

Tan Chong Motor (TCM MK)

FY21 results came in line

Maintain BUY and MYR1.45

FY21 core results were within our FY estimate, on stronger 4Q21 showings, especially at its MY ops. The sub-par FY21 is well-flagged and we remain positive of its recovery in FY22, on stronger consumer spending post-pandemic. Our TP is pegged to 16x FY22 PER (mean valuations).

Spectacular 4Q21

TCM returned to the black in 4Q21, with core net profit of MYR7m (vs. -MYR31m in 3Q21). This lowered its FY21 core net loss to MYR36m (vs. MYR134m in FY20). The QoQ turnaround was impressive, with stronger QoQ results at its MY and VN ops. The MY ops (95% of Group's earnings) reported a 7.3x QoQ jump in EBITDA in 4Q21, driven by a: (i) 2.4x rise in vehicle sales (4.6k units), (ii) better sales mix and (iii) improved opex management. The underlying QoQ strength led to a higher EBITDA margin (+9.3-ppts). Its VN ops reported relatively similar performance trend, albeit on a smaller scale (EBITDA: MYR3m in 4Q21 vs. -MYR2m in 3Q21).

Looking ahead to a recovery in FY22

The sub-par FY21 has been well-flagged. We posit that the worst is over for TCM, operationally-speaking. Most of the major setbacks experienced in 2020-21 (i.e. settlement of excise duties, end of partnership with Nissan VN) are unlikely to recur. Focus should be on FY22, on a recovering outlook ahead. We expect TCM to report net profit of MYR59m in FY22, as businesses in MY and Indo-China markets normalise progressively post-pandemic.

Post-pandemic growth, going electric

Vehicle sales volume-wise, we expect its MY vehicle sales to reach 23.5k units in FY22 (vs. 12.3k units in FY21), as it continues to enjoy the benefits of 0%-5% SST impact up to Jun 2022 and the progressive roll-outs of its EVs models pipeline (only BEV Leaf is on sale to-date). The industry is in a strong position to leverage on the incentives (zero taxes) accorded to EVs, as the Government promotes e-mobility and low carbon economy agendas.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,960	2,537	3,945	4,039	4,153
EBITDA	40	210	305	314	324
Core net profit	(134)	(36)	59	70	80
Core EPS (sen)	(20.7)	(5.6)	9.2	10.8	12.4
Core EPS growth (%)	nm	nm	nm	18.2	14.8
Net DPS (sen)	1.5	0.0	0.0	0.0	0.0
Core P/E (x)	nm	nm	12.2	10.3	9.0
P/BV (x)	0.3	0.3	0.3	0.2	0.2
Net dividend yield (%)	1.2	0.0	0.0	0.0	0.0
ROAE (%)	(5.6)	(0.5)	2.1	2.4	2.7
ROAA (%)	(2.4)	(0.7)	1.1	1.3	1.5
EV/EBITDA (x)	42.4	6.9	5.4	4.8	4.2
Net gearing (%) (incl perps)	32.6	27.1	32.7	26.9	21.2
Consensus net profit	-	-	20	68	na
MKE vs. Consensus (%)	-	-	199.9	3.3	na

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BUY

Share Price	MYR 1.12
12m Price Target	MYR 1.45 (+29%)
Previous Price Target	MYR 1.45

Company Description

Franchise holder for: (i) Nissan in Malaysia and Indo-China (Myanmar, Laos & Cambodia), Renault in Malaysia and (iii) MG in Vietnam.

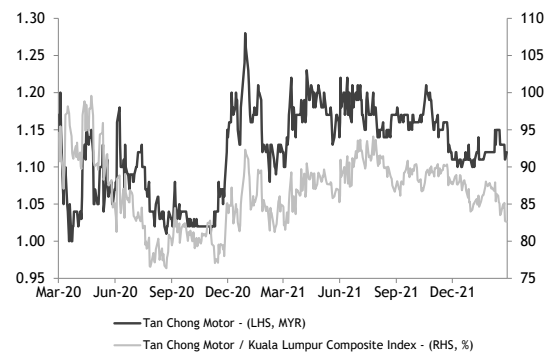
Statistics

52w high/low (MYR)	1.23/1.10
3m avg turnover (USDm)	0.0
Free float (%)	19.4
Issued shares (m)	672
Market capitalisation	MYR752.6M USD179M

Major shareholders:

Tan Chong Consolidated Sdn. Bhd.	39.3%
Employees Provident Fund	6.3%
Nissan Motor Co., Ltd.	5.6%

Price Performance



	-1M	-3M	-12M
Absolute (%)	0	0	(1)
Relative to index (%)	(5)	(5)	(2)

Source: FactSet

Fig 1: Tan Chong Motor: Summary Results Table

FY Dec (MYR m)	Quarterly results					Cumulative		
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
Turnover	866.9	439.3	97.4	747.9	15.9	2,537.3	2,959.6	(14.3)
EBITDA	103.1	6.3	>100	(34.5)	NM	210.2	40.5	>100
Interest expense	(13.9)	(13.4)	3.7	(13.7)	0.9	(54.2)	(61.4)	(11.6)
Interest income	2.5	2.4	5.1	3.4	(24.8)	11.0	14.6	(24.7)
Pre-tax profit	57.0	(42.7)	NM	(76.9)	NM	18.1	(161.3)	NM
Taxation	(10.9)	(4.0)	NM	9.4	NM	(38.3)	(15.5)	NM
Minority interest	(2.8)	2.5	NM	(2.2)	27.2	4.8	11.2	(57.0)
Net profit / (loss)	43.3	(44.2)	NM	(69.6)	NM	(15.4)	(165.6)	(90.7)
One-off (gain) / loss	(36.4)	13.6	NM	17.0	NM	(21.0)	31.9	NM
Recurring net profit / (loss)	6.9	(30.6)	NM	(52.6)	NM	(36.4)	(133.7)	(72.8)
	4Q21	3Q21	+/- ppt QoQ	4Q20	+/- ppt YoY	FY21	FY20	+/- ppt YoY
EBITDA margin (%)	11.9	1.4	10.4	(4.6)	16.5	8.3	1.4	6.9
Tax rate (%)	19.1	(9.5)	28.6	12.3	6.9	211.6	(9.6)	NM
Segmental breakdown: ops	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
Revenue	866.9	439.3	97.4	747.9	15.9	2,537.3	2,959.6	(14.3)
- Vehicle assembly, distribution	844.9	420.8	>100	727.6	16.1	2,456.2	2,870.1	(14.4)
- Financial services	18.4	15.9	16.1	17.1	8.0	69.6	70.1	(0.7)
- Others	3.6	2.6	37.1	3.2	12.8	11.5	19.5	(41.0)
EBITDA	103.1	6.3	>100	(34.5)	NM	210.2	40.5	>100
- Vehicle assembly, distribution	58.8	16.0	NM	(44.1)	NM	124.6	21.6	>100
- Financial services	17.4	(1.1)	18.4	19.6	(11.0)	31.9	20.9	52.5
- Others	26.9	(8.6)	3.6	(9.9)	NM	53.8	(2.0)	NM
Margins %	4Q21	3Q21	+/- ppt QoQ	4Q20	+/- ppt YoY	FY21	FY20	+/- ppt YoY
- Vehicle assembly, distribution	7.0	3.8	3.1	(6.1)	13.0	5.1	0.8	4.3
- Financial services	94.4	(7.0)	101.4	NM	(20.1)	45.8	29.8	16.0
Vehicle Unit Sales (MAA data)	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	%YoY
Nissan car sales	4,615	1,917	140.7	4,993	(7.6)	12,287	14,160	(13.2)
Segmental breakdown: geography	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
Revenue	866.9	439.3	97.4	747.9	15.9	2,537.3	2,959.6	(14.3)
- Malaysia	761.4	375.0	>100	652.9	16.6	2,143.4	2,393.5	(10.5)
- Vietnam	67.3	29.9	>100	31.8	>100	261.2	290.7	(10.1)
- Others	38.2	34.4	11.1	62.7	(39.0)	132.7	275.4	(51.8)
EBITDA	103.1	6.3	>100	(34.5)	NM	210.2	40.5	>100
- Malaysia	98.3	13.4	>100	(16.8)	NM	218.8	101.7	>100
- Vietnam	2.9	(1.8)	NM	(19.9)	NM	(2.4)	(84.0)	(97.1)
- Others	1.9	(5.2)	NM	2.2	(12.3)	(6.2)	22.8	NM
Margins %	11.9	1.4	10.4	(4.6)	16.5	8.3	1.4	6.9
- Malaysia	12.9	3.6	9.3	(2.6)	15.5	10.2	4.2	6.0
- Vietnam	4.4	(6.2)	10.5	(62.5)	66.9	(0.9)	(28.9)	28.0
- Others	5.0	(15.1)	20.1	3.5	1.5	(4.6)	8.3	(12.9)

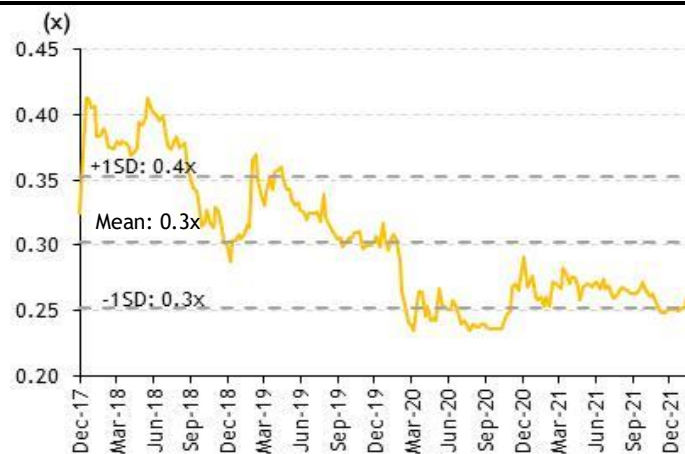
Source: Company, Maybank IBG Research

Fig 2: TCM: Vehicles sales

	2020A	2021	2022F	2023F	2024F
Nissan MY	14,160	12,287	23,480	24,620	25,660
YoY growth (%)	-33.3	-13.2	89.2	4.9	4.2

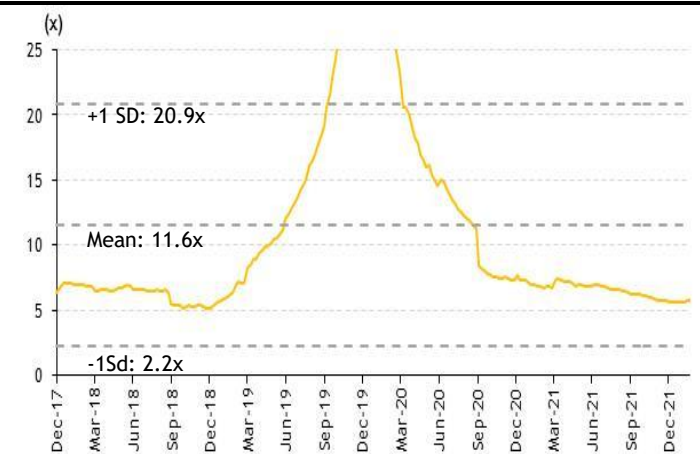
Source: Company, Maybank IBG Research

Fig 3: 1-year forward PBV



Source: Company, Maybank IBG Research

Fig 4: 1-year forward EV/ EBITDA



Source: Company, Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	nm	nm	12.2	10.3	9.0
Core P/E (x)	nm	nm	12.2	10.3	9.0
P/BV (x)	0.3	0.3	0.3	0.2	0.2
P/NTA (x)	0.3	0.3	0.3	0.2	0.2
Net dividend yield (%)	1.2	0.0	0.0	0.0	0.0
FCF yield (%)	59.3	6.9	nm	19.8	20.2
EV/EBITDA (x)	42.4	6.9	5.4	4.8	4.2
EV/EBIT (x)	nm	23.0	11.4	9.5	8.0
INCOME STATEMENT (MYR m)					
Revenue	2,959.6	2,537.3	3,945.3	4,038.7	4,152.8
EBITDA	40.5	210.2	305.0	314.5	323.7
Depreciation	(136.9)	(142.3)	(142.9)	(139.0)	(135.4)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	(115.5)	62.8	143.9	158.4	170.4
Net interest income / (exp)	(46.8)	(43.2)	(40.1)	(43.6)	(40.9)
Associates & JV	0.9	(1.5)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(161.3)	18.1	85.6	97.8	111.5
Income tax	(15.5)	(38.3)	(20.5)	(23.5)	(26.8)
Minorities	11.2	4.8	(6.0)	(4.5)	(4.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(165.6)	(15.4)	59.1	69.8	80.2
Core net profit	(133.7)	(36.4)	59.1	69.8	80.2
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	582.0	517.3	334.1	477.4	623.6
Accounts receivable	424.9	436.9	624.8	621.4	620.1
Inventory	772.7	774.5	1,180.0	1,203.4	1,234.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,311.7	2,321.3	2,258.4	2,199.4	2,144.1
Intangible assets	0.8	14.5	14.5	14.5	14.5
Investment in Associates & JVs	76.0	72.4	72.4	72.4	72.4
Other assets	1,152.6	880.5	880.5	880.5	880.5
Total assets	5,320.5	5,017.4	5,364.7	5,469.0	5,589.3
ST interest bearing debt	1,501.5	1,268.2	1,268.2	1,268.2	1,268.2
Accounts payable	510.5	508.8	775.2	790.6	810.8
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	484.0	471.0	468.0	466.0	463.0
Total Liabilities	2,495.8	2,247.8	2,511.8	2,524.7	2,542.3
Shareholders Equity	2,841.7	2,791.5	2,868.8	2,955.7	3,053.9
Minority Interest	(17.0)	(21.9)	(15.9)	(11.4)	(6.8)
Total shareholder equity	2,824.7	2,769.7	2,852.9	2,944.3	3,047.1
Total liabilities and equity	5,320.5	5,017.4	5,364.7	5,469.0	5,589.3
CASH FLOW (MYR m)					
Pretax profit	(161.3)	18.1	85.6	97.8	111.5
Depreciation & amortisation	136.9	142.3	142.9	139.0	135.4
Adj net interest (income)/exp	(44.3)	(38.9)	(40.1)	(43.6)	(40.9)
Change in working capital	601.5	35.3	(345.2)	(21.7)	(27.2)
Cash taxes paid	(43.4)	(37.3)	(21.4)	(24.5)	(27.9)
Other operating cash flow	100.6	23.5	76.5	77.7	76.9
Cash flow from operations	587.3	141.6	(103.2)	223.3	226.3
Capex	(104.4)	(92.4)	(80.0)	(80.0)	(80.0)
Free cash flow	482.9	49.2	(183.2)	143.3	146.3
Dividends paid	(23.1)	(9.8)	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(111.9)	(275.9)	0.0	0.0	0.0
Other invest/financing cash flow	(171.4)	161.6	0.0	0.0	0.0
Effect of exch rate changes	(2.3)	10.1	0.0	0.0	0.0
Net cash flow	174.2	(64.7)	(183.2)	143.3	146.3

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(29.1)	(14.3)	55.5	2.4	2.8
EBITDA growth	(87.7)	419.4	45.1	3.1	2.9
EBIT growth	nm	nm	129.0	10.1	7.5
Pretax growth	nm	nm	373.0	14.3	14.0
Reported net profit growth	nm	nm	nm	18.2	14.8
Core net profit growth	nm	nm	nm	18.2	14.8
Profitability ratios (%)					
EBITDA margin	1.4	8.3	7.7	7.8	7.8
EBIT margin	nm	2.5	3.6	3.9	4.1
Pretax profit margin	nm	0.7	2.2	2.4	2.7
Payout ratio	nm	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	nm	nm	1.5	1.7	1.9
Revenue/Assets (x)	0.6	0.5	0.7	0.7	0.7
Assets/Equity (x)	1.9	1.8	1.9	1.9	1.8
ROAE (%)	(5.6)	(0.5)	2.1	2.4	2.7
ROAA (%)	(2.4)	(0.7)	1.1	1.3	1.5
Liquidity & Efficiency					
Cash conversion cycle	130.5	106.3	86.1	100.5	98.7
Days receivable outstanding	56.8	61.1	48.4	55.5	53.8
Days inventory outstanding	161.5	132.3	109.7	131.1	130.8
Days payables outstanding	87.9	87.1	72.0	86.1	85.9
Dividend cover (x)	(17.1)	nm	nm	nm	nm
Current ratio (x)	1.0	1.0	1.1	1.2	1.2
Leverage & Expense Analysis					
Asset/Liability (x)	2.1	2.2	2.1	2.2	2.2
Net gearing (%) (incl perps)	32.6	27.1	32.7	26.9	21.2
Net gearing (%) (excl. perps)	32.6	27.1	32.7	26.9	21.2
Net interest cover (x)	na	1.5	3.6	3.6	4.2
Debt/EBITDA (x)	nm	6.0	4.2	4.0	3.9
Capex/revenue (%)	3.5	3.6	2.0	2.0	1.9
Net debt/ (net cash)	919.5	750.9	934.1	790.8	644.6

Source: Company; Maybank

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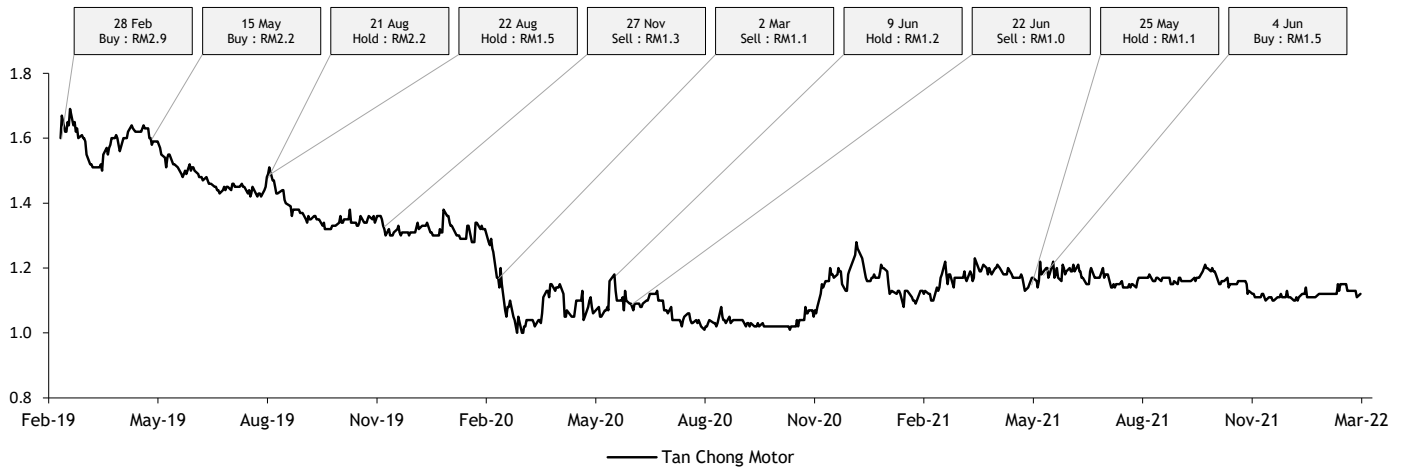
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