

# Tan Chong Motor Holdings Berhad

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

## Still A Tough Ride

### KEY INVESTMENT HIGHLIGHTS

- **All new e-POWER model to debut in 4QFY24**
- **Segambut Plant utilisation set to improve with GAC GS3 Emzoom local production**
- **New C-segment MPV model to launch in Vietnam as major volume driver**
- **No changes to earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM0.77**

We attended Tan Chong Motor Holdings Berhad (TCM) results briefing yesterday, and here are the key highlights:

**Malaysian market.** TCM plans to launch an all-new e-POWER model in 4QY24, which is expected to be in the B-segment SUV (CBU). The pricing is yet to be confirmed, but TCM expects it to be competitive and drive sales growth. For the contract manufacturing division, Warisan Tan Chong Automotif (WTCA) recently began local production (CKD) of the GAC GS3 Emzoom at its Segambut plant. Despite TCM not being the distributor, it anticipate this will boost plant utilisation from below 30% to over 50% with just this single model.

**Vietnamese market.** In the passenger vehicles segment, TCM recently launched the GAC GS8 (E-segment SUV) and M8 (MPV) in Vietnam in Aug-24, receiving over USD1.0m in bookings from the 1-day event, which translates to fewer than 15 units. The Group plans to introduce a new C-segment MPV model in Oct-24, expecting it to be a major volume driver in the market and aiming to convert it to CKD by 4QFY25, which would be a catalyst for a turnaround in Vietnam. In the commercial vehicles segment, although sales of TQ Wuling N300P light trucks and Euro 5 King Long buses have been slower than anticipated, it is steadily gaining momentum and improving plant utilisation.

**Other markets.** Myanmar's operations have been constrained by limited inventory and import restriction since Oct-21, but it reportedly turned a small profit in Jul-24 due to improved sales and production. Stock supply issues persist in other markets, with the Nissan Navara only recently replenished in Cambodia. Meanwhile, the Nissan X-Trail is reportedly gaining market traction in Laos due to its competitive pricing. As a result, these markets have started to show improved performance in 3QFY24.

**Maintain NEUTRAL.** There are no changes to our earnings estimates, and our target price remains unchanged at **RM0.77** (based on a FY25F P/BV of 0.20x). While the recent appreciation of USDMYR may offer some tailwind, we expect the Malaysian market to remain challenging due to intense competition.



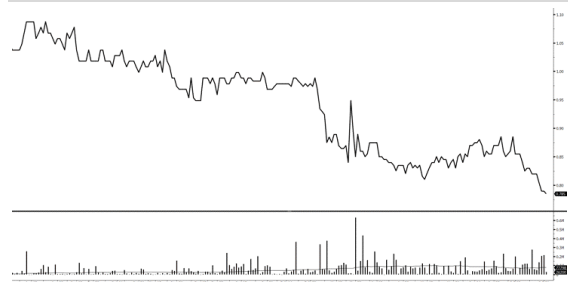
**Maintain NEUTRAL**

**Unchanged Target Price: RM0.77**

### RETURN STATISTICS

Price @ 3 <sup>rd</sup> September 2024 (RM)	0.71
Expected share price return (%)	+8.5
Expected dividend yield (%)	+1.4
Expected total return (%)	+9.9

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.8	-11.2
3 months	-9.8	-9.8
12 months	-25.9	-33.8

### INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	2,532.7	2,702.0	2,869.6
Operating profit	-78.1	-46.4	-0.04
PBT	-121.1	-90.4	-31.0
Core PATAMI	-128.7	-96.1	-32.9
Core EPS	-19.2	-14.3	-4.9
DPS	1.0	1.0	1.0
Dividend yield	1.4	1.4	1.4

### KEY STATISTICS

FBM KLCI	1,676.65
Issue shares (m)	651.81
Estimated free float (%)	20.72
Market Capitalisation (RM'm)	511.56
52-wk price range	RM0.78 - RM1.1
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
Tan Chong Consolidated	40.49
Employees Provident Fund Board	5.97
Daiwa Securities Group Inc	5.73

**SALES PERFORMANCE**

FYE Dec (Units)	Quarterly					Cumulatively		
	2QYF24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
<b>Malaysia</b>								
Nissan	2,301	2,301	2,534	0.0%	-9.2%	4,602	5,034	-8.6%
UD Trucks	93	113	105	-17.7%	-11.4%	206	228	-9.6%
<b>Others</b>	<b>2QYF24</b>	<b>1QFY24</b>	<b>2QFY23</b>	<b>QoQ</b>	<b>YoY</b>	<b>6MFY24</b>	<b>6MFY23</b>	<b>YoY</b>
Vietnam	98	47	854	108.5%	-88.5%	145	1,422	-89.8%
Cambodia	37	54	30	-31.5%	23.3%	91	63	44.4%
Laos	28	40	49	-30.0%	-42.9%	68	104	-34.6%
Myanmar	12	17	26	-29.4%	-53.8%	29	60	-51.7%

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2,537.3	3,052.2	2,532.7	2,702.0	2,869.6
Operating profit	62.8	26.3	-78.1	-46.4	-0.04
PBT	18.1	-14.2	-121.1	-90.4	-31.0
PATAMI	-15.4	-51.1	-128.7	-96.1	-32.9
Core PATAMI	-15.4	-35.0	-128.7	-96.1	-32.9
EPS (sen)	-2.3	-5.2	-19.2	-14.3	-4.9
DPS (sen)	1.5	3.0	1.0	1.0	1.0
Dividend yield	2.0%	4.1%	1.4%	1.4%	1.4%
Balance Sheet (RM'm)	FY21	FY22	FY23	FY24F	FY25F
PPE	2,317.9	2,414.5	2,371.2	2,263.6	2,162.3
Investments in associate	72.4	70.5	70.0	69.5	69.0
<b>Non-current assets</b>	<b>3,148.3</b>	<b>3,189.4</b>	<b>3,202.2</b>	<b>3,094.2</b>	<b>2,992.4</b>
Inventories	778.0	748.4	822.1	642.8	682.7
Receivables	325.7	295.5	384.7	253.8	269.6
Cash & equivalents	514.5	558.2	511.6	848.2	860.1
<b>Current assets</b>	<b>1,847.6</b>	<b>1,849.0</b>	<b>1,907.9</b>	<b>1,931.7</b>	<b>1,999.7</b>
Share capital	336.0	336.0	336.0	336.0	336.0
Reserves	2,455.5	2,536.3	2,404.1	2,301.3	2,261.6
<b>Total equity</b>	<b>2,769.7</b>	<b>2,849.7</b>	<b>2,741.8</b>	<b>2,635.2</b>	<b>2,594.2</b>
Long-term borrowings	-	300.0	450.0	435.0	420.0
<b>Non-current liabilities</b>	<b>417.0</b>	<b>742.8</b>	<b>899.3</b>	<b>884.3</b>	<b>869.3</b>
Short-term borrowings	1,268.2	974.0	1,092.6	1,092.6	1,092.6
Payables	492.8	415.1	319.2	356.6	378.7
Others	48.3	56.7	57.2	57.2	57.2
<b>Current liabilities</b>	<b>1,809.3</b>	<b>1,445.9</b>	<b>1,469.0</b>	<b>1,506.4</b>	<b>1,528.5</b>
Cash Flow Statement (RM'm)	FY21	FY22	FY23	FY24F	FY25F
PBT	178.6	114.3	-161.3	18.1	-14.2
Depreciation & Amortisation	100.4	137.0	136.9	141.4	148.4
Changes in working capital	402.8	-189.1	676.5	68.2	-21.7
<b>Operating cash flow</b>	<b>528.9</b>	<b>-23.9</b>	<b>572.3</b>	<b>123.2</b>	<b>102.4</b>
Capex	-89.5	-296.9	-150.0	-150.0	-149.0
<b>Investing cash flow</b>	<b>-50.2</b>	<b>-101.5</b>	<b>-270.7</b>	<b>79.9</b>	<b>-30.2</b>
Dividends paid	-26.9	-26.9	-26.9	-9.8	-19.6
Net movement in borrowings	-255.9	42.5	-108.2	-233.3	-294.2
<b>Financing cash flow</b>	<b>-275.8</b>	<b>12.6</b>	<b>-135.0</b>	<b>-280.7</b>	<b>-35.1</b>
<b>Net changes in cash</b>	<b>202.9</b>	<b>-112.8</b>	<b>166.6</b>	<b>-77.6</b>	<b>37.0</b>
<b>Beginning cash</b>	<b>318.0</b>	<b>522.1</b>	<b>407.8</b>	<b>582.0</b>	<b>514.5</b>
<b>Ending cash</b>	<b>522.1</b>	<b>407.8</b>	<b>582.0</b>	<b>514.5</b>	<b>558.2</b>
Margins	FY21	FY22	FY23	FY24F	FY25F
OP margin	2.5%	0.9%	-3.1%	-1.7%	-0.001%
PBT margin	0.7%	-0.5%	-4.8%	-3.3%	-1.1%
Core PATAMI margin	-0.6%	-1.1%	-5.1%	-3.6%	-1.1%

Source: Company, MIDF

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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	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### 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