Tan Chong Motor Holdings Berhad

(4405 | TCM MK) Main | Consumer Products & Services

3 Stars

SHARIAH Compliant

Corporate Update

Upgrade to **NEUTRAL** (from SELL)

Unchanged Target Price **RM0.36**

4QFY24 Results Review Disappointing Quarter

Upgrade to NEUTRAL. We view Tan Chong Motor Holdings Berhad's (Tan Chong) operating landscape as challenging and anticipate continued losses over our forecast period. 4QFY24 results fell short of expectations. Our target price remains unchanged at **RM0.36**, based on an FY25F PBVS of 0.1x. However, with the share price down -19% year-to-date, we revise our call to **NEUTRAL** from SELL.

Below expectations. Tan Chong posted a core net loss of -RM57.6m in 4QFY24, bringing total core losses for FY24 to -RM206.3m. This fell short of expectations, surpassing our/consensus full-year forecasts by +9%/+15%, respectively, due to weaker margins despite revenue being in line.

Tough competition, cautious consumers. The automotive's segment revenue in 4QFY24 declined by -15.0%yoy, driven by subdued consumer sentiment and intense competition in both local and overseas markets. However, LBT narrowed by +17.7%yoy, supported by lower operating expenses and a stronger Ringgit. Overall, LATAMI widened by -23.4%yoy due to higher tax expenses.

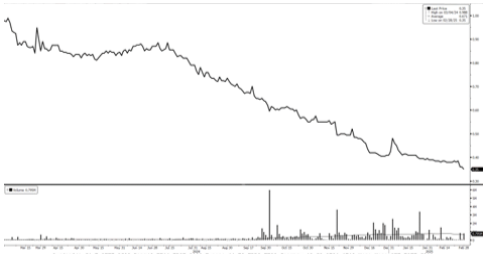
Nissan Kicks e-POWER deliveries likely from Jan-25. Compared to 3QFY24, the automotive segment's revenue rose by +12.2%qoq, likely driven by year-end sales. The Group launched the Nissan Kicks e-POWER, a B-segment SUV, in the local market in Dec-24, though deliveries likely began in Jan-25. On a quarter-on-quarter basis, Tan Chong's PBT increased by +49.8%qoq, and LATAMI improved by +36.8%qoq, driven by higher revenue, along with a stronger Ringgit.

Nissan expands with Serena export to Thailand. The introduction of additional NISSAN e-POWER models in the near future will depend on how well the market accepts and adopts the new e-POWER technology. The Group is looking to expand its footprint with the Nissan Serena (MPV) export to Thailand, marking its first venture into an overseas market in partnership with Nissan Motor Co. Ltd. In Vietnam, the newly launched GAC M8, GS8, and M6 Pro have received an encouraging market response. Meanwhile, the locally assembled TQ-Wuling pickup and Euro 5 King Long buses are reportedly gaining sales momentum.

Earnings estimates remain unchanged. We are maintaining our estimates for now, pending management's guidance at the upcoming briefing this week. A key upside would be a stronger-than-expected sales volume from its new launches.

RETURN STATISTICS	
Price @ 28th February 2025 (RM)	0.35
Expected share price return (%)	+2.9
Expected dividend yield (%)	+2.9
Expected total return (%)	+5.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-11.4	-12.4
3 months	-14.6	-28.4
12 months	-64.6	-65.2

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	2,082.7	2,248.7	2,385.7
EBIT	-157.6	-80.4	-53.1
PBT	-214.3	-123.0	-98.8
Core PATAMI	-206.3	-130.7	-105.0
EPS (sen)	-31.7	-20.1	-16.1
DPS (sen)	1.0	1.0	1.0
Dividend yield (%)	2.9%	2.9%	2.9%

KEY STATISTICS	
FBM KLCI	1,574.70
Issued shares (m)	651.81
Estimated free float (%)	19.56
Market Capitalisation (RM'm)	228.07
52-wk price range	RM0.34 - RM1
3-mth average daily volume (m)	0.67
3-mth average daily value (RM'm)	0.29
Top Shareholders (%)	
Tan Chong Consolidated Sdn Bhd	47.47
Daiwa Securities Group Inc	5.73
Nissan Motor Co Ltd	5.73

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TAN CHONG: 4QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Revenue	511.2	462.7	643.8	10.5%	-20.6%	2,082.7	2,532.7	-17.8%
Operating profit	-35.4	-89.3	-52.2	60.4%	32.2%	-157.6	-78.1	-101.8%
Net interest expense	-15.6	-14.1	-11.4	-10.3%	-36.7%	-54.6	-42.5	-28.5%
Associates	-1.1	-0.3	0.3	-217.8%	-472.3%	-2.0	-0.5	-279.6%
PBT	-52.1	-103.8	-63.3	49.8%	17.7%	-214.3	-121.1	-76.9%
Tax expense	-16.9	14.6	9.0	-215.8%	-287.7%	-6.5	-12.7	48.6%
PATAMI	-68.1	-90.3	-54.8	24.6%	-24.1%	-214.2	-128.7	-66.4%
Core PATAMI	-57.6	-91.1	-46.6	36.8%	-23.4%	-206.3	-136.4	-51.3%
				ppts	**ppts**			**ppts**
OP margin (%)	-6.9%	-19.3%	-8.1%	12.4	1.2	-7.6%	-3.1%	-448.5%
PBT margin (%)	-10.2%	-22.4%	-9.8%	12.2	-0.4	-10.3%	-4.8%	-550.6%
Core PATAMI margin (%)	-11.3%	-19.7%	-7.2%	8.4	-4.0	-9.9%	-5.4%	-452.1%
Effective tax rate (%)	32.5%	-14.1%	-14.3%	46.6	46.8	3.0%	10.5%	-744.4%

SEGMENTAL BREAKDOWN

FYE Dec	Quarterly					Cumulatively		
Revenue (RM'm)	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Automotive	492.5	438.9	579.1	12.2%	-15.0%	1,990.9	2,365.6	-15.8%
Financial services	17.8	17.5	17.1	1.5%	4.0%	70.7	66.4	6.5%
Others	1.0	6.3	47.7	-84.1%	-97.9%	21.1	100.7	-79.1%
	511.2	462.7	643.8	10.5%	-20.6%	2,082.7	2,532.7	-17.8%
EBITDA (RM'm)	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Automotive	-20.7	-7.5	-5.8	-174.5%	-254.1%	-22.5	35.4	-163.5%
Financial services	-5.7	4.4	1.5	-231.5%	-478.4%	5.5	15.8	-65.4%
Others	30.7	-49.5	-6.9	162.0%	543.7%	10.0	35.5	-71.9%
	4.3	-52.7	-11.3	108.1%	138.0%	-7.0	86.7	
EBITDA Margin	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Automotive	-4.2%	-1.7%	-1.0%	-2.5	-3.2	-1.1%	1.5%	-2.6
Financial services	-32.2%	24.9%	8.9%	-57.1	-41.1	7.7%	23.8%	-16.1

GEOGRAPHICAL BREAKDOWN

FYE Dec	Quarterly					Cumulatively		
Revenue (RM'm)	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Malaysia	459.9	429.2	606.7	7.2%	-24.2%	1,943.1	2,288.3	-15.1%
Vietnam	21.2	7.6	7.9	177.8%	168.8%	37.8	151.8	-75.1%
Others	30.1	25.8	29.3	16.4%	2.8%	101.7	92.6	9.8%
	511.2	462.7	643.8	10.5%	-20.6%	2,082.7	2,532.7	-17.8%
EBITDA (RM'm)	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Malaysia	10.2	-45.1	-5.0	122.7%	306.5%	34.7	130.5	-73.4%
Vietnam	-12.7	-4.5	-7.2	-183.0%	-76.3%	-42.1	-39.6	-6.3%
Others	6.7	-3.2	0.9	312.1%	654.0%	0.3	-4.3	108.1%
	4.3	-52.7	-11.3	108.1%	138.0%	-7.0	86.7	-108.1%
EBITDA Margin (%)	**3QFY24**	**3QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Malaysia	2.2%	-10.5%	-0.8%	12.7	3.0	1.8%	5.7%	-3.9
Vietnam	-59.8%	-58.7%	-91.1%	-1.1	31.3	-111.2%	-26.1%	-85.1

Source: Tan Chong, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	3,052.2	2,532.7	2,082.7	2,248.7	2,385.7
EBIT	26.3	-78.1	-157.6	-80.4	-53.1
PBT	-14.2	-121.1	-214.3	-123.0	-98.8
PATAMI	-51.1	-128.7	-214.2	-130.7	-105.0
Core PATAMI	-60.6	-136.4	-206.3	-130.7	-105.0
EPS (sen)	-9.3	-20.9	-31.7	-20.1	-16.1
DPS (sen)	3.0	1.0	1.0	1.0	1.0
Dividend yield (%)	8.6%	2.9%	2.9%	2.9%	2.9%
Balance Sheet (RM'm)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
PPE	2,414.5	2,371.2	2,317.1	2,162.3	2,066.9
Associate investments	70.5	66.5	54.9	69.0	68.5
Non-current assets	**3,189.4**	**3,211.9**	**3,130.4**	**2,992.4**	**2,896.4**
Inventories	748.4	822.1	842.1	742.1	787.3
Receivables	295.5	379.4	403.9	337.3	357.9
Cash & equivalent	558.2	511.6	372.0	797.9	710.7
Current assets	**1,849.0**	**1,902.5**	**1,960.1**	**2,033.4**	**2,016.6**
Share capital	336.0	336.0	336.0	336.0	336.0
Reserves	2,513.7	2,430.4	2,201.6	2,060.1	1,944.3
Total equity	**2,849.7**	**2,741.8**	**2,515.7**	**2,396.1**	**2,280.3**
LT borrowings	300.0	450.0	309.8	420.0	405.0
Non-current liabilities	**742.8**	**903.5**	**764.5**	**869.3**	**854.3**
ST borrowings	974.0	1,092.6	1,406.4	1,406.4	1,406.4
Payables	415.1	319.2	313.8	296.7	314.8
Current liabilities	**1,445.9**	**1,469.0**	**1,810.3**	**1,760.4**	**1,778.5**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	-14.2	-121.1	-214.3	-123.0	-98.8
D&A	148.4	143.5	139.0	131.3	125.4
Changes in WC	-8.0	-141.4	38.5	-358.5	-52.2
Operating cash flow	**102.4**	**-131.9**	**30.3**	**-362.5**	**-35.4**
Capex	-59.8	-112.3	-152.9	-30.0	-30.0
Investing cash flow	**-30.2**	**-186.3**	**-314.9**	**-30.0**	**-30.0**
Dividends paid	-19.6	-6.5	-6.5	-6.7	-6.7
Debt raised/(repaid)	224.0	265.7	172.5	110.2	-15.0
Financing cash flow	**-35.1**	**266.4**	**154.5**	**292.1**	**-21.7**
Net cash flow	**37.0**	**-51.7**	**-130.1**	**-100.5**	**-87.1**
Beginning cash flow	**514.5**	**558.2**	**511.6**	**372.0**	**271.6**
Ending cash flow	**558.2**	**511.6**	**372.0**	**271.6**	**184.4**
Profitability Ratios (%)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
EBIT margin	0.9%	-3.1%	-7.6%	-3.6%	-2.2%
PBT margin	-0.5%	-4.8%	-10.3%	-5.5%	-4.1%
PATAMI margin	-1.7%	-5.1%	-10.3%	-5.8%	-4.4%
Core PATAMI margin	-<100%	174.6%	130.9%	162.6%	197.8%
ROA	-1.1%	-2.3%	-3.9%	-2.6%	-2.1%
ROE	-2.1%	-4.5%	-7.3%	-4.7%	-3.7%
Growth (%)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
Revenue growth	20.3%	-17.0%	-17.8%	8.0%	6.1%
PBT growth	-<100%	-<100%	-76.9%	42.6%	19.7%
PATAMI growth	-<100%	-<100%	-66.4%	39.0%	19.7%
Core PATAMI growth	-<100%	-<100%	-51.3%	36.6%	19.7%

Source: Tan Chong, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology