

02 September 2025

# Tan Chong Motor Holdings

## Losses with Glimmer of Hope

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TCHONG's 1HFY25 losses met our expectation, albeit wider YoY at RM96.2m (from a core loss of RM53.9m in 1HFY24) on continued sales volume decline in its bread-and-butter Nissan vehicles, worsened further by forex losses, despite notable improvement in its overseas business from a lower base. Its assembly agreement with Tan Chong-branded TQ Wuling Bingo EV may provide some relief, but intensifying EV pricing competition could further impinge its margin if it fails to achieve optimal production volume. We will share more details post the upcoming results briefing. We maintain our forecasts, TP of RM0.30 and UNDERPERFORM call.

TCHONG reported 1HFY25 losses of RM96.2m (excluding one-offs at RM42.2m), within our expectation at 52% of our full-year loss forecast but wider than consensus' full-year loss estimate.

YoY, its 1HFY25 revenue fell 2%, largely from weaker local Nissan vehicle sales volume to 3,395 units (-26%, industry market share unchanged at 1%) amidst a highly competitive environment where competitors are flooding the market with new models. Its financial services revenue declined 5% in line with lower sales as most of their customers used its financing services which we believe is due to the highly competitive nature of the hire purchase scheme. The dip in revenue was despite improvement in its Vietnam operation from a lower base with the successful sales of several models i.e. GAC M8 TQ-Wuling N300P, and King Long buses. There was some contribution from its solar energy division in others segment.

In terms of regional breakdown, the local market (90% of group revenue) showed weak sales (-7%) and operational profit of RM1.8m (-97%) driven by just four models of Nissan Almera, Serena, Navara and all-new Kicks e-Power.

Its overseas operations remained in a challenging operating environment, despite some notable improvement from a lower base. Its operation in Vietnam (10% of group revenue) recorded improvement in sales at RM42m (+367%), registering a lower operational loss of RM16.5m (from operational loss of RM24.9m in 1HFY24) following 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 (+49%), recording an operational profit of RM6.5m vs. an operational loss of RM3.2m in 1HFY24 from a lower base.

Consequently, its core net loss was wider at RM96.2m (from core loss of RM53.9m in 1HFY24) due to forex losses (forex loss of RM19.2m compared to a forex gain of RM4.7m in 1HFY24). The forex situation (90% in USD) varies depending on quarterly import costs, however, the situation is quite strained as TCHONG is unable to raise prices to pass on rising production cost worsened by intense discounting promotion.

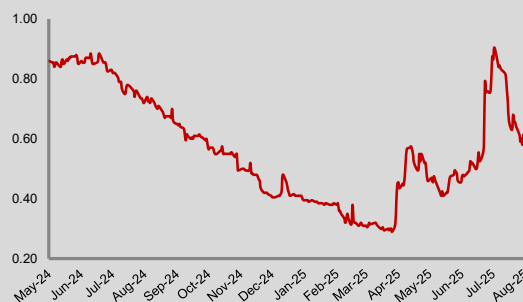
QoQ, its 2QFY25 revenue fell 3% on lower local Nissan vehicles sales (-13%) and lower contribution from its financial services segment (-14%), despite notable improvement in its overseas market as it recovered from a lower base. Its core net loss was higher at RM51.9m (from core loss of RM44.2m in 1QFY25).

**Forecasts.** Maintained.

## UNDERPERFORM ↔

**Price:** RM0.59  
**Target Price:** RM0.30 ↔

### Share Price Performance



KLCI 1,575.1  
YTD KLCI chg -4.1%  
YTD stock price chg +42.7%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	TCM MK EQUITY
Market Cap (RM m)	381.2m
Shares Outstanding	651.6
52-week range (H)	0.97
52-week range (L)	0.28
3-mth avg. daily vol.	4,000,000
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
<b>NP/ NL</b>	<b>-214.2</b>	<b>-185.5</b>	<b>-164.3</b>
<b>CNP / CNL</b>	<b>-232.5</b>	<b>-185.5</b>	<b>-164.3</b>
Consensus (NL)	-	-157.8	-128.6
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)	0.2	0.2	0.2
Net Gearing (x)	0.5	0.5	0.7
Net Div. Yield (%)	1.7	1.7	1.7

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**Valuations.** We maintain our TP at RM0.30 based on PBV of 0.1x FY26F BVPS, 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 has 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 impinge its margin if TCHONG fails to achieve optimal production volume. Taking cues 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

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
<b>Revenue</b>	<b>538.8</b>	<b>553.0</b>	<b>-3%</b>	<b>545.1</b>	<b>-1%</b>	<b>1,091.8</b>	<b>1,108.8</b>	<b>-2%</b>
EBIT	(46.7)	20.4	-329%	(28.6)	63%	(26.3)	(32.9)	-20%
Net interest Inc/(Exp)	(13.9)	(15.7)	-11%	(13.2)	5%	(29.5)	(24.9)	19%
Associate	0.1	(0.2)	-142%	(0.5)	-116%	(0.1)	(0.6)	-83%
EI <sup>^</sup>	6.2	(48.4)		5.3	17%	(42.2)	2.0	
PBT/(LBT)	(60.5)	4.6	-1427%	(42.3)	43%	(55.9)	(58.4)	-4%
Taxation	(0.0)	(3.0)		(0.6)	-98%	(3.0)	(4.2)	
Minority Interest	(2.4)	(2.6)		(2.8)		(5.0)	1.2	
<b>Net Profit/(Net Loss)</b>	<b>(58.1)</b>	<b>4.1</b>	<b>-1506%</b>	<b>(40.1)</b>	<b>45%</b>	<b>(54.0)</b>	<b>(55.8)</b>	<b>-3%</b>
<b>Core Net Profit/(Net Loss)</b>	<b>(51.9)</b>	<b>(44.2)</b>	<b>17%</b>	<b>(34.8)</b>	<b>49%</b>	<b>(96.2)</b>	<b>(53.9)</b>	<b>79%</b>
EPS (sen)	(8.7)	0.6		(6.0)	45%	(8.0)	(8.3)	
Core EPS (sen)	(7.7)	(6.6)		(5.2)	49%	(14.3)	(8.0)	
DPS (sen)	-	-		-		-	1.0	
EBIT margin	N.M	12%		N.M		1%	-3%	
Pretax margin	N.M	1%		N.M		N.M	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	

<sup>^</sup> 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

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
<b>Revenue</b>	<b>538.8</b>	<b>553.0</b>	<b>-3%</b>	<b>545.1</b>	<b>-1%</b>	<b>1,091.8</b>	<b>1,108.8</b>	<b>-2%</b>
Automotive	518.7	530.5	-2%	521.1	0%	1,049.2	1,059.5	-1%
Financial services	15.6	18.1	-14%	16.8	-7%	33.7	35.5	-5%
Others	4.5	4.4	2%	7.2	-37%	8.9	13.8	-36%
<b>Segment EBITDA</b>	<b>(11.6)</b>	<b>3.4</b>	<b>-439%</b>	<b>9.2</b>	<b>-225%</b>	<b>(8.2)</b>	<b>41.4</b>	<b>-120%</b>
Automotive	(0.1)	2.9	-102%	0.5	-113%	2.8	3.0	-6%
Financial services	(2.6)	(0.3)	-793%	2.5	-206%	(2.9)	6.8	-143%
Others	(8.9)	0.8	-1191%	6.3	-242%	(8.1)	31.6	-126%
<b>Segment EBITDA margin</b>	<b>N.M</b>	<b>0.6%</b>		<b>1.7%</b>		<b>N.M</b>	<b>N.M</b>	
Automotive	N.M	0.5%		0.1%		N.M	N.M	
Financial services	N.M	N.M		14.7%		N.M	N.M	

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	MP	0.665	0.850	27.8%	772.1	Y	04/2026	9.4	13.2	-29.9%	40.6%	7.1	5.0	1.1	15.5%	7.5	11.3%
DRB-HICOM BHD	UP	0.875	0.700	-20.0%	1,691.4	Y	12/2025	6.2	8.1	101.5%	31.1%	14.1	10.7	0.2	1.2%	3.0	3.4%
HIL INDUSTRIES BHD	MP	0.750	0.800	6.7%	248.9	Y	12/2025	9.6	9.6	-24.4%	0.0%	7.8	7.8	0.5	6.5%	2.0	2.7%
HONG LEONG INDUSTRIES BHD	OP	13.88	17.70	27.5%	4,551.3	Y	06/2026	147.1	150.2	-4.0%	2.1%	9.4	9.2	1.7	18.4%	80.0	5.8%
MBM RESOURCES BHD	OP	5.13	7.00	36.5%	2,005.3	Y	12/2025	86.5	87.6	1.5%	1.3%	5.9	5.9	0.7	12.9%	51.0	9.9%
SIME DARBY BHD	MP	2.07	1.90	-8.2%	14,078.1	Y	06/2026	18.6	20.0	8.3%	7.7%	11.1	10.3	0.7	6.5%	14.0	6.8%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.585	0.300	-48.7%	393.1	Y	12/2025	(27.6)	(24.4)	-179.8%	-188.6%	N.A.	N.A.	0.2	-7.7%	1.0	1.7%
<b>SECTOR AGGREGATE</b>					<b>23,740.1</b>					<b>6.5%</b>	<b>10.0%</b>	<b>11.0</b>	<b>10.0</b>	<b>0.6</b>	<b>5.6%</b>		<b>5.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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