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Cheng Shin Rubber | Asia Pacific

Risk Reward Update

WHAT'S CHANGED

Cheng Shin Rubber (2105.TW)	From	To
Price Target	NT\$29.50	NT\$28.00
Bull Case	NT\$60.00	NT\$55.00
Base Case	NT\$29.50	NT\$28.00
Bear Case	NT\$20.00	NT\$19.00

Updated Components

EPS
Investment Thesis
Bull Base Bear Scenarios
Risks to Price Target / Rating

Risk Reward for Cheng Shin Rubber (2105.TW) has been updated

Reason for change

We updated latest financials while lowering our 2026-27 earnings forecasts mainly to reflect rising material costs that may weigh on near-term GpM. We now forecast 2Q-4Q26 GpM to be close to 20-21% before crude oil prices normalizing. The assumptions broadly align with previous price hikes back to 2021/22.

That said, disciplined opex management (~15% of revenue) should help sustain operating margins going forward and we keep the same revenue growth assumptions of largely flat.

We continue to use a residual income model to derive our price target and cut our base, bull and bear case valuations by 5-8% to reflect updated 2026-28 forecasts and latest lower beta as a result of limited share price movement. Our new price target of NT\$28 implies dividend yield of about 4-5% on a payout ratio of 80-100%.

MORGAN STANLEY ASIA LIMITED+

Tim Hsiao

Equity Analyst

Tim.Hsiao@morganstanley.com

+852 2848-1982



Cheng Shin Rubber (2105.TW, 2105 TT)

Taiwan Autos & Auto Parts | Taiwan

Stock Rating	Underweight
Industry View	In-Line
Price target	NT\$28.00
Shr price, close (Jul 20, 2026)	NT\$33.20
52-Week Range	NT\$42.75-28.10

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT\$)**	1.50	1.40	1.44	1.38
Prior EPS (NT\$)**	1.55	1.60	1.61	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

** = Based on consensus methodology

e = Morgan Stanley Research estimates

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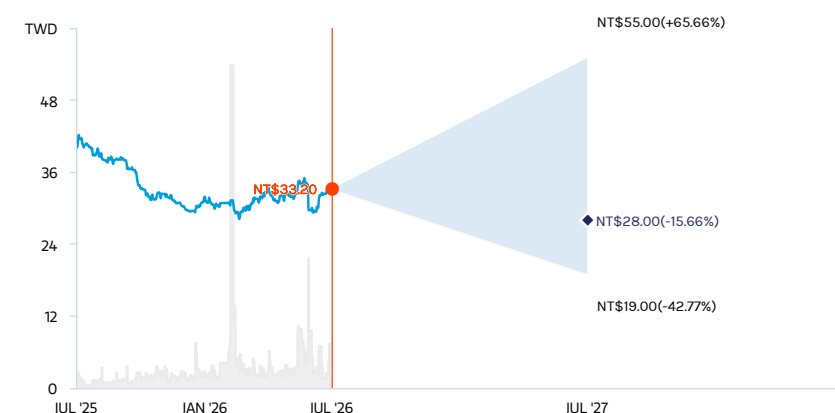
Risk Reward – Cheng Shin Rubber (2105.TW)

Intense competition continues to weigh on earnings momentum

PRICE TARGET NT\$28.00

Base case, derived from residual income model. Key assumptions include a 4.9% cost of equity, a 1% medium-term growth rate, and flat growth thereafter.

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- Competitive pressure in China's tire market is likely to persist, and it should take time for this segment to return to a sustainable growth trajectory.
- Non-China growth will likely require time and scale, as additional volume is needed to bridge the revenue gap left by weaker PV and truck tire sales, a high hurdle in the near term.
- The share price implies a 24x 2026e P/E, higher than the 5-year average and with limited fundamental drivers for re-rating.

Risk Reward Themes

Pricing Power: *Negative*
 Secular Growth: *Negative*
 Self-help: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

NT\$55.00

30x 2026e EPS

Stronger-than-expected demand from China and emerging markets, along with higher dividend payout driven by excess free cash flow or potential capacity consolidation.

BASE CASE

NT\$28.00

20x 2026e EPS

Earnings growth momentum remains muted given revenue pressure from competition while continuous dividend payouts help support the share price.

BEAR CASE

NT\$19.00

15x 2026e EPS

Weaker demand in China, the EU, and emerging markets, while raw material costs continue to rise. Potential downside from tariff burdens or anti-dumping actions.

Risk Reward – Cheng Shin Rubber (2105.TW)

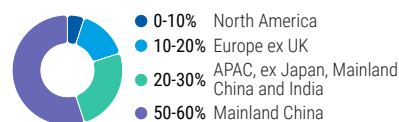
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Sales volume growth (%)	(1)	1	1	1
ASP growth (%)	(4)	(1)	(1)	(1)
Operating expense ratio (%)	14.8	15.0	15.0	15.0
Inventory days	91	91	91	91

INVESTMENT DRIVERS

- Growth in emerging markets and broader adoption across additional car models through EU OEM relationships.
- Lower raw material prices.
- Higher dividend payout ratio.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

2/5
MOST

3 Month
Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected increase in demand in China.
- Lower-than-expected raw material prices.
- Stronger-than-expected replacement tire demand globally.
- Favorable CNY/USD rate supporting GpM

RISKS TO DOWNSIDE

- Slower-than-expected increase in demand in China.
- Higher-than-expected raw material prices.
- Weaker-than-expected replacement tire demand globally.

OWNERSHIP POSITIONING

Inst. Owners, % Active 19.3%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (NT\$, mn) ◆ 91,556
Note: There are not sufficient brokers supplying consensus data for this metric

EBIT (NT\$, mn) ◆ 6,409
Note: There are not sufficient brokers supplying consensus data for this metric

EPS (NT\$) ◆ 1.40
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG_Exhibit_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
5. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)

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(as of June 30, 2026)

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	Count	% of Total	Count	% of Total IBC		Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Cheng Shin Rubber (2105.TW) - As of 07/20/26 GMT in TWD
Industry : Taiwan Autos & Auto Parts



Stock Rating History: 7/1/21 : U/I; 10/3/23 : O/I; 4/11/25 : E/I; 10/15/25 : U/I

Price Target History: 5/19/21 : 33; 3/1/22 : 30; 10/3/23 : 50; 5/14/24 : 55; 4/11/25 : 48; 10/15/25 : 29.5

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ---

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Taiwan Autos & Auto Parts

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/20/2026)
Tim Hsiao		
Cheng Shin Rubber (2105.TW)	U (10/15/2025)	NT\$33.20
Global PMX Co Ltd (4551.TW)	O (08/14/2025)	NT\$179.50

Hota Industrial Mfg. (1536.TW)	U (09/23/2024)	NT\$49.30
Hu Lane Associate Inc. (6279.TWO)	E (10/20/2025)	NT\$114.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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