

26 May 2025

Tan Chong Motor Holdings

Better, But Barely

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TCHONG's 1QFY25 losses met our expectation, albeit wider YoY at RM48.3m (from core loss of RM19.1m in 1QFY24) on continued sales volume decline of its bread-and-butter Nissan vehicles, volatile overseas operating environment, and worsened by unfavourable forex movements and sales mix. Its recently launch Nissan Kicks e-Power and assembly agreement with Tan Chong-branded TQ Wuling Bingo EV may provide some relief, but intensifying EV pricing competition could further eat into its margin if it fails to achieve optimal production volume. We will share more details in the upcoming results briefings. We maintain our forecasts, TP of RM0.30 and UNDERPERFORM call.

TCHONG reported 1QFY25 losses of RM48.3m (excluding one-off at RM48.4m which includes RM54.0m in recognition of one-off fair value gain on investment properties related to the land disputes under February 2025 material litigation settlement. Note that, there will not be real gain recorded as TCHONG needed to pay MHSB Properties SB the sum of RM22.7m as a part of the settlement), within our expectation at 26% of our full-year loss forecast - wider than consensus' full-year loss estimate. There was no dividend declared for the quarter, as expected as TCHONG dividend payment is inconsistent.

YoY, its 1QFY25 revenue was slightly down at 2%, largely due to the improvement in its Vietnam operation with the successful sales of several models i.e. GAC M8 TQ-Wuling N300P, and King Long buses. This was despite a 21% contraction in local Nissan vehicle sales volume to 1,811 units (industry market share unchanged at 1%) amidst a highly competitive environment where competitors are flooding the market with new models, and its financial services revenue declined 3% concurrently with the lower sales for the quarter as most of their customers used its financing services which we believe, due to highly competitive hire purchase scheme. There was some contribution from its solar energy division in others segment.

In term of regional breakdown, the local market (90% of group revenue) showed weak sales (-6%) and profit (-88%) driven by just four models of Nissan Almera Turbo, Serena, Navara and recently launch Nissan Kicks e-Power in December 2024.

Its overseas operations continued to be in a challenging operating environment, despite some notable improvement. Its operation in Vietnam (10% of group revenue) recorded improvement in sales at RM19.5m (+793%), with a lower loss of RM7m (from loss of RM12.1m in 1QFY24) with the successful sales of several models i.e. GAC M8 TQ-Wuling N300P, and King Long buses. Its other markets (Cambodia, Laos and Myanmar) recorded higher sales (+22%), with a profit of RM4.9m vs. a loss of RM0.6m in 1QFY24 from a lower base.

Consequentially, its core net loss was wider at RM48.3m (from core loss of RM19.1m in 1QFY24) due to unfavourable forex movements (forex loss of RM4.2m compared to forex gain of RM13m in 1QFY24). The forex situation (90% in USD) varies based on importing costs during each quarter, however, the situation is quite dire as TCHONG is unable to raise prices to pass on rising production cost worsened by intense discounting promotion.

QoQ, its 1QFY25 revenue rose 8% on higher local Nissan vehicles sales (+22%) driven largely by its recently launch Nissan Kicks e-Power in December 2024 as well as higher contribution from its financial services segment (+3%) and notable improvement in its overseas market as it

UNDERPERFORM ↔

Price: **RM0.46**
Target Price: **RM0.30** ↔

Share Price Performance



KLCI	1,535.38
YTD KLCI chg	-6.5%
YTD stock price chg	12.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	TCM MK EQUITY
Market Cap (RM m)	299.7
Shares Outstanding	651.6
52-week range (H)	0.90
52-week range (L)	0.28
3-mth avg. daily vol.	2,369,505
Free Float	17%
Beta	1.3

Major Shareholders

Tan Chong Consolidated	47.5%
Employees Provident Fund	5.7%
Daiwa Securities Group	5.7%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Revenue	2,082.7	2,043.6	2,332.4
EBIT	-157.6	-141.4	-112.5
PBT	-214.3	-192.0	-169.3
NP/ NL	-214.2	-185.5	-164.3
CNP / CNL	-232.5	-185.5	-164.3
Consensus (NL)	-	-129.5	-97.5
Earnings Revision (%)	-	-	-
Core EPS (sen)	-35.6	-28.4	-25.2
Core EPS (%)	79.8	-20.2	-11.4
NDPS (sen)	1.0	1.0	1.0
BVPS (RM)	3.85	3.55	3.29
PER (x)	N.M	N.M	N.M
PBV (x)	0.1	0.1	0.1
Net Gearing (x)	0.5	0.5	0.7
Net Div. Yield (%)	2.2	2.2	2.2

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recovered from a lower base. Its core net loss was lower at RM48.3m (from core loss of RM91.7m in 4QFY24).

Forecasts. Maintained.

Valuations. We maintain our TP at RM0.30 based on PBV of 0.1x FY26F BVPS of which is at an 86% discount to the auto sector's average forward PBV of 0.7x to reflect its less popular *Nissan* brand vs. other mid-market foreign brands in the market. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We continue to stay cautious on TCHONG due to: (i) its insignificant 1% share of the total industry volume, (ii) its lack of new launches while its competitors have successfully launched all-new models, and (iii) its inability to raise prices to pass on rising production cost. It recently signed a strategic collaboration agreement with SAIC GM Wuling Automobile to locally assemble the Tan Chong-branded TQ Wuling Bingo EV, an affordable entry-level compact EV targeting value driven and urban commuters which is expected to be priced below RM100k as it will be assembled as Semi-Knocked Down (SKD). However, the EV market is highly competitive market with intensifying price competition which could further eat into its margin if TCHONG fails to achieve optimal production volume. Taking points from Perodua's target of 10k units for the affordable EVs, we believe that will be the most optimal production volume for TCHONG. Reiterate **UNDERPERFORM**.

Risks to our call include: (i) consumers splurging more on discretionary spending (particularly big-ticket items like new cars as high inflation eases), (ii) more attractive new models for TCHONG that appeal to car buyers, and (iii) TCHONG monetising its strategic land bank or being privatised at a premium over the market price.

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY25	FY24	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	553.0	511.2	8%	563.7	-2%	553.0	563.7	-2%
EBIT	68.8	(11.7)	-687%	(0.9)	-7395%	68.8	(0.9)	-7395%
Net interest Inc/(Exp)	(15.7)	(15.6)	0%	(11.7)	34%	(15.7)	(11.7)	34%
Associate	(0.2)	(1.1)	-84%	(0.1)	48%	(0.2)	(0.1)	48%
EI [^]	(48.4)	(23.7)		(3.4)	1330%	(48.4)	(3.4)	
PBT/(LBT)	4.6	(52.1)	-109%	(16.1)	-128%	4.6	(16.1)	-128%
Taxation	(3.0)	(16.9)		(3.6)	-15%	(3.0)	(3.6)	
Minority Interest	(2.6)	(1.0)		4.0		(2.6)	4.0	
Net Profit /(Net Loss)	0.1	(68.1)	-100%	(15.7)	-100%	0.1	(15.7)	-100%
Core Net Profit/(Net Loss)	(48.3)	(91.7)	-47%	(19.1)	153%	(48.3)	(19.1)	153%
EPS (sen)	0.0	(10.1)		(2.3)	-100%	0.0	(2.3)	
Core EPS (sen)	(7.2)	(13.7)		(2.8)	153%	(7.2)	(2.8)	
DPS (sen)	-	-		1.0		-	1.0	
EBIT margin	12%	N.M		N.M		12%	N.M	
Pretax margin	N.M	N.M		N.M		1%	N.M	
Core Net Profit margin	N.M	N.M		N.M		N.M	N.M	
Effective tax rate	N.M	N.M		N.M		N.M	N.M	

[^] RM54.0m-one-off fair value gain on investment properties related to the land disputes under February 2025 material litigation settlement

Source: Company, Kenanga Research

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY25	FY24	Chg	FY24	Chg	FY25	FY24	Chg
Revenue	553.0	511.2	8%	563.7	-2%	553.0	563.7	-2%
Automotive	530.5	492.5	8%	538.4	-1%	530.5	538.4	-1%
Financial services	18.1	17.8	2%	18.7	-3%	18.1	18.7	-3%
Others	4.4	1.0	340%	6.7	-34%	4.4	6.7	-34%
Segment EBITDA	3.4	4.3	-20%	32.1	-89%	3.4	32.1	-89%
Automotive	2.9	(20.7)	114%	2.5	17%	2.9	2.5	17%
Financial services	(0.3)	(5.7)	95%	4.4	-107%	(0.3)	4.4	-107%
Others	0.8	30.7	-97%	25.3	-97%	0.8	25.3	-97%
Segment EBITDA margin	0.6%	0.8%		5.7%		0.6%	5.7%	
Automotive	0.5%	N.M		0.5%		0.5%	0.5%	
Financial services	N.M	N.M		23.4%		N.M	23.4%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	MP	1.08	1.00	-7.4%	1,253.9	Y	04/2026	13.4	15.3	-55.6%	13.7%	8.1	7.1	1.4	17.4%	16.8	15.6%
DRB-HICOM BHD	UP	0.800	0.680	-15.0%	1,546.4	Y	12/2025	3.9	5.4	27.4%	37.6%	20.4	14.8	0.1	0.7%	2.0	2.5%
HIL INDUSTRIES BHD	OP	0.780	1.00	28.2%	258.9	Y	12/2025	13.9	14.2	9.5%	1.7%	5.6	5.5	0.5	9.3%	3.0	3.8%
HONG LEONG INDUSTRIES BHD	OP	13.60	15.90	16.9%	4,459.4	Y	06/2025	132.7	136.5	26.6%	2.8%	10.2	10.0	1.8	18.1%	70.0	5.1%
MBM RESOURCES BHD	OP	5.68	6.90	21.5%	2,220.3	Y	12/2025	86.8	88.0	1.9%	1.4%	6.5	6.5	0.8	12.9%	45.0	7.9%
SIME DARBY BHD	OP	2.14	2.50	16.8%	14,554.1	Y	06/2025	20.1	20.8	7.5%	3.4%	10.6	10.3	0.7	7.0%	13.5	6.3%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.460	0.300	-34.8%	309.1	Y	12/2025	(27.6)	(24.4)	-179.8%	-188.6%	N.A.	N.A.	0.1	-7.7%	1.0	2.2%
SECTOR AGGREGATE					24,602.2					3.0%	6.0%	11.0	10.4	0.6	5.7%		6.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Electric & Hybrid Vehicles Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★	★	
	Training & Education	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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