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UPDATE

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Greater China Technology Hardware | Asia Pacific

Automation – Read-across from China's June Manufacturing PMI

In this report, we focus on China's manufacturing PMI, which we see as a potential catalyst for AirTAC's and Hiwin's share prices.

China's manufacturing PMI edged up to 50.3 in June from 50.0 in May:

- This came in slightly better than our estimate and consensus of 50.1.
- Production index rose 0.2ppt MoM. to 51.4, while new orders index increased 1.3ppt MoM .to 51.2 during the month, led by the quarter-end push and stronger exports amid the global industrial super-cycle.

Our view:

- We continue to see a broad-based recovery within the industrial automation segment playing out, supported by demand from tech, batteries, and other traditional markets.
- We stay OW on both AirTACtac (1590.TW) and Hiwin (2049.TW) within Taiwan's automation group:
  - AirTAC should continue to benefit from its own share gains and incremental contribution from linear guides. Valuation appears undemanding at 21x 2027e P/E (vs. the 25x average since 2020).
  - Hiwin should show more margin expansion in coming quarters, supported by higher utilization and price hikes as delivery lead times keep lengthening. We see potential share price upside at the current 30x 2027e P/E vs. peak cycle valuation of 35-40x.

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GREATER CHINA TECHNOLOGY HARDWARE	
Asia Pacific	
Industry View	In-Line

Catalyst Event Reaction

Company / Catalyst	Date	Impact to thesis	Catalyst versus expectation
AirTAC International 1590.TW			
China June Manufacturing PMI	06 Mar 2026	Unchanged	↑ Modest upside surprise
Hiwin Technologies Corp. 2049.TW			
China June Manufacturing PMI	30 Jun 2026	Unchanged	↑ Modest upside surprise

Source:

Valuation Methodology and Risks

AirTAC International (1590.TW)

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.

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

Hiwin Technologies Corp. (2049.TW)

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.

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.