21 February 2025

Transport | Logistics

TASCO (TASCO MK)

Attractive Valuations Despite Earnings Miss; BUY

Buy (Maintained)

Target Price (Return):	MYR1.00 (46.9%)
Price (Market Cap):	MYR0.68 (USD123m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	0.08m/0.02m

- **Still BUY, with new MYR1 TP from MYR1.12, 47% upside, c.3% FY25F (Mar) yield.** TASCO's 9MFY25 earnings fell short due to weaker-than-expected freight forwarding contributions. Nonetheless, we anticipate a better 4Q, fuelled by a favourable ocean freight market, volume recovery, and contributions from new warehouses. Its valuation remains attractive for a leading integrated logistics player with diverse segments and growth potential.
- **Results review.** 3QFY25 revenue and earnings were at MYR243.5m (-18% QoQ; -12% YoY) and MYR9.1m (-33% QoQ; -38% YoY), bringing 9MFY25 core earnings to MYR34m (-24% YoY) – below expectations at 55% and 65% of our and consensus' full-year estimates. The deviation was mainly due to lower-than-expected contribution from the freight forwarding and contract logistics (CL) segments. Additionally, we have adjusted our core profit to account for the write-off related to the old office demolition and FX loss on balance sheet items.
- **International business solutions (IBS).** The segment's 3QFY25 PBT fell 13% QoQ (+49% YoY) to MYR5.1m, mainly due to lower contribution from air freight (AFF) and ocean freight forwarding (OFF) segments. AFF and OFF segments' PBT declined 43% and 11% QoQ, mainly due to lower shipment volumes from fast-moving consumer goods customers. As a result, the IBS segment's 9MFY25 PBT fell 21% YoY.
- **Domestic business solutions (DBS).** TASCO's 3QFY25 PBT for the segment was MYR11m (-16% QoQ; -37% YoY). QoQ decline was driven by lower contribution from CL, which dropped 24%. The decrease was mainly due to warehousing which saw a 28% decline on lower movement of goods amid slower end demand – offset by customs clearance PBT, which tripled QoQ on top of a 9% rise in haulage PBT. Cold supply chain (CSC) PBT also charted a 1.7% slip, due to lower demand from retail, poultry and meat, fast food chains, and ice cream customers.
- **Better 4Q anticipated.** RHB Economics is cautiously optimistic about trade performance in 2025. It believes export-oriented industries are well-positioned to benefit from a more favourable global economic outlook, driven by easing global monetary conditions and resilient economic growth in major economies. We expect 4QFY25 earnings to be stronger QoQ due to seasonal factors, improved volumes, elevated OFF rates amidst the peak season as well as new warehouses due to contributions from a new major automotive player.
- **Earnings revision.** Post results, we cut FY25-27F earnings by 14%/12%/10% mainly due to downward revision of our revenue growth and margin assumptions for forwarding and CL segments given the slower-than-expected volume recovery and movement of goods. We keep our BUY call with a new MYR1 TP, pegged to an unchanged 12x CY25F P/E. A 2% ESG premium is baked into our TP given TASCO's 3.1 score vs 3.0 country median. Key risks include loss of key customers and a decline in operating margins.

Forecasts and Valuation	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total turnover (MYRm)	1,607	1,073	1,080	1,204	1,330
Recurring net profit (MYRm)	91	61	52	72	83
Recurring net profit growth (%)	17.4	(32.6)	(14.4)	37.4	15.3
Recurring P/E (x)	5.99	8.89	10.38	7.56	6.55
P/B (x)	0.9	0.9	0.8	0.8	0.7
P/CF (x)	3.99	4.96	5.41	4.22	3.70
Dividend Yield (%)	5.0	3.4	3.4	3.4	3.4
EV/EBITDA (x)	3.58	6.30	6.93	5.36	4.48
Net debt to equity (%)	6.2	31.9	37.6	36.2	23.9

Source: Company data, RHB

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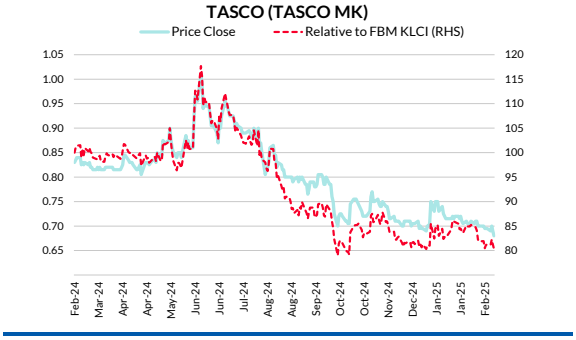


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.3)	(5.6)	(6.9)	(16.6)	(19.1)
Relative	(5.4)	(5.9)	(5.6)	(12.6)	(20.5)
52-wk Price low/high (MYR)					0.68 –1.01



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.0 (GOOD)
G Score: 3.3 (EXCELLENT)
Please refer to the ESG analysis on the next page

Note:
Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Emissions And ESG

Trend analysis
Emissions remained largely unchanged

Emissions (tCO2e)	Mar-22	Mar-23	Mar-24	Mar-25
Scope 1	2,334	2,127	na	na
Scope 2	27,129	26,998	na	na
Scope 3	na	na	na	na
Total emissions	29,464	29,125	na	na

Source: Company data, RHB

Latest ESG-Related Developments

TASCO started reporting GHG emissions in 2020 to ensure greater disclosure and accountability of the company's carbon footprint. TASCO has been included as a constituent of the FTSE4Good Index, reflecting its satisfactory ESG practices and initiatives. The group has also launched more than 10 initiatives to lower the impact of its GHG emissions

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 30 Oct 2024

E Score: 3.0 (GOOD)

The group has identified and begun carrying out various eco-friendly initiatives centred on environmental protection and stewardship.

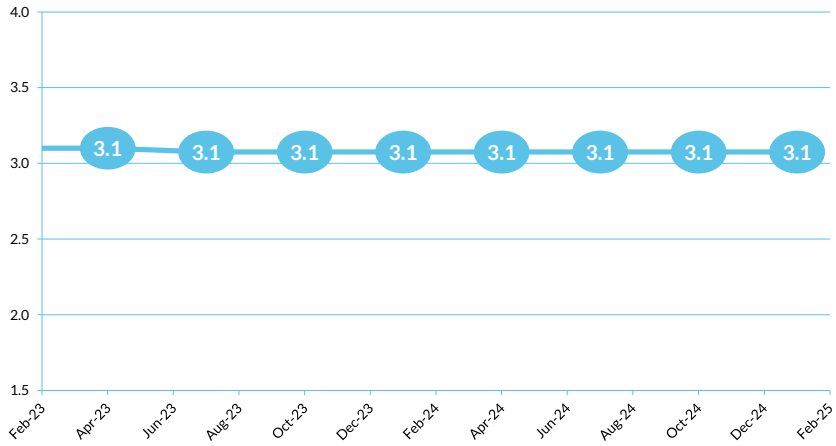
S Score: 3.0 (GOOD)

Comprehensive measures have been taken to ensure the safety and livelihood of its employees, as well as corporate social responsibility contributions.

G Score: 3.3 (EXCELLENT)

Clear transparency practices and objective targets have been put in place to ensure stakeholder engagement and management efficiency.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Transport
TASCO
TASCO MK
Buy

Valuation basis

12x P/E CY25F

Key drivers

i. Structural growth in demand for 3PL services;
ii. Rising cross-border trade activities;
iii. Market consolidation opportunities

Key risks

i. Loss of key customers, and decline in operating margins

Company Profile

Tasco is a total logistics solutions provider with services including contract logistics, air freight forwarding, trucking, ocean freight forwarding and cold supply chain logistics.

Financial summary (MYR)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Recurring EPS	0.11	0.08	0.07	0.09	0.10
DPS	0.03	0.02	0.02	0.02	0.02
BVPS	0.74	0.79	0.83	0.89	0.97

Valuation metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Recurring P/E (x)	5.99	8.89	10.38	7.56	6.55
P/B (x)	0.9	0.9	0.8	0.8	0.7
FCF Yield (%)	7.5	(18.1)	(10.9)	(5.7)	(2.3)
Dividend Yield (%)	5.0	3.4	3.4	3.4	3.4
EV/EBITDA (x)	3.58	6.30	6.93	5.36	4.48
EV/EBIT (x)	4.87	10.24	10.79	7.87	6.73

Income statement (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total turnover	1,607	1,073	1,080	1,204	1,330
Gross profit	200	154	184	205	226
EBITDA	177	130	126	165	179
Depreciation and amortisation	(47)	(50)	(45)	(53)	(60)
Operating profit	130	80	81	112	119
Net interest	(13)	(14)	(16)	(24)	(18)
Pre-tax profit	118	66	65	88	101
Taxation	(28)	(9)	(9)	(12)	(14)
Reported net profit	88	54	52	72	83
Recurring net profit	91	61	52	72	83

Cash flow (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Cash flow from operations	136	110	101	129	147
Capex	(96)	(208)	(160)	(160)	(160)
Cash flow from investing activities	(92)	(202)	(159)	(50)	(50)
Dividends paid	(13)	(30)	(18)	(18)	(18)
Cash flow from financing activities	(2)	47	(76)	(18)	(12)
Cash at beginning of period	87	241	167	71	141
Net change in cash	43	(45)	(135)	61	85
Ending balance cash	131	197	32	133	226

Balance sheet (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total cash and equivalents	241	167	71	141	228
Tangible fixed assets	586	758	809	917	1,017
Total investments	20	20	20	20	20
Total assets	1,535	1,673	1,272	1,407	1,614
Short-term debt	89	131	131	131	131
Total long-term debt	193	259	217	295	301
Total liabilities	871	974	535	619	761
Total equity	664	699	737	788	853
Total liabilities & equity	1,535	1,673	1,272	1,407	1,614

Key metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Revenue growth (%)	8.5	(33.2)	0.7	11.4	10.4
Recurrent EPS growth (%)	17.4	(32.6)	(14.4)	37.4	15.3
Gross margin (%)	12.4	14.3	17.0	17.0	17.0
Operating EBITDA margin (%)	11.0	12.1	11.7	13.7	13.4
Net profit margin (%)	5.5	5.0	4.9	6.0	6.2
Dividend payout ratio (%)	31.0	34.3	35.0	25.5	22.1
Capex/sales (%)	6.0	19.4	14.8	13.3	12.0
Interest cover (x)	9.67	5.68	4.99	4.59	6.46

Source: Company data, RHB

Figure 1: 3QFY25 earnings snapshot

FYE Mar (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)	Comments
Revenue	**277.4**	**295.7**	**243.5**	**(17.7)**	**(12.3)**	**804.3**	**789.1**	**(1.9)**	
EBITDA	**37.1**	**32.9**	**29.5**	**(10.4)**	**(20.6)**	**105.9**	**90.7**	**(14.3)**	
EBITDA margin (%)	*13.4*	*11.1*	*12.1*			*13.2*	*11.5*		
Depreciation	(13.0)	(12.1)	(12.3)	1.4	(5.7)	(36.5)	(35.7)	(2.3)	
EBIT	**24.1**	**20.8**	**17.2**	**(17.2)**	**(28.6)**	**69.4**	**55.1**	**(20.6)**	
EBIT margin (%)	*8.7*	*7.0*	*7.1*			*8.6*	*7.0*		
Interest expense	(3.7)	(4.0)	(4.0)	1.5	9.3	(10.3)	(12.1)	17.7	
Associates	(0.1)	0.0	0.2	627.3	(390.9)	0.2	0.1	(52.4)	
EI	(0.9)	(5.4)	5.1	*nm*	*nm*	(0.9)	(4.6)	*nm*	Asset written-off due to demolition of office building, FX adjustment.
Pretax profit	**19.5**	**11.4**	**18.5**	**62.0**	**(5.0)**	**58.4**	**38.5**	**(34.0)**	
Pretax margin (%)	*7.0*	*3.9*	*7.6*						
Tax	(4.8)	(2.5)	(3.2)	28.0	(33.2)	(11.9)	(6.5)	(45.6)	
Effective tax rate (%)	*24.5*	*21.8*	*17.2*			*20.4*	*16.8*		
Minority interest	(0.9)	(0.8)	(1.1)	33.5	20.1	(2.6)	(2.7)	2.3	
PATAMI	**13.8**	**8.1**	**14.2**	**75.2**	**3.1**	**43.9**	**29.4**	**(33.0)**	
Core PATAMI	**14.7**	**13.6**	**9.1**	**(33.0)**	**(38.2)**	**44.8**	**34.0**	**(24.2)**	Below expectations.
Core net margin (%)	*5.3*	*4.6*	*5.6*			*5.6*	*4.3*		

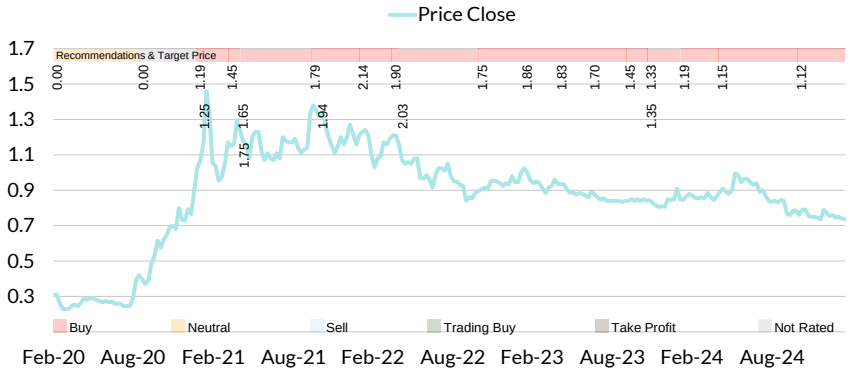
Source: RHB

Figure 2: Segmental breakdown

FYE Dec (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue								
Air freight	78.3	82.3	63.8	*(22.4)*	*(18.5)*	182.7	209.9	*14.9*
Ocean freight	23.7	45.9	38.6	*(15.8)*	*62.8*	78.1	111.6	*42.8*
Supply chain solutions	7.8	10.7	10.8	*0.8*	*39.6*	22.1	31.5	*43.0*
Contract logistics	97.9	89.8	68.0	*(24.2)*	*(30.5)*	317.3	244.9	*(22.8)*
Cold chain	42.7	40.1	36.7	*(8.5)*	*(14.2)*	126.2	117.8	*(6.6)*
Trucking	27.0	26.9	25.5	*(5.2)*	*(5.6)*	77.9	73.4	*(5.7)*
Total	**277.4**	**295.7**	**243.5**	*(17.7)*	*(12.3)*	**804.3**	**789.1**	
PBT								
Air freight	2.0	3.2	1.8	*(42.9)*	*(9.9)*	5.6	6.6	*18.0*
Ocean freight	(0.1)	1.5	1.4	*(11.3)*	*(2,690.6)*	0.8	3.575	*351.4*
Supply chain solutions	1.4	1.1	1.9	*76.7*	*31.0*	4.5	3.6	*(21.6)*
Contract logistics	9.7	8.0	6.1	*(23.6)*	*(37.1)*	27.6	20.3	*(26.4)*
Cold chain	4.2	3.6	3.5	*(1.7)*	*(16.8)*	11.4	10.6	*(6.8)*
Trucking	3.4	1.5	1.4	*(7.7)*	*(59.8)*	6.2	4.7	*(23.1)*

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-10-30	Buy	1.12	0.72
2024-08-05	Buy	1.15	0.81
2024-07-31	Buy	1.15	0.87
2024-05-02	Buy	1.15	0.83
2024-02-05	Buy	1.19	0.81
2024-01-30	Buy	1.35	0.83
2023-11-22	Buy	1.35	0.81
2023-11-20	Buy	1.33	0.80
2023-10-02	Buy	1.45	0.79
2023-07-28	Buy	1.70	0.82
2023-07-13	Buy	1.70	0.84
2023-04-28	Buy	1.83	0.90
2023-02-08	Buy	1.86	1.00
2022-10-28	Buy	1.75	0.86
2022-07-27	Buy	2.03	0.95

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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