Tan Chong Motor Holdings Berhad

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

SHARIAH Compliant

ESG 3 Stars

Maintain **SELL**

Unchanged Target Price **RM0.34**

Corporate Update

1QFY26 Results Review
Narrower Sequential Losses

Maintain SELL. Tan Chong Motor Holdings Berhad's (TCM) 1QFY26 results came in within expectations. Although vehicle sales remained subdued, losses narrowed sequentially. In the Malaysian market, following the launch of the All-New Nissan Serena e-POWER in Mar-26, the next e-POWER model launch is speculated to be the fifth-generation X-Trail. We look forward to obtaining further insights on the Group's performance at next week's briefing. We continue to expect the Group to remain loss-making over our forecast period. Our target price is maintained at **RM0.34**, based on FY26F PBV of 0.1x.

Within expectations. TCM registered a core LATAMI of -RM34.1m in 1QFY26, broadly in line with our and consensus full-year forecasts, representing 26% and 22% of estimates, respectively. Among the one-offs, the quarter included a RM20.1m gain from the disposal of assets classified as held for sale, while 1QFY25 included a RM54.0m fair value gain on investment properties. No dividend was declared for the quarter.

Nissan TIV declined by double digits. The automotive division recorded a -17.2%yoy decline in revenue, likely due to weaker vehicle sales across all markets. MAA data showed Nissan TIV contracted by -41.4%yoy during the quarter. Despite the lower revenue, EBITDA for the division increased +56.3%yoy. Meanwhile, the financial services division (only 3% of group revenue) saw revenue declining by -18.2%yoy, although EBITDA turned positive at RM0.5m, supported by higher other income and lower impairment losses on hire purchase receivables. The quarter also saw JVs/associates return to profitability with a share of profits of RM0.9m. Overall, group revenue fell -17.2%yoy, while core LATAMI widened by -19.7%yoy.

Improved sequential losses. Compared with 4QFY25, the automotive division's revenue declined -6.7%qoq due to lower vehicle sales, likely attributable to seasonality, with MAA TIV contracting -23.4%qoq. However, EBITDA turned profitable at RM4.5m versus a loss of -RM0.6m in the previous quarter, supported by favourable forex movements. Meanwhile, the financial services division recorded a +8.2%qoq increase in revenue, while EBITDA also turned positive at RM0.5m from a loss of -RM2.8m in 4QFY25, mainly due to higher impairment losses on hire purchase receivables recorded in the preceding quarter. Overall, TCM's revenue declined -6.1%qoq, while core LATAMI narrowed by +38.2%qoq, supported by improved margins.

Earnings estimates. Our forecasts remain unchanged.

RETURN STATISTICS	
Price @ 28th May 2026 (RM)	0.49
Expected share price return (%)	-39.4
Expected dividend yield (%)	0.0
Expected total return (%)	-39.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-12.5	-10.7
3 months	3.2	-10.1
12 months	3.2	-7.0

INVESTMENT STATISTICS

FYE Dec	2025A	2026F	2027F
Revenue	2,114.5	2,186.1	2,253.1
EBIT	-120.9	-72.2	-61.0
PBT	-175.3	-134.9	-125.9
Core PATAMI	-203.4	-132.6	-123.8
Core EPS (sen)	-31.2	-20.3	-19.0
DPS (sen)	0.0	1.0	1.0
Dividend yield	0.0%	2.1%	2.1%

KEY STATISTICS	
FBM KLCI	1,684.93
Issued shares (m)	631.25
Estimated free float (%)	16.82
Market Capitalisation (RM'm)	319.30
52-wk price range	RM0.40 - RM0.97
3-mth average daily volume (m)	0.72
3-mth average daily value (RM'm)	0.39
Top Shareholders (%)	
Tan Chong Consolidated	47.47
Daiwa Securities Group Inc	5.73
Nissan Motor Co Ltd	5.73

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TAN CHONG: 1QFY26 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Revenue	457.8	487.3	553.0	-6.1%	-17.2%	457.8	553.0	-17.2%
Operating profit/loss	2.1	-48.9	20.4	104.3%	-89.8%	2.1	20.4	-89.8%
Net interest expense	-11.3	-11.5	-15.7	1.7%	27.9%	-11.3	-15.7	27.9%
JVs/Associates	0.9	0.9	-0.2	2.5%	608.9%	0.9	-0.2	608.9%
PBT/LBT	-8.3	-59.5	4.6	86.1%	-281.8%	-8.3	4.6	-281.8%
Tax expense	-6.3	-18.4	-3.0	65.6%	-109.6%	-6.3	-3.0	-109.6%
PAT/LAT	-14.6	-77.9	1.5	81.2%	-1105.2%	-14.6	1.5	-1105.2%
PATAMI/LATAMI	-12.2	-81.1	4.1	85.0%	-394.6%	-12.2	4.1	-394.6%
Core PATAMI/LATAMI	-34.1	-55.2	-28.5	38.2%	-19.7%	-34.1	-28.5	-19.7%
Nissan TIV	*1,062*	*1,387*	*1,811*	*-23.4%*	*-41.4%*	*1,062*	*1,387*	*-23.4%*
				ppts	**ppts**			**ppts**
OP margin (%)	0.5%	-10.0%	3.7%	10.5	-3.2	0.5%	3.7%	-3.2
PBT margin (%)	-1.8%	-12.2%	0.8%	10.4	-2.6	-1.8%	0.8%	-2.6
Core PATAMI margin (%)	-7.5%	-11.3%	-5.2%	3.9	-2.3	-7.5%	-5.2%	-2.3
Effective tax rate (%)	76.2%	30.9%	-66.1%	45.3	142.3	76.2%	-66.1%	142.3

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Automotive	439.4	471.2	530.5	-6.7%	-17.2%	439.4	530.5	-17.2%
Financial services	14.8	13.7	18.1	8.2%	-18.2%	14.8	18.1	-18.2%
Others	3.6	2.4	4.4	49.5%	-18.8%	3.6	4.4	-18.8%
	457.8	487.3	553.0	-6.1%	-17.2%	457.8	553.0	-17.2%
EBITDA/LBITDA	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Automotive	4.5	-0.6	2.9	851.8%	56.3%	4.5	2.9	56.3%
Financial services	0.5	-2.8	-0.3	119.0%	279.3%	0.5	-0.3	279.3%
Others	11.7	-15.6	0.8	174.9%	1341.3%	11.7	0.8	1341.3%
	16.8	-19.0	3.4	188.1%	392.0%	16.8	3.4	392.0%
EBITDA/LBITDA Margin	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Automotive	1.0%	-0.1%	0.5%	1.2	0.5	1.0%	0.5%	0.5
Financial services	3.6%	-20.3%	-1.6%	23.8	5.2	3.6%	-1.6%	5.2

Note: EBITDA/LBITDA figures exclude the disclosed one-off items.

Source: Tan Chong, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025A	2026F	2027F
Revenue	2,532.7	2,082.7	2,114.5	2,186.1	2,253.1
Operating profit	-78.1	-157.6	-120.9	-72.2	-61.0
PBT	-121.1	-214.3	-175.3	-134.9	-125.9
PAT	-133.9	-220.8	-198.6	-142.3	-132.8
PATAMI	-125.3	-214.2	-193.0	-132.6	-123.8
Core PATAMI	-125.3	-161.9	-203.4	-132.6	-123.8
Core EPS (sen)	-19.2	-24.8	-31.2	-20.3	-19.0
DPS (sen)	1.0	1.0	0.0	1.0	1.0
Dividend yield	2.1%	2.1%	0.0%	2.1%	2.1%

Balance Sheet (RM'm)	2023A	2024A	2025A	2026F	2027F
PPE	2,371.2	2,319.1	2,570.3	2,539.5	2,491.7
Non-current assets	**3,211.9**	**3,132.3**	**3,248.5**	**3,108.7**	**3,070.0**
Inventories	822.1	842.1	667.3	882.0	909.0
Trade receivables	296.4	317.3	348.4	333.1	343.3
Cash	511.6	545.5	282.9	327.0	258.3
Current assets	**1,902.5**	**1,960.3**	**1,594.1**	**1,837.6**	**1,806.2**
Long-term debt	450.0	309.8	159.9	309.8	309.8
Non-current liabilities	**903.5**	**764.5**	**657.2**	**807.2**	**807.2**
Short-term debt	1,092.6	1,406.4	1,072.7	1,506.4	1,556.4
Trade payables	319.2	315.9	368.1	330.8	341.0
Current liabilities	**1,469.0**	**1,812.3**	**1,561.1**	**1,957.6**	**2,017.7**
Share capital	336.0	336.0	336.0	336.0	336.0
Retained earnings	2,430.4	2,201.6	2,305.6	1,862.9	1,732.6
Equity	**2,741.8**	**2,515.7**	**2,624.3**	**2,181.6**	**2,051.3**

Cash Flow (RM'm)	2023A	2024A	2025A	2026F	2027F
PBT	-121.1	-214.3	-175.4	-134.9	-125.9
D&A	141.7	132.7	122.4	130.8	147.8
Changes in WC	-137.9	-24.3	299.6	-236.6	-27.1
Operating cash flow	**-121.8**	**-24.5**	**282.1**	**-248.1**	**-12.1**
Capital expenditure	-192.4	-100.0	-95.3	-100.0	-100.0
Investing cash flow	**-196.9**	**-86.6**	**-29.5**	**-100.0**	**-100.0**
Dividends paid	-6.5	-6.5	0.0	-6.5	-6.5
Debt raised/(repaid)	268.6	173.6	-481.0	50.0	50.0
Financing cash flow	**267.0**	**154.5**	**-497.8**	**43.5**	**43.5**
Net cash flow	**-51.7**	**43.4**	**-245.2**	**-304.7**	**-68.7**
Beginning cash flow	**558.2**	**511.6**	**545.5**	**286.7**	**327.0**
Ending cash flow	**511.6**	**545.5**	**286.7**	**327.0**	**258.3**

Profitability Ratios (%)	2023A	2024A	2025A	2026F	2027F
OP margin	-3.1%	-7.6%	-5.7%	-3.3%	-2.7%
PBT margin	-4.8%	-10.3%	-8.3%	-6.2%	-5.6%
PAT margin	-1.8%	-5.3%	-10.6%	-9.4%	-6.5%
Core PATAMI margin	-4.9%	-7.8%	-9.6%	-6.1%	-5.5%
ROA	-2.4%	-3.2%	-4.2%	-2.7%	-2.5%
ROE	-4.6%	-6.4%	-7.8%	-6.1%	-6.0%

Growth (%)	2023A	2024A	2025A	2026F	2027F
Revenue growth	-17.0%	-17.8%	1.5%	3.4%	3.1%
EBIT growth	<-100%	<-100%	23.3%	40.3%	15.6%
PBT growth	<-100%	-76.9%	18.2%	23.1%	6.7%
Core PATAMI growth	<-100%	-33.7%	-25.7%	34.8%	6.7%

Source: Tan Chong, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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