Morgan Stanley | RESEARCH

IDEA

April 28, 2026 08:22 AM GMT

Greater China Technology Hardware | Asia Pacific

Early Stage of an Upcycle

We believe industrial automation demand is entering an upcycle, as indicated by both bottom-up and top-down data points across different sources. Tech seems to be the major driver amid capacity expansion driven by AI and the new smartphone form factor. Stay OW on both Airtac and Hiwin.

Airtac 1Q26 EPS estimated at NT$12.63: Revenue of NT$10,014mn (+11% QoQ/ +24% YoY) was above seasonal trends on solid customer orders and FX tailwinds. We expect GM to expand modestly by 0.3ppt to 47.8%, and operating leverage should further drive operating margin to 31.8% (+0.6ppt QoQ), leading to operating profit of NT$3,186mn (+13% QoQ/+40% YoY) and net profit of NT$2,528mn (+9% QoQ/+31% YoY).

Hiwin 1Q26 EPS estimated at NT$1.48: Revenue of NT$6,379mn (-2% QoQ/+9% YoY) was consistent with seasonality. We model GM to improve by 3.0ppt to 30.0% on higher utilization and operating margin to expand by 3.7ppt QoQ to 8.5% on the absence of year-end expense adjustments. This results in our estimated operating profit of NT$548mn (+74% QoQ/+31% YoY) and net profit of NT$525mn (+14% QoQ/+9% YoY).

Early stage of an upcycle: We believe industrial automation demand is on an upcycle trajectory, as we see multiple data points pointing in that direction. 1) Airtac and Hiwin are both seeing revenue momentum accelerate on a YoY basis over the past couple of quarters. 2) Japanese factory automation players, including Yaskawa (6506.T), Fanuc (6954.T), and Keyence (6861.T), all covered by Lisa Jiang, also reported solid earnings or order outlooks in the recent quarter. 3) Japan Machine Tool Builders' Association (JMTBA) orders have shown sustained growth across all three major regions (China, Europe, and N. America) over the past few quarters, with February readings at +40%, +8%, and +39% YoY, respectively.

Tech sector bolstering demand: Most players indicate that demand in the tech space, including semiconductors, components and assembly, has been strong amid expansion for AI-related products and the new smartphone form factor for 2H26. Moreover, battery orders in China are also solid.

Stay OW: On top of the overall sector recovery, Airtac should benefit from share gains and incremental contribution from linear guides, while Hiwin should see margin expansion supported by higher utilization and price hikes. We thus stay OW on both names, and raise our PTs to NT$1,850 (30x 2027 P/E) for Airtac and NT $380 (37x 2027 P/E) for Hiwin.

Derrick Yang
Equity Analyst
Derrick.Yang@morganstanley.com +886 2 2730-2862

Vivi Huang
Research Associate
Vivi.Huang@morganstanley.com +886 2 2730-2860

Sharon Shih
Equity Analyst
Sharon.Shih@morganstanley.com +886 2 2730-2865

GREATER CHINA TECHNOLOGY HARDWARE

Asia Pacific
Industry View **In-Line**

WHAT'S CHANGED

	From	To
AirTAC International (1590.TW) Price Target	NT$1,230.00	**NT$1,850.00**
Hiwin Technologies Corp. (2049.TW) Price Target	NT$300.00	**NT$380.00**

Preview to earnings

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*

AirTAC International 1590.TW

Management comments on the business outlook	⬆ Likely upside surprise	⬆ Modest revision higher

- We expect 1Q26 GM to expand modestly by 0.3ppt to 47.8%.
- Operating leverage should further drive operating margin to 31.8% (+0.6ppt QoQ), leading to operating profit of NT$3,186mn (+13% QoQ/+40% YoY).
- We expect net profit to come in at NT$2,528mn (+9% QoQ/+31% YoY).

Hiwin Technologies Corp. 2049.TW

Management comments on the business outlook	⬆ Likely upside surprise	⬆ Modest revision higher

- We expect 1Q26 GM to improve by 3.0ppt to 30.0% on higher utilization.
- Operating margin to expand by 3.7ppt QoQ to 8.5% on the absence of year-end expense adjustments.
- This results in our estimated operating profit of NT$548mn (+74% QoQ/+31% YoY) and net profit of NT $525mn (+14% QoQ/+9% YoY) for 1Q26.

*Likely impact to consensus EPS is for the next 12 months

Early Stage of an Upcycle

Airtac and Hiwin quarterly revenue

Airtac and Hiwin are both seeing revenue momentum accelerate on a YoY basis over the past couple of quarters.

Exhibit 1: Airtac - Quarterly Revenue Trend

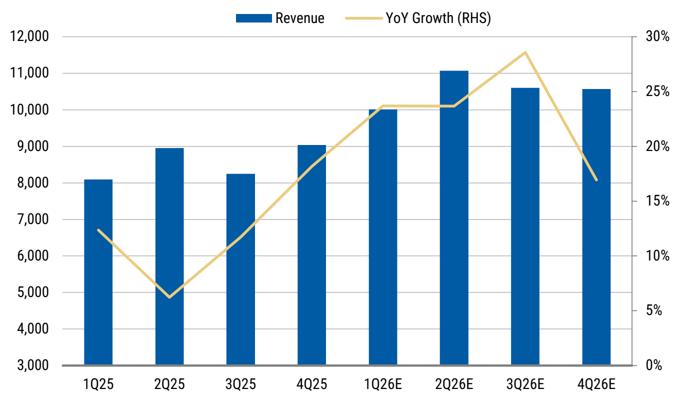


Exhibit 2: Airtac - Quarterly GM/OPM Trend

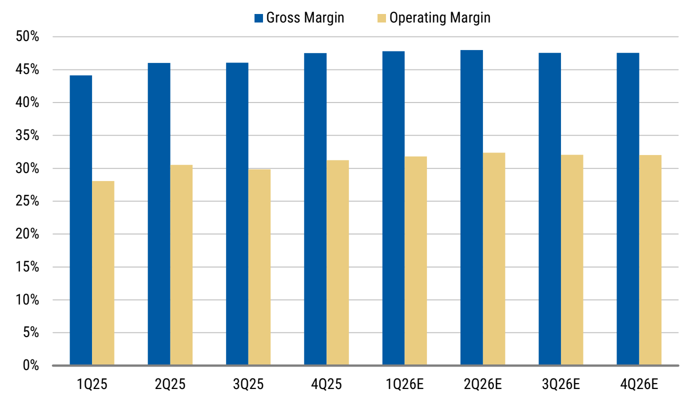


Exhibit 3: Hiwin - Quarterly Revenue Trend

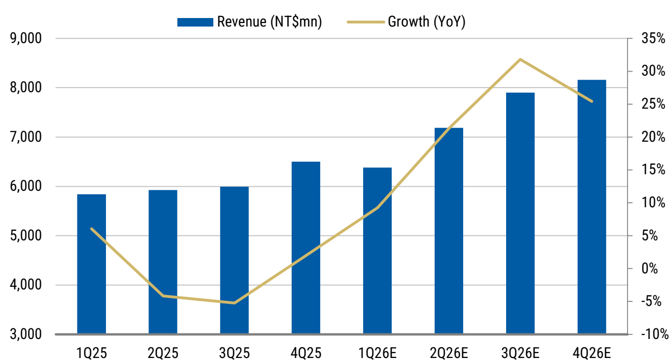
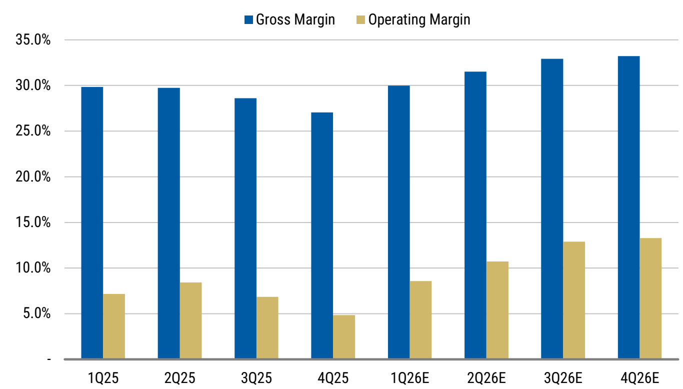


Exhibit 4: Hiwin - Quarterly GM/OPM Trend



JMTBA data

Japan Machine Tool Builders' Association (JMTBA) orders have shown sustained growth across all three major regions (China, Europe, and N. America) over the past few quarter quarters, with February readings of +40%, +8%, and +39% YoY, respectively.

Exhibit 5: JMTBA orders: Headline

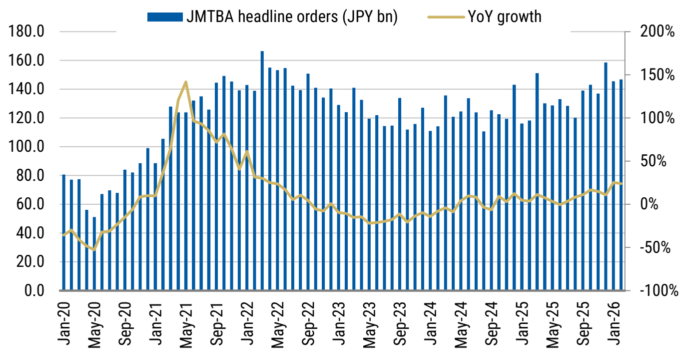


Exhibit 6: JMTBA orders: China

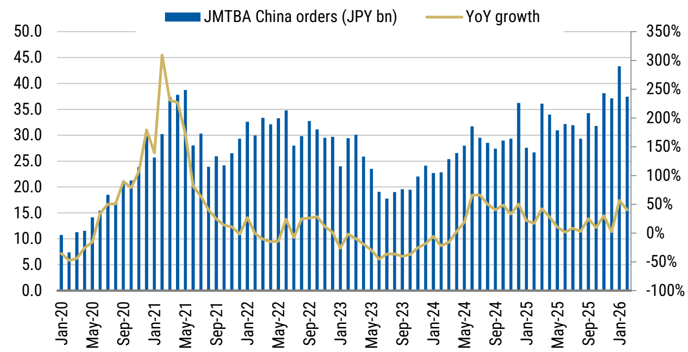


Exhibit 7: JMTBA orders: Europe

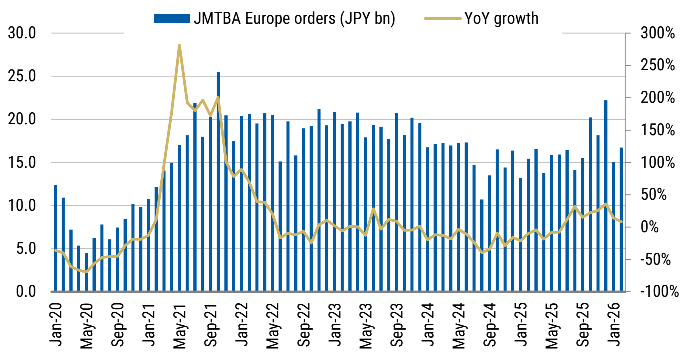
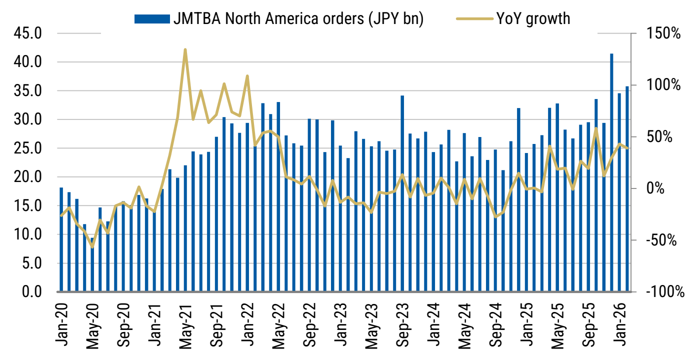


Exhibit 8: JMTBA orders: N. America



Recent earnings and outlook from Japanese peers

Exhibit 9: Recent Earnings and Management Commentary from Japanese Factory Automation Players

Company	Recent results	Beat/In-line/Miss	Order outlook	Demand strength	Other comments on outlook
THK	FY4Q25 (ended Dec 2025)	OP largely in-line	Management expects sales to grow 9% YoY in FY26, with Japan expected to grow by 10% YoY	4Q orders beat on smooth recovery across all regions, with particularly strong momentum in China. - Japan: +12% YoY and +12% QoQ, driven by electronics-related and machine tool-related demand - Americas: +18% YoY and +8% QoQ, with electronics and machine tool-related demand also strong as in Japan - China: +61% YoY and +25% QoQ, stronger than expected, with broad-based increases across semiconductors, EV batteries, and AI servers - Europe: +35% YoY and +9% QoQ, showing some movement from low levels	
SMC	FY3Q25 (ended Dec 2025)	In-line		3Q orders recovered mainly in semiconductors, with the recovery further accelerating into Jan (using F3/25 results as baseline): - semi and electronics rose sharply - autos remained stable - machine tools increased - food rose - medical was down	
Keyence	FY4Q26 (ended Mar 20, 2026)	Beat		Sales growth momentum accelerated in FY4Q26: - Japan: Momentum increased from +0.3% YoY in 3Q to +8.6% in 4Q on a strong showing in markets besides automotive and transportation - Overseas: Momentum increased steadily from +13.3% in 3Q to +16.4% in 4Q, with particularly strong growth in North/Central/South America and Asia.	
Fanuc	FY4Q25 (ended Mar 31, 2026)	Beat	Aside from order growth related to AI servers and semiconductors in China, management sees activity from major smartphone makers and is upbeat on the near-term outlook	4Q orders were driven mainly by FA and robomachines, and remained firm for robots	Management sees rising inquiries related to physical AI, along with activity related to autos in Japan, the US and China, with NEV-related demand in China particularly strong and general industrial demand in the US and China encouraging
Yaskawa	FY4Q25 (ended Feb 28, 2026)	Slight miss on one-off business reorganization costs		4Q orders beat, mainly led by Motion Controls, but were partly offset by Robotics: - Motion controls: stronger than expected - AC servos recovered strongly, mainly in semiconductor-related areas while inverters were tracking inline with FY3Q26 despite a reactive decrease in the wake of large projects in the Americas - Robotics was short of expectations due to the roll-off of automotive OEM-related projects	Management suggested that AC servos and inverters will continue to expand in areas such as semiconductors, energy, and HVAC applications into FY1Q27
Misumi Group	FY3Q25 (ended Dec 2025)	Beat		- FA business: overseas regions generally performed well while capital investment demand in Japan remained sluggish, driven by increased demand from proprietary initiatives such as capturing demand in China's telecommunications sector, as well as through meviy, the Economy Series, D-JIT, and strong performance by Fictiv Inc - Die Components business: growth in China and Asia offset the weak performance in other regions amid sluggish demand. - VONA business: remained steady, especially in China and Asia	The company slightly raised its full-year OP guidance from ¥45.5bn to ¥46.2bn. Major factors included volume impacts including tariffs (-¥0.2bn), product mix (+¥0.8bn), forex (+¥2.1bn), Fictiv (+¥0.8bn), PU/CD (-¥1.5bn), and other expenses (-1.3bn).
CKD	FY3Q25 (ended Dec 2025)	In-line		- In 3Q, equipment posted ¥4.8bn, up 1% YoY and 17% QoQ, while automated machinery was flat YoY at ¥1.0bn. - Semiconductor-related orders increased rapidly from December. Inquiry conditions remain favorable. The company commented that if the current recovery momentum continues, next fiscal year's earnings could improve to near record-high levels. - Management sees emerging inquiries in automotive-related business, and sees the possibility of a recovery from next fiscal year	
Nabtesco	FY4Q25 (ended Dec 2025)	OP in-line		Precision reduction gear orders in 4Q recovered steadily: +28% YoY and +11% QoQ, of which China and South Korea were strong, partly due to some Chinese New Year-related orders being brought forward. The company's FY26 plan assumes a continued gradual recovery into the year.	The company guides for FY26 OP of ¥27.7bn (+34% YoY), mainly driven by the precision reduction gear and TRS businesses. It expects precision reduction gears to recover steadily from the low level in FY25, with OPM improving from 6.8% in FY25 to 7.9% in FY26, and the TRS business advancing to a new record of 16.8%.
Daifuku	FY4Q25 (ended Dec 2025)	Beat Mse and company guidance; in-line with consensus		4Q orders: - Project delays kept orders below company plan, mainly due to the intralogistics business. Orders were basically in line with Mse.	FY26 outlook: - Management expects structural trends including labor shortages, rising labor costs, and growing demand for advanced semiconductors will drive increased automation investment, which it sees as a growth opportunity to achieve a significant expansion in orders. - Sales and income are projected to increase, based on an extensive order backlog from the end of the previous fiscal year. - FY26 order guidance calls for 16-22% YoY growth, which is more bullish than MSe - Median order target in FY26 guidance is ¥800.0bn, matching its FY27 outlook, and a signal that the firm intends to deliver on its mid-term plan.
Harmonic Drive	FY3Q25 (ended Dec 2025)	Slighly above expectations	Based on current demand, the firm expects parent orders to grow +10% QoQ to ~¥10bn in 4Q	3Q orders: - Consolidated orders recovered slightly, +13% YoY and +3% QoQ to ¥14.5bn. Of this, parent orders were +8% YoY and +10% QoQ at ¥9.0bn, with growth driven by industrial robots - By industry, industrial robot-related orders are gradually recovering from low levels, with cobot-related projects emerging recently, while SPE-related orders started recovering in Dec, and recovery appears to be gaining momentum at present. - Management commented that there has been little change in humanoid robot-related trends in the past three months.	The company raised its FY25 guidance on the back of sales growth for robots and semiconductor manufacturing equipment in domestic and North American markets, which together should lift factory utilization - supporting the upward revision centered on robots and semiconductor manufacturing equipment
Omron	FY3Q25 (ended Dec 2025)	Slighly missed	IAB (Industrial Automation Business) 4Q outlook: Management expects modest improvement from the previous outlook, as semiconductor-related capex and data center battery demand remain stable amid rising generative AI demand	IAB (Industrial Automation Business): - Revenue was +10% YoY for FY3Q25 - While global demand for capital investment in EV-related fields remained stagnant, demand related to generative AI remained solid	

Airtac Quarterly Financial Summary

Exhibit 10: AirTAC: Quarterly financial summary

NT$ mn	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Net sales	**8,096**	**8,953**	**8,246**	**9,035**	**10,014**	**11,072**	**10,601**	**10,566**	**34,330**	**42,252**	**48,570**
COGS	-4,522	-4,834	-4,449	-4,743	-5,226	-5,760	-5,561	-5,544	-18,548	-22,090	-25,302
Gross profit	**3,574**	**4,119**	**3,797**	**4,292**	**4,788**	**5,312**	**5,040**	**5,022**	**15,782**	**20,162**	**23,268**
Operating expenses	-1,302	-1,387	-1,336	-1,469	-1,602	-1,726	-1,643	-1,639	-5,494	-6,610	-7,473
SG&A, R&D exp.	-1,302	-1,387	-1,336	-1,469	-1,602	-1,726	-1,643	-1,639	-5,494	-6,610	-7,473
Operating income	**2,272**	**2,732**	**2,460**	**2,823**	**3,186**	**3,586**	**3,397**	**3,383**	**10,288**	**13,552**	**15,795**
Non-operating income	**194**	**-162**	**192**	**134**	**55**	**55**	**55**	**55**	**358**	**220**	**160**
Interest income	19	16	20	13	15	15	15	15	68	60	40
Investment income	0	0	0	0	0	0	0	0	0	0	0
Disposal of investment	0	0	0	0	0	0	0	0	0	0	0
Exchange gain	104	-287	145	127	0	0	0	0	90	0	0
Others	70	109	27	-6	40	40	40	40	199	160	120
Pre-tax income	**2,466**	**2,570**	**2,652**	**2,957**	**3,241**	**3,641**	**3,452**	**3,438**	**10,645**	**13,772**	**15,955**
Income tax	-530	-533	-553	-629	-713	-801	-759	-756	-2,246	-3,030	-3,510
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Net income	**1,936**	**2,037**	**2,099**	**2,328**	**2,528**	**2,840**	**2,693**	**2,682**	**8,400**	**10,742**	**12,445**
Adj.wtd.avg.shrs (mn)	200	200	200	200	200	200	200	200	200	200	200
EPS (NT$)	**9.67**	**10.18**	**10.49**	**11.63**	**12.63**	**14.19**	**13.45**	**13.40**	**42.00**	**53.71**	**62.22**
Fully diluted shares (mn)	200	200	200	200	200	200	200	200	200	200	200
Diluted EPS (NT$)	**9.67**	**10.18**	**10.49**	**11.63**	**12.63**	**14.19**	**13.45**	**13.40**	**41.97**	**53.67**	**62.17**
Margins (%)											
Gross Margin	44.1	46.0	46.0	47.5	47.8	48.0	47.5	47.5	46.0	47.7	47.9
Operating Margin	28.1	30.5	29.8	31.2	31.8	32.4	32.0	32.0	30.0	32.1	32.5
Pretax Margin	30.5	28.7	32.2	32.7	32.4	32.9	32.6	32.5	31.0	32.6	32.8
Net Margin	23.9	22.8	25.5	25.8	25.2	25.6	25.4	25.4	24.5	25.4	25.6
QoQ Growth (%)											
Sales	6	11	-8	10	11	11	-4	0			
Gross Profit	2	15	-8	13	12	11	-5	0			
Operating Profit	6	20	-10	15	13	13	-5	0			
Pretax Profit	9	4	3	11	10	12	-5	0			
Net Profit	7	5	3	11	9	12	-5	0			
YoY Growth (%)											
Sales	12	6	12	18	24	24	29	17	12	23	15
Gross Profit	5	3	11	22	34	29	33	17	10	28	15
Operating Profit	5	3	19	32	40	31	38	20	14	32	17
Pretax Profit	6	-10	22	31	31	42	30	16	11	29	16
Net Profit	6	-10	21	29	31	39	28	15	10	28	16

Airtac: Financial Summary

Exhibit 11: AirTAC: Financial summary

Consolidated Income Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Net sales	**30,660**	**34,330**	**42,252**	**48,570**	**54,540**
COGS	-16,346	-18,548	-22,090	-25,302	-28,360
Gross profit	**14,314**	**15,782**	**20,162**	**23,268**	**26,180**
Operating expenses	-5,288	-5,494	-6,610	-7,473	-8,384
Operating income	**9,026**	**10,288**	**13,552**	**15,795**	**17,796**
Non-operating income	**608**	**358**	**220**	**160**	**160**
Interest income	40	68	60	40	40
Investment income	0	0	0	0	0
Disposal of investment	0	0	0	0	0
Exchange gain	306	90	0	0	0
Others	262	199	160	120	120
Pre-tax income	**9,634**	**10,645**	**13,772**	**15,955**	**17,956**
Income tax	-2,010	-2,246	-3,030	-3,510	-3,950
Minority interests	0	0	0	0	0
Net income	**7,624**	**8,400**	**10,742**	**12,445**	**14,006**
Adj. wtd. Avg. shrs (m)	200	200	200	200	200
Reported EPS (NT$)	**38.12**	**42.00**	**53.71**	**62.22**	**70.03**
Diluted shrs (m)	200	200	200	200	200
Diluted EPS (NT$)	**38.09**	**41.97**	**53.67**	**62.17**	**69.97**

Consolidated Cash Flow Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Operating Cashflow	**10,678**	**7,667**	**10,474**	**11,845**	**13,658**
Net Profits	7,624	8,400	10,742	12,445	14,006
Depreciation & Amort.	2,561	2,578	2,156	2,226	2,325
Investment losses/(income)	0	0	0	0	0
Working capital change	-97	-3,987	-1,432	-2,637	-2,494
Other adjustments	591	675	-992	-190	-179
Investing Cashflow	**-3,696**	**-969**	**-3,084**	**-3,546**	**-3,981**
Capex	-2,653	-2,815	-3,169	-3,643	-4,090
Change of L/T investment	0	0	0	0	0
Change of S/T investment	0	0	0	0	0
Other adjustments	-1,312	1,728	0	0	0
Financing Cashflow	**-9,518**	**-9,429**	**-5,743**	**-5,312**	**-6,166**
Increase in L/T debt	-13	0	0	0	0
Increase in S/T debt	-5,825	-5,341	0	0	0
Issuance of stock	0	0	0	0	0
Cash dividends	-3,595	-4,002	-5,717	-5,371	-6,222
Other adjustments	-85	-86	-26	59	56
FX adjustment	71	-18	0	0	0
Net change in cash	**-2,466**	**-2,749**	**1,647**	**2,988**	**3,510**

Consolidated Balance Sheet

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Cash	**6,726**	**3,977**	**5,624**	**8,611**	**12,121**
Mkt securities	1,891	108	108	108	108
AR/NR	9,719	14,395	15,000	17,242	19,362
Inventory	6,803	6,292	8,836	10,121	11,344
Others	280	276	1,268	1,457	1,636
Current Assets	**25,419**	**25,047**	**30,835**	**37,540**	**44,571**
Long-term investments	1,010	1,043	1,043	1,043	1,043
Fixed assets	28,987	28,753	29,681	31,001	32,657
Other assets	2,145	2,696	2,696	2,696	2,696
Total Assets	**57,561**	**57,540**	**64,256**	**72,280**	**80,968**
S/T borrowings	5,611	217	217	217	217
AP/NP	1,129	1,307	2,430	2,783	3,120
Other ST liabilities	2,364	3,106	3,700	4,238	4,750
Total Current Liabilities	**9,103**	**4,630**	**6,346**	**7,238**	**8,086**
L/T debt	-	-	-	-	-
Other LT libilities	558	323	397	457	513
Total Liabilities	**9,662**	**4,953**	**6,744**	**7,695**	**8,599**
Common shares	2,000	2,000	2,000	2,000	2,000
Retained Earnings	31,047	35,734	40,759	47,833	55,616
Other SH' Equity	14,853	14,853	14,753	14,753	14,753
Total Shareholders' Equity	**47,899**	**52,587**	**57,512**	**64,586**	**72,369**
Total Liab./SH's Equity	**57,561**	**57,540**	**64,256**	**72,280**	**80,968**

Consolidated Financial Ratios

	2024	2025	2026E	2027E	2028E
Margins (%)					
Gross margin	46.7	46.0	47.7	47.9	48.0
Operating margin	29.4	30.0	32.1	32.5	32.6
Pretax margin	31.4	31.0	32.6	32.8	32.9
Net margin	24.9	24.5	25.4	25.6	25.7
YoY growth (%)					
Sales	2.8	12.0	23.1	15.0	12.3
Operating profits	2.0	14.0	31.7	16.6	12.7
Pretax profits	8.3	10.5	29.4	15.9	12.5
Net profits	9.4	10.2	27.9	15.9	12.5
Others					
Cash dividend payout (%)	51	68	50	50	50
Cash div (NT$)	19.5	28.6	26.9	31.1	35.0
Yield (%)	3	4	5	5	6
Net Debt/Equity (%)	(6)	(7)	(10)	(13)	(17)
Liabilities/Equity (%)	20	9	12	12	12
Liabilities/Assets (%)	17	9	10	11	11
ROAE (%)	17	17	20	20	20
ROAA (%)	13	15	18	18	18
AR/NR Turnover (days)	117	128	127	121	122
Inventory Turnover (days)	149	129	125	137	138
AP/NP Turnover (days)	25	24	31	38	38
Cash conversion cycle	240	233	221	220	223

Airtac: Estimate revisions

We raise our 2026/27 earning estimates by 10%/14%, respectively, as we factor in a stronger business outlook. We also introduce our 2028 estimates.

Exhibit 12: Airtac: Estimate revisions

Year to Dec. 31	2026E			2027E			2028E		
NT$ mn	**New**	**Old**	**% diff**	**New**	**Old**	**% diff**	**New**	**Old**	**% diff**
P&L Summary									
Net sales	**42,252**	**39,237**	**8%**	**48,570**	**43,696**	**11%**	**54,540**		
COGS	-22,090	-20,916		-25,302	-23,281		-28,360		
Gross profit	**20,162**	**18,322**	**10%**	**23,268**	**20,415**	**14%**	**26,180**		
Operating expenses	-6,610	-6,079		-7,473	-6,572		-8,384		
Operating income	**13,552**	**12,243**	**11%**	**15,795**	**13,843**	**14%**	**17,796**		
Non-operating income	220	220		160	160		160		
Pre-tax income	**13,772**	**12,463**	**11%**	**15,955**	**14,003**	**14%**	**17,956**		
Income tax	-3,030	-2,742		-3,510	-3,081		-3,950		
Minority interest	0	0		0	0		0		
Net income	**10,742**	**9,721**	**11%**	**12,445**	**10,922**	**14%**	**14,006**		
Diluted EPS (NT$)	**53.67**	**48.57**	**10%**	**62.17**	**54.57**	**14%**	**69.97**		
Margins									
Gross margin	47.7%	46.7%		47.9%	46.7%		48.0%		
Operating margin	32.1%	31.2%		32.5%	31.7%		32.6%		
Pretax margin	32.6%	31.8%		32.8%	32.0%		32.9%		
Net margin	25.4%	24.8%		25.6%	25.0%		25.7%		

Airtac: Valuation Methodology

Our price target rises to NT$1,850 from NT$1,230: This is our base case value, derived by applying a target P/E multiple of 30x to our 2027 EPS estimate (vs. 25x 2026 P/E previously). We raise our target multiple as we enter an upcycle, alongside Airtac's continued share-gain story, in line with its peak valuation of 30x P/E. Since 2011, Airtac's forward P/E multiple has ranged from 12x to 40x, which we view as consistent with its business cycles. We believe operating margin is a good cycle indicator, as it is highly dependent on operating leverage.

Bull case scenario value – NT$2,074 (+28%): We apply a 33x P/E multiple to our 2027 EPS estimate (vs. 2026 estimate previously). This scenario mainly reflects stronger-than-expected pneumatic component demand, driving more earnings upside.

Bear case scenario value – NT$896 (+28%): We apply a 14x P/E multiple to our 2027 EPS estimate (vs. 2026 estimate previously). This scenario mainly factors in a weaker-than-expected macro environment, affecting capital expenditure across sectors and reducing overall demand for pneumatic components.

Risk Reward – AirTAC International (1590.TW)

Share Gains Driving Continuous Growth

PRICE TARGET NT$1,850.00

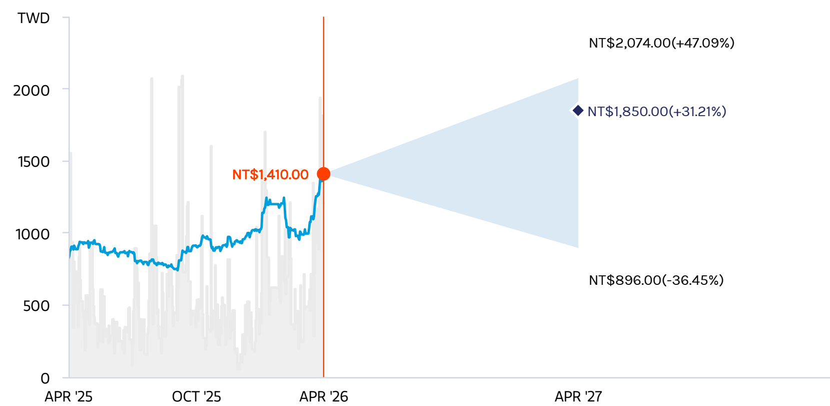
Base case, 30x 2027e P/E. We believe this methodology better captures earnings growth momentum for industrial automation component plays (market sentiment moves along with business cycles). As the industry enters an upcycle, we think applying a peak cycle valuation of 30x P/E is reasonable given the stronger business outlook.

Consensus Price Target Distribution NT$1,090.00 — NT$1,310.94 — NT$1,850.00

MS PT

Mean ◆ MS PT ◆

RISK REWARD CHART



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

OVERWEIGHT THESIS

- Alongside the secular trend toward increasing automation in manufacturing, we expect AirTAC to continue gaining share in pneumatic components, with incremental revenue contribution from linear guides in the coming years.
- We believe AirTAC's business should be more geared toward domestic demand in China. China's reliance on the US for exports has been decreasing since 2018, so we believe the impact of reciprocal tariffs looks manageable, especially with additional government policies potentially in the pipeline to mitigate softer export growth.
- We stay OW, with a PT NT$1,850 based on a target multiple of 30x 2027e P/E.

Consensus Rating Distribution

95%	Overweight
5%	Equal-weight
0%	Underweight

● MS Rating

Risk Reward Themes

Electric Vehicles:	*Positive*
New Data Era:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$2,074.00

33x 2027e base case EPS

Stronger-than-expected pneumatic component and linear guide demand: This drives more earnings upside in the coming years.

BASE CASE NT$1,850.00

30x 2027e base case EPS

Revenue growth and slight margin expansion: The market is now entering an upcycle, and AirTAC should outgrow the market through share gains and incremental contribution from new businesses.

BEAR CASE NT$896.00

14x 2027e base case EPS

Macro headwinds leading to weaker demand: A weaker-than-expected macro environment affects capital expenditures across segments and reduces overall demand for pneumatic components.

Risk Reward – AirTAC International (1590.TW)

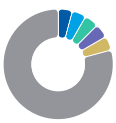
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Shipment YoY (%)	16.0	17.4	14.0	11.2
ASP YoY (%)	(0.3)	(0.4)	0.7	0.7

INVESTMENT DRIVERS

- Monthly sales growth momentum
- Margin improvement

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% Japan
- 0-10% North America
- 0-10% UK
- 90-100% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 MOST | 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger macroeconomic climate in China
- Stronger-than-expected demand from industrial automation

RISKS TO DOWNSIDE

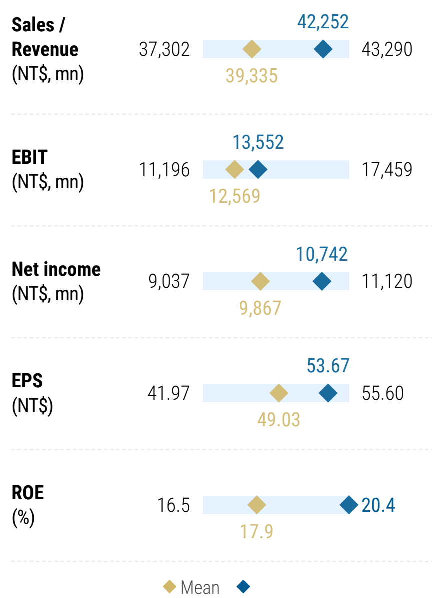
- Sharper economic downturn in China
- Miniature linear guideway business development taking more time
- Larger-than-expected investment in new products but weaker-than-expected demand

OWNERSHIP POSITIONING

Inst. Owners, % Active 78.8%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Hiwin: Quarterly Financial Summary

Exhibit 13: Hiwin: Quarterly financial summary

Hiwin (2049.TW)

NT$ mn	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Net sales	**5,839**	**5,925**	**5,995**	**6,503**	**6,379**	**7,187**	**7,902**	**8,157**	**24,263**	**29,626**	**34,014**
COGS	-4,097	-4,163	-4,281	-4,744	-4,466	-4,922	-5,300	-5,448	-17,285	-20,136	-22,933
Gross profit	**1,742**	**1,762**	**1,715**	**1,759**	**1,913**	**2,264**	**2,602**	**2,709**	**6,978**	**9,489**	**11,081**
Operating expenses	-1,323	-1,264	-1,304	-1,444	-1,366	-1,493	-1,583	-1,626	-5,335	-6,068	-6,751
SG&A, R&D exp.	-1,323	-1,264	-1,304	-1,444	-1,366	-1,493	-1,583	-1,626	-5,335	-6,068	-6,751
Operating income	**419**	**499**	**411**	**315**	**548**	**771**	**1,020**	**1,083**	**1,643**	**3,422**	**4,330**
Non-operating income	**181**	**-430**	**163**	**207**	**60**	**10**	**10**	**10**	**121**	**90**	**40**
Interest income	-41	-27	-39	-23	-20	-20	-20	-20	-130	-80	-80
Investment income	0	50	-47	-4	0	0	0	0	0	0	0
Disposal of investment	0	0	0	0	0	0	0	0	0	0	0
Exchange gain	174	-490	218	243	50	0	0	0	145	50	0
Others	48	36	31	-10	30	30	30	30	105	120	120
Pre-tax income	**600**	**69**	**573**	**523**	**608**	**781**	**1,030**	**1,093**	**1,764**	**3,512**	**4,370**
Income tax	-142	35	-152	-95	-128	-180	-206	-219	-354	-732	-915
Minority interest	25	32	25	34	45	45	45	45	116	180	180
Net income	**483**	**135**	**446**	**462**	**525**	**646**	**869**	**920**	**1,526**	**2,960**	**3,635**
Adj.wtd.avg.shrs (mn)	354	354	354	354	354	354	354	354	354	354	354
EPS (NT$)	**1.36**	**0.38**	**1.26**	**1.31**	**1.48**	**1.83**	**2.46**	**2.60**	**4.31**	**8.37**	**10.27**
Fully diluted shares (mn)	354	354	354	354	354	354	354	354	354	354	354
Diluted EPS (NT$)	**1.36**	**0.38**	**1.26**	**1.31**	**1.48**	**1.83**	**2.46**	**2.60**	**4.31**	**8.37**	**10.27**
Margins (%)											
Gross Margin	29.8	29.7	28.6	27.0	30.0	31.5	32.9	33.2	28.8	32.0	32.6
Operating Margin	7.2	8.4	6.8	4.8	8.6	10.7	12.9	13.3	6.8	11.5	12.7
Pretax Margin	10.3	1.2	9.6	8.0	9.5	10.9	13.0	13.4	7.3	11.9	12.8
Net Margin	8.3	2.3	7.4	7.1	8.2	9.0	11.0	11.3	6.3	10.0	10.7
QoQ Growth (%)											
Sales	-8	1	1	8	-2	13	10	3			
Gross Profit	0	1	-3	3	9	18	15	4			
Operating Profit	32	19	-18	-23	74	41	32	6			
Pretax Profit	111	-89	736	-9	16	29	32	6			
Net Profit	46	-72	230	4	14	23	34	6			
YoY Growth (%)											
Sales	6	-4	-5	2	9	21	32	25	-1	22	15
Gross Profit	10	-10	-12	1	10	29	52	54	-3	36	17
Operating Profit	5	-24	-40	-1	31	55	148	244	-20	108	27
Pretax Profit	24	-90	-27	84	1	1040	80	109	-22	99	24
Net Profit	22	-77	-33	40	9	378	95	99	-23	94	23

Hiwin: Financial Summary

Exhibit 14: Hiwin: Financial summary

Consolidated Income Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Net sales	**24,392**	**24,263**	**29,626**	**34,014**	**37,320**
COGS	-17,174	-17,285	-20,136	-22,933	-25,150
Gross profit	**7,218**	**6,978**	**9,489**	**11,081**	**12,171**
Operating expenses	-5,159	-5,335	-6,068	-6,751	-7,220
Operating income	**2,059**	**1,643**	**3,422**	**4,330**	**4,951**
Non-operating income	**191**	**121**	**90**	**40**	**40**
Interest income	-120	-130	-80	-80	-80
Investment income	0	0	0	0	0
Disposal of investment	0	0	0	0	0
Exchange gain	187	145	50	0	0
Others	124	105	120	120	120
Pre-tax income	**2,250**	**1,764**	**3,512**	**4,370**	**4,991**
Income tax	-387	-354	-732	-915	-1,044
Minority interests	109	116	180	180	180
Net income	**1,972**	**1,526**	**2,960**	**3,635**	**4,127**
Adj. wtd. Avg. shrs (m)	354	354	354	354	354
Reported EPS (NT$)	**5.57**	**4.31**	**8.37**	**10.27**	**11.67**
Diluted shrs (m)	354	354	354	354	354
Diluted EPS (NT$)	**5.57**	**4.31**	**8.37**	**10.27**	**11.67**

Consolidated Cash Flow Statement

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Operating Cashflow	**3,619**	**4,277**	**7,387**	**5,439**	**6,127**
Net Profits	1,972	1,526	2,960	3,635	4,127
Depreciation & Amort.	2,334	2,358	2,358	2,372	2,414
Investment losses/(income)	-68	-22	0	0	0
Working capital change	-354	296	2,230	-437	-315
Other adjustments	-266	120	-161	-132	-99
Investing Cashflow	**-3,883**	**-2,818**	**-2,583**	**-2,958**	**-3,241**
Capex	-3,714	-2,766	-2,548	-2,925	-3,210
Change of L/T investment	0	0	0	0	0
Change of S/T investment	13	2	0	0	0
Other adjustments	-196	-76	-50	-50	-50
Financing Cashflow	**-19**	**-1,278**	**44**	**731**	**487**
Increase in L/T debt	1,101	-935	1,500	1,500	1,500
Increase in S/T debt	-98	618	0	0	0
Issuance of stock	0	0	0	0	0
Cash dividends	-884	-849	-708	-977	-1,200
Other adjustments	-138	-112	-748	208	186
FX adjustment	73	89	-50	0	0
Net change in cash	**-210**	**270**	**4,799**	**3,211**	**3,373**

Consolidated Balance Sheet

NT$ mn (Year End Dec 31)	2024	2025	2026E	2027E	2028E
Cash	**7,354**	**7,624**	**12,423**	**15,635**	**19,008**
Mkt securities	0	0	0	0	0
AR/NR	4,467	4,418	5,395	6,194	6,796
Inventory	7,407	7,094	8,264	9,412	10,322
Others	755	727	888	1,019	1,118
Current Assets	**19,983**	**19,864**	**26,970**	**32,260**	**37,244**
Long-term investments	1,907	1,490	1,490	1,490	1,490
Fixed assets	29,367	29,836	30,011	30,547	31,324
Other assets	3,160	2,986	3,036	3,086	3,136
Total Assets	**54,418**	**54,176**	**61,507**	**67,384**	**73,194**
S/T borrowings	1,397	2,033	2,033	2,033	2,033
AP/NP	3,318	3,251	4,430	5,045	5,533
Other ST liabilities	3,607	3,246	6,444	7,339	8,048
Total Current Liabilities	**8,322**	**8,530**	**12,907**	**14,417**	**15,614**
L/T debt	7,563	6,712	8,212	9,712	11,212
Other LT libilities	1,459	1,461	593	680	746
Total Liabilities	**17,343**	**16,702**	**21,712**	**24,810**	**27,573**
Common shares	3,538	3,538	3,538	3,538	3,538
Retained Earnings	21,883	22,115	24,317	26,975	29,903
Other SH' Equity	11,654	11,821	11,941	12,061	12,181
Total Shareholders' Equity	**37,074**	**37,474**	**39,796**	**42,574**	**45,622**
Total Liab./SH's Equity	**54,418**	**54,176**	**61,507**	**67,384**	**73,194**

Consolidated Financial Ratios

	2024	2025	2026E	2027E	2028E
Margins (%)					
Gross margin	29.6	28.8	32.0	32.6	32.6
Operating margin	8.4	6.8	11.5	12.7	13.3
Pretax margin	9.2	7.3	11.9	12.8	13.4
Net margin	8.1	6.3	10.0	10.7	11.1
YoY growth (%)					
Sales	-1.0	-0.5	22.1	14.8	9.7
Operating profits	-22.3	-20.2	108.2	26.5	14.3
Pretax profits	-11.4	-21.6	99.1	24.4	14.2
Net profits	-3.1	-22.6	94.0	22.8	13.5
Others					
Cash dividend payout (%)	43	46	33	33	33
Cash div (NT$)	2.4	2.0	2.8	3.4	3.8
Yield (%)	1	1	1	1	1
Net Debt/Equity (%)	4	3	-5	-9	-13
Liabilities/Equity (%)	47	45	55	58	60
Liabilities/Assets (%)	32	31	35	37	38
ROAE (%)	5	4	8	9	9
ROAA (%)	4	3	5	6	6
AR/NR Turnover (days)	60	67	60	62	64
Inventory Turnover (days)	158	153	139	141	143
AP/NP Turnover (days)	65	69	70	75	77
Cash conversion cycle	153	151	130	127	130

Hiwin: Estimate Revisions

We tweaked our 2026-28 earnings estimates by 2-4%, as we factor in March revenue along with an improving business outlook.

Exhibit 15: Hiwin: Estimate revisions

	2026E			2027E			2028E		
NT$ mn	**New**	**Old**	**% diff**	**New**	**Old**	**% diff**	**New**	**Old**	**% diff**
P&L Summary									
Net sales	**29,626**	**29,637**	**0%**	**34,014**	**33,423**	**2%**	**37,320**	**36,671**	**2%**
COGS	-20,136	-20,177		-22,933	-22,663		-25,150	-24,800	
Gross profit	**9,489**	**9,461**	**0%**	**11,081**	**10,759**	**3%**	**12,171**	**11,871**	**3%**
Operating expenses	-6,068	-6,078		-6,751	-6,613		-7,220	-7,096	
Operating income	**3,422**	**3,383**	**1%**	**4,330**	**4,146**	**4%**	**4,951**	**4,775**	**4%**
Non-operating income	90	40		40	40		40	40	
Pre-tax income	**3,512**	**3,423**	**3%**	**4,370**	**4,186**	**4%**	**4,991**	**4,815**	**4%**
Income tax	-732	-714		-915	-876		-1,044	-1,007	
Minority interest	180	180		180	180		180	180	
Net income	**2,960**	**2,889**	**2%**	**3,635**	**3,490**	**4%**	**4,127**	**3,987**	**4%**
EPS (NT$)	**8.37**	**8.17**	**2%**	**10.27**	**9.87**	**4%**	**11.67**	**11.27**	**4%**
Margins									
Gross margin	32.0%	31.9%		32.6%	32.2%		32.6%	32.4%	
Operating margin	11.5%	11.4%		12.7%	12.4%		13.3%	13.0%	
Pretax margin	11.9%	11.5%		12.8%	12.5%		13.4%	13.1%	
Net margin	10.0%	9.7%		10.7%	10.4%		11.1%	10.9%	

Hiwin: Valuation Methodology

Price target – NT$380 (from NT$300 previously): This is our base-case scenario value, derived from a target P/E multiple of 37x (unchanged) to our 2027 EPS estimate (vs our 2026 estimate previously). We view 37x P/E as reasonable, in line with the peak cycle by valuation range of 35-40x. This multiple is also justified by the 44% operating profit CAGR we project for 2025-28.

We believe P/E methodology better captures the earnings growth momentum for industrial automation component participants, as market sentiment tends to move in line with business cycles.

Bull-case scenario value – NT$510 (from NT$410 previously): We apply a 50x P/E multiple (unchanged) to our 2027 base-case EPS estimate (vs our 2026 estimate previously). This scenario reflects stronger demand amid an industrial automation up-cycle, together with earlier-than-expected contributions from the humanoid business, which could drive faster top- and bottom-line growth in the coming years.

Bear-case scenario value – NT$160 (from NT$130 previously): We apply a 16x P/E multiple (unchanged) to our 2027 base-case EPS estimate (vs our 2026 estimate previously). This scenario reflects a weaker macro environment that could lead to slower capex across sectors, weighing on demand for industrial automation components.

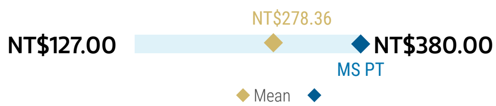
Risk Reward – Hiwin Technologies Corp. (2049.TW)

Better business outlook with continuous margin expansion

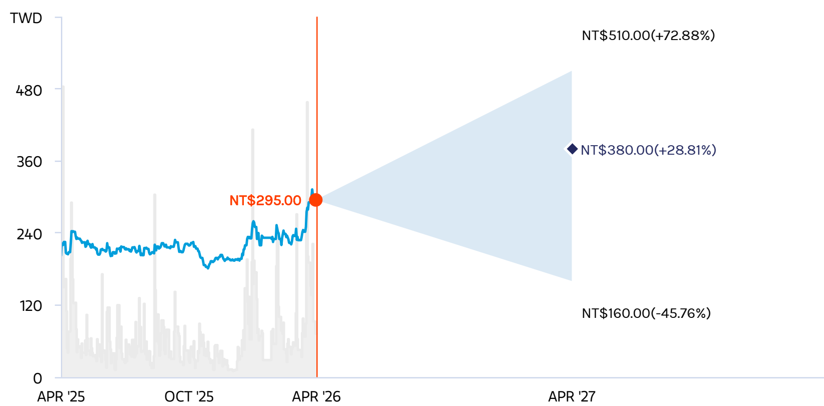
PRICE TARGET NT$380.00

Base case, P/E. We think this valuation methodology better captures Hiwin's earnings growth momentum, as its valuation tends to move with the business cycle. We apply a target multiple of 37x to our 2027 EPS estimate. We view this multiple as justified by the 44% operating profit CAGR we project for 2025-28.

Consensus Price Target Distribution



RISK REWARD CHART

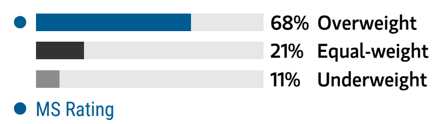


Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- We see Hiwin's business outlook improving, with delivery lead times extending to 3-4 months and momentum likely to be sustained over the next few quarters. Margins should expand on better utilization as customer demand improves, alongside price hikes of 7-15% from late March/early April to offset higher material costs.
- Demand from the tech sector remains solid, including components, assembly, and semiconductors, driven by the AI capex cycle and new form factors in consumer electronics.

Consensus Rating Distribution



Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$510.00

50x 2027e EPS

Stronger demand fuels earnings upside: This scenario reflects stronger demand amid an industrial automation up-cycle, together with earlier-than-expected contributions from the humanoid business, which could drive faster top- and bottom-line growth in the coming years.

BASE CASE NT$380.00

37x 2027e EPS

Improving business outlook: This scenario reflects an improving business outlook, with delivery lead times lengthened to 3-4 months. The strong momentum sustains in the coming quarters with double-digit revenue growth. Margins expand on better demand and further price hikes.

BEAR CASE NT$160.00

16x 2027e EPS

Macro headwinds hamper industrial automation component demand: This scenario reflects a weaker macro environment that could lead to slower capex across sectors, weighing on demand for industrial automation components.

Risk Reward – Hiwin Technologies Corp. (2049.TW)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Ball Screw shipment YoY (%)	2.7	17.6	6.7	8.8
Linear Guideway shipment YoY (%)	(2.1)	13.1	6.2	8.6
Ball Screw ASP YoY (%)	(1.7)	4.4	4.8	0.0
Linear Guideway ASP YoY (%)	(1.5)	4.0	4.8	0.0

INVESTMENT DRIVERS

- Revenue momentum amid increasing demand
- Long-term structural demand from China's industrial automation penetration rate
- Capex for the industrials industry

GLOBAL REVENUE EXPOSURE

- 0-10% Japan
- 0-10% North America
- 0-10% UK
- 10-20% Europe ex UK
- 10-20% Mainland China
- 50-60% APAC, ex Japan, Mainland China and India

View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 **MOST**	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger industrial automation demand pickup.
- Market share gains.
- Earlier-than-expected revenue contribution from humanoids.

RISKS TO DOWNSIDE

- Weaker industrial automation demand.
- More pricing pressure.
- Market share loss.
- More broad-based impact on the global economy from geopolitical risks.

OWNERSHIP POSITIONING

Inst. Owners, % Active 65.8%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (NT$, mn)	24,686	29,626	27,188	30,218
EBIT (NT$, mn)	1,803	3,422	2,779	4,027
Net income (NT$, mn)	1,563	2,960	2,390	3,134
EPS (NT$)	4.41	8.37	6.84	8.86
ROE (%)	4.2	7.9	6.2	8.0

◆ Mean ◆

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