

03 September 2025

Tan Chong Motor

Strained by Underutilization

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TCHONG indicated that sustained losses would persist for the next two years due to an expected undercapacity utilization rate at both of its local plants, which we estimate to be currently operating at 13%. Its operations in Vietnam will also continue to be loss-making due to low utilization rate at its Danang plant. Meanwhile, various new launches slated for 2026 may not live up to expectations, in our view, given a sea of competing new models in the market especially Chinese EVs with low entry-level price points. We maintain our forecasts, TP of RM0.30 and UNDERPERFORM call.

Our cautious stance on TCHONG stays following its 2QFY25 results briefing yesterday. The key takeaways are as follows:

1. TCHONG indicated for sustained losses over the next two years due to an undercapacity utilisation rate (not disclosed, but based on our estimate the current rate on 65k units is at a total of 13%). This counts both its Segambut plant (capacity of 20k units/ year for TQ Wuling light trucks, GAC vehicles and planned TQ Wuling Bingo EV) and its Serendah plant (capacity of 45k units/year for all Nissan models).
2. TCHONG has been producing TQ-Wuling Light Truck N300P at its Danang plant since Nov 2023 and has plans to produce GAC vehicles there by 2026 (but could be further delayed assuming weak local demand). At present, 4% of its 1HFY25 revenue stemmed from Vietnam, and it hopes to boost utilisation at its plant in Vietnam to between 20% and 30% eventually, vs less than 14% at present (based on our estimate). It will endeavour to make the best of its exclusive rights to distribute King Long buses (CBU models of Euro 5 bus), GAC vehicles (CBU models of GS8 SUV and M8 MPV).

Nonetheless, without a concrete CKD agreement to fill the capacity at its Danang plant, we expect TCHONG to continue to record losses in Vietnam due to plant undercapacity. Recall, in 1HFY25, it recorded a lower operational loss of RM16.5m (from operational loss of RM24.9m in 1HFY24) on the back of 1HFY25 sales of 431 units (+197%) as it recovered after losing the MG distribution right back in 2023.

3. It recently launched the new Nissan Kicks e-Power Impul Edition, the new Nissan Navara X-Tremer, the UD Kuzer light truck in Malaysia, and the new Nissan Magnite in Cambodia & Laos. It will launch two all-new Nissan models in 2026 which will be based on e-POWER generation for the Malaysian market. While we welcome the launch of new models to keep up with more dynamic peers, TCHONG will have to compete with a flood of rivals' new models, especially Chinese EVs with low entry-level price points. Recall, the lack of new models has contributed to its local Nissan vehicle sales plunging by 26% to 3,395 units in 1HFY25 despite a booming car market locally.

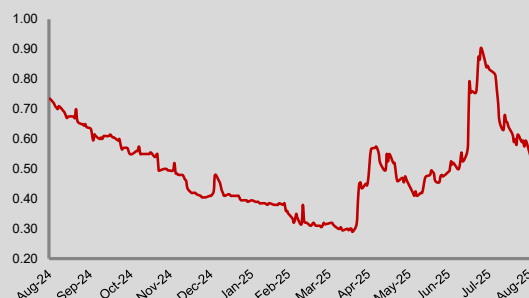
Forecasts. Maintained.

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).

UNDERPERFORM ↔

Price : **RM0.52**
Target Price : **RM0.30** ↔

Share Price Performance



KLCI	1,676.65
YTD KLCI chg	15.3%
YTD stock price chg	-26.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TCM MK EQUITY
Market Cap (RM'm)	338.8
Shares Outstanding	651.6
52-week range (H)	0.97
52-week range (L)	0.28
3-mth avg. daily vol.	5,667,416
Free Float	17%
Beta	1.1

Major Shareholders

Tan Chong Consolidated SB	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 (NP)	-	-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)	0.1	0.1	0.2
Net Gearing (x)	0.5	0.5	0.7
Net Div. Yield (%)	1.9	1.9	1.9

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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 would be 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.

Income Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	3,052.2	2,532.7	2,082.7	2,043.6	2,332.4
Operating Profit	26.3	-78.1	-157.6	-141.4	-112.5
Depreciation	-148.2	-142.3	-139.0	-140.3	-143.8
Interest Inc/(Exp)	-39.7	-42.5	-54.7	-49.9	-56.1
Associate	-0.7	-0.5	-2.0	-0.7	-0.7
Profit Before Tax	-14.2	-121.1	-214.3	-192.0	-169.3
Taxation	-40.7	-12.7	-6.5	-6.5	-6.5
Minority Interest	-3.8	-5.1	-6.6	-13.1	-11.5
Core Net Profit	-37.6	-129.3	-232.5	-185.5	-164.3

Balance Sheet

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
F.Assets	2,471.8	2,371.2	2,317.1	2,277.7	2,211.3
Int. Assets	13.0	95.5	54.9	54.9	54.9
Other F.Assets	404.2	391.8	424.6	424.6	424.6
Inventories	748.4	822.1	842.1	498.3	568.7
Receivables	388.3	384.7	403.9	251.9	287.6
Hp Receivables	464.2	452.0	425.8	655.0	608.1
Other C.Assets	49.3	81.3	250.0	250.0	250.0
Cash	558.2	511.6	372.0	512.1	299.5
Total Assets	5,097.5	5,110.1	5,090.5	4,924.7	4,704.8
Payables	415.1	319.2	313.8	280.5	231.5
S.T Borrowings	974.0	1,092.6	1,406.4	1,406.4	1,406.4
Other S.T Liability	56.7	57.2	90.0	90.0	90.0
L.T Borrowings	300.0	450.0	309.8	309.8	309.8
Other L.T Liability	451.2	449.3	454.7	454.7	454.7
Net Assets	2,900.4	2,741.8	2,515.7	2,323.7	2,152.9
S.Equity	2,923.0	2,740.1	2,511.2	2,319.1	2,148.3
MI	-22.6	1.7	4.6	4.6	4.6
Total Equity	2,900.4	2,741.8	2,515.7	2,323.7	2,152.9

Cashflow Statement

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	130.9	-131.9	30.3	238.6	-71.8
Investing CF	-58.8	-186.3	-314.9	-42.1	-78.1
Financing CF	-35.1	266.4	154.5	-56.4	-62.6
Change In Cash	37.0	-51.7	-130.1	140.1	-212.6
Free CF	130.9	-131.9	24.9	197.2	-149.2

Financial Data & Ratios

FY Dec	2022A	2023A	2024A	2025F	2026F
Growth					
Turnover	20.3%	-17.0%	-17.8%	-1.9%	14.1%
EBITDA	-15.4%	-63.2%	-129.0%	-93.7%	-2770%
Op. Profit	-58.8%	-396.8%	101.8%	-10.3%	-20.5%
PBT/LBT	-174.0%	755.2%	76.9%	-10.4%	-11.8%
CNP/CNL	106.4%	243.5%	79.8%	-20.2%	-11.4%
Profitability (%)					
Op. Margin	N.M	N.M	N.M	N.M	N.M
PBT Margin	N.M	N.M	N.M	N.M	N.M
CNP margin	N.M	N.M	N.M	N.M	N.M
ROA	N.M	N.M	N.M	N.M	N.M
ROE	N.M	N.M	N.M	N.M	N.M
DuPont Analysis					
Net Margin (%)	N.M	N.M	N.M	N.M	N.M
Assets T/O (x)	0.6	0.5	0.4	0.4	0.5
Lev. Factor(x)	1.7	1.9	2.0	2.1	2.2
ROE (%)	-1.8	-4.5	-8.2	-7.7	-7.4
Leverage					
Debt/Asset (x)	0.2	0.3	0.3	0.3	0.4
Debt/Equity(x)	0.4	0.6	0.7	0.7	0.8
N.(Cash)/Debt	715.9	1,031.0	1,344.2	1,204.1	1,416.7
N.Debt/Eqty (x)	0.2	0.4	0.5	0.5	0.7
Valuations					
C. EPS (sen)	(5.8)	(19.8)	(35.6)	(28.4)	(25.2)
NDPS (sen)	3.0	1.0	1.0	1.0	1.0
BV/share (RM)	4.5	4.2	3.8	3.6	3.3
PER (x)	N.M	N.M	N.M	N.M	N.M
Div. Yield (%)	5.8	1.9	1.9	1.9	1.9
PBV (x)	0.2	0.1	0.1	0.1	0.1
EV/EBITDA(x)	5.5	10.3	(18.9)	253.7	(19.0)

Source: 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.
Stocks Under Coverage																	
BERMAZ AUTO BHD	0.675	0.850	25.9%	783.7	Y	04/2026	9.4	13.2	-29.9%	40.6%	7.2	5.1	1.2	15.5%	7.5	11.2%	0.675
DRB-HICOM BHD	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%	0.875
HIL INDUSTRIES BHD	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%	0.750
HONG LEONG INDUSTRIES BHD	13.50	17.70	31.1%	4,426.7	Y	06/2026	147.1	150.2	-4.0%	2.1%	9.2	9.0	1.6	18.4%	80.0	5.9%	13.50
MBM RESOURCES BHD	5.19	7.00	34.9%	2,028.8	Y	12/2025	86.5	87.6	1.5%	1.3%	6.0	5.9	0.8	12.9%	51.0	9.8%	5.19
SIME DARBY BHD	2.02	1.90	-5.9%	13,738.0	Y	06/2026	18.6	20.0	8.3%	7.7%	10.9	10.1	0.7	6.5%	14.0	6.9%	2.02
TAN CHONG MOTOR HOLD.BHD	0.520	0.300	-42.3%	349.4	Y	12/2025	(27.6)	(24.4)	-179.8%	-188.6%	N.A.	N.A.	0.2	-7.7%	1.0	1.9%	0.520
SECTOR AGGREGATE				23,266.9					6.5%	10.0%	10.8	9.8	0.6	5.6%		6.0%	

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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