Daiwa Capital Markets Hong Kong Limited

news

28 July 2026

MEMO

Airtac International Group (1590 TT)

Share price (28 Jul): **TWD1,365.00** 12-mth rating: **Buy (1)** **Industrials: Taiwan**

2Q26 results review: largely on track with our estimates

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Summary: Airtac's 2Q26 net profit came in at TWD3.3bn (EPS: TWD16.6), in line with our estimate (TWD3.3bn). Although operating margin (35.1% vs. our estimate of 34.3%) was higher than our estimate, it was offset by a higher-than-expected loss from the disposal of Airtac's plants (c.TWD127m). Looking ahead, we highlight management's new 2026 revenue YoY growth target to over 20% in CNY-terms on the strong industrial demand and even higher in TWD-terms due to the favourable FX trend (vs mid to high-teens in the 1Q26 earnings call). Besides, the operating margin was also revised up to ~34% (vs previous guidance of 33%) mainly due to a strong-than-expected performance than in 1H26. While we see the new target to be largely on track with our latest forecast, we think today's results call shouldn't provide any surprise to investors. While we expect Airtac to expand its operating margin gradually in the following years as its new product lines gradually bear fruit, we encourage investors to wait for a better entry point (eg, November 2026) to accumulate Airtac to take advantage of seasonality. We have a Buy (1) rating on this stock. Key downside risks: worse-than-expected pneumatic demand in China.

Airtac's 2Q26 results highlights

(TWDm)	Actual	QoQ %	YoY %	Daiwa	Diff %	Consensus	Diff %
Revenues	12,164	21%	36%	12,164	0%	10,999	11%
Gross profit	6,048	26%	47%	6,056	0%	5,334	13%
Gross margin (%)	49.7%			49.8%		48.5%	
Operating profit	4,265	28%	56%	4,170	2%	3,698	15%
Operating margin (%)	35.1%			34.3%		33.6%	
Pre-tax profit	4,238	24%	65%	4,263	-1%	3,714	14%
Net profit	3,311	24%	63%	3,325	0%	2,912	14%
EPS (TWD)	16.55	24%	63%	16.63	0%	14.56	14%

Source: Company data, Daiwa forecasts, Bloomberg

What's the impact:

- **2Q26 results largely in line.** Airtac's 2Q26 net profit came in at TWD3.3bn (EPS: TWD16.6), which was in line with our estimate (TWD3.3bn) and 14% higher than the Bloomberg consensus (TWD2.9bn). While 2Q26 sales came in 11% higher than the street consensus, gross margin increased 1.7pp QoQ to 49.7% due to leverage on fixed costs, driving operating margin in 2Q26 reach 35.1% despite the headwind of the China government having implemented stricter policies on social welfare benefits. Lastly, the bottom line was negatively impacted by a TWD127m disposal loss on fixed asset.

- **Business outlook.** We believe management's new revenue YoY growth target in 2026 to over 20% in CNY-terms on the strong industrial demand and even higher in TWD-terms (vs mid to high-teens in the 1Q26 earnings call) due to the favourable FX trend. Besides, the operating margin was also revised up to c.34% (vs previous guidance of 33%) mainly due to strong-than-expected performance we have seen in 1H26. Considering the potential mild revenue slowdown in 2H26, we expect gross margin and operating margin to dip accordingly in 2H26. However, we expect our latest forecasts for both revenue and profitability to be largely on track with Airtac's new target. As such, today's results call shouldn't provide any surprise to investors. Lastly, we still stick with our original view on Airtac. We believe Airtac's strong execution abilities are gradually bearing fruit, with linear guide's gross margin reaching 30% from 2H26E. Besides, we expect Airtac's operating margin to improve after it expands its product lines from pneumatic to other products (including electrical controllers, electrical cylinders, ball screws, etc). However, as we are in a downward trend due to seasonality, we encourage investors to re-focus on Airtac from November to enjoy the improving revenue momentum ahead, which should act as a share price catalyst.

What we recommend:
We have a Buy (1) rating on this stock. Key downside risks: worse-than-expected pneumatic demand in China.

In the interests of timeliness, this document has not been edited.

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Rating	Percentage of total
Buy*	72.63%
Hold**	20.53%
Sell***	6.84%

Source: Daiwa

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