Tan Chong Motor Holdings Berhad

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

SHARIAH Compliant

ESG 3 Stars

Corporate Update

Briefing Note
Product Pipeline Building

Maintain SELL. We came away from Tan Chong Motor Holdings Berhad's (TCM) 2QFY26 briefing with a slightly more positive read on its operating trajectory, although underlying conditions remain challenging. While we continue to expect losses throughout our forecast horizon, we trimmed our loss assumptions to reflect the improving outlook. Consequently, we raise our TP to **RM0.37** from RM0.34, pegged to 0.1x FY27F PBV.

Bingo sales doubled sequentially. In Malaysia, total unit sales edged lower to 1,637 units (-3.6%yoy), with contributions from its new marque TQ Wuling and stronger UD Trucks sales (+22.8%yoy) partly offsetting weakness in Nissan (-25.1%yoy). TQ Wuling's Bingo sales doubled sequentially to 311 units in 2QFY26. Our checks on the Nissan Serena point to some moderation following the launch of its e-POWER model in Mar-26, with JPJ registrations declining -12.3%qoq to 628 units in 2QFY26, before rebounding +31.8%mom in Jul-26.

Two new model launches by year-end. Management has an internal production target of c.300 units/month for TQ Wuling, currently assembled at the Segambut plant, with plans to scale to 500 units/month as the brand grows. The TQ Wuling Porta EV panel van is slated for launch in 3QFY26, targeting last-mile logistics players, with two variants offering 300km/400km ranges and pricing within RM100k. Potential customers are currently testing the vehicle, though no volume guidance was provided. Management also hinted at two new TQ Wuling models (passenger vehicles) in 1HFY27. Separately, the Nissan X-Trail e-POWER is slated for launch in 4QCY26, becoming Nissan's third e-POWER model in Malaysia, joining the KICKS and Serena.

Vietnam losses narrowed on cost rationalisation. In Vietnam, unit sales remained weak at 157 units in 2QFY26 (-30.5%yoy), weighed by softer GAC vehicle and TQ Wuling light truck sales. However, LBITDA improved significantly to -RM1.2m (+93.0%yoy), mainly driven by cost rationalisation efforts. Utilisation at the Da Nang plant likely improved, supported by exports of the TQ Wuling N300P light truck to Myanmar, where the model gained strong traction, driving unit sales to 204 units (+88.9%yoy), with quarterly sales surpassing Vietnam. Unit sales in Cambodia (-20.6%yoy) and Laos (-41.0%yoy) remained subdued, though management expects to introduce new models in these markets.

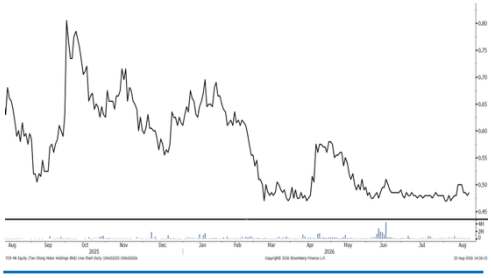
Earnings estimates. Following the better-than-expected 2QFY26 results, we narrow our FY26E/FY27E losses by +21% to +22%, factoring in stronger TQ Wuling and Myanmar sales, as well as lower operating costs.

Maintain SELL

Revised Target Price **RM0.37**
(from RM0.34)

RETURN STATISTICS	
Price @ 28th August 2026 (RM)	0.48
Expected share price return (%)	-22.5
Expected dividend yield (%)	0.0
Expected total return (%)	-22.5

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	2026E	2027F	2028F
Revenue	1,734.2	1,798.1	1,827.2
EBIT	-42.6	-33.5	-19.8
PBT	-105.4	-98.8	-89.1
Core PATAMI	-103.7	-97.1	-87.6
Core EPS (sen)	-15.9	-14.9	-13.4
DPS (sen)	0.0	0.0	0.0
Dividend yield	0.0%	0.0%	0.0%

KEY STATISTICS	
FBM KLCI	1,725.88
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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SALES PERFORMANCE

Units	Quarterly					Cumulatively		
Malaysia	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Nissan	1,186	1,180	1,584	0.5%	-25.1%	2,366	3,395	-30.3%
TQ Wuling	311	156	-	99.4%	-	467	-	-
UD Trucks	140	131	114	6.9%	22.8%	271	221	22.6%
Total	1,637	1,467	1,698	11.6%	-3.6%	3,104	3,616	-14.2%
Others	**2QFY26**	**1QFY26**	**2QFY25**	**QoQ**	**YoY**	**1HFY26**	**1HFY25**	**YoY**
Vietnam	157	144	226	9.0%	-30.5%	301	431	-30.2%
Cambodia	27	51	34	-47.1%	-20.6%	78	81	-3.7%
Laos	36	56	61	-35.7%	-41.0%	92	101	-8.9%
Myanmar	204	87	108	134.5%	88.9%	291	167	74.3%
Total	424	338	429	25.4%	-1.2%	762	780	-2.3%

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)	2024A	2025A	2026E	2027F	2028F
Revenue	2,082.7	2,114.5	1,734.2	1,798.1	1,827.2
Operating profit	-157.6	-120.9	-42.6	-33.5	-19.8
PBT	-214.3	-175.3	-105.4	-98.8	-89.1
PAT	-220.8	-198.6	-111.2	-104.2	-94.0
PATAMI	-214.2	-193.0	-103.7	-97.1	-87.6
Core PATAMI	-161.9	-162.3	-103.7	-97.1	-87.6
Core EPS (sen)	-24.8	-24.9	-15.9	-14.9	-13.4
DPS (sen)	1.0	0.0	0.0	0.0	0.0
Dividend yield	2.1%	0.0%	0.0%	0.0%	0.0%
Balance Sheet (RM'm)	**2024A**	**2025A**	**2026E**	**2027F**	**2028F**
PPE	2,319.1	2,570.3	2,539.5	2,491.7	2,424.7
Non-current assets	**3,132.3**	**3,248.5**	**3,225.3**	**3,184.6**	**3,118.1**
Inventories	842.1	667.3	549.7	566.4	575.6
Trade receivables	317.3	348.4	285.7	296.2	301.0
Cash	545.5	282.9	367.8	343.4	363.4
Current assets	**1,960.3**	**1,594.1**	**1,498.8**	**1,501.6**	**1,535.6**
Long-term debt	309.8	159.9	159.9	159.9	159.9
Non-current liabilities	**764.5**	**657.2**	**657.2**	**657.2**	**657.2**
Short-term debt	1,406.4	1,072.7	1,122.7	1,172.7	1,222.7
Trade payables	315.9	368.1	303.2	312.4	317.5
Current liabilities	**1,812.3**	**1,561.1**	**1,546.3**	**1,605.5**	**1,660.6**
Share capital	336.0	336.0	336.0	336.0	336.0
Retained earnings	2,201.6	2,305.6	2,202.0	2,104.9	2,017.2
Equity	**2,515.7**	**2,624.3**	**2,520.6**	**2,423.5**	**2,335.9**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	-214.3	-175.4	-105.4	-98.8	-89.1
D&A	132.7	122.4	130.8	147.8	167.0
Changes in WC	-24.3	299.6	115.3	-18.0	-8.9
Operating cash flow	**-24.5**	**282.1**	**134.9**	**25.6**	**70.0**
Capital expenditure	-100.0	-95.3	-100.0	-100.0	-100.0
Investing cash flow	**-86.6**	**-29.5**	**-100.0**	**-100.0**	**-100.0**
Dividends paid	-6.5	0.0	0.0	0.0	0.0
Debt raised/(repaid)	173.6	-481.0	50.0	50.0	50.0
Financing cash flow	**154.5**	**-497.8**	**50.0**	**50.0**	**50.0**
Net cash flow	**43.4**	**-245.2**	**84.9**	**-24.4**	**20.0**
Beginning cash flow	**511.6**	**545.5**	**286.7**	**367.8**	**343.4**
Ending cash flow	**545.5**	**286.7**	**367.8**	**343.4**	**363.4**
Profitability Ratios	**2024A**	**2025A**	**2026E**	**2027F**	**2028F**
OP margin	-7.6%	-5.7%	-2.5%	-1.9%	-1.1%
PBT margin	-10.3%	-8.3%	-6.1%	-5.5%	-4.9%
PAT margin	-5.3%	-10.6%	-9.4%	-6.4%	-5.8%
Core PATAMI margin	-7.8%	-7.7%	-6.0%	-5.4%	-4.8%
ROA	-3.2%	-3.4%	-2.2%	-2.1%	-1.9%
ROE	-6.4%	-6.2%	-4.1%	-4.0%	-3.8%
Growth	**2024A**	**2025A**	**2026E**	**2027F**	**2028F**
Revenue growth	-17.8%	1.5%	-18.0%	3.7%	1.6%
EBIT growth	-101.8%	23.3%	64.8%	21.4%	40.8%
PBT growth	-76.9%	18.2%	39.9%	6.3%	9.8%
Core PATAMI growth	-29.2%	-0.2%	36.1%	6.3%	9.8%

Source: Tan Chong, MBSBR

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

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