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Recommendation:	BUY
Current Price:	RM 0.87
Previous Target Price:	RM 1.18
Target Price:	RM 1.12
Upside/Downside:	28.7%

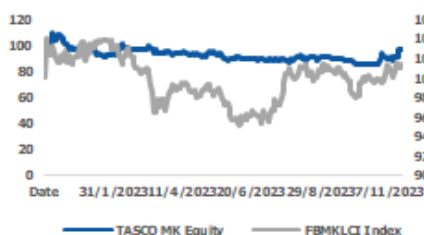
Stock information

Board	MAIN
Sector	Logistics
Bursa / Bloomberg Code	5140 / TASC0 MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆★
Bloomberg ESG Rating	N/A
Shares issued (m)	800.0
Market Cap (RM' m)	696.0
52-Week Price Range (RM)	1.04-0.76
Beta (x)	1.0
Free float (%)	30.5
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.4

Top 3 Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6
Employees Provident Fund Board	1.8

Share Price Performance



	1M	3M	12M
Absolute (%)	13.7	7.4	-3.9
Relative (%)	9.2	2.0	-4.9

Tasco Berhad

Riding onto path of recovery

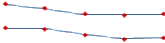
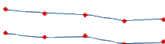







Summary

- **Tasco's 9MFY23 core net profit at RM43.9m came below our expectations.**
- **Looking ahead, we expect better performance, in anticipation of recovery in external trade and contribution from new warehouse capacity.**
- **We maintain our BUY recommendation with lower target price of RM1.12 by pegging PE multiple of 11.0x to FY25F EPS of 10.19 sen.**

Results Review

- **Results review.** 3QFY24 core net profit declined -32.4% yoy, and -12.8% qoq to RM13.8m, mainly dragged down by freight forwarding business from normalising of freight rates. The weaker performance in qoq was mainly dragged by the drop of forex gains (RM2.1m).
- **Missed expectations.** In 9MFY24, cumulative net profit at RM43.9m makes up to 61% and 57% of our and consensus forecasted net profit of RM71.7m and RM76.9m respectively. The variance was mainly due to the slower than expected recovery on the Ocean Freight Forwarding (OFF) business which incurred a loss in this quarter.
- **Operations Highlights.** Tasco's International business solutions (IBS) pre-tax profit sank -79.3% yoy but +1.5% qoq, mainly dragged by lower margin result of higher market buying costs against bid price of customer contracts. The decline was partially cushioned by the recovery from Air Freight Forwarding business (AFF) with higher revenue from aerospace, E&E, capacitor and FMCG customers. On the other hand, Domestic business solutions (DBS) pre-tax profit posted flat with -0.4% yoy and +7.9% qoq despite lower revenue (-9.7% qoq and -19.3% yoy) mainly supported by the much-improved margin performance in Trucking division.
- **Industry Highlights.** We expect Tasco to benefit from the recovery in momentum of external trade and resilience in the domestic economy with WTO forecasts a pickup in global merchandise trade volumes of +3.2% yoy in 2024. Cautious optimism is placed over the recovery in the technology sector, manufacturing activities, and the China economy. Meanwhile, the Red Sea crisis is expected to boost Tasco's short term outlook in OFF segment with higher rates.
- **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 capacity added in and started to contributing to the group in 4QFY24 (Jan – March CY24).
- **Valuation.** We trimmed our earnings forecast for FY24F to RM 62.9m (from RM71.7m) and FY25F forecast to RM 81.5m (from RM 85.4m) to account for weaker margin expectation on OFF segment. Still, we re-iterate our **BUY** recommendation on Tasco with lower target price of RM1.12, post-earnings revision.
- **Risk.** Prolonged global economic downturn and longer than expecting on the recovery of domestic economy. Competitiveness in warehouse space potentially dampen rates and squeeze in margins.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	277.4	392.7	(29.3)	273.6	1.4	1,340.2	804.3	(40.0)		Dragged down by normalizing of freight rates
EBITDA	41.3	52.0	(20.7)	39.0	5.8	157.2	116.2	(26.1)		
Pre-tax profit	19.5	28.3	(31.1)	20.5	(5.0)	94.2	58.4	(38.0)		Turning stable on increase contribution from DBS
Net profit	14.7	20.8	(29.1)	16.8	(12.4)	70.2	46.5	(33.8)		
Core net profit	13.8	20.4	(32.4)	15.8	(12.8)	69.0	43.9	(36.4)		
Core EPS (sen)	1.7	2.6	(32.4)	2.0	(12.8)	8.6	5.5	(36.4)		
EBITDA margin (%)	14.9	13.2		14.3		11.7	14.4			
PBT margin (%)	7.0	7.2		7.5		7.0	7.3			
Core PATMI margin (%)	5.0	5.2		5.8		5.1	5.5			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	946.6	1481.4	1606.8	1102.5	1230.8
Gross Profit	151.2	203.9	199.9	150.9	173.7
Other income	4.4	4.7	4.7	3.3	3.7
Admin and general expense	-80.8	-108.5	-71.5	-66.1	-73.8
Profit from operations	74.8	100.2	133.2	88.0	103.5
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
Pre-tax Profit	60.7	88.1	120.6	81.7	104.9
Tax	-17.0	-20.4	-28.3	-16.3	-21.0
Profit After Tax	43.7	67.7	92.3	65.3	83.9
Minority Interest	2.4	2.5	1.5	2.4	2.4
Net Profit	41.3	65.3	90.8	62.9	81.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	41.3	65.3	90.8	62.9	81.5

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBIT margin	7.9%	6.8%	8.3%	8.0%	8.4%
PBT margin	6.4%	6.0%	7.5%	7.4%	8.5%
PAT margin	4.6%	4.6%	5.7%	5.9%	6.8%
NP margin	4.4%	4.4%	5.7%	5.7%	6.6%
Core NP margin	4.4%	4.4%	5.7%	5.7%	6.6%
ROE	7.7%	11.2%	13.7%	10.2%	11.9%
ROA	6.6%	10.1%	13.0%	9.3%	12.6%
Net gearing	25.3%	22.3%	-3.6%	13.5%	-8.1%

Key Metrics

(%)	FY21	FY22	FY23	FY24F	FY25F
Revenue growth	27%	56%	8%	-31%	12%
Profit growth	364%	58%	36%	-29%	28%
IBS growth	12%	161%	-3%	-50%	10%
DBS growth	3%	30%	24%	-12%	12%

Valuations

	FY25f
Core EPS (RM)	0.102
P/E multiple (x)	11
Fair Value (RM)	1.12

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	110.9	87.5	241.1	101.6	175.4
Receivables	169.4	338.8	289.4	397.3	355.9
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	56.3	301.4	303.9	233.7	240.2
Total Current Assets	336.7	727.6	834.4	732.6	771.5
Fixed Assets	515.4	518.1	586.1	561.2	532.5
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
Total Non-current assets	624.4	645.4	700.8	676.2	647.9
Short-term Debt	29.9	70.7	31.5	84.5	32.8
Payables	65.7	421.8	478.7	460.3	448.9
Other Current Liabilities	74.1	108.4	143.3	127.3	142.2
Total Current Liabilities	169.7	600.9	653.5	672.1	623.8
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
Total Non-current Liabilities	254.8	187.2	217.9	120.5	110.0
Shareholder's equity	469.6	516.9	595.7	555.1	612.1
Minority interest	67.0	68.1	68.2	61.1	73.5
Equity	536.6	584.9	663.9	616.1	685.5

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	60.7	88.1	120.6	81.7	104.9
Depreciation & amortisation	28.4	29.0	30.8	64.9	68.7
Changes in working capital	-31.2	-37.6	95.4	31.1	53.5
Others	14.3	22.2	-2.4	-9.3	-18.0
Operating cash flow	72.3	101.7	244.4	168.4	209.0
Net capex	-41.1	-46.8	-94.2	-187.4	-98.5
Others	1.3	-1.7	4.2	3.8	2.2
Investing cash flow	-39.8	-48.5	-90.0	-183.6	-96.2
Changes in borrowings	-76.9	-28.8	43.8	-169.1	-110.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-8.0	-18.0	-12.0	-25.2	-24.4
Others	-26.1	-29.6	-32.5	70.1	95.6
Financing cash flow	-111.0	-76.4	-0.8	-124.2	-38.9
Net cash flow	-78.6	-23.2	153.6	-139.4	73.9
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	101.7
Ending cash	110.9	87.6	241.1	101.7	175.6

APEX SECURITIES BERHAD – CONTACT LIST

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