

**Jayden Tan**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.835</b>
<b>Previous Target Price:</b>	<b>RM 1.12</b>
<b>Target Price:</b>	<b>RM 1.12</b>
<b>Upside/Downside:</b>	<b>↔ 34.1%</b>

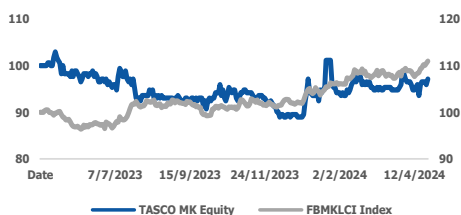
**Stock information**

Board	MAIN
Sector	LOGISTICS SERVICES
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)	668.0
52-Week Price Range (RM)	0.905-0.76
Beta (x)	1.1
Free float (%)	30.5
3M Average Volume (m)	0.3
3M Average Value (RM' m)	0.2

**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 (%)	1.8	3.1	-6.7
Relative (%)	-0.2	-1.0	-16.2

## Tasco Berhad










### Recovery anticipated in FY25

#### Summary

- **Tasco's FY24 core net profit at RM61.7m came within 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 unchanged target price of RM1.12 by pegging PE multiple of 11.0x to FY25F EPS of 10.2 sen.**

#### Results Review

- **Results review.** 4QFY24 net profit declined -18.1% yoy, but climbed +29.2% qoq to RM17.9m. The weaker yoy performance was dragged by lower freight forwarding income resulted from normalisation of international freight rates. Conversely, the higher qoq numbers was supported by tax credit of RM2.9m (net). The Group declared dividend of 2.35sen/share for FY24 (FY23 @ 3.5 sen/share).
- **Within expectations.** In FY24, cumulative net profit at RM61.7m came within expectations, making up to 98% and 93% of our and average consensus forecasted net profit of RM62.9m and RM65.8m respectively.
- **Operations Highlights.** Tasco's International business solutions (IBS) pre-tax profit sank -38.8% yoy but rose +51.2% qoq, mainly supported by the higher margin resulting from lower buying costs compared to bid price of customer contract in air freight forwarding. Domestic business solutions (DBS) profit weakened -35.8% qoq and -24.9% yoy on lower margin registered in DBS segment attributed to reduced shipments from a solar panel customer and increased expenses from warehouse operations. These factors were observed while evaluating the full contribution from recently expanded warehouses.
- **Industry Highlights.** The positives of Tasco's IBS segment, stemming from a gradual recovery in external trade activities and the E&E sectors, are somewhat offset by prolonged geopolitical tensions and weaker-than-expected global demand. Additionally, international freight rates for both air and sea, particularly those between Asia and Europe ticket higher, impacted by the ongoing Red Sea crisis.
- **Outlook.** We anticipate the IBS segment to experience mild recovery supported by improved external trade performance. DBS segment is expected to be driven by solid demand for warehouse and CSC services, as well as the addition of new warehouse capacity, with the full contribution expected by June 2024. Additionally, government's tax allowances are expected to support the bottom line.
- **Valuation.** Kept our earnings forecast for FY25F at RM81.7m and introduce FY26F earnings forecast at RM105.1m (+20% yoy) on expectation of recovery in global economic growth from lower interest rates environment. Re-iterate our **BUY** recommendation on Tasco with unchanged target price of RM1.12.
- **Risk.** Slower than expected on the recovery of global economic and trend of deglobalisation dampened IBS segment. Domestic side, Inflationary pressure and subsidy rationalisation in Malaysia causing slower economic demand.

FYE Dec (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	YoY (%)	5 Quarters Trend	Comments
Revenue	268.5	266.6	0.7	277.4	(3.2)	1,606.8	1,072.7	(33.2)		Dragged down by normalizing of freight rates
EBITDA	37.5	42.7	(12.1)	41.3	(9.1)	199.9	153.7	(23.1)		
Pre-tax profit	15.4	26.3	(41.4)	19.5	(21.0)	120.5	73.8	(38.7)		
Net profit	18.3	22.0	(16.8)	14.7	24.1	92.2	64.8	(29.8)		Turning stable on increase contribution from DBS
Core net profit	17.9	21.8	(18.1)	13.8	29.2	90.8	61.7	(32.0)		
Core EPS (sen)	2.2	2.7	(18.1)	1.7	29.2	11.3	7.7	(32.0)		
EBITDA margin (%)	14.0	16.0		14.9		12.4	14.3			
PBT margin (%)	5.7	9.9		7.0		7.5	6.9			
Core PATMI margin (%)	6.7	8.2		5.0		5.7	5.8			

Source: Company, Apex Securities

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

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>1481.4</b>	<b>1606.8</b>	<b>1072.7</b>	<b>1187.7</b>	<b>1257.7</b>
<b>Gross Profit</b>	<b>203.9</b>	<b>199.9</b>	<b>153.7</b>	<b>199.0</b>	<b>224.1</b>
Other income	4.7	4.7	10.5	3.6	3.8
Admin and general expenses	-108.5	-71.5	-76.9	-89.1	-100.6
<b>Profit from operations</b>	<b>100.2</b>	<b>133.2</b>	<b>87.3</b>	<b>113.5</b>	<b>127.2</b>
Net Finance Income/ (Cost)	-13.2	-13.5	-14.0	-18.7	-13.8
Associates & JV	1.2	0.8	0.5	0.8	1.1
<b>Pre-tax Profit</b>	<b>88.1</b>	<b>120.6</b>	<b>73.8</b>	<b>95.6</b>	<b>114.5</b>
Tax	-20.4	-28.3	-9.1	-11.5	-13.7
<b>Profit After Tax</b>	<b>67.7</b>	<b>92.3</b>	<b>64.8</b>	<b>84.1</b>	<b>100.7</b>
Minority Interest	2.5	1.5	3.0	2.4	2.4
<b>Net Profit</b>	<b>65.3</b>	<b>90.8</b>	<b>61.7</b>	<b>81.7</b>	<b>98.3</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>65.3</b>	<b>90.8</b>	<b>61.7</b>	<b>81.7</b>	<b>98.3</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBIT margin	6.8%	8.3%	8.1%	9.6%	10.1%
PBT margin	6.0%	7.5%	6.9%	8.0%	9.1%
PAT margin	4.6%	5.7%	6.0%	7.1%	8.0%
NP margin	4.4%	5.7%	5.8%	6.9%	7.8%
Core NP margin	4.4%	5.7%	5.8%	6.9%	7.8%
ROE	11.2%	13.7%	8.8%	10.6%	11.6%
ROA	10.1%	13.0%	7.1%	9.6%	12.0%
Net gearing	22.3%	Net Cash	31.1%	5.0%	Net Cash

**Key Assumptions**

FY22	FY23	FY24	FY25F	FY26F	
Revenue growth	56%	8%	-33%	11%	6%
Profit growth	58%	36%	-30%	30%	20%
IBS growth	161%	-3%	-52%	2%	6%
DBS growth	30%	24%	-14%	15%	6%

**Valuations**

FY25F	
Core EPS (RM)	0.102
P/E multiple (x)	11
<b>Fair Value (RM)</b>	<b>1.12</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	87.5	241.1	167.1	245.4	267.3
Receivables	338.8	289.4	313.2	368.8	348.2
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	301.4	303.9	319.7	231.7	245.3
<b>Total Current Assets</b>	<b>727.6</b>	<b>834.4</b>	<b>800.0</b>	<b>845.9</b>	<b>860.8</b>
Fixed Assets	518.1	586.1	758.4	732.1	701.7
Intangibles	81.9	81.9	81.9	81.9	81.9
Other non-current assets	45.5	32.8	32.8	33.2	33.5
<b>Total Non-current assets</b>	<b>645.4</b>	<b>700.8</b>	<b>873.1</b>	<b>847.1</b>	<b>817.1</b>
Short-term Debt	70.7	31.5	125.5	100.0	32.8
Payables	421.8	478.7	457.0	479.9	459.0
Other Current Liabilities	108.4	143.3	108.0	137.2	145.3
<b>Total Current Liabilities</b>	<b>600.9</b>	<b>653.5</b>	<b>690.4</b>	<b>717.1</b>	<b>637.1</b>
Long-term Debt	147.0	186.0	258.7	183.8	171.0
Other non-current liabilities	40.2	31.9	25.0	23.0	23.0
<b>Total Non-current Liabilities</b>	<b>187.2</b>	<b>217.9</b>	<b>283.7</b>	<b>206.8</b>	<b>194.0</b>
Shareholder's equity	516.9	595.7	629.4	686.7	755.5
Minority interest	68.1	68.2	69.6	82.4	90.7
<b>Equity</b>	<b>584.9</b>	<b>663.9</b>	<b>699.0</b>	<b>769.1</b>	<b>846.1</b>

**Cash Flow**

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>88.1</b>	<b>120.6</b>	<b>73.8</b>	<b>95.6</b>	<b>114.5</b>
Depreciation & amortisation	29.0	30.8	49.9	66.3	70.4
Changes in working capital	-37.6	95.4	-36.5	91.7	-5.6
Others	22.2	-2.4	-7.1	5.0	-2.3
<b>Operating cash flow</b>	<b>101.7</b>	<b>244.4</b>	<b>80.1</b>	<b>258.5</b>	<b>177.0</b>
Net capex	-46.8	-94.2	-207.1	-95.0	-100.6
Others	-1.7	4.2	4.9	0.4	0.3
<b>Investing cash flow</b>	<b>-48.5</b>	<b>-90.0</b>	<b>-202.2</b>	<b>-94.6</b>	<b>-100.3</b>
Changes in borrowings	-28.8	43.8	-77.5	-141.4	-110.3
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-18.0	-12.0	-28.0	-24.5	-29.5
Others	-29.6	-32.5	152.8	80.4	85.0
<b>Financing cash flow</b>	<b>-76.4</b>	<b>-0.8</b>	<b>47.4</b>	<b>-85.5</b>	<b>-54.8</b>
<b>Net cash flow</b>	<b>-23.2</b>	<b>153.6</b>	<b>-74.7</b>	<b>78.5</b>	<b>21.9</b>
Forex	-0.2	-0.1	0.5	-0.7	-0.7
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	110.9	87.6	241.1	166.4	244.9
<b>Ending cash</b>	<b>87.6</b>	<b>241.1</b>	<b>166.4</b>	<b>244.9</b>	<b>266.8</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

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<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>	<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>	

**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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