

Jayden Tan

(603) 7890 8888 (ext 2069)

kdtan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.85
Previous Target Price:	RM 1.00
Target Price:	↔ RM 1.00
Upside/Downside:	17.6%

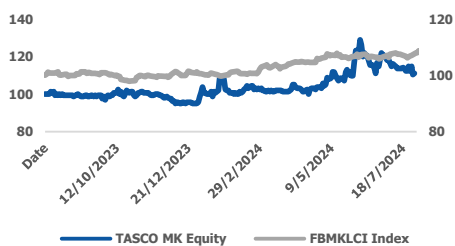
Stock information

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)	680.0
52-Week Price Range (RM)	0.76-1.02
Beta (x)	1.0
Free float (%)	31.4
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 (%)	-8.1	0.0	5.6
Relative (%)	-8.1	-1.3	-5.3

Tasco Berhad

Warehousing to drive growth in 2026

Company Update

- Lower margin from freight forwarding due to tender commitment with customers.** We came away feeling reassured post meeting with Tasco management as current updates aligned with our expectations. Lower margin from their Air freight forwarding business that offset higher international freight rates was due to tender commitment with two customers, preventing price adjustments to match the uptick in freight rates. The move aims to maintain strong customer relationships between these parties. However, Tasco plans to increase spot contracts with customers for the freight forwarding business to better manage fluctuations in freight rates. For the upcoming three-month, Tasco has included a buffer percentage into tender contracts with the two customers to mitigate the impact of potential freight rate increases.
- Domestic Business solutions.** Tasco's Domestic Business Solutions was impacted by multiple headwinds, including port congestion, which resulted in inefficiencies over the haulage and trucking business. Additionally, pro-Palestine activities and geopolitical tensions led to reduced business volumes from certain customers.
- Warehousing segment.** The construction costs for the new four-storey, 400,000 sqf warehouse have significantly increased due to higher material costs. However, we were guided that this will not be a major concern over future occupancy rate as some customers are currently using outsourced warehouses. At present, the pricing for their SALC warehouse is RM2/sqf per month.
- Low effective tax rate.** The Group currently possesses unutilised tax credits c.RM30.0m from previous investments. With that, we anticipate the Group will maintain its effective tax rate at a low level of c.13% over the next five years.
- Outlook.** We expect to see a recovery in topline and margins in the coming quarters in FY24, as the Group adjusted the prices for freight forwarding services to their tender commitment customers. However, we remain cautious over the freight forwarding business margin, due to the current volatility of international freight rates. Additionally, the anticipated strengthening of the Ringgit against the USD is expected to be unfavorable to the Group, which could impact bottom-line margins. The domestic business is expected to remain flat over the foreseeable future, pending completion of the new warehouse tentatively in 2026.
- Valuation.** We kept our earnings forecast unchanged post-meeting, as the recent updates aligned with our expectations and forecasts. We reiterate our **BUY** recommendation with an unchanged target price of RM1.00.

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	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	FY24F	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

	FY22	FY23	FY24F	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

	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	FY24F	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	FY24F	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
<p>Head 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>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>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)</p> <p>Institutional Dealing Team:</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</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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