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UPDATE

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## Greater China Technology Hardware | Asia Pacific

# Automation – Read-across from China's August Manufacturing PMI

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**GREATER CHINA TECHNOLOGY HARDWARE**
**Asia Pacific**
Industry View **In-Line**

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 49.8 in August from 49.2 in July :**

- This came in better than both our estimate and consensus of 49.6.
- This is supported by the upturns of 0.5ppt and 2.1ppt in the production index and new order index, respectively, to 50.4 and 50.6, likely reflecting the incrementally faster infrastructure push.
- The July and August data remained lukewarm; thus, our macro team sees increasing policy fine-tuning this fall to facilitate rollout of the ~Rmb2trn in-budget fiscal impulse (further details here).

**Our view:**

- While the soft manufacturing PMI data could weigh on market sentiment toward relevant stocks with high exposure to the Chinese market, we prefer plays with company-specific drivers like AirTAC and Hiwin:
  - AirTAC (1590.TW, OW) 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 (2049.TW, OW) should show more margin expansion in coming quarters, supported by higher utilization and price hikes. We see potential share price upside at the current 30x 2027e P/E vs. peak cycle valuation of 35-40x.

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

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## AlphaSignals Catalyst Event Reaction

| Company / Catalyst | Date | Impact to thesis | Catalyst versus expectation |
|---|---|---|---|
| **AirTAC International** 1590.TW | | | |
| China August Manufacturing PMI | 31 Aug 2026 | Unchanged | ↑ Modest upside surprise |
| **Hiwin Technologies Corp.** 2049.TW | | | |
| China August Manufacturing PMI | 31 Aug 2026 | Unchanged | ↑ Modest upside surprise |

Source:

# Valuation Methodology and Risks

**AirTAC International (1590.TW)**

Base case, 29x 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 up-cycle, we think applying a near-peak cycle valuation of 29x 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 38x to our 2027 EPS estimate. We view this multiple as justified by the 47% 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.

