

TA Securities noted, however, that both platforms are for internal deployment and do not yet have commercial or pricing models.

Earnings hit by customer staff optimisation

Evocom's revenue declined 12.4% year on year to RM183.4 million in FY2025, from RM209.4 million, following staff optimisation by its key customer, which reduced the number of workers deployed under the flexible staffing segment.

As a result, core profit fell 12.7% to RM5.2 million, from RM6 million.

TA Securities expects earnings to remain broadly flat in FY2026, with core profit forecast at RM5.5 million, before rising to RM5.9 million in FY2027 and RM6.2 million in FY2028.

Revenue is projected to increase from a forecast RM194.4 million in FY2026 to RM206.1 million in FY2027 and RM218.4 million in FY2028. Core net profit is forecast at RM5.5 million, RM5.9 million and RM6.2 million respectively.

The earnings recovery is premised on the ramp-up of hub management contracts with Lazada, a recovery in transshipment volumes to Australia, the Middle East and the US, and progress in diversifying into account management services.

The broader industry backdrop remains relatively steady. According to industry research cited by TA Securities, Malaysia's e-commerce logistics support services industry is projected to grow from RM1.4 billion in 2024 to RM1.7 billion in 2028, representing a 3.7% compound annual growth rate.

Despite its expansion plans, the clearest risk for Evocom is customer concentration, particularly in its flexible staffing business. Other risks highlighted by TA Securities include the labour-intensive nature of the business, difficulty in expanding its service offerings and customer base, and seasonal fluctuations in demand.

The research house also highlighted execution risks as Evocom seeks to expand its hub network beyond Wangsa Maju and Rawang, and secure new transshipment partnerships with China-based e-commerce delivery contractors.

At the IPO price of 18 sen, Evocom is valued at 15.7 times FY2025 core earnings. TA Securities values the company at 14 times its forecast FY2027 core earnings and arrives at a fair value of 18 sen a share.

The valuation is based on GDEX Bhd (KL:GDEX) as the closest listed proxy, although TA Securities applies a substantial discount to GDEX's CY2027 forward price-earnings ratio of 28 times, citing Evocom's smaller scale, lower market share and single-customer concentration.

Following the IPO and utilisation of proceeds, Evocom's pro forma net cash position is expected to rise to RM39 million, from RM21 million. The company has no formal dividend policy.

Its listing, scheduled for Sept 28, will give investors exposure to a smaller e-commerce logistics player seeking to move beyond its traditional workforce solutions business into transshipment, technology and a broader logistics network.

Investor demand has been relatively modest, with the public portion of the IPO reportedly oversubscribed by 3.6 times.

NewParadigm Securities Sdn Bhd is the IPO's principal adviser, sponsor, sole underwriter and sole placement agent.

Demystifying a consumption tax such as GST: On regressivity and other issues

The debate on having a consumption tax, such as a goods and services tax (GST) or value-added tax (VAT), is likely to resurface as Malaysia approaches the national budget announcement season. Conventionally, GST or VAT is characterised as regressive, implying that lower-income households bear a disproportionately greater tax burden than higher-income households. However, this characterisation is often presented as an inherent feature of consumption-based taxation rather than examined against the empirical evidence which, depending on the measurement approach, finds most VAT systems broadly proportional or slightly progressive.

Existing research on consumption tax regressivity

Alastair Thomas, in a 2022 study titled "Reassessing the regressivity of the VAT", examined the distributional incidence of VAT across 27 Organisation for Economic Co-operation and Development (OECD) countries. The findings demonstrate that VAT generally appears regressive when measured relative to current household income. However, when measured against household expenditure, VAT is proportional or slightly progressive in most of the countries examined. This is because higher-income households save a larger share of their income, so a uniform tax rate absorbs a smaller share of their income, although not of their spending.

Furthermore, many countries operating VAT or GST systems exempt or zero-rate essential goods and services, such as selected food products, healthcare and education. As lower-income households spend a greater proportion of their income on these necessities, such measures can reduce their effective GST burden relative to higher-income households, thereby mitigating the regressivity of consumption-based taxation.

A similar conclusion was reached by the OECD in its 2014 study, "The Distributional Effects of Consumption Taxes in OECD Countries", which examined consumption-based taxation across 20 OECD countries. Its expenditure-based analysis found that VAT systems were generally proportional or slightly progressive, partly reflecting the distributional effects of reduced rates and exemptions. Pierre Bachas and others in their 2024 study, "Informality, Consumption Taxes, and Redistribution" present a more intuitive explanation relevant to Malaysia's economic structure, where lower-income households spend more from small, informal retailers, compared to higher-income households, reducing the impact of GST or VAT on lower-income households.

Understanding the income, expenditure and lifetime consumption approaches to assessing GST

Consider three hypothetical Malaysian households facing a uniform GST rate of 6%, assuming that all expenditure is taxable and the tax is fully passed on to consumers.

Under this illustration, the lower-income household pays RM1,620 in GST, equivalent to 5.4% of its annual income. The corresponding burden declines to 4.2% for the middle-income household and 3.0% for the higher-income household. Measured

Comparison of GST measurement approaches across different income levels

HOUSEHOLD CHARACTERISTICS	LOWER-INCOME	MIDDLE-INCOME	HIGHER-INCOME
Annual income	30,000	90,000	150,000
Annual expenditure	27,000	63,000	75,000
Expenditure/income	90%	70%	50%
Savings/income	10%	30%	50%
GST paid at 6%	1,620	3,780	4,500
GST/income	5.4%	4.2%	3.0%
GST/expenditure	6.0%	6.0%	6.0%



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against current income, GST therefore appears regressive, aligning with the common narrative.

However, when measured relative to household expenditure, all three households face an identical effective GST rate of 6%. Under this alternative measurement, the tax is proportional rather than regressive. Primarily assessing GST through household expenditure may be a more appropriate basis for measuring the effective tax rate on consumption, as it relates the tax burden directly to the expenditure on which the tax is imposed.

Viewed through the lens of lifetime consumption, GST also has an intertemporal dimension because savings may represent taxable consumption deferred rather than permanently exempted. When high-income, high-savings households eventually spend these funds, GST applies to the resulting taxable expenditure. Moreover, a household's savings rate is more likely to decline over one's lifetime rather than remain consistently high.

Distinguishing among these three lenses challenges the view that GST is inherently regressive, and allows welfare concerns to be addressed through targeted measures rather than conflated with tax design.

Maintaining progressive elements in Malaysia's tax system while broadening its tax base

Malaysia's progressive personal income tax serves an important redistributive function but has limits in its ability to finance public expenditure. A proportional consumption tax such as GST can play a complementary role by capturing taxable spending across a broader range of households and transactions. This matters, given Malaysia's low revenue collection: the International Monetary Fund's (IMF) 2026 Article IV Consultation estimated tax revenue at 12.4% of gross domestic product (GDP) in 2025 and identified potential additional revenue of as much as 3% of GDP through appropriate reforms. MARC Ratings estimates that revisiting GST at a lower rate than the previous 6% could still raise at least 1%-2% of GDP in additional net revenue, which is significant given Malaysia's legislated medium-term fiscal deficit target of 3% of GDP or lower.

Malaysia's 2024 Article IV Consultation with the IMF similarly notes that the distributional implications of consumption-based taxation can be addressed

through progressive income taxation and targeted fiscal transfers, which additional GST revenue can help finance. The IMF also highlighted the potential for GST to broaden the tax base and improve compliance relative to the sales and service tax (SST).

Although expanding SST can raise additional revenue, its base remains narrower than that of GST, which applies more broadly across transactions. More importantly, GST encourages businesses to document transactions in order to claim credits for tax paid on inputs, thereby improving compliance while reducing the cascading of taxes on intermediate inputs. Admittedly, this requires more record-keeping and timely processing of refunds, without which businesses bear cash-flow costs, as seen in the refund backlog under Malaysia's previous GST. However, SST is not necessarily simpler, as varying categories, thresholds, exemptions and rates fragment the system, increasingly so as sector-specific exemptions accumulate. Moreover, unlike when GST was first introduced, advances in artificial intelligence can now help both businesses and the government, by reducing compliance costs for the former and speeding up refund processing for the latter.

Preserving household welfare

The welfare implications of consumption-based taxation, however, constitute a separate consideration from the assessment of its regressivity. While a proportional GST could impose financial constraints on lower-income households (particularly if exemptions are poorly designed), this calls for a distinct set of policy responses rather than a broad-brush rejection of GST. Malaysia has not neglected redistribution, with extensive cash transfers such as Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (Sara), alongside substantial fuel and other subsidies, so the more pressing task is to strengthen the revenue base that sustains them.

Ultimately, it is not necessary to make every component of the tax system progressive, but rather to achieve a balanced tax system with low compliance costs, containing both progressive and proportional elements. The strategic considerations are the breadth and sustainability of the tax base, whether the combined effect of taxes and transfers remains progressive and the effectiveness of public expenditure in advancing household welfare and economic development, which can foster a virtuous cycle in which greater prosperity generates higher tax revenues.

Dr Ray Choy is chief economist at MARC Ratings. His views in this article may not necessarily represent the views of the company.



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