

Tasco (5140)

Charting The Course To Recovery



Stock Highlights

Elevated freight rates. In 2024, air freight and sea freight rates, as measured by the Drewry Air Freight Index and the WCI Composite Container Index, have surged by 15% and 107%, respectively. These increases are attributed to widespread disruptions in global freight routes due to ongoing tensions in the Red Sea and political unrest in the Middle East and Ukraine. We expect rising cargo demand for high-tech semiconductors, coupled with geopolitical factors such as U.S. protectionist policies that may drive businesses to accelerate imports ahead of potential new tariffs, to sustain the elevated freight charges in the near term.

A better 2HFY25? Tasco's 1HFY25 earnings were relatively weak as it was impacted by one-off expenses for the demolition of an office block and forex losses from the stronger Ringgit. Notwithstanding that, we expect 2HFY25 earnings to improve for Tasco, driven by several factors. These include the continued upward trend in freight rates, the stronger USD following Trump's presidential win (44% of revenue is from the international division), and stronger seasonal demand. Additionally, we anticipate better contributions going forward from Tasco's newly built logistics facilities in Shah Alam and West Port, along with a lower corporate tax rate thanks to various government tax incentives (MIDA's ILP and Smart Logistic Complex)

Negatives largely priced in. The stock saw strong performance in the first half of 2024, driven by expectations of an earnings uplift from higher freight rates, but this did not materialise. Following a sharp 36% correction from its peak, we believe the negatives are largely priced in. At 9.6x FY25 consensus EPS, the stock trades at a -1 s.d. discount to its 5-year mean PE, presenting a compelling re-rating opportunity should earnings delivery improve in the coming quarters.

Potential trend reversal. Tasco's stock had been consolidating over the past few months. Recently, a recovery was observed, driven by increased buying momentum. This momentum has propelled the stock closer to a potential triangle pattern breakout. If the breakout is accompanied by sustained trading activity, the stock could target its first resistance at RM0.80 and its next resistance at RM0.86. Conversely, if the stock falls below RM0.73, a period of consolidation could follow. Stop loss: RM0.70.

Technical

Resistance 1 (RM)	0.80
Resistance 2 (RM)	0.86
Support 1 (RM)	0.73
Support 2 (RM)	0.70
MACD	Neutral
RSI	Neutral

Stock Information

Last Close (RM)	0.750
Market cap (RM m)	592.0
52-week Range (RM)	0.70-1.01

Financial Highlights

FYE Mar	FY22	FY23	FY24	6MFY25
Revenue (RM m)	1,481.4	1,606.8	1,072.7	545.6
Core PAT (RM m)	65.3	90.8	61.7	16.7
Core EPS (sen)	8.2	11.4	7.7	2.1
DPS (sen)	2.5	3.5	2.4	-
BV/share (RM)	0.73	0.83	0.87	0.87
P/E (x)	9.1	6.6	9.7	12.8
P/B (x)	1.0	0.9	0.9	0.9

Source: Bloomberg, Mercury Securities

Company Profile

Tasco Berhad is a logistic company that offers supply, warehousing, and haulage services. Besides, Tasco also provides land transportation services.

Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none">- current high less the current low;- the absolute value of the current high less the previous close;- the absolute value of the current low less the previous close;
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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