

RHB Research sees Tasco on track for record-breaking year

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KUALA LUMPUR (April 13): RHB Research expects Tasco Bhd to book a robust year-on-year (y-o-y) growth in the upcoming results for the fourth quarter ended March 31, 2022 (4QFY22) on strong performances underpinned by buoyant volume throughputs and favourable freight rates.

Its analysts Lee Meng Horng and Raja Nur Aqilah Raja Ali said in a note on Wednesday (April 13) that they expect Tasco to continue its strong growth momentum and end FY22 with record earnings.

Underlying operations would be buoyed by the strength of its contract logistics solutions, as well as the robust growth for ocean and airfreight forwarding, on elevated freight rates, they said.

Besides, they said tax savings from its integrated logistics services scheme are also expected to kick in from this quarter onwards.

Tasco's results are slated to be released on April 28.

Meanwhile, with the impending broader economic reopening, both analysts expect stable growth in volume throughputs to be a boon to an integrated logistics solutions provider like Tasco.

Citing the **Department** of Statistics Malaysia, the analysts said the export and import volume indices continued to see uptrends in January (+7% and +18% y-o-y respectively) and February

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(+0.3% and +10.1% y-o-y).

This would be further complemented by the projected 5.3% to 6.3% gross domestic product growth for 2022, driven in part by gross exports that are projected to grow by 10.9%, they added.

They also said the tightness in air and ocean freight markets is expected to persist in view of port congestions, which points to a positive outlook for Tasco's freight forwarding segment as freight rates remain elevated and are further supported by demand from a diverse clientele base across various economic sectors, namely its sizeable exposure to the electrical and electronics segment and new business wins.

They think Tasco's ease of access to in-demand cargo spaces — in the face of supply chain disruption — to meet customers' urgent shipping needs and backing

from NYK Line's logistics network put it on a path towards steady volume growth.

The duo continue to like the firm for its undemanding valuation and positive earnings momentum despite Covid-19-related challenges.

This is alongside multiple growth avenues driven by capacity expansion, tax incentives and forays into new markets, such as food retail, healthcare and e-commerce, they said.

However, they left their earnings estimates unchanged, maintaining their conservative stance.

The analysts maintained "buy" on Tasco but revised down their target price (TP) to RM1.90 from RM2.14.

The TP is now pegged at 19 times target price-to-earnings (P/E) from 22 times FY23 forecast earnings per share after taking into account the rising yield environment and higher risk premiums related to external events, they said.

At 11.6 times forward P/E, they said the stock trades at an undemanding multiple to its historical mean and regional third-party logistics peers.

At the time of writing on Wednesday, Tasco had risen two sen or 1.68% to RM1.21, valuing the group at RM952 million.

Over the past one year, the counter has risen 5.22%.