Airtac International Group (1590 TT)

Target price: **TWD1,670.00** (from TWD1,950.00)

Share price (29 Oct): **TWD1,150.00** | Up/downside: **+45.2%**

5 4 3 2 **1**

Buy (unchanged)

3Q26 review: decent outlook ahead

- Promising demand outlook lasting into 2027
- Synergies from linear guide on operating profit to bear fruit in 2027
- Reaffirming our Buy (1) rating; lowering 12M TP to TWD1,670

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What's new: We update our view after 3Q26 results (released 29 October).

What's the impact: 3Q26 results missed mainly on high tax rate. Net profit came in at TWD2.85bn (EPS: TWD14.23), 5-8% below our estimate (TWD3.1bn) and Bloomberg consensus (TWD3.0bn). Sales (TWD11.5bn; down 5% QoQ but up 40% YoY) were in-line with our estimate and historical seasonality (revenue up 5-10% QoQ); strength came from rising AI-related equipment demand and smartphone. Per management, YoY growth accelerated to 26% in 3Q26 from single digits in 1H26, likely due to new models in 2026 or preparations for next year. GM declined 0.3pp QoQ to 49.4%, likely due to slightly lower sales scale, but was stronger than our prior estimate (48.6%) driven by improving linear-guide gross margin and constant UTR of 100%. OPM declined 1.2pp QoQ to 33.9% due to slightly weaker operating leverage. Lastly, net profit was dragged by a higher tax rate, as Airtac targets a higher payout ratio in 2027, which would incur an additional 10% withholding tax rate on profits remitted from China.

Business outlook. Looking ahead, we expect revenue momentum to be flattish QoQ on solid industrial demand. We also expect gross margin to be flattish QoQ, supported by rising utilisation as Airtac builds inventory ahead of the peak season starting in March next year, as well as improving profitability from its linear guide business. Per management, UTR is currently above 40% and should rise to 50% by end-2026, which would imply GM expanding to 30% (from high-20s% range now). From 2027, we believe the linear guide business is unlikely to remain dilutive to Airtac's OPM. Despite the short lead time in the pneumatic market, Airtac initially expects the market to grow by low-to-mid single digits in 2027, and expects to outgrow the market by 10% with share gains. Also, linear guides, electrical controllers and rising semiconductor-related pneumatic demand should, in our view, provide additional growth for Airtac in 2027. As such, we now expect revenue to grow 20% YoY.

What we recommend: We raise our 2027-28E EPS by 3-5% to reflect our higher revenue and gross margin assumption but lower our 12M TP to TWD1,670 (from TWD1,950), now based on a target PER of 23x (prior: 28x; the high end of its past-3-year range of 18-31x) on our 1-year forward EPS, given earnings growth deceleration ahead and additional risk of cyclical downturn following the 2025-27E upcycle. We reaffirm our Buy (1) call. Downside risk: weaker-than-expected pneumatic demand in China.

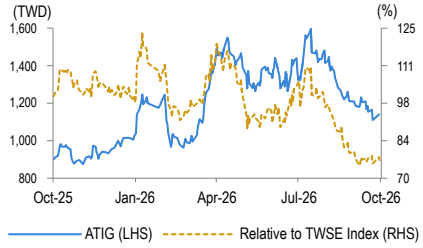
How we differ: Our 2027E EPS is 9% higher than the Bloomberg consensus, likely due to our more positive view on the company's OPM.

Forecast revisions (%)

Year to 31 Dec	26E	27E	28E
Revenue change	1.0	4.2	4.1
Net profit change	(2.3)	4.8	2.8
Core EPS (FD) change	(2.3)	4.8	2.8

Source: Daiwa forecasts

Share price performance



12-month range	875.00-1,595.00
Market cap (USDbn)	7.09
3m avg daily turnover (USDm)	34.29
Shares outstanding (m)	200
Major shareholder	Ding Kan Invest Ltd. (14.8%)

Financial summary (TWD)

Year to 31 Dec	26E	27E	28E
Revenue (m)	45,127	54,258	57,260
Operating profit (m)	15,374	19,220	19,455
Net profit (m)	11,685	14,973	15,152
Core EPS (fully-diluted)	58.426	74.867	75.760
EPS change (%)	39.1	28.1	1.2
Daiwa vs Cons. EPS (%)	(2.0)	8.6	0.1
PER (x)	19.7	15.4	15.2
Dividend yield (%)	2.4	3.3	4.2
DPS	27.3	38.0	48.7
PBR (x)	3.9	3.5	3.2
EV/EBITDA (x)	12.4	10.0	9.7
ROE (%)	21.0	24.0	22.0

Source: FactSet, Daiwa forecasts

See important disclosures, including any required research certifications, beginning on page 6

Flash

Airtac: Daiwa's revenue and earnings forecasts vs. consensus

	2026E			2027E			2028E		
(TWDm)	Previous	New	Consensus	Previous	New	Consensus	Previous	New	Consensus
Revenue	44,670	45,127	44,196	52,080	54,258	50,052	54,997	57,260	55,065
Diff (%)		1.0%	2.1%		4.2%	8.4%		4.1%	4.0%
Gross Margin (%)	48.6%	49.2%	48.9%	48.8%	49.9%	49.0%	48.4%	48.8%	48.8%
Operating profit	14,966	15,374	15,027	17,859	19,220	17,275	18,494	19,455	18,994
Op Margin (%)	33.5%	34.1%	34.0%	34.3%	35.4%	34.5%	33.6%	34.0%	34.5%
Net profit	11,958	11,685	11,929	14,290	14,973	13,794	14,746	15,152	15,140
EPS (TWD)	59.79	58.43	59.65	71.45	74.87	68.97	73.73	75.76	75.70
Diff (%)		-2.3%	-2.0%		4.8%	8.6%		2.8%	0.1%

Source: Bloomberg, Daiwa forecasts

Airtac: quarterly and annual P&L statement

	2026				2027E				2025	2026E	2027E	2028E
(TWDm)	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE				
Net revenue	**10,014**	**12,164**	**11,512**	**11,437**	**12,317**	**14,475**	**13,976**	**13,490**	**34,330**	**45,127**	**54,258**	**57,260**
COGS	-5,210	-6,116	-5,830	-5,785	-6,218	-7,171	-6,974	-6,800	-18,548	-22,940	-27,163	-29,322
Gross profit	**4,804**	**6,048**	**5,683**	**5,652**	**6,099**	**7,305**	**7,002**	**6,690**	**15,782**	**22,187**	**27,095**	**27,939**
Operating expenses	-1,479	-1,783	-1,778	-1,773	-1,823	-2,070	-2,013	-1,969	-5,494	-6,813	-7,875	-8,484
Operating profit	**3,325**	**4,265**	**3,905**	**3,880**	**4,276**	**5,235**	**4,989**	**4,720**	**10,288**	**15,374**	**19,220**	**19,455**
Non-operating profit	99	-27	54	88	93	92	86	88	358	214	359	346
Pre-tax profit	**3,424**	**4,238**	**3,959**	**3,968**	**4,369**	**5,327**	**5,075**	**4,808**	**10,645**	**15,588**	**19,579**	**19,801**
Income taxes	-753	-927	-1,112	-1,111	-917	-1,119	-1,320	-1,250	-2,245	-3,903	-4,606	-4,649
Net profit	**2,671**	**3,311**	**2,847**	**2,857**	**3,451**	**4,208**	**3,756**	**3,558**	**8,400**	**11,685**	**14,973**	**15,152**
Net EPS (TWD)	**13.35**	**16.55**	**14.23**	**14.28**	**17.26**	**21.04**	**18.78**	**17.79**	**42.00**	**58.43**	**74.87**	**75.76**
Operating Ratios												
Gross margin	48.0%	49.7%	49.4%	49.4%	49.5%	50.5%	50.1%	49.6%	46.0%	49.2%	49.9%	48.8%
Operating margin	33.2%	35.1%	33.9%	33.9%	34.7%	36.2%	35.7%	35.0%	30.0%	34.1%	35.4%	34.0%
Pre-tax margin	34.2%	34.8%	34.4%	34.7%	35.5%	36.8%	36.3%	35.6%	31.0%	34.5%	36.1%	34.6%
Net margin	26.7%	27.2%	24.7%	25.0%	28.0%	29.1%	26.9%	26.4%	24.5%	25.9%	27.6%	26.5%
YoY (%)												
Net revenue	24%	36%	40%	27%	23%	19%	21%	18%	12%	31%	20%	6%
Gross profit	34%	47%	50%	32%	27%	21%	23%	18%	10%	41%	22%	3%
Operating profit	46%	56%	59%	37%	29%	23%	28%	22%	14%	49%	25%	1%
Pre-tax profit	39%	65%	49%	34%	28%	26%	28%	21%	11%	46%	26%	1%
Net profit	38%	63%	36%	23%	29%	27%	32%	25%	10%	39%	28%	1%
QoQ (%)												
Net revenue	11%	21%	-5%	-1%	8%	18%	-3%	-3%				
Gross profit	12%	26%	-6%	-1%	8%	20%	-4%	-4%				
Operating profit	18%	28%	-8%	-1%	10%	22%	-5%	-5%				
Pre-tax profit	16%	24%	-7%	0%	10%	22%	-5%	-5%				
Net profit	15%	24%	-14%	0%	21%	22%	-11%	-5%				

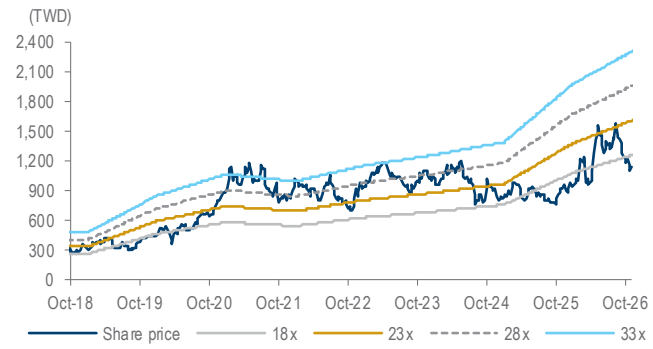
Source: Company, Daiwa forecasts

Airtac: 3Q26 comparison table

(TWDm)	Actual	QoQ%	YoY%	Daiwa	Diff %	Consensus	Diff %
Revenue	11,512	-5%	40%	11,512	0%	11,029	4%
Gross profit	5,683	-6%	50%	5,589	2%	5,425	5%
Gross margin (%)	49.4%			48.6%		49.2%	
Operating profit	3,905	-8%	59%	3,897	0%	3,724	5%
Operating margin (%)	33.9%			33.9%		33.8%	
Pre-tax profit	3,959	-7%	49%	3,982	-1%	3,805	4%
Net profit	2,847	-14%	36%	3,106	-8%	3,002	-5%
EPS (TWD)	14.23	-14%	36%	15.53	-8%	15.01	-5%

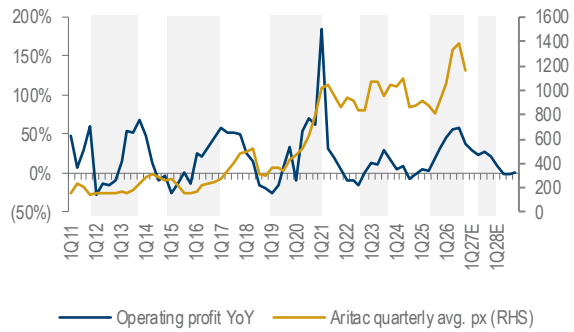
Source: Company data, Daiwa forecasts, Bloomberg

Airtac: 1-year forward PER bands



Source: TEJ, Daiwa forecasts

Airtac: operating profit YoY growth vs. share price movement



Source: Company

Financial summary

Key assumptions

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
YoY growth of cylinder revenue (%)	32	0	11	6	13	35	22	3
YoY growth of valve revenue (%)	34	(4)	11	7	14	30	20	3
Airtac's market share in China (%)	23	25	26	27	28	30	31	32

Profit and loss (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cylinder	13,039	13,081	14,555	15,373	17,434	23,501	28,560	29,413
Valve	6,446	6,212	6,895	7,371	8,379	10,877	13,012	13,409
Other Revenue	5,915	6,780	8,378	7,916	8,517	10,749	12,686	14,439
Total Revenue	**25,400**	**26,073**	**29,827**	**30,660**	**34,330**	**45,127**	**54,258**	**57,260**
Other income	0	0	0	0	0	0	0	0
COGS	(13,063)	(14,180)	(16,072)	(16,346)	(18,548)	(22,940)	(27,163)	(29,322)
SG&A	(3,556)	(3,590)	(4,007)	(4,221)	(4,370)	(5,414)	(6,414)	(6,911)
Other op.expenses	(595)	(736)	(896)	(1,040)	(1,124)	(1,399)	(1,460)	(1,573)
Operating profit	**8,186**	**7,568**	**8,852**	**9,052**	**10,288**	**15,374**	**19,220**	**19,455**
Net-interest inc./(exp.)	(88)	(51)	(58)	36	65	87	90	90
Assoc/forex/extraord./others	(2)	198	(102)	328	293	127	269	257
Pre-tax profit	**8,097**	**7,715**	**8,692**	**9,416**	**10,645**	**15,588**	**19,579**	**19,801**
Tax	(1,943)	(1,811)	(1,932)	(2,010)	(2,246)	(3,903)	(4,606)	(4,649)
Min. int./pref. div./others	1	0	0	0	0	0	0	0
Net profit (reported)	**6,154**	**5,905**	**6,761**	**7,406**	**8,400**	**11,685**	**14,973**	**15,152**
Net profit (adjusted)	**6,154**	**5,905**	**6,761**	**7,406**	**8,400**	**11,685**	**14,973**	**15,152**
EPS (reported)(TWD)	**30.771**	**29.523**	**33.803**	**37.029**	**42.000**	**58.426**	**74.867**	**75.760**
EPS (adjusted)(TWD)	**30.771**	**29.523**	**33.803**	**37.029**	**42.000**	**58.426**	**74.867**	**75.760**
EPS (adjusted fully-diluted)(TWD)	**30.771**	**29.523**	**33.803**	**37.029**	**42.000**	**58.426**	**74.867**	**75.760**
DPS (TWD)	**9.148**	**10.148**	**11.148**	**17.370**	**19.550**	**27.300**	**37.977**	**48.663**
EBIT	**8,186**	**7,568**	**8,852**	**9,052**	**10,288**	**15,374**	**19,220**	**19,455**
EBITDA	**9,913**	**9,728**	**11,267**	**11,613**	**12,866**	**18,045**	**22,090**	**22,564**

Cash flow (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	8,097	7,715	8,692	9,416	10,645	15,588	19,579	19,801
Depreciation and amortisation	1,727	2,161	2,414	2,561	2,578	2,672	2,871	3,110
Tax paid	(1,943)	(1,811)	(1,932)	(2,010)	(2,246)	(3,903)	(4,606)	(4,649)
Change in working capital	(1,866)	(3,392)	(576)	364	(3,819)	(3,225)	(4,455)	(1,691)
Other operational CF items	17	445	243	131	507	0	0	0
Cash flow from operations	**6,032**	**5,118**	**8,842**	**10,461**	**7,667**	**11,132**	**13,388**	**16,570**
Capex	(5,164)	(5,589)	(2,447)	(2,653)	(2,815)	(3,159)	(3,798)	(4,008)
Net (acquisitions)/disposals	(452)	1,619	(1,096)	(1,411)	0	0	0	0
Other investing CF items	124	279	(8)	0	0	0	0	0
Cash flow from investing	**(5,492)**	**(3,692)**	**(3,551)**	**(4,064)**	**(2,815)**	**(3,159)**	**(3,798)**	**(4,008)**
Change in debt	(6,879)	3,214	135	(5,838)	(5,341)	0	0	0
Net share issues/(repurchases)	7,873	0	0	0	0	0	0	0
Dividends paid	(1,712)	(2,676)	(2,688)	(3,595)	(4,002)	(5,460)	(7,595)	(9,733)
Other financing CF items	(76)	(83)	(87)	(85)	(86)	0	0	0
Cash flow from financing	**(794)**	**455**	**(2,639)**	**(9,518)**	**(9,429)**	**(5,460)**	**(7,595)**	**(9,733)**
Forex effect/others	(20)	(19)	(11)	71	(18)	0	0	0
Change in cash	**(274)**	**1,863**	**2,641**	**(3,051)**	**(4,594)**	**2,513**	**1,995**	**2,829**
Free cash flow	868	(472)	6,395	7,808	4,852	7,973	9,590	12,562

Source: FactSet, Daiwa forecasts

Financial summary continued …

Balance sheet (TWDm)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Cash & short-term investment	6,222	6,608	10,064	8,617	4,085	6,598	8,593	11,422
Inventory	5,302	7,250	6,528	6,803	6,292	8,823	10,447	11,278
Accounts receivable	7,506	9,070	9,920	9,760	14,419	15,892	19,107	20,165
Other current assets	284	326	301	239	251	251	251	251
Total current assets	**19,314**	**23,254**	**26,814**	**25,419**	**25,047**	**31,564**	**38,398**	**43,115**
Fixed assets	24,467	28,829	28,560	28,987	28,753	29,240	30,168	31,066
Goodwill & intangibles	52	41	35	31	29	29	29	29
Other non-current assets	3,846	2,475	2,640	3,124	3,711	3,711	3,711	3,711
Total assets	**47,679**	**54,600**	**58,049**	**57,561**	**57,540**	**64,544**	**72,306**	**77,921**
Short-term debt	4,493	11,282	11,371	5,611	217	217	217	217
Accounts payable	1,303	1,291	1,118	1,129	1,307	2,085	2,469	2,666
Other current liabilities	3,424	2,361	2,324	2,364	3,106	3,106	3,106	3,106
Total current liabilities	**9,219**	**14,934**	**14,812**	**9,103**	**4,630**	**5,409**	**5,793**	**5,989**
Long-term debt	2,806	0	10	0	0	0	0	0
Other non-current liabilities	502	733	630	558	323	323	323	323
Total liabilities	**12,527**	**15,666**	**15,452**	**9,662**	**4,953**	**5,732**	**6,116**	**6,312**
Share capital	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Reserves/R.E./others	33,144	36,926	40,589	45,893	50,581	56,806	64,184	69,603
Shareholders' equity	**35,144**	**38,926**	**42,589**	**47,893**	**52,581**	**58,806**	**66,184**	**71,603**
Minority interests	8	7	7	6	6	6	6	6
Total equity & liabilities	**47,679**	**54,600**	**58,049**	**57,561**	**57,540**	**64,544**	**72,306**	**77,921**
EV	231,084	234,681	231,323	227,001	226,138	223,626	221,631	218,801
Net debt/(cash)	**1,076**	**4,674**	**1,317**	**(3,006)**	**(3,868)**	**(6,381)**	**(8,376)**	**(11,205)**
BVPS (TWD)	**175.720**	**194.629**	**212.947**	**239.463**	**262.906**	**294.031**	**330.920**	**358.016**

Key ratios (%)

Year to 31 Dec	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sales (YoY)	33.0	2.6	14.4	2.8	12.0	31.5	20.2	5.5
EBITDA (YoY)	31.6	(1.9)	15.8	3.1	10.8	40.3	22.4	2.1
Operating profit (YoY)	36.7	(7.6)	17.0	2.3	13.6	49.4	25.0	1.2
Net profit (YoY)	32.7	(4.1)	14.5	9.5	13.4	39.1	28.1	1.2
Core EPS (fully-diluted) (YoY)	25.5	(4.1)	14.5	9.5	13.4	39.1	28.1	1.2
Gross-profit margin	48.6	45.6	46.1	46.7	46.0	49.2	49.9	48.8
EBITDA margin	39.0	37.3	37.8	37.9	37.5	40.0	40.7	39.4
Operating-profit margin	32.2	29.0	29.7	29.5	30.0	34.1	35.4	34.0
Net profit margin	24.2	22.6	22.7	24.2	24.5	25.9	27.6	26.5
ROAE	21.4	15.9	16.6	16.4	16.7	21.0	24.0	22.0
ROAA	13.8	11.5	12.0	12.8	14.6	19.1	21.9	20.2
ROCE	20.7	16.3	17.0	16.8	19.4	27.5	30.6	28.1
ROIC	18.5	14.5	15.7	16.0	17.3	22.8	26.7	25.2
Net debt to equity	3.1	12.0	3.1	n.a.	n.a.	n.a.	n.a.	n.a.
Effective tax rate	24.0	23.5	22.2	21.4	21.1	25.0	23.5	23.5
Accounts receivable (days)	104.8	116.0	116.2	117.1	128.5	122.6	117.7	125.2
Current ratio (x)	2.1	1.6	1.8	2.8	5.4	5.8	6.6	7.2
Net interest cover (x)	93.5	149.8	151.7	n.a.	n.a.	n.a.	n.a.	n.a.
Net dividend payout	37.3	33.0	37.8	51.4	52.8	65.0	50.7	64.2
Free cash flow yield	0.4	n.a.	2.8	3.4	2.1	3.5	4.2	5.5

Source: FactSet, Daiwa forecasts

Company profile

Founded in 1988, Airtac is the second-largest manufacturer of pneumatic components in China, with a 20% market share based on sales volume for 2018. Its key products include cylinder, valves, and filters, regulators & lubricators (FRL). The company sells all the products under its own product brand, AirTAC, and also provides after-sales services that include installation, maintenance, etc.

ESG analysis

ESG risks

Risks		Management	Analyst comments
G	Executive/board quality	2	Airtac has 10 directors on its board, with 4 independent directors. All its independent directors have passed the independence requirements set by local governments and experts in the following areas, including business management, the pneumatic industry, and law. We see the diversified background of Airtac's independent directors being positive for the company's governance.
	Capital management	3	Between 2021-23, Airtac's dividend payout ratio has been below 50%. The payout ratio was even lower at 33-36% during 2019-20 due to higher capex (especially in 2017 and 2018) to increase Airtac's capacities in both pneumatic products and linear guides. Despite a lower payout ratio than other listed companies, we attribute it to the unique business model of the pneumatic industry as it requires higher working capital than other industries due to its longer cash conversion cycle period. According to Airtac, the payout ratio should slightly increase in 1-2 years due to improving free cash flows and increasing revenue scale. For 2025, Airtac declared a DPS of TWD19.55, for a payout ratio of 53%.
	Related party & transaction	1	Sales to related parties accounted for limited 2024 sales, and there were no purchases from related parties. We see limited risk from related-party transactions.
E	Product design & lifecycle management	2	Airtac Ningbo has been certified by the Provincial High-tech Enterprise Research and Development Center in China, making it the rule setter in the pneumatic components industry. As such, Airtac is currently involved in the formulation and revision of industry and national standards. For future R&D direction, Airtac has adopted the product data management (PDM) system to track data related to product lifecycles, which should increase the speed of development while ensuring product quality, in our view. Green design is another of its R&D targets. Airtac plans to: 1) use environmental-friendly materials that meet RoHS 2.0 regulations, 2) reduce energy consumption by reducing product size, and 3) improve the decomposability of products and reduce the substances in use to facilitate the disposal treatment after the end of product lifecycle.
E	GHG emissions	2	In 2022, Airtac invested TWD140.6m in environmental protection. As the greenhouse gas (GHG) created by Airtac during the manufacturing process is mainly from electricity and a small amount of petrochemicals, the emissions are indirect and limited. The types of GHG emissions include CO2, CH4, N2O. The total GHG emissions produced in 2022 were 118.3 thousand tonnes. To reduce the risk of climate change, Airtac aims to reduce its energy consumption per sales unit by 8-15% in 2025 compared with 2021.

Note: Management score represents a company's ability to manage/benefit from certain ESG topics. The scores range from 1 to 3, with 1 being the strongest.

Update Date: 21 Jul 2026

Source: Daiwa, Company

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