Airtac International Group (1590.TW)

Continue to outperform China pneumatic market in 2027E, expecting double digit YoY growth across multiple end markets; reiterate Buy

1590.TW	12m Price Target: **NT$1,895.00**	Price: **NT$1,150.00**	Upside: **64.8%**

BUY

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What surprised us

AirTAC reported 3Q26 results today (October 29th). 3Q OP was in line with our estimates, but was 5% higher than BBG consensus. OPM was 33.9% in 3Q26, largely in line with our estimates; although GM of 49.4% was higher than our estimates by 0.9ppt, it was offset by higher opex (NT$1,778mn vs. GSe of NT$1,669mn). Total revenue was largely in line with GSe but was 4% above consensus, as the company enjoyed solid demand from the electronics industry (33% YoY in 3Q26 vs. 20% YoY in 2Q26, which accounted for 28% of total 3Q26 revenue).

What surprised us the most during the results call was the company's solid guidance on industry growth (mentioned low single to mid single digit % YoY growth is sustainable for the longer term for the China pneumatic market) and the company further mentioned that it could outgrow the market by 10ppt YoY in 2027. Moreover, the company expects all electronics/automotive/machine tools/general machinery/textile/packaging to see double digit YoY growth in both 2026/27, thanks to the China government's ongoing stimulus policies. Management reiterated 2026 revenue guidance in Rmb terms to reach 20%+ YoY growth (could reach higher YoY in NT$ terms), and maintained 2026 OPM guidance of 34%.

The company reiterated its utilization rate target for its linear guide business to reach 50% by 2026 end (vs. 40%+ in 3Q26). The company continues to see peers raise prices for their linear guide products, and management thinks the company is well-positioned to gain market share with its stable pricing and shorter product lead time (less than a month vs. a key competitor at 4 months, see here).

Going into 4Q26, we expect revenue to reach NT$11,425mn (-1% QoQ,+26% YoY), as we expect solid YoY across nearly all end markets. Rising raw material cost remains a key risk, while the

Key Data

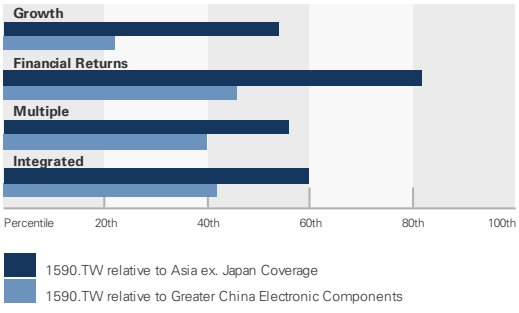
Market cap: NT$219.9bn / $6.8bn
Enterprise value: NT$210.5bn / $6.5bn
3m ADTV: NT$1.1bn / $34.7mn
Taiwan
Greater China Electronic Components
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (NT$ mn) New	**34,329.9**	**45,115.4**	**53,092.0**	**59,883.7**
Revenue (NT$ mn) Old	34,329.9	45,096.4	52,655.1	59,393.1
EBITDA (NT$ mn)	12,865.9	17,583.7	21,273.0	24,192.3
EPS (NT$) New	**42.00**	**58.43**	**72.86**	**84.66**
EPS (NT$) Old	42.00	61.12	72.93	84.42
P/E (X)	20.9	19.7	15.8	13.6
P/B (X)	3.3	4.1	3.7	3.4
Dividend yield (%)	3.3	3.3	4.1	4.8
CROCI (%)	19.2	22.9	27.3	29.9

	9/26	12/26E	3/27E	6/27E
EPS (NT$)	14.23	14.29	15.93	20.14

GS Factor Profile



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

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BUY

Airtac International Group (1590.TW)

Rating since Oct 13, 2019

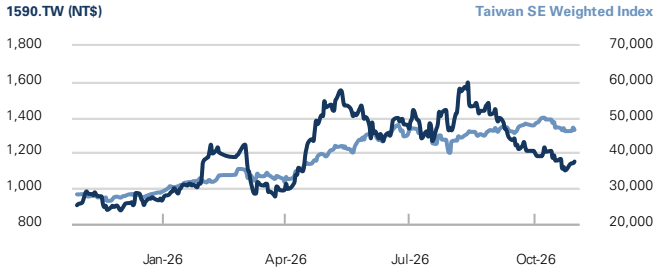
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	20.9	19.7	15.8	13.6
P/B (X)	3.3	4.1	3.7	3.4
FCF yield (%)	2.8	4.9	4.9	6.1
EV/EBITDAR (X)	13.3	12.5	10.2	8.8
EV/EBITDA (excl. leases) (X)	13.3	12.5	10.2	8.8
CROCI (%)	19.2	22.9	27.3	29.9
ROE (%)	16.7	21.4	24.6	26.2
Net debt/equity (%)	(7.2)	(16.6)	(21.2)	(26.2)
Net debt/equity (excl. leases) (%)	(7.2)	(16.6)	(21.2)	(26.2)
Interest cover (X)	196.7	3,932.0	4,837.2	5,573.9
Days inventory outst, sales	69.6	59.9	63.0	63.5
Receivable days	128.2	110.7	97.1	99.0
Days payable outstanding	24.0	30.4	37.3	37.8
DuPont ROE (%)	16.0	20.6	23.6	25.0
Turnover (X)	0.6	0.7	0.7	0.7
Leverage (X)	1.1	1.1	1.2	1.2
Gross cash invested (ex cash) (NT$)	61,249.6	60,459.9	63,045.7	65,556.1
Average capital employed (NT$)	47,805.6	48,047.1	47,967.8	49,306.6
BVPS (NT$)	262.91	283.36	308.86	338.49

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	12.0	31.4	17.7	12.8
EBITDA growth	11.0	36.7	21.0	13.7
EPS growth	10.2	39.1	24.7	16.2
DPS growth	35.2	32.8	24.7	16.2
EBIT margin	30.0	33.9	35.5	36.3
EBITDA margin	37.5	39.0	40.1	40.4
Net income margin	24.5	25.9	27.4	28.3

Price Performance



	3m	6m	12m
Absolute	(13.2)%	(22.8)%	27.8%
Rel. to the Taiwan SE Weighted Index	(25.1)%	(34.6)%	(22.0)%

Source: FactSet. Price as of 29 Oct 2026 close.

Income Statement (NT$ mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	34,329.9	45,115.4	53,092.0	59,883.7
Cost of goods sold	(18,547.9)	(23,013.6)	(26,537.9)	(29,766.9)
SG&A	(4,383.8)	(5,384.4)	(6,084.0)	(6,552.5)
R&D	(1,110.5)	(1,404.0)	(1,631.4)	(1,856.2)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**12,865.9**	**17,583.7**	**21,273.0**	**24,192.3**
Depreciation & amortization	(2,578.2)	(2,270.3)	(2,434.3)	(2,484.3)
EBIT	**10,287.7**	**15,313.3**	**18,838.7**	**21,708.0**
Net interest inc./(exp.)	68.1	67.3	168.4	234.6
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**10,645.4**	**15,589.9**	**18,838.7**	**21,708.0**
Provision for taxes	(2,245.5)	(3,903.7)	(4,266.1)	(4,775.8)
Minority interest	0.3	0.0	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**8,400.1**	**11,686.3**	**14,572.6**	**16,932.3**
Post-tax exceptionals	–	–	0.0	0.0
Net inc. (post-exceptionals)	**8,400.1**	**11,686.3**	**14,572.6**	**16,932.3**
EPS (basic, pre-except) (NT$)	**42.00**	**58.43**	**72.86**	**84.66**
EPS (diluted, pre-except) (NT$)	**42.00**	**58.43**	**72.86**	**84.66**
EPS (basic, post-except) (NT$)	**42.00**	**58.43**	**72.86**	**84.66**
EPS (diluted, post-except) (NT$)	**42.00**	**58.43**	**72.86**	**84.66**
DPS (NT$)	28.59	37.98	47.36	55.03
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	9,627.6	13,326.5	17,976.6
Accounts receivable	14,394.7	12,978.4	15,273.0	17,226.8
Inventory	6,292.0	8,511.9	9,815.4	11,009.7
Other current assets	383.4	383.4	383.4	383.4
Total current assets	**25,047.3**	**31,501.3**	**38,798.3**	**46,596.6**
Net PP&E	28,753.2	29,482.8	29,548.5	29,564.2
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**	**64,723.9**	**72,086.6**	**79,900.6**
Accounts payable	1,306.7	2,522.0	2,908.3	3,262.1
Short-term debt	217.0	217.0	217.0	217.0
Short-term lease liabilities	–	–	–	–
Other current liabilities	3,106.4	4,984.5	6,860.6	8,394.3
Total current liabilities	**4,630.1**	**7,723.5**	**9,985.8**	**11,873.5**
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**	**8,046.3**	**10,308.6**	**12,196.2**
Preferred shares	–	–	–	–
Total common equity	52,581.2	56,671.4	61,771.8	67,698.1
Minority interest	**6.2**	**6.2**	**6.2**	**6.2**
Total liabilities & equity	**57,540.2**	**64,723.9**	**72,086.6**	**79,900.6**
Net debt, adjusted	(3,760.2)	(9,410.6)	(13,109.5)	(17,759.6)

Cash Flow (NT$ mn)

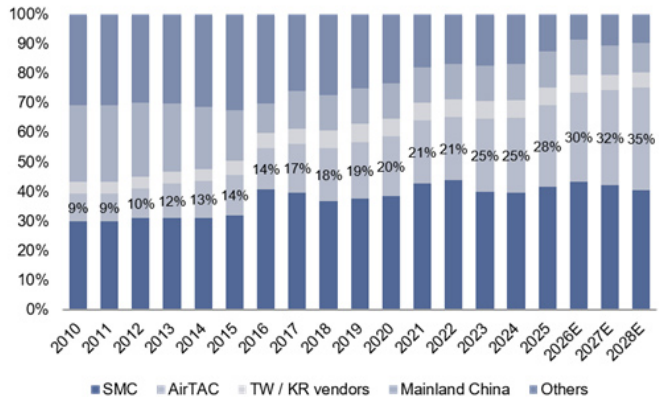
	12/25	12/26E	12/27E	12/28E
Net income	8,400.1	11,686.3	14,572.6	16,932.3
D&A add-back	2,578.2	2,270.3	2,434.3	2,484.3
Minority interest add-back	(0.3)	0.0	–	–
Net (inc)/dec working capital	(3,818.9)	411.7	(3,211.9)	(2,794.2)
Other operating cash flow	507.5	–	–	–
Cash flow from operations	**7,666.6**	**14,368.4**	**13,795.0**	**16,622.4**
Capital expenditures	(2,814.5)	(3,000.0)	(2,500.0)	(2,500.0)
Acquisitions	1,736.5	–	–	–
Divestitures	117.4	–	–	–
Others	(8.4)	–	–	–
Cash flow from investing	**(969.1)**	**(3,000.0)**	**(2,500.0)**	**(2,500.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(4,001.9)	(5,718.0)	(7,596.1)	(9,472.2)
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)**	**(7,596.1)**	**(9,472.2)**
Total cash flow	**(2,749.0)**	**5,650.4**	**3,698.9**	**4,650.2**
Free cash flow	4,852.1	11,368.4	11,295.0	14,122.4

Source: Company data, Goldman Sachs Research estimates.

company continues to maintain a stable pricing strategy within the China market (which accounts for 90%+ of total revenue); thus we expect GM to slightly decline to 48.7% (-0.7ppt QoQ and +1.2ppt YoY). We continue to see the company's ongoing effort in improving internal efficiency, which could partially offset the negative impact from rising material cost.

We hold our conservative though optimistic view on the pneumatic industry outlook, as we continue to see downside risk in consumer electronics shipments (smartphone, etc) and the negative impact from rising raw material cost to persist over the coming quarters. We expect the company to continue to gain share in the China pneumatic market with its stable pricing strategy as well as its shift towards higher-quality pneumatic products.

Exhibit 1: We expect AirTAC's China pneumatic market share will continue to expand in the long term



Source: Company data, Goldman Sachs Global Investment Research

Investment view

We reiterate our Buy rating on AirTAC as we expect the company will continue to outperform the overall pneumatic market. We are positive on the company's latest comment that the overall China pneumatic market YoY growth could be sustained at low single to mid single digit for a longer period, and management further mentioned that the company will outperform the market by 10ppt in 2027. This is mainly driven by the company's latest guidance that nearly all end markets could see double digit YoY growth in 2027. While the company did mention the risk of decelerating YoY growth for the battery industry (which has seen solid YoY growth over the past two years), we expect solid growth from smaller segments, including machine tool/general machinery/textile/packaging, could offset the risk (we expect the 4 segments to account for 24% of total 2027E revenue vs. battery at 13%).

We believe AirTAC is well positioned to overcome potential industry demand risks with its strong B/S and healthy cash flow position, which could further support market share gains during industry downturns (historically, AirTAC has accelerated its market share gains during industry downcycles, supported by its solid B/S and cash flow management). We also expect the company's ROE to continue to improve 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 unchanged 12m TP of NT$1,895.

Earnings and TP revisions

We revise up our 2027/28E revenue estimates by 1/1% to factor in the better-than-expected growth in the China pneumatic market. We revise up our 2026E OPM by 0.3ppt to factor in actual 3Q26 results and revise up our 2027/28E OPM by 0.3/0.1ppt as we continue to expect the company to focus on enhancing internal efficiency. We revise down our 2026E EPS estimates by 4% after factoring in a higher tax rate in 2H26.

Also, we introduce our 2029E earnings estimates in this report.

Maintain our Buy rating and 12m TP of NT$1,895, which is based on unchanged P/E of 26x on our 2027E EPS, as we believe the company could trade at 0.25x STDV above the average PE multiple during the previous pneumatic upcycle.

Exhibit 2: AirTAC's 3Q26 comp table

AirTAC (1590.TW)	3Q26			QoQ		YoY		Bloomberg consensus	
P&L (NT$mn)	Actual	GS est.	Diff (%)	2Q26	QoQ	3Q25	YoY	Consensus	%
Revenue	11,512	11,512	0%	12,164	-5%	8,246	40%	11,029	4%
Gross profits	5,683	5,580	2%	6,048	-6%	3,797	50%	5,425	5%
Operating profits	3,905	3,911	0%	4,265	-8%	2,460	59%	3,724	5%
Pre-tax income	3,959	4,061	-3%	4,238	-7%	2,652	49%	3,805	4%
Net earnings	2,847	3,208	-11%	3,311	-14%	2,099	36%	3,002	-5%
EPS, NT$	14.23	16.04	-11%	16.55	-14%	10.50	36%	14.99	-5%
Gross margin (%)	49.4%	48.5%	0.9ppt	49.7%	-0.4ppt	46.0%	3.3ppt	49.2%	0.2ppt
EBIT margin (%)	33.9%	34.0%	-0.1ppt	35.1%	-1.1ppt	29.8%	4.1ppt	33.8%	0.2ppt
Net margin (%)	24.7%	27.9%	-3.1ppt	27.2%	-2.5ppt	25.5%	-0.7ppt	27.2%	-2.5ppt

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.	2029E New
Sales	45,115	45,096	0%	53,092	52,655	1%	59,884	59,393	1%	65,830
Gross Profit	22,102	21,925	1%	26,554	26,057	2%	30,117	29,821	1%	33,328
EBIT	15,313	15,192	1%	18,839	18,541	2%	21,708	21,487	1%	24,155
Net Income	11,686	12,225	-4%	14,573	14,587	0%	16,932	16,884	0%	18,841
EPS (NT$)	**58.43**	**61.12**	**-4%**	**72.86**	**72.93**	**0%**	**84.66**	**84.42**	**0%**	**94.21**
Ratio analysis										
Gross margin	49.0%	48.6%	0.4pp	50.0%	49.5%	0.5pp	50.3%	50.2%	0.1pp	50.6%
EBIT margin	33.9%	33.7%	0.3pp	35.5%	35.2%	0.3pp	36.3%	36.2%	0.1pp	36.7%
Net margin	25.9%	27.1%	-1.2pp	27.4%	27.7%	-0.3pp	28.3%	28.4%	-0.2pp	28.6%

Source: Goldman Sachs Global Investment Research

Exhibit 4: P&L table

NT$mn	1Q26	2Q26	3Q26	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	1Q28E	2Q28E	3Q28E	4Q28E	2025	2026E	2027E	2028E	2029E
Revenue	10,014	12,164	11,512	11,425	12,032	14,027	13,728	13,305	13,863	16,161	15,280	14,580	34,330	45,115	53,092	59,884	65,830
Gross profit	4,804	6,048	5,683	5,567	5,865	7,162	6,952	6,575	6,905	8,227	7,682	7,303	15,782	22,102	26,554	30,117	33,328
Operating expense	(1,479)	(1,783)	(1,778)	(1,748)	(1,781)	(1,964)	(1,922)	(2,049)	(2,066)	(2,166)	(2,078)	(2,100)	(5,494)	(6,788)	(7,715)	(8,409)	(9,172)
Operating income	3,325	4,265	3,905	3,819	4,084	5,199	5,030	4,526	4,840	6,061	5,604	5,203	10,288	15,313	18,839	21,708	24,155
Pretax income	3,424	4,238	3,959	3,969	4,084	5,199	5,030	4,526	4,840	6,061	5,604	5,203	10,645	15,590	18,839	21,708	24,155
Taxes expense	(753)	(927)	(1,112)	(1,111)	(898)	(1,170)	(1,157)	(1,041)	(1,065)	(1,333)	(1,233)	(1,145)	(2,246)	(3,904)	(4,266)	(4,776)	(5,314)
Net income	2,671	3,311	2,847	2,858	3,186	4,029	3,873	3,485	3,775	4,728	4,371	4,058	8,400	11,686	14,573	16,932	18,841
EPS, NT$	**13.35**	**16.55**	**14.23**	**14.29**	**15.93**	**20.14**	**19.37**	**17.42**	**18.87**	**23.64**	**21.86**	**20.29**	**42.00**	**58.43**	**72.86**	**84.66**	**94.21**
Ratio analysis and assumption																	
As % of sales																	
Gross margin	48.0%	49.7%	49.4%	48.7%	48.7%	51.1%	50.6%	49.4%	49.8%	50.9%	50.3%	50.1%	46.0%	49.0%	50.0%	50.3%	50.6%
Operating expense ratio	14.8%	14.7%	15.4%	15.3%	14.8%	14.0%	14.0%	15.4%	14.9%	13.4%	13.6%	14.4%	16.0%	15.0%	14.5%	14.0%	13.9%
Operating margin	33.2%	35.1%	33.9%	33.4%	33.9%	37.1%	36.6%	34.0%	34.9%	37.5%	36.7%	35.7%	30.0%	33.9%	35.5%	36.3%	36.7%
Net margin	26.7%	27.2%	24.7%	25.0%	26.5%	28.7%	28.2%	26.2%	27.2%	29.3%	28.6%	27.8%	24.5%	25.9%	27.4%	28.3%	28.6%
QoQ growth (%)																	
Revenue	11%	21%	-5%	-1%	5%	17%	-2%	-3%	4%	17%	-5%	-5%					
Gross profit	12%	26%	-6%	-2%	5%	22%	-3%	-5%	5%	19%	-7%	-5%					
Operating income	18%	28%	-8%	-2%	7%	27%	-3%	-10%	7%	25%	-8%	-7%					
Net income	15%	24%	-14%	0%	11%	26%	-4%	-10%	8%	25%	-8%	-7%					
YoY growth (%)																	
Revenue	24%	36%	40%	26%	20%	15%	19%	16%	15%	15%	11%	10%	12%	31%	18%	13%	10%
Gross profit	34%	47%	50%	30%	22%	18%	22%	18%	18%	15%	10%	11%	10%	40%	20%	13%	11%
OPEX	14%	29%	33%	19%	20%	10%	8%	17%	16%	10%	8%	2%	4%	24%	14%	9%	9%
Operating income	46%	56%	59%	35%	23%	22%	29%	18%	19%	17%	11%	15%	14%	49%	23%	15%	11%
Net income	38%	63%	36%	23%	19%	22%	36%	22%	19%	17%	13%	16%	10%	39%	25%	16%	11%

Source: Company data, Goldman Sachs Global Investment Research

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$1,895 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.

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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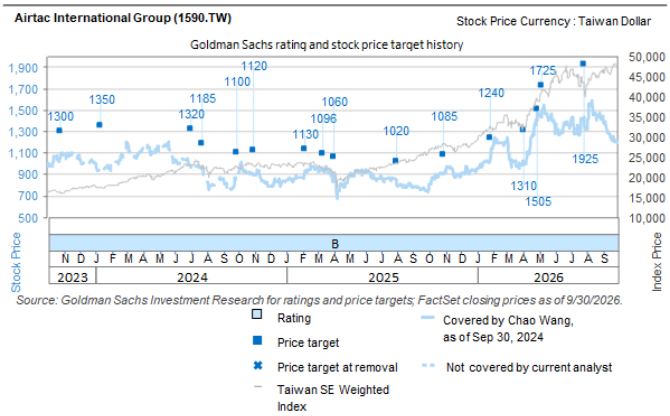
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Target price history table(s)

Airtac International Group (1590.TW)

Date of report	Target price (NT$)	Closing price (NT$)
12-Oct-26	1,895.00	1,210.00
28-Jul-26	1,925.00	1,365.00
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

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

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