

29 April 2022

Transport | Logistics

TASCO (TASCO MK)

Buy (Maintained)

Two (Record Years) In a Row; Still BUY

Target Price (Return):	MYR2.03 (72.0%)
Price (Market Cap):	MYR1.18 (USD216m)
ESG score:	3.10 (out of 4)
Avg Daily Turnover (MYR/USD)	0.91m/0.22m

- Still BUY, new MYR2.03 TP from MYR1.90, 72% upside and c.3% yield.** TASCO beat expectations, recording yet another set of record-high numbers in 4QFY22 (Mar) on stronger performances from its international business (IBS). We remain optimistic on its growth prospects, driven by positive throughput in the face of a broader economic reopening and contributions from new business wins. The stock's below-peer valuation presents an attractive proposition for investors to capitalise on this leading logistics player with strong earnings delivery and robust growth momentum.
- Above expectations.** TASCO booked a 4QFY22 core profit of MYR25m (+19.5% QoQ, +52.9% YoY). In deriving our full-year core profit, we stripped out the MYR15.9m write-off related to the 3QFY22 demolition of its warehouse. FY22 core profit of MYR77.4m exceeded expectations, at 108% and 121% of our and Street's full-year estimates – thanks to the strong IBS, which led to FY22 core profit increasing by 87.4% YoY.
- Growth from all segments.** FY22 PBT for air and ocean freight forwarding shot up 110.7% and 381.3% YoY amid the pick-up in business activities following the broader economic reopening. This was coupled with supply chain bottlenecks that saw clients resorting to air modes, as well as elevated freight rates. The domestic business also grew 25.7% YoY to close the year with a record – thanks to increased business volumes from both existing and newly secured customers. Note: The integrated logistics services or ILS tax incentive scheme took effect at the start of this quarter, resulting in tax savings and a lower effective tax rate for the year.
- Positive throughput momentum plus new customer wins.** As the broader economic reopening continues to materialise amidst a favourable GDP outlook, we continue to anticipate positive throughput volume growth for TASCO – complemented by its diverse clientele base. The persistent supply chain disruption points to an extended tightness in air and ocean freight as well as elevated freight rates, which are positives for TASCO's international business segment. This has been made more attractive by NYK Group's expansive global logistics network. TASCO will continue to benefit from the organic growth coming from its existing customers, with an additional boost from new business wins within the retail trading segment. Elsewhere, we look forward to the construction of a 650k sq ft warehouse under Phase 1 of the Shah Alam Logistics Centre expansion, which should allow TASCO to capture warehouse shortage opportunities.
- We raise our FY23F-24F earnings by 7% and 6.9%,** taking into account higher contributions from the freight forwarding segment. We subsequently raise our TP to MYR2.03. We also introduced our FY25F earnings of MYR99m. Our TP is based on an unchanged 19x FY23F P/E (+1SD) and incorporates a 2% ESG premium. Key risks include weaker-than-expected volumes recovery and higher-than-expected opex.

Analysts

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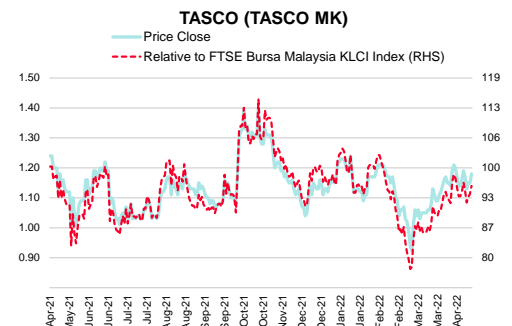


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.7	6.3	0.9	(7.8)	(4.8)
Relative	(0.2)	6.4	(4.2)	(9.7)	(4.1)
52-wk Price low/high (MYR)	0.93 – 1.40				



Source: Bloomberg

Forecasts and Valuation	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
Total turnover (MYRm)	947	1,481	1,583	1,693	1,802
Recurring net profit (MYRm)	41	77	84	90	99
Recurring net profit growth (%)	400.9	87.4	8.4	7.2	10.4
Recurring P/E (x)	22.87	12.21	11.26	10.50	9.52
P/B (x)	2.0	1.8	1.6	1.5	1.3
P/CF (x)	11.28	7.46	6.40	6.07	5.66
Dividend Yield (%)	0.4	1.9	2.7	2.9	2.9
EV/EBITDA (x)	10.54	8.23	6.70	6.01	5.42
Return on average equity (%)	8.1	12.3	15.3	14.8	14.7
Net debt to equity (%)	28.8	28.1	25.7	18.0	9.9

Source: Company data, RHB

Overall ESG Score: 3.10 (out of 4)

E: GOOD

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

S: GOOD

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

G: EXCELLENT

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

Note:

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

Financial Exhibits

Asia	Financial summary (MYR)	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
Malaysia	Recurring EPS	0.05	0.10	0.10	0.11	0.12
Transport	DPS	0.01	0.02	0.03	0.03	0.03
TASCO	BVPS	0.59	0.65	0.72	0.80	0.89
TASCO MK	Return on average equity (%)	8.1	12.3	15.3	14.8	14.7
Buy						
	Valuation metrics	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
	Recurring P/E (x)	22.87	12.21	11.26	10.50	9.52
	P/B (x)	2.0	1.8	1.6	1.5	1.3
	FCF Yield (%)	4.5	8.4	7.2	8.0	9.2
	Dividend Yield (%)	0.4	1.9	2.7	2.9	2.9
	EV/EBITDA (x)	10.54	8.23	6.70	6.01	5.42
	EV/EBIT (x)	16.46	12.12	10.40	9.09	8.04
	Income statement (MYRm)	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
	Total turnover	947	1,481	1,583	1,693	1,802
	Gross profit	151	204	269	288	306
	EBITDA	110	141	173	187	199
	Depreciation and amortisation	(40)	(45)	(62)	(63)	(65)
	Operating profit	70	95	112	124	134
	Net interest	(14)	(13)	(17)	(22)	(22)
	Pre-tax profit	56	83	95	102	112
	Taxation	(17)	(20)	(9)	(9)	(10)
	Reported net profit	37	61	84	90	99
	Recurring net profit	41	77	84	90	99
	Cash flow (MYRm)	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
	Cash flow from operations	84	127	148	156	167
	Capex	(41)	(47)	(80)	(80)	(80)
	Cash flow from investing activities	(40)	(49)	(79)	(79)	(79)
	Dividends paid	(8)	(19)	(25)	(27)	(27)
	Cash flow from financing activities	(111)	(76)	195	(49)	(49)
	Cash at beginning of period	113	78	87	322	360
	Net change in cash	(67)	1	263	27	38
	Ending balance cash	44	79	350	349	399
	Balance sheet (MYRm)	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
	Total cash and equivalents	116	87	322	360	410
	Tangible fixed assets	515	518	554	571	586
	Total investments	8	19	19	19	19
	Total assets	961	1,373	1,336	1,408	1,489
	Short-term debt	39	87	87	87	87
	Total long-term debt	232	165	401	401	401
	Total liabilities	424	788	690	696	702
	Total equity	537	585	646	712	787
	Total liabilities & equity	961	1,373	1,336	1,408	1,489
	Key metrics	Mar-21	Mar-22	Mar-23F	Mar-24F	Mar-25F
	Revenue growth (%)	26.6	56.5	6.8	7.0	6.4
	Recurrent EPS growth (%)	400.9	87.4	8.4	7.2	10.4
	Gross margin (%)	16.0	13.8	17.0	17.0	17.0
	Operating EBITDA margin (%)	11.6	9.5	11.0	11.1	11.1
	Net profit margin (%)	3.9	4.1	5.3	5.3	5.5
	Dividend payout ratio (%)	10.9	29.7	30.0	30.0	27.2
	Capex/sales (%)	4.3	3.2	5.1	4.7	4.4
	Interest cover (x)	4.89	7.24	6.71	5.64	6.11

Source: Company data, RHB

Figure 1: TASCO's results snapshot

FYE Dec (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)	Comments
Revenue	295.9	455.1	420.8	(7.5)	42.2	946.6	1,481.4	56.5	YoY growth mainly driven by the international business segment.
EBITDA	37.6	57.2	33.3	(41.9)	(11.4)	114.3	163.7	43.2	
<i>EBITDA margin (%)</i>	12.7	12.6	7.9			12.1	11.1		
Depreciation	(11.0)	(26.0)	0.0	(100.0)	(100.0)	(39.5)	(47.6)	20.6	
EBIT	26.5	31.2	33.3	6.4	25.5	74.8	116.1	55.2	
<i>EBIT margin (%)</i>	9.0	6.9	7.9			7.9	7.8		
Interest expense	(3.4)	(3.2)	(3.2)	(0.9)	(5.8)	(14.4)	(13.2)	(8.3)	
Associates	0.1	0.4	0.3	(13.1)	374.6	0.3	1.2	301.0	
EI	0.0	(15.9)	0.0	nm	nm	0.0	(15.9)	nm	EI: Write-off from the Shah Alam Logistics Centre warehouse demolition and from damaged property, plant, and equipment due to the recent flood incident.
Pre-tax profit	23.2	12.5	30.4	143.7	31.1	60.7	88.1	45.2	
<i>Pre-tax margin (%)</i>	7.8	2.7	7.2			6.4	6.0		
Tax	(6.5)	(2.8)	(4.7)	64.3	(27.8)	(17.0)	(20.4)	20.0	
<i>Effective tax rate (%)</i>	28.0	22.8	15.4			28.0	23.2		
Minority interest	(0.3)	(0.8)	(0.7)	(11.4)	105.7	(2.4)	(2.5)	3.2	
PATAMI	16.3	8.8	25.0	183.5	52.9	41.3	65.3	58.1	
Core PATAMI	16.3	20.9	25.0	19.5	52.9	41.3	77.4	87.4	Above expectations.
<i>Core net margin (%)</i>	5.5	4.6	5.0			4.4	5.2		

Source: Company data

Figure 2: Segmental breakdown

FYE Mar (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)	Comments
Revenue									
Air freight	98.0	184.8	149.8	(18.9)	52.9	288.6	512.7	77.6	YoY increase as container shortages and port congestions led to customers switching from sea to air modes.
Ocean freight	41.6	109.6	107.5	(1.9)	158.5	117.8	319.7	171.5	YoY increase due to higher sea freight rates and elevated throughput volumes.
Contract logistics	103.1	105.5	104.6	(0.9)	1.4	342.5	428.6	25.1	YoY increase due to newly secured customers coupled with higher volumes from existing customers.
Cold chain	31.9	33.3	35.3	6.0	10.7	126.0	135.8	7.8	
Trucking	21.3	21.9	23.5	7.5	10.4	71.8	84.6	17.9	
Total	295.9	455.1	420.8			946.6	1,481.4		
Segmental profit									
Air freight	8.3	15.0	16.7	11.2	100.0	22.6	47.6	110.7	
Ocean freight	1.9	5.2	5.3	0.8	173.2	3.0	14.6	381.3	Margins improved due to more long-haul shipments.
Contract logistics	10.2	11.9	7.1	(40.6)	(30.5)	34.4	43.3	25.7	
Cold chain	2.4	2.4	1.9	(19.6)	(18.3)	9.9	8.6	(13.7)	YoY lower due to increased non-operating expenses, namely a reduction in unrealised FX gain.
Trucking	(0.1)	0.7	0.4	(37.7)	(587.9)	(2.0)	0.6	(130.4)	
Others (Support)	0.4	(22.8)	(1.0)	(95.5)	(338.2)	(7.2)	(26.5)	266.2	
Total	23.2	12.5	30.4			60.7	88.1		

Source: Company data

Recommendation Chart

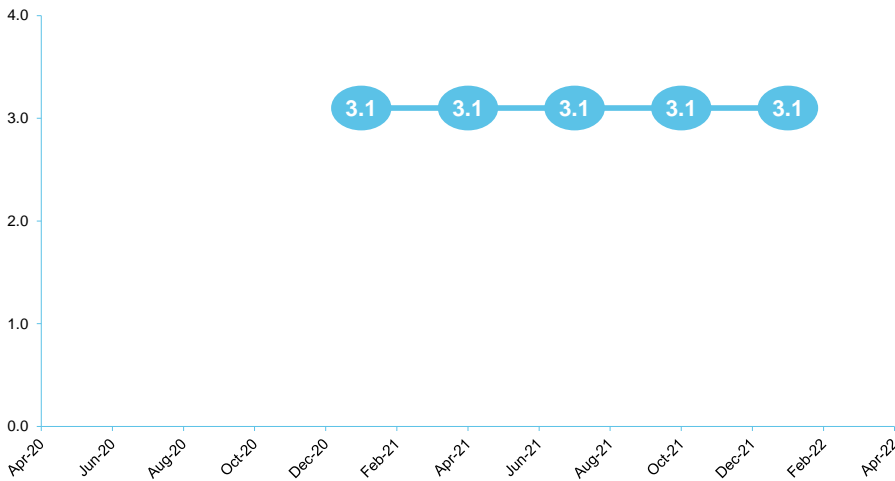


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-04-13	Buy	1.90	1.21
2022-01-28	Buy	2.14	1.17
2021-10-28	Buy	1.94	1.28
2021-10-10	Buy	1.79	1.30
2021-04-30	Buy	1.75	1.20
2021-04-27	Buy	1.65	1.26
2021-04-02	Buy	1.45	1.13
2021-01-29	Buy	1.25	1.03
2021-01-18	Buy	1.19	0.91
2020-09-11	Not Rated	na	0.38
2019-09-24	Drop Coverage	na	0.27
2019-08-23	Neutral	0.31	0.29
2019-05-30	Buy	0.50	0.33

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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