Tan Chong Motor Holdings Berhad

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

ESG 3 Stars

SHARIAH Compliant

Corporate Update

Maintain **NEUTRAL**

Revised Target Price **RM0.34** (from RM0.36)

Briefing Note
Hopeful Yet Watchful

Maintain NEUTRAL. Following Tan Chong Motor Holdings Berhad's 4QFY24 results briefing, we remain cautiously hopeful about the outlook but still anticipate challenges, with a profit turnaround remaining out of sight for now. We expect lower vehicle sales, with FY24 core LATAMI underperforming expectations. Our target price has been revised down to **RM0.34** (from RM0.36), applying an FY26F PBVS of 0.1x as we shift our valuation base year forward.

Eyeing broader markets with Serena export. Tan Chong exported the locally assembled Nissan Serena S-Hybrid to Thailand for the first time in Dec-24. While volume details were not disclosed, exports were reported to be in line with expectations. Management also indicated ongoing discussions with the principal about expanding into new markets and models. The order volume for the newly launched Nissan Kicks e-POWER (B-segment SUV) in Dec-24 was also not disclosed, though it was highlighted that customer response has been positive, and there are no plans to convert it to CKD at this stage.

GAC to fill the gap in Vietnam. To fill the gap left behind by the MG distributorship's termination in mid-CY23, the focus will shift to expanding the GAC Motor brand, with 3 models launched in 2HCY24. While these models will contribute for the full year ahead, we expect a gradual recovery with minimal near-term impact, as brand-building efforts may take time. Revenue for this market jumped 2.6x year-on-year in 4QFY24, though LBITDA widened by 1.8x, driven by promotional efforts for the GAC brand.

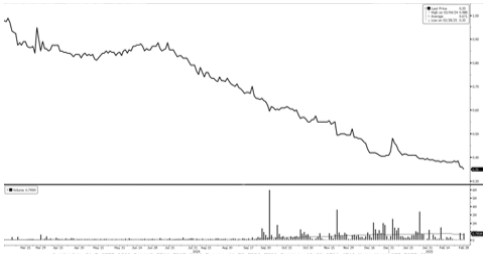
Several new model launches expected this year. New model launches are planned for both the local and Vietnamese markets. For Nissan, the fourth-generation X-Trail, previously showcased at the Kuala Lumpur International Mobility Show (KLIMS), is expected to be the next model to feature the e-POWER hybrid technology. The model has already been launched in Japan, Thailand, and Indonesia.

Exploring CKD to enhance plant efficiency. Tan Chong is in negotiations for the CKD conversion of GAC models, as utilisation at its Danang plant in Vietnam remains below expectations. Meanwhile, in Malaysia, the Segambut plant – one of its two facilities – recently began local production of the GAC GS3 Emzoom and is exploring export opportunities to other countries in the region.

Downward revision of earnings. We have adjusted our FY25F/FY26F loss projections to widen by -15%/-16%, respectively, in line with a downward revision in sales volume by -6%/-5%. A potential upside risk remains in the form of improved consumer sentiment and stronger-than-expected demand for Nissan vehicles.

RETURN STATISTICS	
Price @ 4th March 2025 (RM)	0.32
Expected share price return (%)	+6.3
Expected dividend yield (%)	+3.1
Expected total return (%)	+9.4

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	2,124.7	2,276.0
EBIT	-157.6	-99.1	-69.6
PBT	-214.3	-141.7	-114.4
Core PATAMI	-206.3	-150.6	-121.6
EPS (sen)	-31.7	-23.1	-18.7
DPS (sen)	1.0	1.0	1.0
Dividend yield (%)	3.1%	3.1%	3.1%

KEY STATISTICS	
FBM KLCI	1,555.66
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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SALES PERFORMANCE

Units	Quarterly					Cumulatively		
Malaysia	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Nissan	1,486	1,697	2,548	-12.4%	-41.7%	7,785	10,000	-22.2%
UD Trucks	133	105	112	26.7%	18.8%	444	448	-0.9%
	1,619	1,802	2,660	-10.2%	-39.1%	8,237	10,505	-21.6%
Others	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Vietnam	242	98	48	146.9%	404.2%	485	1,493	-67.5%
Cambodia	39	37	28	5.4%	39.3%	167	108	54.6%
Laos	34	28	73	21.4%	-53.4%	130	215	-39.5%
Myanmar	41	12	24	241.7%	70.8%	82	109	-24.8%

Source: Tan Chong, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
EBIT	3,052.2	2,532.7	2,082.7	2,124.7	2,276.0
PBT	26.3	-78.1	-157.6	-99.1	-69.6
PATAMI	-14.2	-121.1	-214.3	-141.7	-114.4
Core PATAMI	-51.1	-128.7	-214.2	-150.6	-121.6
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 (%)	9.4%	3.1%	3.1%	3.1%	3.1%
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	701.2	751.1
Receivables	295.5	379.4	403.9	318.7	341.4
Cash & equivalent	558.2	511.6	372.0	822.4	712.5
Current assets	**1,849.0**	**1,902.5**	**1,960.1**	**1,994.3**	**1,962.1**
Share capital	336.0	336.0	336.0	336.0	336.0
Reserves	2,513.7	2,430.4	2,201.6	2,006.2	1,873.1
Total equity	**2,849.7**	**2,741.8**	**2,515.7**	**2,342.2**	**2,209.1**
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	280.4	300.3
Current liabilities	**1,445.9**	**1,469.0**	**1,810.3**	**1,775.2**	**1,795.2**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	-14.2	-121.1	-214.3	-141.7	-114.4
D&A	148.4	143.5	139.0	131.3	125.4
Changes in WC	-8.0	-141.4	38.5	-314.4	-57.7
Operating cash flow	**102.4**	**-131.9**	**30.3**	**-339.1**	**-58.2**
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**	**-77.0**	**-109.9**
Beginning cash flow	514.5	558.2	511.6	372.0	295.0
Ending cash flow	**558.2**	**511.6**	**372.0**	**295.0**	**185.1**

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
EBIT margin	0.9%	-3.1%	-7.6%	-4.7%	-3.1%
PBT margin	-0.5%	-4.8%	-10.3%	-6.7%	-5.0%
PATAMI margin	-1.7%	-5.1%	-10.3%	-7.1%	-5.3%
Core PATAMI margin	<-100%	174.6%	130.9%	151.9%	174.6%
ROA	-1.1%	-2.3%	-3.9%	-3.0%	-2.4%
ROE	-2.1%	-4.5%	-7.3%	-5.4%	-4.3%

Growth (%)	2022A	2023A	2024A	2025F	2026F
Revenue growth	20.3%	-17.0%	-17.8%	2.0%	7.1%
PBT growth	-<100%	-<100%	-76.9%	33.9%	19.2%
PATAMI growth	-<100%	-<100%	-66.4%	29.7%	19.2%
Core PATAMI growth	-<100%	-<100%	-51.3%	27.0%	19.2%

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