-18.5	-21.9
<b>Profit After Tax</b>	<b>43.7</b>	<b>67.7</b>	<b>92.3</b>	<b>74.1</b>	<b>87.8</b>
Minority Interest	2.4	2.5	1.5	2.4	2.4
<b>Net Profit</b>	<b>41.3</b>	<b>65.3</b>	<b>90.8</b>	<b>71.7</b>	<b>85.4</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>41.3</b>	<b>65.3</b>	<b>90.8</b>	<b>71.7</b>	<b>85.4</b>

**Key Ratios**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBIT margin	7.9%	6.8%	8.3%	8.3%	8.2%
PBT margin	6.4%	6.0%	7.5%	7.7%	8.3%
PAT margin	4.6%	4.6%	5.7%	6.2%	6.6%
NP margin	4.4%	4.4%	5.7%	6.0%	6.4%
Core NP margin	4.4%	4.4%	5.7%	6.0%	6.4%
ROE	7.7%	11.2%	13.7%	11.5%	12.3%
ROA	6.6%	10.1%	13.0%	10.6%	13.2%
Net gearing	25.3%	22.3%	-3.6%	14.6%	-7.3%

**Key Metrics**

(%)	FY21	FY22	FY23	FY24F	FY25F
Revenue growth	27%	56%	8%	-25%	11%
Profit growth	364%	58%	36%	-20%	19%
IBS growth	12%	161%	-3%	-50%	10%
DBS growth	3%	30%	24%	-1%	11%

**Valuations**

	FY25f
Core EPS (RM)	0.107
P/E multiple (x)	11
<b>Fair Value (RM)</b>	<b>1.18</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	110.9	87.5	241.1	93.9	170.6
Receivables	169.4	338.8	289.4	365.8	330.4
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	56.3	301.4	303.9	255.1	258.7
<b>Total Current Assets</b>	<b>336.7</b>	<b>727.6</b>	<b>834.4</b>	<b>714.8</b>	<b>759.7</b>
Fixed Assets	515.4	518.1	586.1	560.6	531.0
Intangibles	81.9	81.9	81.9	81.9	81.9
Other non-current assets	27.1	45.5	32.8	33.2	33.5
<b>Total Non-current assets</b>	<b>624.4</b>	<b>645.4</b>	<b>700.8</b>	<b>675.6</b>	<b>646.3</b>
Short-term Debt	29.9	70.7	31.5	84.5	32.8
Payables	65.7	421.8	478.7	425.2	415.6
Other Current Liabilities	74.1	108.4	143.3	138.3	153.1
<b>Total Current Liabilities</b>	<b>169.7</b>	<b>600.9</b>	<b>653.5</b>	<b>648.0</b>	<b>601.5</b>
Long-term Debt	216.6	147.0	186.0	100.5	87.0
Other non-current liabilities	38.2	40.2	31.9	20.0	23.0
<b>Total Non-current Liabilities</b>	<b>254.8</b>	<b>187.2</b>	<b>217.9</b>	<b>120.5</b>	<b>110.0</b>
Shareholder's equity	469.6	516.9	595.7	560.3	620.1
Minority interest	67.0	68.1	68.2	61.6	74.4
<b>Equity</b>	<b>536.6</b>	<b>584.9</b>	<b>663.9</b>	<b>621.9</b>	<b>694.5</b>

**Cash Flow**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>60.7</b>	<b>88.1</b>	<b>120.6</b>	<b>92.6</b>	<b>109.7</b>
Depreciation & amortisation	28.4	29.0	30.8	65.5	69.6
Changes in working capital	-31.2	-37.6	95.4	17.5	52.1
Others	14.3	22.2	-2.4	-11.5	-19.0
<b>Operating cash flow</b>	<b>72.3</b>	<b>101.7</b>	<b>244.4</b>	<b>164.2</b>	<b>212.5</b>
Net capex	-41.1	-46.8	-94.2	-203.6	-106.1
Others	1.3	-1.7	4.2	3.8	2.2
<b>Investing cash flow</b>	<b>-39.8</b>	<b>-48.5</b>	<b>-90.0</b>	<b>-199.8</b>	<b>-103.8</b>
Changes in borrowings	-76.9	-28.8	43.8	-153.6	-101.2
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-8.0	-18.0	-12.0	-28.7	-25.6
Others	-26.1	-29.6	-32.5	70.1	95.6
<b>Financing cash flow</b>	<b>-111.0</b>	<b>-76.4</b>	<b>-0.8</b>	<b>-112.2</b>	<b>-31.3</b>
<b>Net cash flow</b>	<b>-78.6</b>	<b>-23.2</b>	<b>153.6</b>	<b>-147.8</b>	<b>77.4</b>
Forex	-2.3	-0.2	-0.1	0.5	-0.7
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	191.8	110.9	87.6	241.1	93.9
<b>Ending cash</b>	<b>110.9</b>	<b>87.6</b>	<b>241.1</b>	<b>93.9</b>	<b>170.6</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
<p><b>Head Office:</b> 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p>	<p><b>Head Office:</b> Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p> <p><b>Institutional Dealing Team:</b> Siti Nur Nadhirah (ext 2032)</p> <p><b>PJ Office:</b> General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	<p><b>Mutiara Damansara Office:</b> Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069)</p>
<p><b>Mutiara Damansara Office:</b> 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>		

**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.  
**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.  
**SELL:** Total returns\* are expected to be below -10% within the next 12 months.  
**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.  
**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.  
 \*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.  
**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.  
**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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