Corporate Update

Tan Chong Motor Holdings Berhad

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

ESG 3 Stars

SHARIAH Compliant

Maintain **SELL**

Unchanged Target Price **RM0.34**

Monetising Non-Core Urban Land

Maintain SELL. Tan Chong Motor Holdings Berhad's (TCM) disposal of idle city land shows management's willingness to unlock non-core assets at fair market levels to boost liquidity. While the gain is modest relative to its asset base, the sizeable undeveloped landbank continues to underpin net tangible value and provides flexibility. The focus ahead is on how effectively proceeds are redeployed to support the recovery of core automotive operations amid a still challenging market. Our target price remains unchanged at **RM0.34**, based on an FY26F PBVS of 0.1x (-2SD to its 5-year historical mean).

Disposal of non-core land. TCM has announced the disposal of nine plots of freehold land along Jalan Putra, Kuala Lumpur, for a total cash consideration of RM148.8m. The land, measuring 139,110 sq ft, is currently occupied by two subsidiaries of TCM and has been held as an investment property for more than 8 years. The disposal, via wholly owned subsidiary Tanahku Holdings Sdn Bhd, will generate a one-off gain of around RM14.7m over the net book value of RM128.7m.

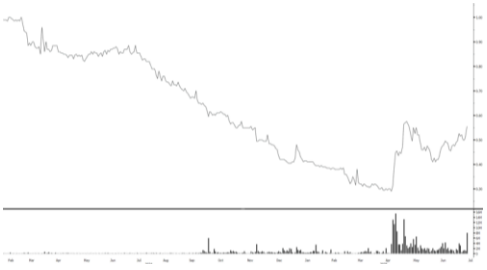
Pricing aligns with the market. The disposal works out to about RM1,070 psf, which is in line with prevailing market levels for comparable freehold redevelopment plots in the PWTC/Jalan Putra area. Recent listings for similar mid-city fringe sites with commercial or mixed-use potential typically range from RM900 to RM1,300 psf. The ~15% premium over book value fairly reflects the site's underlying redevelopment potential and is justified given that the land has remained idled for years.

Proceeds to support liquidity. Proceeds from the disposal will be channelled primarily towards TCM's working capital and funding future investments, with any excess likely to be placed in deposits or short-term instruments. With no detailed reinvestment plan disclosed yet, we view the disposal as neutral to slightly positive for now. It unlocks a non-core asset and shores up liquidity amid a tough automotive market. Still, the key will be how effectively the capital is redeployed into value-accretive areas to support core operations and margin recovery.

Earnings estimates. Completion is targeted by 1QFY26, subject to the fulfilment of conditions precedent; hence, no changes were made to our forecasts for now.

RETURN STATISTICS	
Price @ 10th July 2025 (RM)	0.56
Expected share price return (%)	-39.3
Expected dividend yield (%)	+1.8
Expected total return (%)	-37.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	32.1	31.1
3 months	13.3	78.1
12 months	-35.5	-31.8

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	2,082.7	2,080.9	2,207.6
EBIT	-157.6	-105.7	-80.0
PBT	-214.3	-148.3	-124.4
Core PATAMI	-49.6	-157.6	-132.2
EPS (sen)	-7.6	-24.2	-20.3
DPS (sen)	1.0	1.0	1.0
Dividend yield (%)	1.8%	1.8%	1.8%

KEY STATISTICS	
FBM KLCI	1,536.52
Issued shares (m)	651.63
Estimated free float (%)	16.82
Market Capitalisation (RM'm)	361.65
52-wk price range	RM0.28 - RM0.88
3-mth average daily volume (m)	2.96
3-mth average daily value (RM'm)	1.36
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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FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025E	2026F
Revenue	3,052.2	2,532.7	2,082.7	2,080.9	2,207.6
EBIT	26.3	-78.1	-157.6	-105.7	-80.0
PBT	-14.2	-121.1	-214.3	-148.3	-124.4
PATAMI	-51.1	-128.7	-214.2	-157.6	-132.2
Core PATAMI	-60.6	-19.1	-49.6	-157.6	-132.2
EPS (sen)	-9.3	-2.9	-7.6	-24.2	-20.3
DPS (sen)	3.0	1.0	1.0	1.0	1.0
Dividend yield (%)	6.3%	2.1%	2.1%	2.1%	2.1%
Balance Sheet (RM'm)	**2022A**	**2023A**	**2024A**	**2025E**	**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	686.7	728.5
Receivables	295.5	379.4	403.9	312.1	331.1
Cash & equivalent	558.2	511.6	372.0	831.8	720.3
Current assets	**1,849.0**	**1,902.5**	**1,960.1**	**1,981.2**	**1,934.7**
Share capital	336.0	336.0	336.0	336.0	336.0
Reserves	2,513.7	2,430.4	2,201.6	1,998.9	1,854.8
Total equity	**2,849.7**	**2,741.8**	**2,515.7**	**2,334.9**	**2,190.8**
Long-term borrowings	300.0	450.0	309.8	420.0	405.0
Non-current liabilities	**742.8**	**903.5**	**764.5**	**869.3**	**854.3**
Short-term borrowings	974.0	1,092.6	1,406.4	1,406.4	1,406.4
Payables	415.1	319.2	313.8	274.6	291.3
Current liabilities	**1,445.9**	**1,469.0**	**1,810.3**	**1,769.4**	**1,786.1**

Cash Flow (RM'm)	2022A	2023A	2024A	2025E	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	2025E	2026F
EBIT margin	0.9%	-3.1%	-7.6%	-5.1%	-3.6%
PBT margin	-0.5%	-4.8%	-10.3%	-7.1%	-5.6%
PATAMI margin	-1.7%	-5.1%	-10.3%	-7.6%	-6.0%
Core PATAMI margin	<-100%	24.5%	31.5%	149.1%	165.3%
ROA	-1.1%	-0.3%	-0.9%	-3.2%	-2.6%
ROE	-2.1%	-0.6%	-1.8%	-5.7%	-4.6%

Growth (%)	2022A	2023A	2024A	2025E	2026F
Revenue growth	20.3%	-17.0%	-17.8%	-0.1%	6.1%
PBT growth	-<100%	-<100%	-76.9%	30.8%	16.1%
PATAMI growth	-<100%	-<100%	-66.4%	26.4%	16.1%
Core PATAMI growth	-<100%	-<100%	-<100%	-<100%	16.1%

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