Tan Chong Motor Holdings Berhad

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

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Maintain SELL

Unchanged Target Price **RM0.34**

2QFY26 Results Review
Losses Improved

Maintain SELL. Tan Chong Motor Holdings Berhad's (TCM) 2QFY26 results came in above expectations, supported by better cost rationalisation, though we leave our earnings estimates unchanged pending management's briefing tomorrow. We expect improving sales momentum from recent and upcoming model launches, although the broader operating environment remains challenging. Upcoming launches include the Nissan X-Trail e-POWER in 4QCY26 and TQ Wuling Porta electric van in 3QCY26. We maintain our target price at **RM0.34**, based on 0.1x FY26F PBV.

Above expectations. TCM recorded a core LATAMI of -RM18.1m in 2QFY26, bringing 1HFY26 core losses to -RM52.1m, narrower than expected at 39%/36% of our/consensus full-year loss estimates. No dividend was declared for the quarter.

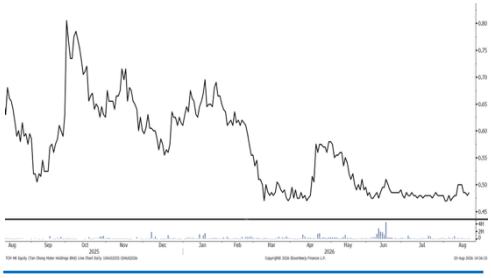
Cost discipline improved in the auto segment. The automotive division recorded a -12.1%yoy decline in revenue, weighed by weaker vehicle sales across all markets, with Vietnam (-5.2%yoy) recording a more moderate decline than Malaysia (-13.9%yoy). MAA data showed Nissan TIV contracted by -17.7%yoy during the quarter. Despite softer revenue, EBITDA turned positive at RM21.0m vs. a loss of -RM0.1m previously, supported by lower operating costs and favourable forex movements. Meanwhile, the financial services division (<3% of group revenue) saw revenue decline by -21.1%yoy, although LBITDA narrowed by +90.6%yoy, aided by higher other income and lower impairment losses on hire purchase receivables. Overall, group revenue fell -12.4%yoy, while core LATAMI narrowed by +41.0%yoy, reflecting ongoing cost rationalisation efforts.

TQ Wuling registrations accelerated. As compared to 1QFY26, the automotive division fared better, with revenue rising +3.8%qoq. MAA TIV data showed Nissan unit sales increased +22.8%qoq, following the launch of the Nissan Serena e-POWER in Mar-26. TQ Wuling, which commenced Bingo deliveries in mid-1QFY26, also gained traction, with JPJ registrations more than doubling to 311 units in 2QFY26. Consequently, the segment's EBITDA improved 4.7x, supported by the aforementioned factors. Meanwhile, the financial services division saw revenue decline -16.6%qoq, with LBITDA turning to a loss of -RM0.2m vs. a slight profit of RM0.5m in the preceding quarter. With improved overall margins, core LATAMI narrowed by +47.4%qoq.

Earnings estimates. Our forecasts remain unchanged.

RETURN STATISTICS	
Price @ 26th August 2026 (RM)	0.48
Expected share price return (%)	-20.3
Expected dividend yield (%)	0.0
Expected total return (%)	-20.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.9
3 months	-2.0	-5.1
12 months	-20.0	-26.9

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	-135.0	-126.3
Core PATAMI	-162.3	-132.8	-124.1
Core EPS (sen)	-24.9	-20.4	-19.1
DPS (sen)	0.0	0.0	0.0
Dividend yield	0.0%	0.0%	0.0%

KEY STATISTICS	
FBM KLCI	1,748.54
Issued shares (m)	631.25
Estimated free float (%)	28.36
Market Capitalisation (RM'm)	312.78
52-wk price range	RM0.45 - RM0.85
3-mth average daily volume (m)	0.25
3-mth average daily value	0.12
Top Shareholders (%)	
Tan Chong Consolidated Sdn Bhd	40.49
Daiwa Securities Group Inc	5.73
Nissan Motor Co Ltd	5.73

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TAN CHONG: 2QFY26 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Revenue	471.9	457.8	538.8	3.1%	-12.4%	929.6	1,091.8	-14.9%
Operating loss	-11.8	2.1	-46.7	-666.9%	74.7%	-9.7	-26.3	62.9%
Net interest expense	-11.0	-11.3	-13.9	2.5%	20.6%	-22.3	-29.5	24.5%
JVs/Associates	0.3	0.9	0.1	-71.2%	244.7%	1.2	-0.1	1238.8%
LBT	-22.6	-8.3	-60.5	-172.4%	62.7%	-30.9	-55.9	44.8%
Tax expense	-1.4	-6.3	-0.02	78.6%	-8906.7%	-7.7	-3.0	-153.1%
LAT	-23.9	-14.6	-60.5	-63.8%	60.4%	-38.6	-59.0	34.6%
LATAMI	-21.6	-12.2	-58.1	-77.0%	62.9%	-33.8	-54.0	37.5%
Core LATAMI	-18.0	-34.1	-30.5	47.4%	41.0%	-52.1	-60.3	13.6%
Unit Sales/Registrations								
Nissan (MAA)	1,304	1,062	1,584	22.8%	-17.7%	2,366	3,395	-30.3%
TQ Wuling (JPJ)	311	150	-	107.3%	-	461	-	-
				ppts	**ppts**			**ppts**
OP margin (%)	-2.5%	0.5%	-8.7%	-3.0	6.2	-1.0%	-2.4%	1.4
PBT margin (%)	-4.8%	-1.8%	-11.2%	-3.0	6.4	-3.3%	-5.1%	1.8
Core PATAMI margin (%)	-3.8%	-7.5%	-5.7%	3.6	1.8	-5.6%	-5.5%	-0.1
Effective tax rate (%)	6.0%	76.2%	0.0%	-70.2	6.0	24.8%	5.4%	19.4

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Automotive	456.0	439.4	518.7	3.8%	-12.1%	895.4	1,049.2	-14.7%
Financial services	12.3	14.8	15.6	-16.6%	-21.1%	27.1	33.7	-19.6%
Others	3.5	3.6	4.5	-1.4%	-21.7%	7.1	8.9	-20.2%
	471.9	457.8	538.8	3.1%	-12.4%	929.6	1,091.8	-14.9%
EBITDA/LBITDA	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Automotive	21.0	4.5	-0.1	364.7%	+>100%	25.5	56.8	-55.2%
Financial services	-0.2	0.5	-2.6	-146.9%	90.6%	0.3	-2.9	109.6%
Others	8.4	11.7	-8.9	-28.2%	194.9%	40.2	-8.1	599.4%
	29.1	16.8	-11.6	73.8%	352.0%	66.0	45.8	43.9%
EBITDA/LBITDA Margin	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Automotive	4.6%	1.0%	0.0%	3.6	4.6	2.8%	5.4%	-2.6
Financial services	-2.0%	3.6%	-16.8%	-5.6	14.8	1.0%	-8.7%	9.7

GEOGRAPHICAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Malaysia	413.7	411.5	480.6	0.5%	-13.9%	825.2	981.8	-15.9%
Vietnam	21.3	16.3	22.4	30.4%	-5.2%	37.6	42.0	-10.5%
Others	36.9	30.0	35.7	23.0%	3.1%	66.8	68.0	-1.7%
	471.9	457.8	538.8	3.1%	-12.4%	929.6	1,091.8	-14.9%
EBITDA	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Malaysia	23.8	10.1	-3.7	134.6%	746.7%	54.1	55.8	-3.2%
Vietnam	-0.2	-0.9	-9.5	75.7%	97.6%	-1.2	-16.5	93.0%
Others	5.5	7.5	1.6	-26.5%	236.8%	13.1	6.5	100.8%
	29.1	16.8	-11.6	73.8%	352.0%	66.0	45.8	43.9%
EBITDA Margin	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Malaysia	5.8%	2.5%	-0.8%	3.3	6.5	6.6%	5.7%	0.9
Vietnam	-1.1%	-5.7%	-42.4%	4.7	41.4	-3.1%	-39.3%	36.2

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	-135.0	-126.3
PAT	-133.9	-220.8	-198.6	-142.5	-133.2
PATAMI	-125.3	-214.2	-193.0	-132.8	-124.1
Core PATAMI	-125.3	-161.9	-162.3	-132.8	-124.1
Core EPS (sen)	-19.2	-24.8	-24.9	-20.4	-19.1
DPS (sen)	1.0	1.0	0.0	0.0	0.0
Dividend yield	2.0%	2.0%	0.0%	0.0%	0.0%
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**	**3,227.4**	**3,188.7**
Inventories	822.1	842.1	667.3	693.0	714.3
Trade receivables	296.4	317.3	348.4	360.2	371.2
Cash	511.6	545.5	282.9	197.8	141.8
Current assets	**1,902.5**	**1,960.3**	**1,594.1**	**1,546.6**	**1,522.9**
Long-term debt	450.0	309.8	159.9	159.9	159.9
Non-current liabilities	**903.5**	**764.5**	**657.2**	**657.2**	**657.2**
Short-term debt	1,092.6	1,406.4	1,072.7	1,122.7	1,172.7
Trade payables	319.2	315.9	368.1	382.3	394.0
Current liabilities	**1,469.0**	**1,812.3**	**1,561.1**	**1,625.3**	**1,687.0**
Share capital	336.0	336.0	336.0	336.0	336.0
Retained earnings	2,430.4	2,201.6	2,305.6	2,172.8	2,048.7
Equity	**2,741.8**	**2,515.7**	**2,624.3**	**2,491.5**	**2,367.3**

Cash Flow (RM'm)	2023A	2024A	2025A	2026F	2027F
PBT	-121.1	-214.3	-175.4	-135.0	-126.3
D&A	141.7	132.7	122.4	130.8	147.8
Changes in WC	-137.9	-24.3	299.6	-23.3	-20.6
Operating cash flow	**-121.8**	**-24.5**	**282.1**	**-35.0**	**-6.0**
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	0.0	0.0
Debt raised/(repaid)	268.6	173.6	-481.0	50.0	50.0
Financing cash flow	**267.0**	**154.5**	**-497.8**	**50.0**	**50.0**
Net cash flow	**-51.7**	**43.4**	**-245.2**	**-85.0**	**-56.0**
Beginning cash flow	**558.2**	**511.6**	**545.5**	**286.7**	**197.8**
Ending cash flow	**511.6**	**545.5**	**286.7**	**197.8**	**141.8**
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%	-7.7%	-6.1%	-5.5%
ROA	-2.4%	-3.2%	-3.4%	-2.8%	-2.6%
ROE	-4.6%	-6.4%	-6.2%	-5.3%	-5.2%
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%	23.0%	6.5%
Core PATAMI growth	<-100%	-29.2%	-0.2%	18.2%	6.5%

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