Tan Chong Motor Holdings Berhad

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

ESG 3 Stars

SHARIAH Compliant

Corporate Update

Maintain **SELL**

Unchanged Target Price **RM0.34**

1QFY25 Results Review
Results Fell Short Again

Maintain SELL. Tan Chong Motor Holdings Berhad's (Tan Chong) 1QFY25 results came in below expectations. While the Group appears to be expanding its product portfolio, we do not expect meaningful volume contributions from the newer marques in the near term, as building brand awareness will likely take time. We expect the Group to stay loss-making over our forecast period. Our target price remains unchanged at **RM0.34**, based on an FY26F PBVS of 0.1x.

Below expectations. Tan Chong reported a core net loss of -RM49.6m in 1QFY25, after excluding a one-off fair value gain of RM54.0m from investment properties. The loss came in below expectations, making up 38% of our and consensus full-year estimates, mainly due to margin weakness despite revenue coming in as expected.

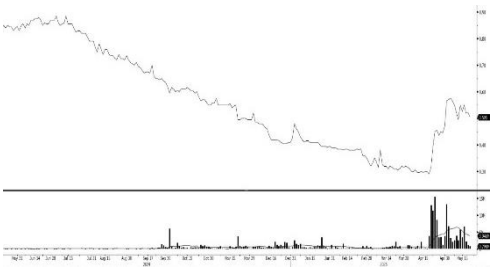
Vietnam sales rose with GAC expansion. The automotive segment revenue declined to RM530.5m (-1.5%yoy) in 1QFY25, driven by stiffer competition in both local and overseas markets. Geographically, revenue contribution from Malaysia declined by -6.3%yoy, in line with a -7.3%yoy drop in Nissan's TIV during the same period. Meanwhile, Vietnam saw an 8.9x increase in revenue contribution, underpinned by the growing presence of the GAC Motor brand. Margin compression led to a 2.6-fold increase in core LATAMI compared to 1QFY24.

New launch boosted Nissan Malaysia sales. As compared to 4QFY24, the automotive segment recorded a +7.7%qoq increase in revenue, largely supported by a +9.0%qoq rise in sales from Malaysia, where Nissan TIV jumped +31.2%qoq – likely boosted by the recent launch of the Nissan Kicks e-POWER in Dec-24. Further supported by lower tax expenses, core LATAMI improved by +13.8%qoq.

Earnings estimates. We are keeping our estimates unchanged for now, while awaiting further guidance from management at the upcoming briefing this week. To note, we have yet to incorporate the expected sales volume from TQ Wuling, which is tentatively scheduled for launch in 4QFY25.

RETURN STATISTICS	
Price @ 23rd May 2025 (RM)	0.46
Expected share price return (%)	-21.7
Expected dividend yield (%)	+2.2
Expected total return (%)	-19.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	60.3	55.6
3 months	60.3	35.1
12 months	-41.3	-38.3

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 (%)	2.2%	2.2%	2.2%

KEY STATISTICS	
FBM KLCI	1,535.38
Issued shares (m)	651.63
Estimated free float (%)	16.82
Market Capitalisation (RM'm)	329.07
52-wk price range	RM0.28 - RM0.9
3-mth average daily volume (m)	2.30
3-mth average daily value (RM'm)	1.01
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: 1QFY25 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Revenue	553.0	511.2	563.7	8.2%	-1.9%	553.0	563.7	-1.9%
Operating profit	-33.6	-35.4	-4.3	5.1%	-676.6%	-33.6	-4.3	-676.6%
Net interest expense	-15.7	-15.6	-11.7	-0.5%	-33.9%	-15.7	-11.7	-33.9%
Associates	-0.2	-1.1	-0.1	83.5%	-47.9%	-0.2	-0.1	-47.9%
PBT	-49.4	-52.1	-16.1	5.1%	-206.2%	-49.4	-16.1	-206.2%
Tax expense	-3.0	-16.9	-3.6	82.2%	15.5%	-3.0	-3.6	15.5%
PATAMI	-49.9	-68.1	-15.7	26.7%	-217.2%	-49.9	-15.7	-217.2%
Core PATAMI	-49.6	-57.6	-19.1	13.8%	-159.9%	-49.6	-19.1	-159.9%
				ppts	**ppts**			**ppts**
OP margin (%)	-6.1%	-6.9%	-0.8%	0.8	-5.3	-6.1%	-0.8%	-5.3
PBT margin (%)	-8.9%	-10.2%	-2.9%	1.2	-6.1	-8.9%	-2.9%	-6.1
Core PATAMI margin (%)	-9.0%	-11.3%	-3.4%	2.3	-5.6	-9.0%	-3.4%	-5.6
Effective tax rate (%)	6.1%	32.5%	22.1%	-26.4	-16.0	6.1%	22.1%	-16.0

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Automotive	530.5	492.5	538.4	7.7%	-1.5%	530.5	538.4	-1.5%
Financial services	18.1	17.8	18.7	1.7%	-3.3%	18.1	18.7	-3.3%
Others	4.4	1.0	6.7	340.1%	-33.9%	4.4	6.7	-33.9%
	553.0	511.2	563.7	8.2%	-1.9%	553.0	563.7	-1.9%
EBITDA	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Automotive	2.9	-20.7	2.5	114.0%	17.6%	56.9	2.5	2205.9%
Financial services	-0.3	-5.7	4.4	94.9%	-106.7%	-0.3	4.4	-106.7%
Others	0.8	30.7	25.3	-97.4%	-96.8%	0.8	25.3	-96.8%
	3.4	4.3	32.1	-20.1%	-89.4%	57.4	32.1	
EBITDA Margin	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Automotive	0.5%	-4.2%	0.5%	4.8	0.1	10.7%	0.5%	10.3
Financial services	-1.6%	-32.2%	23.4%	30.6	-25.0	-1.6%	23.4%	-25.0

GEOGRAPHICAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Malaysia	501.2	459.9	535.1	9.0%	-6.3%	501.2	535.1	-6.3%
Vietnam	19.5	21.2	2.2	-8.0%	792.6%	19.5	2.2	792.6%
Others	32.3	30.1	26.5	7.2%	21.9%	32.3	26.5	21.9%
	553.0	511.2	563.7	8.2%	-1.9%	553.0	563.7	-1.9%
EBITDA	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Malaysia	5.5	10.2	44.8	-46.1%	-87.7%	5.5	44.8	-87.7%
Vietnam	-7.0	-12.7	-12.1	45.0%	42.1%	-7.0	-12.1	42.1%
Others	4.9	6.7	-0.6	-27.6%	878.1%	4.9	-0.6	878.1%
	3.4	4.3	32.1	-20.4%	-89.4%	3.4	32.1	-89.4%
EBITDA Margin	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Malaysia	1.1%	2.2%	8.4%	-1.1	-7.3	1.1%	8.4%	-7.3
Vietnam	-35.7%	-59.8%	-550.8%	24.0	515.1	-35.7%	-550.8%	515.1

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 (%)	6.5%	2.2%	2.2%	2.2%	2.2%
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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197501002077 (24878-X).

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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