Tan Chong Motor Holdings Berhad

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

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Maintain SELL

Unchanged Target Price **RM0.34**

2QFY25 Results Review Met Expectations

Maintain SELL. Tan Chong Motor Holdings Berhad's (Tan Chong) 2QFY25 results were in line with expectations. We await further clarity on sales volumes and business outlook at today's briefing. For now, we continue to expect the Group to remain loss-making over our forecast horizon. Our target price is unchanged at **RM0.34**, based on FY26F PBVS of 0.1x (-1.5SD from the 5-year mean), reflecting the absence of major compelling new launches to drive an earnings recovery.

Within expectations. Tan Chong posted a core LATAMI of -RM32.7m in 2QFY25, bringing its 1HFY25 total to -RM76.9m – in line with our/consensus full-year forecasts at 49%.

Vietnam maintains strong growth. In 2QFY25, its core automotive segment revenue edged down -0.5%yoy as competition in the domestic market grew more intense. Geographically, Malaysia's revenue contribution slipped -7.4%yoy with Nissan's TIV contracting sharply by -31.2%yoy. Meanwhile, revenue contribution from Vietnam surged 3.3x, likely supported by the expanding footprint of the GAC Motor brand. Altogether, the Group revenue declined -1.2%yoy while margin compression drove a sharper -22.2%yoy in core LATAMI compared to 2QFY24.

Losses narrowed sequentially. Compared to 1QFY25, the automotive segment's revenue declined -2.2%qoq, reflecting similar trends of softer contributions from Malaysian operations, where revenue slipped -4.1%qoq. Nissan's TIV in Malaysia declined -12.5%qoq. On the other hand, Vietnam maintained its sales momentum, with revenue registering a +14.9%qoq. Overall, the Group's revenue fell by -2.6%qoq while the core LATAMI narrowed by +26.1%qoq, partly aided by lower tax expenses. Note that an RM54.0m fair value gain on investment properties was recorded in 1QFY25, which we have excluded from our core losses calculations.

Earnings estimates. We leave our earnings projections unchanged. We have yet to include the projected sales volume for TQ Wuling in Malaysia (targeted for launch 4QFY25), though initial contributions are likely to remain modest.

RETURN STATISTICS	
Price @ 29th August 2025 (RM)	0.58
Expected share price return (%)	-41.4
Expected dividend yield (%)	+1.7
Expected total return (%)	-39.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-32.0	-34.7
3 months	19.4	17.9
12 months	-19.3	-15.1

INVESTMENT STATISTICS

FYE Dec	2024A	2025E	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	-76.9	-157.6	-132.2
Core EPS (sen)	-11.8	-24.2	-20.3
DPS (sen)	1.0	1.0	1.0
Dividend yield	1.7%	1.7%	1.7%

KEY STATISTICS	
FBM KLCI	1,575.12
Issued shares (m)	651.63
Estimated free float (%)	16.82
Market Capitalisation (RM'm)	381.20
52-wk price range	RM0.28 - RM0.97
3-mth average daily volume (m)	5.59
3-mth average daily value (RM'm)	3.99
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: 2QFY25 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Revenue	538.8	553.0	545.1	-2.6%	-1.2%	1,091.8	1,108.8	-1.5%
Operating loss	-46.7	-33.6	-28.6	-39.0%	-63.3%	-26.3	-32.9	20.1%
Net interest expense	-13.9	-15.7	-13.2	11.5%	-5.0%	-29.5	-24.9	-18.6%
Associates	0.1	-0.2	-0.5	142.5%	115.9%	-0.1	-0.6	82.8%
LBT	-60.5	-49.4	-42.3	-22.4%	-43.1%	-55.9	-58.4	4.3%
Tax expense	-0.02	-3.0	-0.6	99.5%	97.7%	-3.0	-4.2	28.1%
LATAMI	-58.1	4.1	-40.1	-1505.7%	-45.0%	-54.0	-55.8	3.3%
Core LATAMI	-32.7	-44.2	-26.8	26.1%	-22.2%	-76.9	-58.6	-31.4%
				ppts	**ppts**			**ppts**
OP margin (%)	-8.7%	-6.1%	-5.2%	-2.6	-3.4	-2.4%	-3.0%	0.6
PBT margin (%)	-11.2%	-8.9%	-7.8%	-2.3	-3.5	-5.1%	-5.3%	0.1
Core PATAMI margin (%)	-6.1%	-8.0%	-4.9%	1.9	-1.2	-7.0%	-5.3%	-1.8
Effective tax rate (%)	0.02%	6.1%	1.5%	-6.1	-1.5	5.4%	7.2%	-1.8

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Automotive	518.7	530.5	521.1	-2.2%	-0.5%	1,049.2	1,059.5	-1.0%
Financial services	15.6	18.1	16.8	-13.5%	-6.9%	33.7	35.5	-5.0%
Others	4.5	4.4	7.2	2.3%	-37.3%	8.9	13.8	-35.6%
	538.8	553.0	545.1	-2.6%	-1.2%	1,091.8	1,108.8	-1.5%
EBITDA/LBITDA	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Automotive	-0.1	2.9	0.5	-102.4%	-113.1%	2.8	3.0	-5.6%
Financial services	-2.6	-0.3	2.5	-792.5%	-206.3%	-2.9	6.8	-142.7%
Others	-8.9	0.8	6.3	-1190.9%	-241.8%	-8.1	31.6	-125.5%
	-11.6	3.4	9.2	-439.4%	-225.1%	-8.2	41.4	-119.7%
EBITDA Margin	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Automotive	0.0%	0.5%	0.1%	-0.6	-0.1	0.3%	0.3%	0.0
Financial services	-16.8%	-1.6%	14.7%	-15.2	-31.5	-8.7%	19.3%	-27.9

GEOGRAPHICAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Malaysia	480.6	501.2	519.0	-4.1%	-7.4%	981.8	1,054.1	-6.9%
Vietnam	22.4	19.5	6.8	14.9%	230.3%	42.0	9.0	367.3%
Others	35.7	32.3	19.3	10.8%	85.2%	68.0	45.7	48.6%
	538.8	553.0	545.1	-2.6%	-1.2%	1,091.8	1,108.8	-1.5%
EBITDA	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Malaysia	-3.7	5.5	24.7	-166.8%	-114.9%	1.8	69.5	-97.4%
Vietnam	-9.5	-7.0	-12.9	-36.5%	25.9%	-16.5	-24.9	33.7%
Others	1.6	4.9	-2.6	-66.2%	163.8%	6.5	-3.2	303.2%
	-11.6	3.4	9.2	-439.4%	-225.1%	-8.2	41.4	-119.7%
EBITDA Margin	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**1HFY25**	**1HFY24**	**YoY**
Malaysia	-0.8%	1.1%	4.8%	-1.9	-5.5	0.2%	6.6%	-6.4
Vietnam	-42.4%	-35.7%	-189.2%	-6.7	146.7	-39.3%	-277.3%	238.0

Source: Tan Chong, MBSBR

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	-58.6	-76.9	-157.6	-132.2
EPS (sen)	-9.3	-9.0	-11.8	-24.2	-20.3
DPS (sen)	3.0	1.0	1.0	1.0	1.0
Dividend yield (%)	5.2%	1.7%	1.7%	1.7%	1.7%
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**
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	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%	75.0%	48.8%	149.1%	165.3%
ROA	-1.1%	-1.0%	-1.4%	-3.2%	-2.6%
ROE	-2.1%	-1.9%	-2.7%	-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%	3.4%	-31.4%	<100%	16.1%

Source: Tan Chong, MBSBR

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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 expected 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