

Jayden Tan

(603) 7890 8888 (ext 2069)

kdтан@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.90
Previous Target Price:	RM 1.12
Target Price:	RM 1.00
Upside/Downside:	11.1%

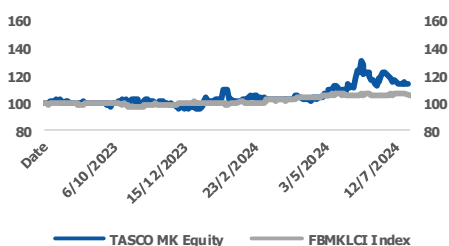
Stock information

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)	720.0
52-Week Price Range (RM)	0.76-1.02
Beta (x)	1.0
Free float (%)	30.5
3M Average Volume (m)	0.9
3M Average Value (RM' m)	0.8

Top 3 Shareholders (%)

Real Fortune Portfolio Sdn Bhd	9.9
Nippon Yusen KK	9.6
Employees Provident Fund Board	3.1

Share Price Performance



	1M	3M	12M
Absolute (%)	-2.7	7.8	12.5
Relative (%)	-4.0	5.4	1.9

Tasco Berhad

Sub-par performance










Summary

- **Tasco's 1QFY25 core net profit at RM 10.6m missed our expectations.**
- **Looking ahead, we are turning more cautious with low single-digit growth, due to the challenging operational landscape within the industry.**
- **We maintain our BUY recommendation with lower target price of RM1.00 by pegging PE multiple of 11.0x to FY26F EPS of 9.1 sen.**

Results Review

- **Results review.** In 1QFY25, core net profit declined by 25.5% yoy and 40.6% qoq, after excluding one-off expenses of RM3.6m related to the demolition of an old warehouse. The performance was dragged down by lower margins from the international freight forwarding business due to higher freight rates, as well as increased interest costs and forex losses.
- **Below expectations.** The reported results missed our forecast, with core net profit accounting for only 13% of both our and the consensus's full-year forecast. The variance was mainly due to lower bargaining power with customers from higher freight rates and lower than expected revenue from the domestic business.
- **Operations Highlights.** Tasco's International Business Solutions (IBS) pre-tax profit declined by 31.9% yoy and 45.6% qoq, primarily due to lower margins resulting from higher buying costs compared to the bid price of customer contracts. The Domestic Business Solutions (DBS) segment experienced a decline in revenue for the quarter, down 10% yoy and 11.2% qoq, mainly due to decline in shipments from a major energy customer affected by US sanctions. Nevertheless, despite the lower revenue, the Group managed to maintain flattish bottom line in DBS with better margins, supported by improved warehouse occupancy.
- **Industry Highlights.** Despite the recovery in trade activities and the E&E sectors, the industry's operational landscape remains challenging, due to global geopolitical tensions, volatile freight rates, prolonged high interest rates, and inflationary pressure.
- **Outlook.** We adopt a more cautious outlook heightened challenges as mentioned above. However, we remain optimistic about the development of the Group's warehouse capacity, which is expected to create synergistic effect and drive sales in other business segments over the foreseeable future.
- **Valuation.** We trimmed our earnings forecast for FY25F and FY26F to RM64.2m and RM72.5m, representing a reduction of 20% and 26% respectively. This adjustment reflects our lowered expectations for revenue from the DBS segment, as well as reduced forecasts for warehouse rates and margins in the IBS segment. Post earnings revision, we maintain our **BUY** recommendation on Tasco with a lower target price of RM1.00, while we rollover our valuation metrics to FY26F.
- **Risk.** Slower than expected on the global economic and inflationary pressure which results in sluggish demand.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	249.9	253.2	(1.3)	268.5	(6.9)	253.2	249.9	(1.3)		Dragged down by lower contribution from DBS segment
Gross profit	35.5	36.0	(1.3)	37.5	(5.4)	36.0	35.5	(1.3)		
Pre-tax profit	8.6	18.4	(53.4)	15.4	(44.2)	18.4	8.6	(53.4)		Lower margin from IBS segment due to higher buying costs compared to the bid price of customer contracts.
Net profit	7.8	15.0	(48.1)	18.3	(57.5)	15.0	7.8	(48.1)		
Core net profit	10.6	14.2	(25.5)	17.9	(40.6)	14.2	10.6	(25.5)		
Core EPS (sen)	1.3	1.8	(25.5)	2.2	(40.6)	1.8	1.3	(25.5)		
EBITDA margin (%)	14.2	14.2		14.0		14.2	14.2			
PBT margin (%)	3.4	7.3		5.7		7.3	3.4			
Core PATMI margin (%)	4.2	5.6		6.7		5.6	4.2			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	1481.4	1606.8	1072.7	1088.1	1166.5
Gross Profit	203.9	199.9	153.7	175.2	193.3
Other income	4.7	4.7	10.5	3.3	3.5
Admin and general expenses	-108.5	-71.5	-76.9	-81.6	-93.3
Profit from operations	100.2	133.2	87.3	96.9	103.5
Net Finance Income/ (Cost)	-13.2	-13.5	-14.0	-22.0	-19.5
Associates & JV	1.2	0.8	0.5	0.8	1.1
Pre-tax Profit	88.1	120.6	73.8	75.6	85.1
Tax	-20.4	-28.3	-9.1	-9.1	-10.2
Profit After Tax	67.7	92.3	64.8	66.6	74.9
Minority Interest	2.5	1.5	3.0	2.4	2.4
Net Profit	65.3	90.8	61.7	64.2	72.5
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	65.3	90.8	61.7	64.2	72.5

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBIT margin	6.8%	8.3%	8.1%	8.9%	8.9%
PBT margin	6.0%	7.5%	6.9%	7.0%	7.3%
PAT margin	4.6%	5.7%	6.0%	6.1%	6.4%
NP margin	4.4%	5.7%	5.8%	5.9%	6.2%
Core NP margin	4.4%	5.7%	5.8%	5.9%	6.2%
ROE	11.2%	13.7%	8.8%	8.5%	8.9%
ROA	10.1%	13.0%	7.1%	7.6%	8.9%
Net gearing	22.3%	Net Cash	31.1%	26.3%	14.0%

Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue growth	56%	8%	-33%	1%	7%
Profit growth	58%	36%	-30%	3%	12%
IBS growth	161%	-3%	-52%	2%	6%
DBS growth	30%	24%	-14%	1%	8%

Valuations

FYE Dec (RM m)	FY26F
Core EPS (RM)	0.091
P/E multiple (x)	11
Fair Value (RM)	1.00

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	87.5	241.1	167.1	198.8	237.4
Receivables	338.8	289.4	313.2	402.5	375.5
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	301.4	303.9	319.7	212.3	227.5
Total Current Assets	727.6	834.4	800.0	813.6	840.4
Fixed Assets	518.1	586.1	758.4	732.5	702.9
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
Total Non-current assets	645.4	700.8	873.1	847.5	818.3
Short-term Debt	70.7	31.5	125.5	150.0	135.0
Payables	421.8	478.7	457.0	359.9	337.6
Other Current Liabilities	108.4	143.3	108.0	125.7	134.7
Total Current Liabilities	600.9	653.5	690.4	635.5	607.3
Long-term Debt	147.0	186.0	258.7	247.3	216.3
Other non-current liabilities	40.2	31.9	25.0	23.0	23.0
Total Non-current Liabilities	187.2	217.9	283.7	270.3	239.3
Shareholder's equity	516.9	595.7	629.4	674.4	725.1
Minority interest	68.1	68.2	69.6	80.9	87.0
Equity	584.9	663.9	699.0	755.3	812.1

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	88.1	120.6	73.8	75.6	85.1
Depreciation & amortisation	29.0	30.8	49.9	65.9	69.6
Changes in working capital	-37.6	95.4	-36.5	-54.7	-1.1
Others	22.2	-2.4	-7.1	10.7	7.0
Operating cash flow	101.7	244.4	80.1	97.5	160.5
Net capex	-46.8	-94.2	-207.1	-87.0	-93.3
Others	-1.7	4.2	4.9	0.4	0.3
Investing cash flow	-48.5	-90.0	-202.2	-86.6	-93.0
Changes in borrowings	-28.8	43.8	-77.5	-28.9	-8.5
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-18.0	-12.0	-28.0	-19.3	-21.7
Others	-29.6	-32.5	152.8	69.1	1.3
Financing cash flow	-76.4	-0.8	47.4	21.0	-28.9
Net cash flow	-23.2	153.6	-74.7	31.9	38.6
Forex	-0.2	-0.1	0.5	-0.7	-0.7
Others	-0.1	0.1	0.2	0.5	0.6
Beginning cash	110.9	87.5	241.1	167.1	198.8
Ending cash	87.5	241.1	167.1	198.8	237.4

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Petaling Jaya Office:

16th Floor, Menara Choy Fook Onn,
No.1B Jalan Yong Shook Lin,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7620 1118

Head Office:

Kong Ming Ming (ext 2002)
Lee Chen Ming (ext 2029)
Shirley Chang (ext 2026)
Ahmad Mujib (ext 2028)
Azfar Bin Abdul Aziz (ext 2031)
Aizzat Bin Mohd Daud (ext 2030)

Institutional Dealing Team:

PJ Office:

General Line: (603) 7620 1118

Head Office:

Kenneth Leong (ext 2093)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Chelsea Chew (ext 2070)
Tan Sue Wen (ext 2095)

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.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

All analyst(s) names appear in the front page, whom prepared this report, does not have any interest in the following securities covered in this report.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.