

29 May 2026

# Tan Chong Motor Holdings

## Forex Gain Drives Earnings

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TCHONG beat expectations as it recorded narrower 1QFY26 core net loss of RM32.2m (-10% YoY, -48% QoQ) largely due to recognition of forex gain (with the stronger MYR against USD) as well as better margin mix with the new launch of all-new Nissan Serena C28 model in March 2026. We now project narrower core net losses for FY26 and FY27 by 28% and 33%, respectively. We raised our TP by 24% to RM0.36 from RM0.29, as we roll-over valuation year to FY27 (from FY26). Maintain UNDERPERFORM call. It's still losing out in the new model launching race as it only rely on one new model. Re-rating catalysts would be all-new launches with overwhelming demand and sustained favourable forex.

TCHONG reported a narrower 1QFY26 losses of RM32.2m (excluding one-offs at RM20.0m), which came in at 18% of our core net loss estimate, and 21% of consensus' core net loss estimate. We deem the results to be above our expectation largely due to stronger MYR against USD which is expected to persists until year-end.

**Results performance.** Its 1QFY26 revenue fell 17% YoY, and 6% QoQ, on seasonally weaker quarter with scheduled plant shutdown for Nissan plants in Malaysia, on quicker successive festive holidays of Chinese New Year and Hari Raya Aidilfitri compared to last year.

Its local Nissan recorded weaker vehicle sales volume of 1,180 units (-35% YoY, -15% QoQ, its industry market share was unchanged at 1%). Its Vietnam market sales were also weaker (-16% YoY, -13% QoQ) driven by only few models i.e. GAC M8, TQ-Wuling N300P, and King Long buses amidst a highly competitive environment where competitors are flooding the market with new models. Its financial services revenue also fell, by 18% YoY, but slightly stronger at 8% QoQ in line with lower vehicle sales as most of their customers used its financing services, we believe, due to the highly competitive nature of the hire purchase scheme. There was some contribution from its solar energy division in others segment.

In terms of regional breakdown, the local market (90% of group revenue) showed weak sales (-18% YoY, -6% QoQ), but recorded a stronger operational profit of RM10.1m (+84% YoY, operational loss of RM17.4m in 4QFY25) largely driven by the improved margin mix with the new launch of all-new Nissan Serena C28 model in March 2026, while supported by old-models of Nissan Almera, Navara and Kicks e-Power.

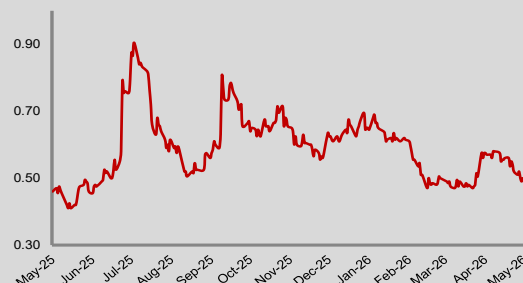
Its overseas operations (10% of group revenue) remained in a challenging operating environment. Its operation in Vietnam recorded weaker sales (-16% YoY, -13% QoQ), but registering a lower operational loss of RM0.9m (from operational loss of RM7.0m in 1QFY25, and RM4.7m in 4QFY25) following the successful sales of several models i.e. GAC M8 TQ-Wuling N300P, and King Long buses. Its other markets (Cambodia, Laos and Myanmar) also recorded weaker sales (-7% YoY, +1% QoQ), but recording a stronger operational profit of RM7.5m (+55% YoY, +176% QoQ) from a lower base.

Its recorded narrower core net loss at RM32.2m (from core loss of RM35.8m in 1QFY25, and core loss of RM62.3m) largely due to recognition of forex gain of RM4.1m, compared to a forex loss of RM4.2m in 1QFY25 and forex loss of RM15.3 in 4QFY25.

# UNDERPERFORM ↔

Price: **RM0.49**  
Target Price: **RM0.36** ↑

### Share Price Performance



|                     |          |
|---------------------|----------|
| KLCI                | 1,684.93 |
| YTD KLCI chg        | 0.3%     |
| YTD stock price chg | -19.7%   |

### Stock Information

|                       |               |
|-----------------------|---------------|
| Shariah Compliant     | Yes           |
| Bloomberg Ticker      | TCM MK EQUITY |
| Market Cap (RM m)     | 319.3         |
| Shares Outstanding    | 651.6         |
| 52-week range (H)     | 0.97          |
| 52-week range (L)     | 0.41          |
| 3-mth avg. daily vol. | 716,907       |
| Free Float            | 17%           |
| Beta                  | 1.6           |

### Major Shareholders

|                        |       |
|------------------------|-------|
| Tan Chong Consolidated | 47.5% |
| Daiwa Securities Group | 5.7%  |
| Nissan Motor Co Ltd    | 5.7%  |

### Summary Earnings Table

| FY Dec (RM m)         | 2025A         | 2026F         | 2027F         |
|-----------------------|---------------|---------------|---------------|
| Revenue               | 2,082.7       | 2,461.1       | 2,704.0       |
| EBIT                  | -157.6        | -84.1         | -67.5         |
| PBT                   | -214.3        | -134.7        | -117.3        |
| <b>NP/ NL</b>         | <b>-214.2</b> | <b>-132.1</b> | <b>-115.8</b> |
| <b>CNP / CNL</b>      | <b>-205.0</b> | <b>-132.1</b> | <b>-115.8</b> |
| Consensus (NL)        | -             | -152.0        | -132.3        |
| Earnings Revision (%) | -             | -28%          | -33%          |
| Core EPS (sen)        | -31.4         | -20.2         | -17.7         |
| Core EPS (%)          | -11.8         | -35.6         | -12.3         |
| NDPS (sen)            | 1.0           | 1.0           | 1.0           |
| BVPS (RM)             | 4.00          | 3.79          | 3.60          |
| PER (x)               | N.M           | N.M           | N.M           |
| PBV (x)               | 0.1           | 0.1           | 0.1           |
| Net Gearing (x)       | 0.4           | 0.5           | 0.7           |
| Net Div. Yield (%)    | 2.0           | 2.0           | 2.0           |

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**Forecasts.** We now project a narrower FY26F net loss of RM132.1m (from a loss of RM182.6m) and FY26F net loss of RM115.8m (from a loss of RM172.0m) largely due to stronger MYR against USD and favourable responses toward its new launch of all-new Nissan Serena C28 model which received 1,300 bookings (estimated production are c.200-300 units per month).

**Valuations.** Consequentially, we raised our TP by 24% to RM0.36 from RM0.29 based on unchanged PBV of 0.1x on roll-over valuation year of FY27F BVPS (from FY26F BVPS), which is at an 86% discount to the auto sector's average forward PBV of 0.7x to reflect its less popular *Nissan* brand vs. other mid-market foreign brands in the market. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We continue to stay cautious on TCHONG due to: (i) its insignificant 1% share of the total industry volume, (ii) its lack of new launches while its competitors have successfully launched all-new models, and (iii) its inability to raise prices to pass on rising production cost.

It has signed a strategic collaboration agreement with SAIC GM Wuling Automobile to locally assemble the Tan Chong-branded TQ Wuling Bingo EV, an affordable entry-level compact EV. Additionally, it has received letter of intent (LOI) from Perodua to rent its assembly lines as Perodua's newly-built Smart Mobility plant unable to achieve the required localisation rate during initial commercial production period. However, only 500 Perodua EV is expected to be produced per month for the 1st phase of production and be scaled thereafter based on demand, which we believe is insufficient to turn around its under-utilised plant (based on our estimate, the current rate based on 65k units translate to 13%). Moreover, Perodua QV-e has received lukewarm responses. Reiterate **UNDERPERFORM**. It's still losing out in the new model launching race as it only rely on one new model. Re-rating catalysts would be all-new launches with overwhelming demand and sustained favourable forex.

**Risks to our call include:** (i) consumers splurging more on discretionary spending (particularly big-ticket items like new cars as high inflation eases), (ii) more attractive new models for TCHONG that appeal to car buyers, and (iii) TCHONG monetising its strategic land bank or being privatised at a premium over the market price.

### Results Highlights

|                            | 1Q     | 4Q     | QoQ   | 1Q     | YoY   | 3M     | 3M     | YoY   |
|----------------------------|--------|--------|-------|--------|-------|--------|--------|-------|
| FYE Dec (RM m)             | FY26   | FY25   | Chg   | FY25   | Chg   | FY26   | FY25   | Chg   |
| Revenue                    | 457.8  | 487.3  | -6%   | 553.0  | -17%  | 457.8  | 553.0  | -17%  |
| EBIT                       | 2.1    | (48.9) | -104% | 20.4   | -90%  | 2.1    | 20.4   | -90%  |
| Net interest Inc/(Exp)     | (11.3) | 16.7   | -167% | (15.7) | -28%  | (11.3) | (15.7) | -28%  |
| Associate                  | 1.0    | 0.9    | 11%   | (0.2)  | -654% | 1.0    | (0.2)  | -654% |
| EI^                        | (20.0) | 15.6   |       | (40.0) | -50%  | (20.0) | (40.0) |       |
| PBT/(LBT)                  | (8.3)  | (59.5) | -86%  | 4.6    | -282% | (8.3)  | 4.6    | -282% |
| Taxation                   | (6.3)  | (18.4) |       | (3.0)  | 110%  | (6.3)  | (3.0)  |       |
| Minority Interest          | (2.4)  | 3.2    |       | (2.6)  |       | (2.4)  | (2.6)  |       |
| Net Profit/(Net Loss)      | (12.2) | (77.9) | -84%  | 4.1    | -395% | (12.2) | 4.1    | -395% |
| Core Net Profit/(Net Loss) | (32.2) | (62.3) | -48%  | (35.8) | -10%  | (32.2) | (35.8) | -10%  |
| EPS (sen)                  | (1.8)  | (11.6) |       | 0.6    | -395% | (1.8)  | 0.6    |       |
| Core EPS (sen)             | (4.8)  | (9.3)  |       | (5.3)  | -10%  | (4.8)  | (5.3)  |       |
| DPS (sen)                  | -      | -      |       | -      |       | -      | -      |       |
| EBIT margin                | N.M    | N.M    |       | N.M    |       | N.M    | N.M    |       |
| Pretax margin              | N.M    | N.M    |       | N.M    |       | N.M    | N.M    |       |
| Core Net Profit margin     | N.M    | N.M    |       | N.M    |       | N.M    | N.M    |       |
| Effective tax rate         | N.M    | N.M    |       | N.M    |       | N.M    | N.M    |       |

Source: Company, Kenanga Research

### Segmental Breakdown

|                    | 1Q    | 4Q     | QoQ  | 1Q    | YoY   | 3M    | 3M    | YoY   |
|--------------------|-------|--------|------|-------|-------|-------|-------|-------|
| FYE Dec (RM m)     | FY26  | FY25   | Chg  | FY25  | Chg   | FY26  | FY25  | Chg   |
| Revenue            | 457.8 | 487.3  | -6%  | 553.0 | -17%  | 457.8 | 553.0 | -17%  |
| Automotive         | 439.4 | 471.2  | -7%  | 530.5 | -17%  | 439.4 | 530.5 | -17%  |
| Financial services | 14.8  | 13.7   | 8%   | 18.1  | -18%  | 14.8  | 18.1  | -18%  |
| Others             | 3.6   | 2.4    | 50%  | 4.4   | -19%  | 3.6   | 4.4   | -19%  |
| Segment EBITDA     | 16.8  | (19.3) | 187% | 11.8  | 42%   | 16.8  | 11.8  | 42%   |
| Automotive         | 4.5   | (0.9)  | 601% | 11.3  | -60%  | 4.5   | 11.3  | -60%  |
| Financial services | 0.5   | (2.8)  | 119% | (0.3) | 279%  | 0.5   | (0.3) | 279%  |
| Others             | 11.7  | (15.6) | 175% | 0.8   | 1341% | 11.7  | 0.8   | 1341% |

Source: Company, Kenanga Research

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Peer Table Comparison

| Name                         | Rating | Last Price (RM) | Target Price (RM) | Upside | Market Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) |            | Core EPS Growth |             | PER (x) - Core Earnings |             | PBV (x)    | ROE         | Net Div. (sen) | Net Div Yld |
|------------------------------|--------|-----------------|-------------------|--------|-------------------|-------------------|-------------|----------------|------------|-----------------|-------------|-------------------------|-------------|------------|-------------|----------------|-------------|
|                              |        |                 |                   |        |                   |                   |             | 1-Yr. Fwd.     | 2-Yr. Fwd. | 1-Yr. Fwd.      | 2-Yr. Fwd.  | 1-Yr. Fwd.              | 2-Yr. Fwd.  |            |             |                |             |
| <b>Stocks Under Coverage</b> |        |                 |                   |        |                   |                   |             |                |            |                 |             |                         |             |            |             |                |             |
| BERMAZ AUTO BHD              | OP     | 0.930           | 1.15              | 23.7%  | 1,079.7           | Y                 | 04/2026     | 7.3            | 10.9       | -45.7%          | 49.5%       | 12.8                    | 8.5         | 1.6        | 12.1%       | 6.3            | 6.8%        |
| DRB-HICOM BHD                | UP     | 1.14            | 0.770             | -32.5% | 2,203.6           | Y                 | 12/2026     | 7.2            | 7.7        | 119.9%          | 6.0%        | 15.8                    | 14.9        | 0.2        | 1.3%        | 3.0            | 2.6%        |
| HIL INDUSTRIES BHD           | OP     | 0.670           | 0.850             | 26.9%  | 222.4             | Y                 | 12/2026     | 11.2           | 11.4       | 2.8%            | 2.3%        | 6.0                     | 5.9         | 0.4        | 7.2%        | 2.0            | 3.0%        |
| HONG LEONG INDUSTRIES BHD    | OP     | 18.38           | 21.00             | 14.3%  | 6,026.8           | Y                 | 06/2026     | 171.0          | 174.4      | 11.6%           | 2.0%        | 10.7                    | 10.5        | 2.4        | 23.3%       | 100.0          | 5.4%        |
| MBM RESOURCES BHD            | MP     | 5.08            | 4.90              | -3.5%  | 1,985.8           | Y                 | 12/2026     | 81.6           | 82.2       | -5.9%           | 0.7%        | 6.2                     | 6.2         | 0.7        | 11.5%       | 45.0           | 8.9%        |
| SIME DARBY BHD               | OP     | 2.09            | 2.75              | 31.6%  | 14,214.1          | Y                 | 06/2026     | 19.8           | 21.5       | 15.6%           | 8.1%        | 10.5                    | 9.7         | 0.7        | 7.0%        | 14.0           | 6.7%        |
| TAN CHONG MOTOR HOLDINGS BHD | UP     | 0.490           | 0.360             | -26.5% | 329.3             | Y                 | 12/2026     | (19.7)         | (17.2)     | -164.4%         | -187.7%     | N.A.                    | N.A.        | 0.1        | -5.2%       | 1.0            | 2.0%        |
| <b>SECTOR AGGREGATE</b>      |        |                 |                   |        | <b>26,061.7</b>   |                   |             |                |            | <b>14.5%</b>    | <b>8.1%</b> | <b>11.0</b>             | <b>10.2</b> | <b>0.7</b> | <b>6.0%</b> |                | <b>5.1%</b> |

Source: Kenanga Research

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**Stock ESG Ratings:**

|                 | Criterion                               | Rating |   |   |   |  |
|-----------------|---|--------|---|---|---|--|
| <b>GENERAL</b>  | Earnings Sustainability & Quality       | ★      | ★ |   |   |  |
|                 | Community Investment                    | ★      | ★ | ★ | ★ |  |
|                 | Workers Safety & Wellbeing              | ★      | ★ | ★ |   |  |
|                 | Corporate Governance                    | ★      | ★ | ★ |   |  |
|                 | Anti-Corruption Policy                  | ★      | ★ | ★ |   |  |
|                 | Emissions Management                    | ★      | ★ | ★ |   |  |
| <b>SPECIFIC</b> | Electric & Hybrid Vehicles Availability | ★      | ★ | ★ |   |  |
|                 | Supply Chain Management                 | ★      | ★ | ★ | ★ |  |
|                 | Energy Efficiency                       | ★      | ★ | ★ |   |  |
|                 | Effluent & Water Management             | ★      | ★ | ★ | ★ |  |
|                 | Training & Education                    | ★      | ★ | ★ |   |  |
| <b>OVERALL</b>  |   | ★      | ★ | ★ |   |  |

☆ denotes half-star  
★ -10% discount to TP  
★★ -5% discount to TP  
★★★ TP unchanged  
★★★★ +5% premium to TP  
★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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