Airtac International Group (1590.TW)

Upward revision on 2026 revenue and OPM guidance, with upcycle to sustain 2-3 years this time; reiterate Buy

1590.TW	12m Price Target: **NT$1,925.00**	Price: **NT$1,365.00**	Upside: **41.0%**

BUY

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What surprised us

AirTAC reported 2Q26 results today (July 28th). 2Q OP missed our estimate by 4% mainly due to higher opex (NT$1,783mn vs. GSe of NT$1,658mn) while GM is in line with our estimates (2Q26 GM at 49.7% vs. GSe of 49.5%). Total revenue was largely in line with GSe but was 11% above consensus, supported by stronger-than-expected pneumatic product shipments driven by solid demand from the electronics (20% YoY in 2Q26) and battery industry (56% YoY in 2Q26).

What surprised us the most during the results call was (1) management mentioned this upcycle could sustain 2-3 years and (2) the upward revision in 2026 revenue and OPM guidance. Management expects the current upcycle to be longer than previous cycle as customer's automation CAPEX will gradually increase in response to China government's ongoing stimulus policies, which results in a linear recovery with longer duration. Moreover, management now expects 2026 revenue in Rmb terms to reach 20%+ YoY growth (previously expected to reach mid- to high-teens YoY growth), and raised 2026 OPM guidance by 1ppt (the company now expects OPM to reach 34% vs. previous guidance of 33%).

The company reiterated its utilization rate target for the linear guide business to trend up sequentially and reach 50% by 2026 end (vs. 40%+ in 2Q26), leading to a 30%+ GM in 2H26 (~20% GM in 2Q26) with improving utilization rate. Going into 2027, if UTR continues to trend upward (GM will reach 40%+ if UTR is at 80%), the linear guide business' OPM could reach corporate average as limited opex is required given the company's ability to cross-sell linear guide and pneumatic products.

Going into 3Q26, we expect revenue to reach NT$11,888mn (-2% QoQ,+44% YoY), with the pneumatic industry entering low season. We continue to see pressure from rising raw material cost, while the

Key Data

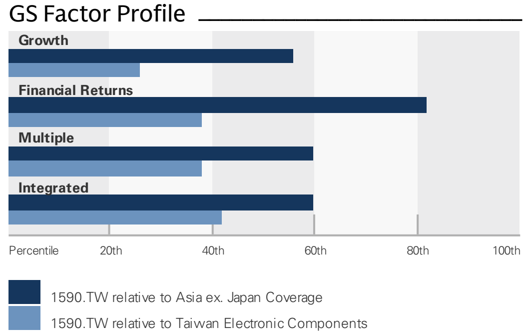
Market cap: NT$261.0bn / $8.1bn
Enterprise value: NT$250.7bn / $7.8bn
3m ADTV: NT$1.3bn / $41.6mn
Taiwan
Taiwan Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**34,329.9**	**45,643.9**	**53,446.1**	**60,126.1**
Revenue (NT$ mn) Old	34,329.9	46,122.9	53,397.5	58,470.0
EBITDA (NT$ mn)	12,865.9	17,645.7	21,223.6	24,179.9
EPS (NT$) New	**42.00**	**61.95**	**74.00**	**85.29**
EPS (NT$) Old	42.00	64.07	72.89	80.46
P/E (X)	20.9	22.0	18.4	16.0
P/B (X)	3.3	4.8	4.4	4.0
Dividend yield (%)	3.3	2.9	3.5	4.1
CROCI (%)	19.2	24.0	27.8	30.2

	6/26	9/26E	12/26E	3/27E
EPS (NT$)	16.55	16.64	15.40	16.11

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

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Airtac International Group (1590.TW)

BUY

Rating since Oct 13, 2019

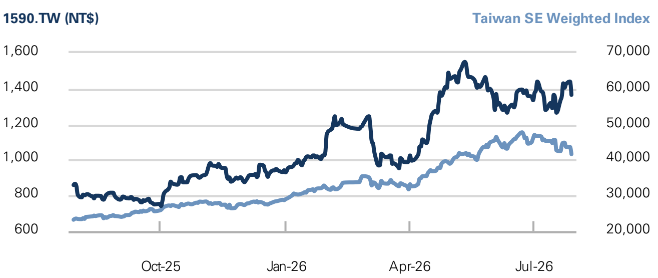
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	20.9	22.0	18.4	16.0
P/B (X)	3.3	4.8	4.4	4.0
FCF yield (%)	2.8	4.5	4.2	5.2
EV/EBITDAR (X)	13.3	14.9	12.2	10.5
EV/EBITDA (excl. leases) (X)	13.3	14.9	12.2	10.5
CROCI (%)	19.2	24.0	27.8	30.2
ROE (%)	16.7	22.6	24.9	26.2
Net debt/equity (%)	(7.2)	(18.1)	(22.2)	(27.2)
Net debt/equity (excl. leases) (%)	(7.2)	(18.1)	(22.2)	(27.2)
Interest cover (X)	196.7	3,954.3	4,830.9	5,574.0
Days inventory outst, sales	69.6	59.8	63.7	64.0
Receivable days	128.2	110.1	97.3	99.2
Days payable outstanding	24.0	30.2	37.4	38.0
DuPont ROE (%)	16.0	21.8	23.8	25.1
Turnover (X)	0.6	0.7	0.7	0.7
Leverage (X)	1.1	1.2	1.2	1.2
Gross cash invested (ex cash) (NT$)	61,249.6	60,012.9	62,871.0	65,350.6
Average capital employed (NT$)	47,805.6	47,711.1	47,444.5	48,922.7
BVPS (NT$)	262.91	284.59	310.49	340.34

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	12.0	33.0	17.1	12.5
EBITDA growth	11.0	37.2	20.3	13.9
EPS growth	10.2	47.5	19.5	15.3
DPS growth	35.2	40.8	19.5	15.3
EBIT margin	30.0	33.7	35.2	36.1
EBITDA margin	37.5	38.7	39.7	40.2
Net income margin	24.5	27.1	27.7	28.4

Price Performance



	3m	6m	12m
Absolute	(2.8)%	33.2%	57.6%
Rel. to the Taiwan SE Weighted Index	(7.7)%	5.0%	(11.3)%

Source: FactSet. Price as of 28 Jul 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	34,329.9	45,643.9	53,446.1	60,126.1
Cost of goods sold	(18,547.9)	(23,428.4)	(27,003.5)	(29,981.7)
SG&A	(4,383.8)	(5,472.8)	(5,986.1)	(6,543.6)
R&D	(1,110.5)	(1,342.4)	(1,642.2)	(1,892.7)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**12,865.9**	**17,645.7**	**21,223.6**	**24,179.9**
Depreciation & amortization	(2,578.2)	(2,245.3)	(2,409.3)	(2,471.8)
EBIT	**10,287.7**	**15,400.3**	**18,814.3**	**21,708.1**
Net interest inc./(exp.)	68.1	67.3	184.8	247.1
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**10,645.4**	**15,772.8**	**18,974.3**	**21,868.1**
Provision for taxes	(2,245.5)	(3,383.6)	(4,174.3)	(4,811.0)
Minority interest	0.3	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**8,400.1**	**12,389.2**	**14,799.9**	**17,057.1**
Post-tax exceptionals	–	–	0.0	0.0
Net inc. (post-exceptionals)	**8,400.1**	**12,389.2**	**14,799.9**	**17,057.1**
EPS (basic, pre-except) (NT$)	**42.00**	**61.95**	**74.00**	**85.29**
EPS (diluted, pre-except) (NT$)	**42.00**	**61.95**	**74.00**	**85.29**
EPS (basic, post-except) (NT$)	**42.00**	**61.95**	**74.00**	**85.29**
EPS (diluted, post-except) (NT$)	**42.00**	**61.95**	**74.00**	**85.29**
DPS (NT$)	28.59	40.27	48.10	55.44
Div. payout ratio (%)	68.1	65.0	65.0	65.0

Balance Sheet (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	3,977.2	10,545.5	14,026.7	18,738.9
Accounts receivable	14,394.7	13,130.4	15,374.9	17,296.5
Inventory	6,292.0	8,665.3	9,987.6	11,089.1
Other current assets	383.4	383.4	383.4	383.4
Total current assets	**25,047.3**	**32,724.6**	**39,772.7**	**47,508.0**
Net PP&E	28,753.2	29,007.8	29,098.5	29,126.7
Net intangibles	29.1	29.1	29.1	29.1
Total investments	1,043.5	1,043.5	1,043.5	1,043.5
Other long-term assets	2,667.2	2,667.2	2,667.2	2,667.2
Total assets	**57,540.2**	**65,472.2**	**72,611.0**	**80,374.5**
Accounts payable	1,306.7	2,567.5	2,959.3	3,285.7
Short-term debt	217.0	217.0	217.0	217.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	3,106.4	5,441.4	7,008.3	8,475.5
Total current liabilities	**4,630.1**	**8,225.9**	**10,184.6**	**11,978.2**
Long-term debt	0.0	0.0	0.0	–
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	322.8	322.8	322.8	322.8
Total long-term liabilities	**322.8**	**322.8**	**322.8**	**322.8**
Total liabilities	**4,952.8**	**8,548.6**	**10,507.4**	**12,300.9**
Preferred shares	–	–	–	–
Total common equity	52,581.2	56,917.4	62,097.4	68,067.4
Minority interest	**6.2**	**6.2**	**6.2**	**6.2**
Total liabilities & equity	**57,540.2**	**65,472.2**	**72,611.0**	**80,374.5**
Net debt, adjusted	(3,760.2)	(10,328.5)	(13,809.7)	(18,521.9)

Cash Flow (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Net income	8,400.1	12,389.2	14,799.9	17,057.1
D&A add-back	2,578.2	2,245.3	2,409.3	2,471.8
Minority interest add-back	(0.3)	–	–	–
Net (inc)/dec working capital	(3,818.9)	151.7	(3,175.0)	(2,696.8)
Other operating cash flow	507.5	–	–	–
Cash flow from operations	**7,666.6**	**14,786.3**	**14,034.3**	**16,832.2**
Capital expenditures	(2,814.5)	(2,500.0)	(2,500.0)	(2,500.0)
Acquisitions	1,736.5	–	–	–
Divestitures	117.4	–	–	–
Others	(8.4)	–	–	–
Cash flow from investing	**(969.1)**	**(2,500.0)**	**(2,500.0)**	**(2,500.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(4,001.9)	(5,718.0)	(8,053.0)	(9,620.0)
Inc/(dec) in debt	(5,340.8)	–	–	–
Other financing cash flows	(103.8)	0.0	0.0	0.0
Cash flow from financing	**(9,446.5)**	**(5,718.0)**	**(8,053.0)**	**(9,620.0)**
Total cash flow	**(2,749.0)**	**6,568.3**	**3,481.3**	**4,712.2**
Free cash flow	4,852.1	12,286.3	11,534.3	14,332.2

Source: Company data, Goldman Sachs Research estimates.

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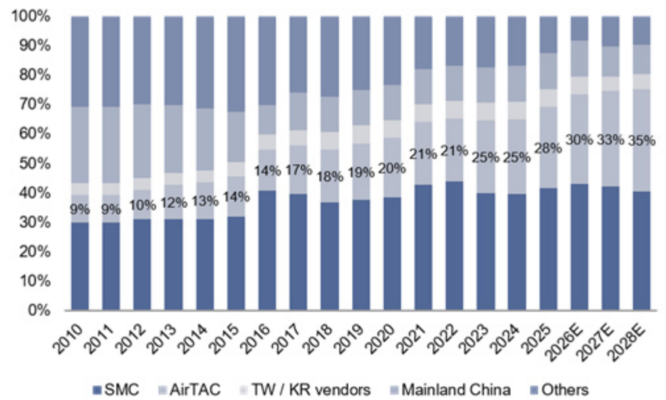
company has maintained a stable pricing strategy within the China market (account 90%+ of total revenue), thus we expect GM to slightly decline to 48.7% (-1.0ppt QoQ and +2.7ppt YoY). We continue to see the company's effort in improving internal efficiency, which could partially offset the risk from rising material cost.

We maintain our conservative though optimistic view on the pneumatic industry outlook. As we continue to see downside risk on weak consumer electronics shipments (smartphone etc.) and expect raw material cost pressure to persist over the coming quarters. We expect the company to continue to gain share in the China pneumatic market as it shifts towards higher-quality pneumatic products (see here) along with the company's stable pricing strategy.

Exhibit 1: We see AirTAC's China pneumatic market share continuing to expand in the long term



Source: Company data, Goldman Sachs Global Investment Research

Investment view

We reiterate our Buy rating on AirTAC and remain positive on the company's comment on (1) the upcycle this time could sustain longer at 2-3 years and (2) upward revision to its 2026 revenue and OPM guidance, as management continues to expect the company to outperform the pneumatic industry. Within its largest segment, electronics (account for 27% of 2Q26 revenue), the company now expects 20% YoY growth in 2026 (was 10% YoY previously), supported by a better smartphone demand (account for 25-30% of electronics revenue) in 2H26. However, we remain cautious on the segment given ongoing weakness in consumer electronics demand (smartphone etc.).

We believe AirTAC's strong B/S and healthy cash flow position will enable the company to overcome potential industry demand risks, while further supporting market share gains during industry downturns (AirTAC's share gains have accelerated during industry downcycles historically, supported by its solid B/S and cash flow management). We expect the company's ROE to continue to rise in the coming years (ROE should improve to 26.2% in 2028E per GSe vs. 16%-17% in 2022-25) supporting a high dividend payout ratio (50%-60%+ per year per GSe).

As a result, we maintain our Buy rating on AirTAC with new 12m TP of NT$1,925 (from NT$1,725).

Earnings and TP revisions

We revise down our 2026E revenue by 1% after factor in 2Q26 results and revise up our

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2028E revenue estimates by 3% to factor in the better-than-expected growth in the China pneumatic market. We revise down our 2026E OPM by 0.7ppt to factor in higher raw material cost but revise up our 2027/28E OPM by 0.5/1.1ppt as we continue to expect the company to make progress in enhancing internal efficiency. As a result, we revise down our 2026E EPS estimates by 3% but revise up our 2027/28E EPS estimates by 2/6%.

Maintain our Buy rating on AirTAC, with a new 12m TP of NT$1,925 (from NT$1,725), based on a higher target P/E of 26x (was 24.2x). We believe the company could trade at 0.25x STDV above the average PE multiple during previous pneumatic upcycle and rollover our valuation base from 3Q26-2Q27E to 2027E.

Exhibit 2: AirTAC's 2Q26 comp table

AirTAC (1590.TW)	2Q26			QoQ		YoY		Bloomberg consensus	
P&L (NT$mn)	Actual	GS est.	Diff (%)	1Q26	QoQ	2Q25	YoY	Consensus	%
Revenue	12,164	12,278	-1%	10,014	21%	8,953	36%	10,999	11%
Gross profits	6,048	6,082	-1%	4,804	26%	4,119	47%	5,334	13%
Operating profits	4,265	4,424	-4%	3,325	28%	2,732	56%	3,698	15%
Pre-tax income	4,238	4,464	-5%	3,424	24%	2,570	65%	3,714	14%
Net earnings	3,311	3,482	-5%	2,671	24%	2,037	63%	2,912	14%
EPS, NT$	16.55	17.41	-5%	13.35	24%	10.19	62%	15.07	10%
Gross margin (%)	49.7%	49.5%	0.2ppt	48.0%	1.7ppt	46.0%	3.7ppt	48.5%	1.2ppt
EBIT margin (%)	35.1%	36.0%	-1.0ppt	33.2%	1.9ppt	30.5%	4.5ppt	33.6%	1.4ppt
Net margin (%)	27.2%	28.4%	-1.1ppt	26.7%	0.5ppt	22.8%	4.5ppt	26.5%	0.7ppt

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 3: Earnings revision table

AirTAC P&L (NT$ mn)	2026E New	2026E Old	Diff.	2027E New	2027E Old	Diff.	2028E New	2028E Old	Diff.
Sales	45,644	46,123	-1%	53,446	53,397	0%	60,126	58,470	3%
Gross Profit	22,216	22,458	-1%	26,443	26,108	1%	30,144	28,714	5%
EBIT	15,400	15,880	-3%	18,814	18,529	2%	21,708	20,470	6%
Net Income	12,389	12,813	-3%	14,800	14,577	2%	17,057	16,091	6%
EPS (NT$)	**61.95**	**64.07**	**-3%**	**74.00**	**72.89**	**2%**	**85.29**	**80.46**	**6%**
Ratio analysis									
Gross margin	48.7%	48.7%	0.0pp	49.5%	48.9%	0.6pp	50.1%	49.1%	1.0pp
EBIT margin	33.7%	34.4%	-0.7pp	35.2%	34.7%	0.5pp	36.1%	35.0%	1.1pp
Net margin	27.1%	27.8%	-0.6pp	27.7%	27.3%	0.4pp	28.4%	27.5%	0.8pp

Source: Goldman Sachs Global Investment Research

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Exhibit 4: P&L table

NT$mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2024	2025	2026E	2027E	2028E
Revenue	8,096	8,953	8,246	9,035	10,014	12,164	11,888	11,578	12,135	14,174	13,782	13,355	30,660	34,330	45,644	53,446	60,126
Gross profit	3,574	4,119	3,797	4,292	4,804	6,048	5,786	5,577	5,874	7,195	6,877	6,497	14,314	15,782	22,216	26,443	30,144
Operating expense	(1,302)	(1,387)	(1,336)	(1,469)	(1,479)	(1,783)	(1,724)	(1,829)	(1,784)	(1,914)	(1,874)	(2,057)	(5,298)	(5,494)	(6,815)	(7,628)	(8,436)
Operating income	2,272	2,732	2,460	2,823	3,325	4,265	4,063	3,748	4,090	5,282	5,002	4,440	9,016	10,288	15,400	18,814	21,708
Pretax income	2,466	2,570	2,652	2,957	3,424	4,238	4,213	3,898	4,130	5,322	5,042	4,480	9,634	10,645	15,773	18,974	21,868
Taxes expense	(530)	(533)	(553)	(629)	(753)	(927)	(885)	(819)	(909)	(1,171)	(1,109)	(986)	(2,010)	(2,246)	(3,384)	(4,174)	(4,811)
Net income	1,936	2,037	2,099	2,328	2,671	3,311	3,328	3,080	3,222	4,151	3,933	3,494	7,624	8,400	12,389	14,800	17,057
EPS, NT$	**9.68**	**10.19**	**10.50**	**11.64**	**13.35**	**16.55**	**16.64**	**15.40**	**16.11**	**20.75**	**19.67**	**17.47**	**38.12**	**42.00**	**61.95**	**74.00**	**85.29**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	44.1%	46.0%	46.0%	47.5%	48.0%	49.7%	48.7%	48.2%	48.4%	50.8%	49.9%	48.6%	46.7%	46.0%	48.7%	49.5%	50.1%
Operating expense ratio	16.1%	15.5%	16.2%	16.3%	14.8%	14.7%	14.5%	15.8%	14.7%	13.5%	13.6%	15.4%	17.3%	16.0%	14.9%	14.3%	14.0%
Operating margin	28.1%	30.5%	29.8%	31.2%	33.2%	35.1%	34.2%	32.4%	33.7%	37.3%	36.3%	33.2%	29.4%	30.0%	33.7%	35.2%	36.1%
Net margin	23.9%	22.8%	25.5%	25.8%	26.7%	27.2%	28.0%	26.6%	26.6%	29.3%	28.5%	26.2%	24.9%	24.5%	27.1%	27.7%	28.4%
QoQ growth (%)																	
Revenue	6%	11%	-8%	10%	11%	21%	-2%	-3%	5%	17%	-3%	-3%					
Gross profit	2%	15%	-8%	13%	12%	26%	-4%	-4%	5%	22%	-4%	-6%					
Operating income	6%	20%	-10%	15%	18%	28%	-5%	-8%	9%	29%	-5%	-11%					
Net income	7%	5%	3%	11%	15%	24%	1%	-7%	5%	29%	-5%	-11%					
YoY growth (%)																	
Revenue	12%	6%	12%	18%	24%	36%	44%	28%	21%	17%	16%	15%	3%	12%	33%	17%	12%
Gross profit	5%	3%	11%	22%	34%	47%	52%	30%	22%	19%	19%	16%	4%	10%	41%	19%	14%
OPEX	6%	3%	-1%	7%	14%	29%	29%	25%	21%	7%	9%	12%	8%	4%	24%	12%	11%
Operating income	5%	3%	19%	32%	46%	56%	65%	33%	23%	24%	23%	18%	2%	14%	50%	22%	15%
Net income	6%	-10%	21%	29%	38%	63%	59%	32%	21%	25%	18%	13%	9%	10%	47%	19%	15%

Source: Company data, Goldman Sachs Global Investment Research

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Investment Thesis - AirTAC

AirTAC is the 2nd-largest pneumatic supplier in mainland China with 28% market share in 2025, outpacing most local competitors, owing to its low-cost yet high quality product, and service quality reputation in most key cities in mainland China. We forecast its market share will reach 30% in 2026E and expect AirTAC to be the structural winner in a deflationary market, due to its: (1) strong market growth and leadership: AirTAC continues to expand its market share in mainland China driven by competitive pricing that is more than 10% lower vs. international peers (with 45%+ GM / 30-35% OPM) and high demand elasticity among mainland China customers; and (2) superior cost structure and financial health: with best-in-class cash cost and a solid balance sheet, featuring positive net cash over FCF since 2023/2024, we believe AirTAC is well-equipped to weather industry downturns and capitalize on market restructuring.

Overall, we believe AirTAC will see better revenue/profitability in the long term given its share gainer position in the China pneumatic market and potential to gain share in the linear guide market (improved demand in the next 1-2 years). This should lead to strengthened valuation, vs. its recent trading range (trading below its 10-year avg. P/E multiple). We are Buy rated on AirTAC.

Price target risks and methodology - AirTAC

Valuation methodology: Our 12m TP of NT$1,925 is based on a target P/E of 26.0x on our 2027E EPS (0.25x STDV above avg of the last pneumatic upcycle).

Key downside risks: (1) Stronger competition from peers; (2) sharper-than-expected Rmb depreciation, and (3) a longer-than-expected end-market demand downtrend in mainland China.

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Disclosure Appendix

Reg AC

We, Chao Wang, Yuichiro Isayama and Al Wang, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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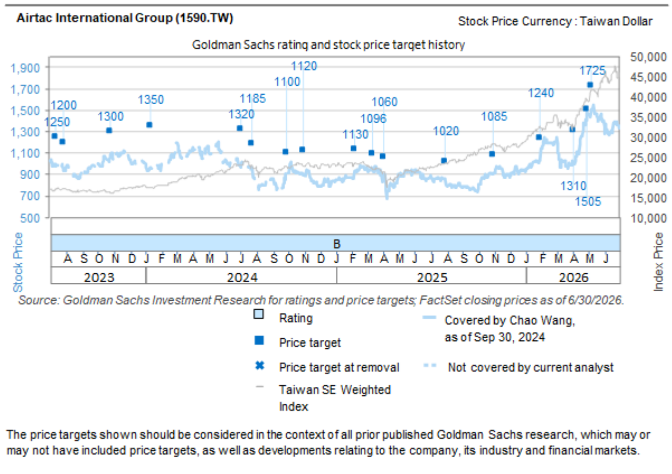
Price target and rating history chart(s)



Target price history table(s)

Airtac International Group (1590.TW)

Date of report	Target price (NT$)	Closing price (NT$)
07-May-26	1,725.00	1,490.00
29-Apr-26	1,505.00	1,490.00
02-Apr-26	1,310.00	996.00
29-Jan-26	1,240.00	1,040.00
30-Oct-25	1,085.00	904.00
31-Jul-25	1,020.00	856.00
03-Apr-25	1,060.00	900.00
13-Mar-25	1,096.00	938.00
07-Feb-25	1,130.00	934.00
31-Oct-24	1,120.00	894.00
29-Sep-24	1,100.00	939.00
24-Jul-24	1,185.00	970.00
02-Jul-24	1,320.00	972.00
11-Jan-24	1,350.00	958.00
25-Oct-23	1,300.00	1,060.00

Price targets shown in table(s) are unadjusted for corporate actions.

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