

#### Equity Research Department - Industrials

#### Analysts

Yap Zewei Lead Analyst, Equity Research yap.zewei@u.nus.edu

### Zachery Tang

Analyst, Equity Research zachery.tang@u.nus.edu Johnathon Tan Analyst, Equity Research

johnathon tan@u.nus.edu

### **Basic Information**

Last Closed Price:	NT\$905.00
12M Target Price:	NT\$538.05
+/- Potential:	-40.5%
Bloomberg Ticker:	1590:TT
GICS Sector:	Industrials
GICS Sub-Industry:	Industrial Machinery

#### **1Y Price v TAIEX**



#### **Company Description**

Established in 1998 and headquartered in Taiwan, AirTAC is a pneumatic component manufacturer. It is the 2nd largest pneumatic component manufacturer in China, controlling 23% market share. AirTAC's pneumatic component products form parts of a pneumatic system, which uses compressed air to transmit power.

#### **Key Financials** Market Cap NT\$181.0bn Basic Shares O/S 200.0m Free Float 75.9% 52-Wk High-Low NT\$749 - NT\$1240 **Fiscal Year End** 31-Dec-2021 (NT\$m) 2019A 2020A 2021E 2022E Revenue 15,896 19,103 21.220 23.530 1.9% Gr Rate (%) 10.9% 20.2% 11.1% 2.726 4.845 4.611 3.926 Net Income NI Margin (%) 17.1% 25.4% 21.7% 16.7% EBITDA 33.9% 42.7% 39.1% 32.2% Margin (%)

Date: 29<sup>th</sup> March 2022

We are initiating coverage of **AirTAC International Group** ("AirTAC") with a SELL rating and a <u>NT\$538.05</u> 12M price target.

#### **3Q21 Earnings Highlights**

3Q21 highlighted the company's high-risk exposure to the Chinese market as it experienced slowing sales growth and compressing margins despite the recovery of manufacturing activities across the globe.

#### **Investment Thesis**

- Unwarranted optimism in AirTAC despite its limited growth prospects Despite the headwinds faced by Chinese manufacturers and stiff competition within the industry, there remains unjustifiable optimism in AirTAC.
- Fundamental inability to expand into key overseas markets will threaten AirTAC's growth opportunity – AirTAC's successful expansion into Japan will be hindered due to SMC's sheer dominance, while expansion into US will be faced with rising data and security concerns as smart pneumatics transition to be the mainstay.
- Harsh cost conditions will derail AirTAC's competitive edge The rise in metal prices and China's manufacturing wages will compress AirTAC's margins and position AirTAC unfavourably as it is reliant on low product prices.

#### Catalysts

- **Prolonged Ukraine war will accelerate commodity price hike** – Time needed for AirTAC's raw material costs to revert back to pre-pandemic levels may be extended, further compressing AirTAC's margins.
- Rising energy prices could shift manufacturers away from pneumatics into more energy-efficient systems – Manufacturers could favour more energy-efficient systems such as hydraulic or electrical systems, dampening demand for AirTAC's pneumatic products.
- Easing of industrial subsidies in China will decrease the AirTAC's profitability Exports of Chinese manufacturers will be less attractive, hampering growth of AirTAC's Chinacentric revenues.

#### Valuation

Our 12M target price at the date of coverage is NT\$538.05, presenting a -40.5% downside. The valuation was obtained through a blend of intrinsic and relative valuations.

#### **Investment Risks**

- AirTAC's successful expansion into US and Japan While upside potential is high, the likelihood is expected to be low.
- Hastened shift towards industrial automation Increase in pneumatic products will increase, but impact is mitigated by AirTAC's limited product offerings.
- **Earlier recovery of manufacturing activities** A reversal of China's strict domestic policies may accelerate the recovery of manufacturing activities in China.

## Figure 1: Pneumatic manufacturer market share in Mainland China



Source: AirTAC company profile 2020

## Figure 2: Illustration of pneumatic system process



Source: SMC Sustainability Report 2021

### Figure 3: AirTAC's position in the supply chain



Source: AirTAC Sustainability Report 2020

### Figure 4: Geographical breakdown of revenue



Source: AirTAC company profile 2020

### **Company Overview**

Established in 1988 and headquartered in Taiwan, AirTAC International Group ("AirTAC") is a pneumatic component manufacturer. Currently, AirTAC is the 2<sup>nd</sup> largest pneumatic component manufacturer in Mainland China with a 23% market share (Fig 1). Its products provide automation solutions for the automotive, machine refinery, metallurgy, electronics, environmental protection, lighting and textile, ceramics, medical equipment, food and packaging automatic industrial fields.

A pneumatic system utilises compressed air to transmit power and perform tasks which require simple and repeated motions. Pneumatic systems function very similarly to other mechanical systems such as hydraulic and electrical systems.

### Pneumatic system overview

Airflow in a pneumatic system can be broken down into a simple 6 step process (Fig 2).

- 1. The surrounding air is compressed in an air compressor to create energy which will be used to power the system.
- 2. The air is moved into a drying unit where it is conditioned for industrial use as moisture is extracted from the air to prevent rusting of other components in the pneumatic system.
- 3. The air flows through the air preparation unit where it is filtered and the air pressure is readjusted to suit the users' needs.
- 4. The air is pushed through the system towards the actuators via solenoid valves which control the airflow.
- 5. The compressed air reaches the actuators and is then utilised to perform repeated motions that enable manufacturers to automate their manufacturing process.
- 6. The compressed air is released from the system through the exhaust which is often equipped with a silencer to minimise noise produced by the pneumatic system.

Due to AirTAC's heavy focus on high margin products, AirTAC currently only supplies components that support steps 3-5 out of this 6-step process. Thus customers would still be required to source the remaining components from other manufacturers in order to assemble a complete pneumatic system.

In the overall supply chain, AirTAC is positioned in the midstream and purchases raw materials such as copper and aluminium which it then uses to manufacture pneumatic components. These pneumatic components are subsequently sold to manufacturing firms which utilise these components to automate their manufacturing processes in producing consumer goods (Fig 3).

### **Revenue breakdown**

AirTAC primarily operates in China, with 42 of its 49 factories being based in Ningbo, Zhejiang, Foshan and Guangdong and the remaining seven factories being based in Tainan. This heavy reliance on China carries over to the company's revenues, as the company derives 94% of its total revenue from Mainland China (Fig 4).

#### Figure 5: Revenue breakdown by customers



Source: AirTAC company profile 2020



#### Figure 6: Revenue breakdown by product mix

Source: AirTAC company profile 2020





Source: NUS Investment Society Estimates, SMC Sustainability Report 2021, Festo Sustainability Report 2021

In terms of customers, AirTAC has a fairly diversified customer base with customers from a wide range of industries. Its largest customer base is electronic manufacturers accounting for 30% of the company's total revenues and it has limited exposure to other prominent markets with no other industry accounting for more than 10% of the company's revenues (Fig 5).

As for the company's product mix, actuators account for the majority of AirTAC's sales (48%) followed by control components (24%) and air preparation units (7%). The remainder of its revenue is derived from its other pneumatic components such as solenoid valves (Fig 6).

### FY21Q3 (y-o-y) Earnings Review:

- Revenues were 28% higher as compared to the previous comparable quarter.
- Operating margins experienced a 3% contraction from 33% in 3Q20 to 30% in 3Q21.
- Profit margins experienced a sharper decline of 5% compared to the previous comparable quarter from 29% to 24% due to a gain experienced in FY20.
- Sales to electronic equipment manufacturers declined by 5% compared to the previous comparable quarter due to a high base effect from the previous year, offset by growth in other industries.
- Government grants increased from NT\$2.9m in 3Q20 to NT\$71.9m in 3Q21 due to increased governmental subsidies in Mainland China from the local finance bureau.

### **Industry Outlook**

### China is likely to remain a small player in the industry

The global pneumatic component industry is currently valued at approximately US\$10.1bn, of which China only occupies approximately 14% (Fig 7), and is projected to grow at a CAGR of 6.3% for the next 5 years to reach US\$13.7bn by 2027.

China's firm stance on its unfavourable domestic policies, notably its decarbonisation and Zero Covid policies, is likely to hinder the growth of the industry in the near term and prevent China from occupying a larger position in the global pneumatic component industry.

CAPEX spending in China by industrial manufacturers has slowed due to the adverse impacts these policies have on to their operations. This is also likely to have exacerbated the manufacturing exodus China is facing, as 76% of US companies with manufacturing bases in China were already considering the relocation of their production facilities to other regions, which would further reduce spending in the region on production machinery and equipment.

This has already been reflected in AirTAC's top line as the company has experienced slowing revenue growth resulting from declining daily sales since Jul 2021 and a weakening order intake since Aug 2021.

As such, China is unlikely to significantly outperform the rest of the world pertaining to pneumatic adoption and will remain a small player in the global pneumatic components market. Thus, this highlights the need for AirTAC to expand its operations beyond China in order to realise its ambitions of becoming a top three player in the global pneumatic component industry.

#### Figure 8: Porter's 5 forces analysis



Source: NUS Investment Society Estimates

#### **Porter's Five Forces**

#### **Competition within industry - High**

The Chinese pneumatic manufacturer space in China is highly competitive with a large number of local and foreign manufacturers. In terms of price, AirTAC struggles to keep its prices below its local competitors as its products are priced 20 – 30% higher than local competitors. While AirTAC's products are priced lower than foreign competitors such as SMC and Festo, AirTAC's product quality pales in comparison in terms of efficiency and eco-friendliness.

#### Threat of new entrants - Low

Incumbent firms experience high economies of scale due to their large volumes of production, allowing them the keep average manufacturing costs low. Thus, this creates difficulties for potential entrants to offer pneumatic components at a competitive price.

#### **Threat of substitutes - High**

The primary benefit pneumatics offers over other mechanical automation systems would be its lower upfront costs. However, pneumatic systems incur significantly higher usage costs as compared to electrical systems primarily due to frequent leakages of compressed air in pneumatic systems as well as regenerative braking capabilities built into electrical systems which allows for lower energy consumption in electrical systems.

With recent advancements in electrical systems, linear motor solutions have become increasingly capable of performing the same tasks that were once exclusively performed by pneumatic systems. Thus, electrical systems serve as a strong substitute for pneumatic systems.

#### **Bargaining power of customers - Moderate**

Customers incur high switching costs due to the components being assembled into complex and integrated pneumatic systems.

However, it must be acknowledged that certain parts such as valves, actuators and external attachments are interchangeable across different manufacturers.

#### **Bargaining power of suppliers - Moderate**

Suppliers of raw materials have low pricing power due to the homogeneous nature of raw material inputs such as copper and aluminium. However, commodity prices tend to be highly volatile in nature (especially so in the current climate) and additional costs incurred by these suppliers are often passed on to its customers such as AirTAC.

#### **Investment Thesis**

## Thesis 1: Unwarranted optimism in AirTAC despite its limited growth prospects

#### Strong macroeconomic headwinds in the near-term

China, AirTAC's primary region of sales and operations, is currently plagued with unfavourable domestic policies which pose as strong challenges to industrial manufacturers within the region.

Firstly, China's shift towards decarbonisation has created an energy crisis within the region. Its stricter regulations for Chinese coal miners to obtain licenses as well as the unofficial import ban on Australian coal for state-owned power plants have significantly increased the price of coal and led to the shutdown of multiple coal-fired power plants in the region. This created an energy shortage that forced local governments to implement rolling blackouts for energy-intensive industries which have caused many Chinese manufacturers to halt production entirely.

Secondly, China's Zero-Covid policy has led to lockdowns in multiple provinces as infection cases rise due to the spread of new Covid variants. This has led to production facilities of companies such as Volkswagen, Tesla and Apple, situated in affected regions coming to a complete halt, further exacerbating the challenges to production faced by manufacturers.

The cumulative effect of these headwinds has significantly reduced business confidence and will likely result in reduced spending on CAPEX as manufacturers are unable to accurately estimate the potential Returns on Investment of manufacturing equipment due to an added degree of uncertainty caused by the shutdowns.

In Oct 2021, China's Manufacturing Purchasing Managers Index hit a new low of 49.2%, the lowest it has been since the lows of the pandemic in Feb 2020. The decline in PMI over the last 12 months (Fig 9) signalled a continued decline in manufacturing business confidence and the economic health of the sector during the global recovery from the pandemic across the rest of the world and thus causing pneumatic component sales growth in China to underperform the rest of the world.

These headwinds will have a disproportionately large effect on AirTAC as the company is overreliant on China for its revenues, with 94% of sales coming from Mainland China alone, significantly higher than its primary foreign competitors (Fig 10). Additionally, AirTAC will be adversely impacted by the manufacturing halts experienced in China as 42 of its 49 production facilities are situated in China.

#### <u>AirTAC's historical market share growth within China likely to</u> <u>come to an end</u>

Undercutting product prices has been key in AirTAC's historical success in gaining market share within China. AirTAC's products are priced 50% lower than its foreign competitors and 20-30%

#### Figure 9: China's Purchasing Managers Index (PMI) over last 12 months



Source: National Bureau of Statistics of China

### Figure 10: Comparable revenue dependence on China

Sales from China as a percentage of total revenue



Source: AirTAC company profile 2020, SMC Sustainability Report 2021, Festo Sustainability Report 2020 higher than local competitors whilst its products are of a significantly higher quality as compared to local brands.

Moving forward, we believe AirTAC's product prices are likely to remain low as management has displayed reluctance to increase its prices as they declared in 2021 that its linear guide prices will remain unchanged at 20-25% below its Taiwanese peers in order to gain market shares despite increasing raw material prices, highlighting management's pressure to keep product prices low.

While this strategy has been effective between 2011 and 2020, when AirTAC increased its market share from 11% to 23%, we do not believe AirTAC will experience the same degree of success it once did with this strategy. AirTAC's historical gain in market share has mainly come at the expense of smaller domestic competitors which have seen their combined market share decline from 26% to 11% during the same period-(Fig 1, Fig 11). Yet, during this period, AirTAC has been unsuccessful in gaining market share from its foreign competitors. This suggests that whilst AirTAC's products provide a better value proposition relative to domestic competitors, customers of SMC and Festo remain willing to pay a premium for higher quality components and are unlikely to be susceptible to AirTAC's pricing strategy for the foreseeable future.

Additionally, AirTAC is likely to remain an inferior option to SMC and Festo due to its inability to provide a one-stop-shop experience as a result of its limited product offerings. A primary reason why AirTAC has been able to keep its prices lower than its foreign competitors has been its focus on higher-margin components such as valves and actuators. Whilst this strategy has been successful in keeping prices low, it has also resulted in AirTAC's product offerings being highly limited relative to its foreign competitors like SMC and Festo (Fig 12).

The company currently has a limited offering when it comes to Air Preparation Equipment as they do not offer Air Dryers which are essential in preventing rusting of the pneumatic system. Additionally, the company does not offer lubrication components, exhaust attachments such as silencers which are necessary to reduce the noise produced by pneumatic systems, as well as the equipment necessary for maintenance of the pneumatic system.

Such a limited product portfolio is highly likely to result in a loss of sales as customers are unable to create a complete pneumatic system solely using AirTAC components and would likely serve as a retention factor for customers of SMC and Festo who are able to provide support for the entire pneumatic system through their wider product portfolio.

With local competitors now only accounting for 11% of market share in China, a far cry from the 26% it used to occupy in 2011, it appears that AirTAC's market share growth will likely falter sooner rather than later.

# Figure 11: Chinese pneumatic component market share breakdown in 2011



Source: AirTAC Company Profile 2011

# Figure 12: AirTAC has a relatively limited product range

	Air Preparation Equipment	Lubrication Equipment	Exhaust attachments	Maintenance equipment	Alternative systems
亞 德 客 <b>Ail TAC</b>	—	X	X	X	X
<b>SMC</b>	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$
FESTO	$\checkmark$	~	<ul> <li>✓</li> </ul>	<ul> <li>✓</li> </ul>	$\checkmark$

Source: Company website

#### Figure 13: AirTAC's share price has outperformed its peers since the pandemic lows in March 2020



Source: Yahoo! Finance

## Figure 14: SMC overshadows AirTAC in range of product offerings

	Pneumatic Components	Hydraulic Components	Electrical Components	Number of Products (SKUs)
亞德客 <b>Ail TAC</b>	~			7,000
Ø SMC.	~	~	~	900,000

Source: AirTAC Annual Report, SMC Annual Report

## Figure 15: Japanese manufacturers supporting local vs global suppliers



Source: Thomasnet

### Figure 16: Smart pneumatics market size, 2020 – 2026 (US\$bn)



Source: Statista

# Limited growth prospects have not been reflected in the share price

Despite the slowing growth of the Chinese pneumatic market and the inevitable limit to its market share, investors remain unjustifiably optimistic about the company's shares. AirTAC's share price has heavily outperformed its peers since the pandemic lows (Fig 13). Even more shocking, AirTAC's irrational share price hike was despite it achieving revenue growth that is barely in line with its peers at 33% whilst simultaneously underperforming in terms of net income growth with 33% net income growth compared to the peer average of 58%.

## Thesis 2: Fundamental inability to expand into key overseas markets will threaten AirTAC's growth opportunity

In the past 10 years, AirTAC has been declaring its intent to expand into US and Japan, but no results remain to be seen. For the second thesis, we will establish why we believe AirTAC is unable to expand into key overseas markets, which will threaten its growth opportunities.

### SMC's sheer dominance in the Japanese pneumatic market

AirTAC is unable to penetrate into the Japanese pneumatic market due to SMC's overdominance in the country. SMC currently provides a whole suite of production components, expanding their offerings to even hydraulic and electrical components, with a whopping 900,000 Stock Keeping Units ("SKUs"), the largest in the industry (Fig 14). Manufacturers would thus prefer to purchase components from SMC, which brands itself as a one-stop-shop.

Additionally, Japanese clients would prefer to source from local component suppliers. This could be due to the benefits of having more flexible business partnerships, greater control over the details of orders and faster shipment from local plants. Based on a report, it can be seen that Japanese manufacturers "Always or generally" prefer to source locally 72.0% of the time (Fig 15). Additionally, the report mentioned that manufacturers prefer to source globally only 10.8% of the time, instead of relying on local options. Thus, we believe AirTAC will not be able to expand into the Japanese pneumatic market with the current competition from SMC.

### <u>AirTAC will face headwinds in expanding into US in light of</u> <u>security concerns brought about by smart pneumatics</u>

Another key overseas market that AirTAC has encountered headwinds in expanding into is the US, where there has been rising interests in smart pneumatics. Underpinned by the rise of Industrial Internet of Things ("IIoT"), the smart pneumatics market is expected to grow at a CAGR of 6.70% till 2026 (Fig 16). The benefits of smart pneumatics include: (1) shortened troubleshooting and production downtime, (2) improved energy efficiency and (3) increased Overall Equipment Effectiveness ("OEE").

In the future, we believe more manufacturers will begin to adopt smart pneumatic systems, and we expect pneumatic players



Figure 17: Value of US imports of trade goods

from China, 2017 - 2020 (US\$bn)

Source: Globalnewsire

Figure 18: Market share of SMC and Festo remains unthreatened despite AirTAC's growth



Source: AirTAC Company Profile 2011 – 2020





Source: IndexMundi

(including AirTAC) to consequently provide more smart pneumatic products. However, this shift in product offerings will hinder AirTAC's expansion into US due to data and security concerns between US and China. Since 2018, the value of US imports of trade goods from China has fallen drastically (Fig 17). This clearly emphasises the worsening relationship between China and the US in relation to trade. Moreover, more specifically to smart pneumatics, we expect US manufacturers to have the following concerns when procuring components made in China: 1) Data theft of information on components required and 2) Data leak of the various manufacturing processes. Given AirTAC's China-focused operations, we believe AirTAC will face challenges in expanding into the US market, particularly when smart pneumatics transitions to be the mainstay.

While we do acknowledge the presence of a similar case: US companies being heavily reliant on Foxconn for electronics despite Foxconn's concentrated operations in China, it is crucial to point out this is not entirely applicable to the pneumatic components industry. Comparing the market share of Foxconn in the electronics industry, Foxconn garners a dominant global market share of 40%. Only due to its sheer size, can Foxconn maintain continuous sales from US companies despite its operations being primarily based in China, because these companies have no suitable or comparable alternatives to turn to. Contextualising to the pneumatic component market, AirTAC holds a meagre 6.3% global market share, while heavy-weight SMC controls 38%. Thus, Foxconn's success in the US market despite its China-focused operations should not be reasonably applied to the situation that AirTAC is currently in.

In conclusion, due to the reasons expounded above, we believe AirTAC will not be successful in expanding into key overseas pneumatics market (Japan and US).

## Thesis 3: Harsh cost conditions will derail AirTAC's competitive edge

### <u>AirTAC has been historically reliant on low product prices to</u> <u>remain competitive</u>

As addressed above, AirTAC historically relied on low product prices as its competitive edge to gain market share from smaller pneumatic component players. However, it is vital to reemphasise that during AirTAC's gain in market share from 2011 to 2020, the share of key market players such as SMC and Festo remains unthreatened (Fig 18). In view of the adverse cost conditions (raw materials and labour costs hike), we believe AirTAC is positioned unfavourably relative to peers due to its undercutting price strategy.

### Key raw material costs for AirTAC are on the rise

Referencing AirTAC's Annual Report, the three main raw materials used in its pneumatic products are: (1) aluminium, (2) steel, (3) brass (alloy consisting of copper and zinc). Since 2016, metal prices such as aluminium, steel, copper and zinc have all gained above 110% (Fig 19). According to Trafigura, global inventories for aluminium will be exhausted by early 2024. While more smelters will be expected to be built, supply shortages will unlikely be solved in the short run. Goldman

Figure 20: Strong correlation between proxy material index (y-axis) & material costs as a % of revenue (x-axis), 2011 – 2020



Source: NUS Investment Society Estimates, AirTAC Annual Report 2011 - 2020

#### Figure 21: Decreasing EBITDA margins



Source: NUS Investment Society Estimates

echoed similar sentiments, calling a 10-year commodity supercycle—a rare phenomenon where commodities trade above long-term price trends.

In a best attempt to discern the impact of the four metal prices on AirTAC's cost of production, we extracted the historical price data set of the respective raw materials and compared it against AirTAC's proxy material costs, where Proxy Material Costs = CoGS - Employee Wages - D&A (refer to Appendix: Material costs projections for detailed computation). To find the weightage split of raw materials that produces the strongest correlation between raw material prices and proxy material costs as a % of revenues, we used Excel Solver (with reasonable constraints) to derive an optimal weightage distribution of aluminium – 45%, Copper – 20%, Zinc – 20% and Steel – 15%. For the period 2011-2020, the correlation between changes in metal-mix prices and proxy material costs as a % of revenue is 0.741 (Fig. 20). While may face similar circumstances, AirTAC peers will disproportionately bear the burden of spiked metal prices, given that it will be pressured to keep product prices low to remain competitive, as mentioned in Thesis 1.

### Manufacturing wage hike in China will pose as additional headwinds for AirTAC's China-focused operations

China's manufacturing wages are expected to grow the fastest, at a CAGR of 4.7% till 2023, relative to Japan at a CAGR of 1.1% (SMC's main location) and Germany at a CAGR of 2.1% (Festo's main location). China's highest manufacturing wage growth rate is largely driven by its accelerating ageing population, which will bring about a shrinking pool of labourers. Amongst the three key pneumatic component players (AirTAC, SMC and Festo), AirTAC's China-focused operations (elaborated in Thesis 1) will experience the most significant labour cost increases. Considering that wages expenses account for 23.3% of AirTAC's FY20 revenues, AirTAC will consequently experience squeezed margins.

Based on our projections, rising metal prices and manufacturing wage hike is expected to decrease AirTAC's EBITDA margins from 42.7% in FY20 to 26.2% in FY23 (Fig 21).

#### Catalysts

## Prolonged Ukraine war will accelerate commodity price hike

Most saliently for AirTAC, the prolonged Ukraine war would cause a further rise in metal prices and thus extend the time needed for AirTAC's material costs to revert to pre-pandemic levels. Additionally, increasing oil prices resulting from the war may also lead manufacturers to favour more energy-efficient alternatives to pneumatics such as hydraulic and electrical systems, which will be elaborated on in the second catalyst. As such, rising metal prices will catalyse Thesis 3 and increasing energy costs will shift preference away from pneumatic systems, compressing margins and dampening top-line growth for AirTAC respectively.



Figure 21: Electrical systems pay for

themselves after a usage period of 5 months

Source: LinMot

## Rising energy prices could shift manufacturers away from pneumatics into more energy-efficient systems

With the recent rise in the cost of electricity production in China due to the decarbonisation policies, the ceiling for energy price increases for market-based electricity transactions was raised from 10% to 20%. From the statistics of the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy, air compressors consume as much as 20% of all electricity usage in industrial plants. Additionally, British Fluid Power Association reported that only 23-30% energy efficiency is achieved for pneumatic systems, against 80% for electrical systems and 40% for hydraulic systems.

Presently, the lower usage costs of electrical systems are estimated to outweigh their higher upfront costs over a usage period of 5 months (Fig 21). This minimum usage period is likely to shorten as energy prices continue to rise, thus potentially shifting preferences away from pneumatic automation systems towards more energy-efficient systems such as electrical systems despite the higher upfront costs of the latter option.

## Easing of industrial subsidies in China will decrease the AirTAC's profitability

Easing of industrial subsidies in China could serve as a potential headwind for AirTAC. Historically, industrial subsidies have been a key factor in enabling Chinese manufacturers to offer competitive prices in the global market. However, in Nov 2021, President Xi Jinping mentioned that China is willing to rethink its subsidies. This move was a strong signal that China is open to collaborating with the US in the World Trade Organisation. In FY20, AirTAC received NT\$186m worth of government grants from mainland China alone, contributing to 4% of the company's net income.

Additionally, most manufacturing companies currently rely on subsidies for their exports to price their products competitively. If China eventually decides to decrease industrial subsidies, this will not only directly impact AirTAC's bottom line, but exports of Chinese manufacturers will also be less competitive, dampening growth for AirTAC's China-centric revenues as manufacturers experience a hit to their bottom line and become less willing and able to invest in manufacturing equipment. If the easing of industrial subsidies is successfully passed in China, negative market sentiment for Chinese manufacturing companies including AirTAC will culminate, leading to a fall in AirTAC's share price.

### **Financial Analysis**

	Histor	ical					
Financial Ratios	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenue	15,896	19,103	21,220	23,530	26,049	28,793	31,782
y-o-y growth %	1.9%	20.2%	11.1%	10.9%	10.7%	10.5%	10.4%
Net Income	2,726	4,845	4,611	3,926	3,231	4,425	5,856
Net Income Margin	17.1%	25.4%	21.7%	16.7%	12.4%	15.4%	18.4%
EBITDA Margin	33.9%	42.7%	39.1%	32.2%	26.2%	30.1%	34.2%
EBIT Margin	25.2%	34.6%	31.0%	24.1%	18.2%	22.2%	26.3%
ROA	6.8%	11.7%	10.3%	8.1%	6.2%	7.9%	9.8%
ROE	15.0%	21.5%	18.1%	14.0%	10.7%	13.4%	15.9%
Debt/Equity Ratio	1.20	0.84	0.76	0.73	0.73	0.70	0.63
Current Ratio	1.02	1.13	1.22	1.27	1.27	1.32	1.43

### **Overview**



#### Figure 22: Decreasing revenue growth

Source: NUS Investment Society Estimates

## Figure 23: Decreasing net income, EBTIDA and EBIT margins



Source: NUS Investment Society Estimates

Method	Weightage	Sh	are price
DCF (Exit Multiple)	50.00%	\$	540.61
+1FY EV/EBITDA	25.00%	\$	532.43
+1FY P/E	25.00%	\$	538.55
Blended target price		\$	538.05
Current price		\$	905.00
Downside			-40.5%

Source: NUS Investment Society Estimates

#### Slowing revenue growth

investment theses in the next five years.

As explained in Thesis 1 and 2, we believe AirTAC will have limited growth headroom in China (current market) and will fail to expand into critical overseas markets such as US and Japan due to its lack of value proposition relative to competitors such as SMC and Festo. Thus, we expect revenue growth to taper down from 20.2% in FY20 to 10.4% in FY25 (Fig 22). It is important to emphasise that our team has factored in continued China market share gain for AirTAC in our best attempt to remain liberal despite our pessimism about the company. A detailed run-through of our revenue model can be found under the Valuation segment of the report.

The table above highlights the financial impact of our

#### **Margin compression**

We expect rising raw material costs and China manufacturing wages to decrease AirTAC's margins, as presented in Thesis 3. More specifically, we expect net income, EBITDA and EBIT margins to fall to 18.4%, 34.2% and 26.3% by FY25 (Fig 23). Due to our base case material costs projections returning to prepandemic levels by FY25 and that time t's material costs impact time t+1's financials, AirTAC will experience the lowest margins in FY23. While we acknowledge margin compressions will likely be faced by competitors of AirTAC, we are positing that lower margins will unfairly affect AirTAC, given that it relies on low product prices to remain competitive in the pneumatics component market.

### **Delevering and increasing liquidity**

Adverse cost conditions (raw material and wages), which is likely to be prolonged and worsened by the ongoing Ukraine war, coupled with the ongoing pandemic, prompted us to expect AirTAC to be conservative in the next five years. Thus, we projected a decrease in leverage (Debt / Equity) from 0.84x in FY20 to 0.63x in FY25. In a similar vein, we expect AirTAC to experience an increase in liquidity, with current ratio increasing from 1.13x in FY20 to 1.43x in FY25.

### Valuation

#### 12M Price Target: NT\$538.05

The target price was calculated using a blended average of 3 derived valuations: (1) Discounted cash flow (DCF) valuation using the Exit Multiple approach, (2) +1FY EV/EBITDA relative valuation and (3) +1FY P/E relative valuation. Assigning equal weightage to both intrinsic and relative valuation, a blended target price of NT\$538.05 was derived, presenting a -40.5% downside (Fig 24). Our pessimism against the streets can also be seen in the football field chart (Fig 25).

#### Figure 25: Football field chart



Source: NUS Investment Society Estimates

#### Figure 26: WACC build

#### Airtac International Group WACC Build WACC Calculation 15 007 Total Debt (NT\$ '000.000) Market Capitalisation (NT\$ '000,000) 181,000 Debt as proportion of current capital structure 7.7% Equity as proportion of current capital structure 92.3% WACC 6.90% Cost of Equity **Risk Free Rate** 2.80% 5.63% Equity Risk Premium Beta 0.81 7.37% Cost of Equity Cost of Debt 1.80% Pre-Tax Cost of Debt 27% Tax Rate Post-Tax Cost of Debt 1.32%

Source: NUS Investment Society Estimates, CapIQ, Damodaran, Trading Economics

### **Intrinsic Valuation**

A 3-statement model, projected over the next 5 years, was used to derive the intrinsic value of AirTAC via DCF. The DCF valuation is most sensitive to the factors discussed below.

#### Revenue Model

AirTAC's revenues can be split geographically into (1) China, (2) Taiwan and (3) Others.

For China revenues projection, we used the tops-down approach. Despite our gloomy outlook on AirTAC's ability to capture further shares in China (Thesis 1), we liberally projected AirTAC's market share in China to increase at 1.1% per annum, to reach 28.6% by FY25. 1.1% is 75% of AirTAC's historical gain in market share from FY16 to FY20—a lower than historical average market share gain is factored in to reflect AirTAC's consequent slowing growth as the total market share that AirTAC can capture (from smaller pneumatic component players in China) reduces. According to Bloomberg, China's pneumatic components market is projected to grow at a CAGR of 6.3%, reaching NT\$106.0bn by FY25.

For Taiwan and Others revenues projections, we used AirTAC's pre-pandemic average growth rate.

#### Cost Build

For raw material costs as a % of revenues, we used the derived optimal split of materials and proxied it using prices of the respective metals. In the base case, we project metal prices to step down from its current highs to FY19 levels by FY25 (refer to Appendix: Material costs projections for detailed computation).

Wages expenses as a % of revenues, were projected to increase in line with China's expected manufacturing wage growth of 4.7%.

In terms of CAPEX, we projected it to decrease from 15.7% to 13.2% as a % of revenues, to reflect our expectation that AirTAC will not expand its operations significantly in the foreseeable future. Depreciation expense is subsequently derived by taking the historical average depreciation expense as a % of total PPE value of 5.1%.

### Weighted Average Cost of Capital (WACC)

CAPM was used to estimate AirTAC's cost of equity. Unlevered beta was obtained from our trading comparables set and relevered with AirTAC's capital structure to obtain a levered beta of 0.81x. Equity risk premium of 5.63% was computed, taking into account the geographical revenue split (China and Taiwan) of AirTAC; the respective inputs were obtained from Professor Damodaran. The risk-free rate used was 2.80% (China 10Y bond). Resultantly, the cost of equity computed was 7.37%.

Pre-tax cost of debt was taken to be 1.80% (the interest rate of the only outstanding long-term debt on AirTAC's balance sheet). With a tax rate of 27%, the post-tax cost of debt was 1.32%.

Figure 27: DCF Valuation

DCF (Exit Multi	DCF (Exit Multiple)							
PV of FCFF	6,967							
PV of TV	111,802							
Implied EV	118,769							
	94.1%							
Less: Debt	(15,007)							
Plus: Cash	4,360							
Less: Minority Interest	-							
Less: Preferred Shares	-							
Implied Equity Value	108,122							
Implied Share Price	540.61							
% Upside/Downside	-40.3%							

Source: NUS Investment Society Estimates

#### Figure 28: Sensitivity table

	Ex	it Mul	tiple (+	1FY EV	/EBITD/	4)
		7 14x	10 64x	14 14x	17 64x	21 14x
ACC	4.9%	292.11	443.52	594.92	746.32	897.72
l ≥	5.9%	277.54	422.27	566.99	711.71	856.44
	6.9%	263.73	402.13	540.53	678.93	817.33
	7.9%	250.64	383.04	515.45	647.85	780.26
	8.9%	238.22	364.94	491.66	618.38	745.10

Source: NUS Investment Society Estimates

Figure 29: Scenario analysis (bull-bear-base)



Source: NUS Investment Society Estimates

With the computed cost of equity, post-tax cost of debt and AirTAC's capital structure, a WACC of 6.90% was derived (Fig 26).

### Terminal Value

The Gordon Growth method was intentionally excluded considering that AirTAC's revenues will still be growing at a relatively high rate of 10.4% at the end of the projection period (FY25).

The 75<sup>th</sup> percentile +1FY EV/EBITDA multiple (from comps) was generously selected as the Exit Multiple. Despite this, our DCF model still produced a target price of NT\$540.61, representing a sizeable -40.3% downside, highlighting the sheer irrationality in AirTAC's current price (Fig 27).

#### **Relative Valuation**

Trading comparable analysis was used to determine the relative valuation of AirTAC. Pneumatic components and system providers were included in the comparables set. Geographical location of comparables was not limited to China or APAC due to a lack of meaningful comparables in the said region. The 75th percentile multiples (+1FY EV/EBITDA and +1FY P/E) were again used to assign ALK's relative valuation despite the team's scepticism on AirTAC. Relative valuations computed were NT\$532.43 and NT\$538.55 for +1FY EV/EBITDA and +1FY P/E respectively.

#### **Sensitivity Analysis**

As seen in the sensitivity table (Fig 28), for our DCF valuation, a recommendation change would require a +7.0x increase (to 21.1x) in EV/EBITDA multiple and 2.0% decrease in WACC. It is important to note that a 21.1x EV/EBITDA is close to AirTAC's 5Y high, which is highly unconservative, especially since we expect AirTAC's growth to be limited in the future years.

#### **Scenario Analysis**

In order to stress-test our key assumptions in the model, we decided to run bull-bear-base case scenarios. In our bull case, even if we were to irrationally optimistic and expect AirTAC's China market share to increase by 4.0% per year to reach 43.0% by FY25, the time taken for raw materials to normalise to FY19 levels by FY23, and wages expense to decrease to 12.8% of revenues, the target price only returned a meagre upside of +5.9%. In our bear case, we projected AirTAC's China market share to decrease to 23.0%, the time taken for raw materials to normalise to FY19 levels by FY23, and wages expense to decrease to 17.8% of revenues, the potential downside was a staggering -63.8%. Thus, an apparent risk/reward asymmetry is presented, favouring a short position on AirTAC (Fig 29).



Source: NUS Investment Society Estimates

Likelihood

#### **Investment Risks**

## **B1** - Business Risk: AirTAC's successful expansion into US and Japan

As mentioned above, in the past 10 years, AirTAC has declared intentions to expand into other larger markets such as US and Japan, but no tangible results remain to be seen. While the upside potential of AirTAC successfully expanding to these markets will be high, we believe the likelihood of this occurring to be low, given AirTAC's lack of value proposition in the respective markets as indicated in Thesis 2.

## M1 - Market Risk: Hastened shift towards industrial automation due to China's labour shortage

By 2025, the Chinese Ministry of Education estimates that there will be a shortage of nearly 30 million workers in China's manufacturing sector. This could drive manufacturers towards automation systems, which would increase the demands for the pneumatic components AirTAC provides. However, the impact of this risk can be mitigated by the fact that AirTAC is only poised to capitalise on the pneumatics market growth rather than automation in general due to its limited product offerings.

## M2 - Market Risk: Earlier recovery of manufacturing activities in China

A reversal of China's strict domestic policies could accelerate the recovery of manufacturing activities in China. This would improve business confidence in China as well as boost the profitability of manufacturers. As a result, capital investment spending would increase, benefitting AirTAC's pneumatic components product portfolio. However the likelihood of this occurring in the near future is expected to be low, given the potential for new Covid variants and the CCP's current unrelenting stance on its Zero-Covid policy.

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### Appendix:

### **Pro-Forma Financial Statements**

Airtac International Group Financial Statements										
Figures in NT# '000,000	2016A	2017A	Historical 2018A	2019A	2020A	2021E	Fo 2022E	precasted 2023E	2024E	2025E
Income Statement										
<b>Revenues</b> Cost of Goods Sold (Less Employee Wages & D&A) Wages Expense (CoGS) <sup>®</sup> Depreciation & Amortisation Expense (CoGS)	10,622 (3,455) (1,274) (457)	13,718 (4,091) (1,934) (566)	15,601 (5,166) (2,092) (809)	15,896 (5,461) (2,029) (980)	19,103 (6,121) (2,398) (1,130)	21,220 (6,673) (2,789) (1,182)	23,530 (8,873) (3,238) (1,304)	26,049 (11,211) (3,753) (1,435)	28,793 (11,062) (4,344) (1,574)	31,782 (10,698) (5,020) (1,722)
Gross Profit	5,435	7,127	7,533	7,426 46.7%	9,453 49.5%	10,575	10,114	9,649	11,814	14,342
Operating Expenses Selling General & Admin Expense R&D Expense Wages Expense (DPEX) Depreciation & Amortisation Expense (DPEX) Depreciation & Amortisation Expense (SG&A) Depreciation & Amortisation Expense (R&D) Expected Credit Loss	495 296 1,615 309 272 38	563 338 1,817 268 226 42	696 392 1,947 285 223 62 31	646 410 1,933 406 302 104 3	615 388 2,046 418 328 89 22	870 431 2,273 530 431 99	965 477 2,521 585 476 109	1,069 529 2,791 643 523 120	1,181 584 3,085 <b>706</b> 574 132	1,304 645 3,405 772 628 144
Total Operating Expenses	(2,716)	(2,986)	(3,351)	(3,398)	(3,489)	(4,105)	(4,548)	(5,031)	(5,556)	(6,126)
Operating Income Interest Income Interest Expense Other Gain (Loss) Total Non-Operating Income (Loss)	2,720 27 (142) 243 128 2 848	4,141 27 (168) (358) (499) 3,642	<b>4,182</b> 40 (224) (167) (352) <b>3,830</b>	4,028 142 (306) (162) (326) 3,702	<b>5,964</b> 154 (261) <u>485</u> 378 <b>6 343</b>	6,471 104 (291) (187) 6 284	<b>5,566</b> 114 (330) (216) <b>5,350</b>	<b>4,618</b> 127 (341) (215) <b>4 404</b>	6,258 140 (367) (227) 6 031	8,216 155 (390) (236) 7 981
Income Tax Benefit (Expense)	(820)	(1,057)	(969)	(976)	(1,498)	(1,673)	(1,424)	(1,172)	(1,605)	(2,125)
Lease Misselin Jacob Lease 10 and	2,020	2,303	2,002	2,120	4,044	4,011	3,320	3,231	4,423	
Net Income	1,919	2,585	2,862	2,726	4,845	4,611	3,926	3,231	4,425	5,856
Balance Sheet										
Assets Cash, Cash Equivalents & STI Financial Assets Accounts Receivable Inventory	1,827 1,861 3,766 2,158	2,017 6 5,432 3,961	3,888 659 4,995 4,083	5,236 3,138 5,000 3,153	4,360 1,397 7,064 3,635	4,778 1,397 7,449 4,848	5,298 1,397 8,260 5,376	5,866 1,397 9,144 5,951	6,484 1,397 10,107 6,578	7,157 1,397 11,156 7,261
Total Current Assets	9,856	11,880	14,010	16,742	16,649	18,664	20,523	22,550	24,758	27,163
Net PPE PPE PPE Accumulated Depreciation Right=of-Use Assets Other Intangible Assets Deferred Tax Assets Other Non-Current Assets Total Non-Current Assets	11,769 14,629 (2,860) - 77 273 <u>988</u> <b>13,107</b>	14,787 18,223 (3,436) - 76 370 1,792 <b>17,025</b>	18,507 22,619 (4,112) - 77 484 1,966 <b>21,034</b>	20,260 25,331 (5,071) 869 60 571 1,452 <b>23,213</b>	22,203 28,380 (6,177) 1,025 60 597 897 <b>24,782</b>	23,713 31,603 (7,890) 1,025 60 597 897 <b>26,292</b>	25,280 35,059 (9,779) 1,025 60 597 897 <b>27,859</b>	26,897 38,755 (11,858) 1,025 60 597 897 <b>29,477</b>	28,559 42,696 (14,138) 1,025 60 597 897 <b>31,138</b>	30,256 46,888 (16,632) 1,025 60 597 897 <b>32,835</b>
TOTAL ASSETS	22,963	28,906	35,044	39,955	41,431	44,957	48,382	52,026	55,896	59,998
Liabilities Revolver Faoility / ST Debt Accounts Payable Current Portion of LT Debt Lease Liabilities, Current Other Current Liabilities Total Current Liabilities	7,812 562 437 - 1,011 <b>9,821</b>	8,004 1,061 437 - 1,470 <b>10,973</b>	11,695 734 - 1,509 <b>13,939</b>	12,841 812 767 64 1,952 <b>16,436</b>	10,673 1,001 767 58 2,241 <b>14,739</b>	11,814 1,170 - 58 2,241 <b>15,282</b>	12,314 1,555 - 58 2,241 <b>16,168</b>	13,458 1,965 - 58 2,241 <b>17,722</b>	14,492 1,939 - 58 <u>2,241</u> <b>18,729</b>	14,869 1,875 - 58 <u>2,241</u> <b>19,043</b>
LT Debt Lease Liabilities, LT Other Non-Current Liabilities	2,035 - 354	1,600 	3,503 - 494	4,631 163 535	3,568 164 469	3,568 164 469	3,568 164 469	3,568 164 469	3,568 164 469	3,568 164 469
Total Non-Current Liabilities	2,389	1,971	3,997	5,329	4,201	4,201	4,201	4,201	4,201	4,201
Total Liabilities	12,211	12,944	17,935	21,765	18,940	19,483	20,369	21,923	22,930	23,244
Shareholder's Equity Common Stock Additional Paid In Capital, Common Stock Retained Earnings Minority Interest Other Equity	1,790 3,907 5,295 112 (352)	1,890 6,870 7,611 10 (419)	1,890 6,870 9,097 10 (758)	1,890 6,870 10,868 9 (1,448)	1,890 6,870 14,800 8 (1,078)	1,890 6,870 17,782 8 (1,078)	1,890 6,870 20,322 8 (1,078)	1,890 6,870 22,412 8 (1,078)	1,890 6,870 25,274 8 (1,078)	1,890 6,870 29,063 8 (1,078)
Total Equity	10,752	15,962	17,109	18,190	22,491	25,474	28,013	30,103	32,966	36,754
TOTAL LIABILITIES AND EQUITY Balance Check	22,963 Øk	28,906 	35,045 <i>Ci</i> k	39,955 <i>Ci</i> k	41,431 <i>Ci</i> ki	44,957 <i>Ci</i> k	48,382	52,026 Øk	55,896 <i>D</i> k:	59,998 <sub>Øk</sub>

#### Statement of Cashflows

N CL C L	(057)	190	1 071	1 240	(070)	410	E20	EC7	010	670
Effect of Exchange Rate Changes	253	(160)	99	58	(90) ∭					
Cash from Financing Activities	17	1,983	3,685	2,042	(4,076)	(1,254)	(886)	3	(530)	(1,690)
Revolver Proceeds	-	-	-	-	-	11,814	12,314	13,458	14,492	14,869
Revolver Payments	-	-	-	-	-	(10,673)	(11,814)	(12,314)	(13,458)	(14,492)
Other Financing Activities	(95)	(102)	-	-						
Common Dividends Paid	(716)	(984)	(1,353)	(955)	(913)	(1,628)	(1,386)	(1,141)	(1,563)	(2,068)
Issuance of Common Stock	-	2,993	-	-	-					
Repayment of Lease Liabilities	-	-	-	(82)	(87)					
ST Debt Repaid	(40)	-	-	(100)	(2,260)					
LT Debt Repaid	(627)	(437)	(2,741)	(200)	(1,067)	(767)		(3,568)		
ST Debt Issued	1,494	513	3,580	1,289	250					
LT Debt Issued		-	4,200	2,090				3,568		
Financing Activities										
Cash from Investing Activities	(1,969)	(2,805)	(5,877)	(5,900)	(1,154)	(3,223)	(3,456)	(3,696)	(3,941)	(4,191)
Other Investing Activities	(479)	(72)	(57)	(170)	(177)					
Sale of PPE	1,048	23	52	57	73					
CAPEX	(1,613)	(4,652)	(5,259)	(3,204)	(3,004)	(3,223)	(3,456)	(3,696)	(3,941)	(4,191)
Invest, in Marketable & Equity Securt,	(924)	1,896	(613)	(2,584)	1,954					
Investing Activities										
Cash from Operating Activities	1,443	1,171	3,964	5,148	4,445	4,895	4,862	4,260	5,089	6,555
Other Operating Activities	(257)	72	827	490	(720)					
Add: Depreciation & Amortization	766	834	1,094	1,386	1,548	1,713	1,889	2,078	2,280	2,494
Less: Changes in Working Capital	(985)	(2,319)	(819)	546	(1,228)	(1,429)	(953)	(1,050)	(1,617)	(1,796)
NetIncome	1,919	2,585	2,862	2,726	4,845	4,611	3,926	3,231	4,425	5,856

#### **Revenue Model**

Airtac International Group Revenue Model										
			Historia - I		_		F			
Figures in NTA 1000 000	20164	20174	2018A	20194	20204	2021E	2022F	2023F	2024F	2025E
	201011	Lonn	201011	LOIDH	LOLOH	20212	LOLLL	LOLOL	20242	20202
Total Revenue	10,622	13,718	15,601	15,896	19,103	21,220	23,530	26,049	28,793	31,782
China	9,559	12,620	14,353	14,784	17,957	20,022	22,276	24,734	27,414	30,333
As X of Total Revenue	90.0%	92.0%	92.0%	93.0%	94.0%	94.4%	94.7%	95.0%	95.2%	95.4%
Taiwan	425	412	468	477	573	620	670	725	784	848
As X of Total Revenue	4.0%	3.0%	3.0%	3.0%	3.0%	2.3%	2.8%	2.8%	Z. (%	Z. 1%
Uthers No Strat Tata/Baragoa	607 607	5.0%	100 5 01/2	4.0%	5/3 30%	27%	254	230	210	19%
Ho / or rotarnevenue	0.07.	5.67.	0.07.	4.0/1	5.67.	2.1/1	2.07.	2.07.	2.17.	1.07.
China										
China Market Size	56,232	66,424	71,763	73,918	78,073	82,992	88,220	93,778	99,686	105,966
% growth		18.1%	8.0%	3.0%	5.6%	6.3%	6.3%	6.3%	6.3%	6.3%
				58,000	286,300	6.3%				
China Market Share 🔨	17.0%	19.0%	20.0%	20.0%	23.0%	24.1%	25.3%	26.4%	27.5%	28.6%
China Market Share growth %				20.3%	27.3%	1.1%	1.1%	1.1%	1.1%	1.1%
Bull Case					27%	4.0%	4.0%	4.0%	4.0%	4.0%
Dase Lase Reactions					130,000	L 17.	L 174 ;	L 17.	L 174 ;	L 17.
Dearcase					437.	0.07.	0.07.	0.0%	0.07.	0.0%
China Bevenue	9,559	12 620	14,353	14 784	17,957	20.022	22 276	24 734	27 414	30 333
X anowth	0,000	32.0%	13.7%	3.0%	21.5%	11.5%	11.3%	11.0%	10.8%	10.6%
2										
China pneumatic component market share i	in past 10 years									
Company 2011 2012	2013 2014	2015	2016	2017	2018	2019	2020			
SMC 30% 31%	31/ 31/	32%	33%	34%	34%	34%	34%			
AirTAC 11% 12%	14% 15%	16%	17%	19%	20%	20%	23%			
Pesto IU/. 3/. Debase 49*/ 49*/	37. IU7. 4617 - 4417	41*2	40%	27.	25.4	25.4	127.			
	40/. 44/.	41/.	407.	517.		55%	517.			
Taivan										
Taiwan Revenue	425	412	468	477	573	620	670	725	784	848
X growth		-3.1%	13.7%	1.9%	20.2%	8.2%	8.2%	8.2%	8.2%	8.2%
BullLase						IZ.U%	IZ.U%	IZ.U%;	IZ.U%	12.0%
BaacCase						0.2/.	0.2/.	0.2/.	0.2/.	0.2/.
DearCase					i	0.074	0.07•;	0.07.	0.07•;	0.0/.
Others										
Others Revenue	637	686	780	636	573	579	584	590	595	601
% growth		7.6%	13.7%	-18.5%	-9.9%	1.0%	1.0%	1.0%	1.0%	1.0%
BullCase						4.0%	4.0%	4.0%	4.0%	4.0%
Base Case						1.0%	1.0%	1.0%	1.0%	1.0%
Bear Case						0.0%	0.0%	0.0%	0.0%	0.0%

**Financial Projections** 

		His	storical				Foreca	asted		
Figures in NT\$ 000,000	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025
Revenue	10,622	13,718	15,601	15,896	19,103	21,220	23,530	26,049	28,793	31,78
Alexande Growth Decision Income	2 720	29.2%	13.7% 4.182	1.9%	20.2%	11.1%	10.9%	10.7%	10.5%	10.4%
Pretax Income	2,848	3,642	3,830	3,702	6,343	6,284	5,350	4,404	6,031	7,98
let Income	1,919	2,585	2,862	2,726	4,845	4,611	3,926	3,231	4,425	5,856
Cost Build										
<b>Cost of Goods Sold</b> Raw Material Costs (CoGS)	3,455	4,091	5,166	5,461	6,121	6,673	8,873	11,211	11,062	10,698
Wages Expense (CoGS)	1,274	1,934	2,092	2,029	2,398	2,789	3,238	3,753	4,344	5,020
As X of Hevenue Bull Case	12.0%	14.1%	13.4%	12.8%	12.6%	13.1%	13.8%	14.4%	15.1%	15.8%
lase Case						13.1%	13.8%	14.4%	15.1%	15.8%
Bear Case						15.1%	15.8%	16.4%	17.1%	17.8%
perating Expenses										
Selling General & Admin Expense	495	563	696	646	615	870	965	1,069	1,181	1,304
ns x or neveriae Bull Case	4.12.	4.1/4	4.37.	4.12.	3.27.	2.1%	2.1%	2.1%	2.1%	2.1/
Rase Case						4.1%	4.1%	4.1%	4.1%	4.1/
dear Lase						6.1%	6.1%	6.1%	6.1%	6.1%
R & D Expense <i>As X of Recence</i>	296 2.8%	338 2.5%	392 2.5%	410 2.6%	388 2.0%	431 2.0%	477 2.0%	529 2.0%	584 2.0%	645 2.0%
Wages Expense (OPEX)	1,615	1,817	1,947	1,933	2,046	2,273	2,521	2,791	3,085	3,405
As % of Revenue	15.2%	13.2%	12.5%	12.2%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
Sull Case Raca Casa						8.7%	8.7%	8.7%	8.7%	8.7%
Sear Case						12.7%	12.7%	12.7%	12.7%	12.7%
Ithers										
rcome Tax Expense Effective Tax Rate	820 28.8%	1,057 29.0%	969 25.3%	976 26.4%	1,498 23.6%	1,673 26.6%	1,424 26.6%	1,172 26.6%	1,605 26.6%	2,125 26.6%
Dividend Payout	716	984 20. <b>1</b> 1	1,353	955	913	1,628	1,386	1,141	1,563	2,068
ocount Receivable As X of Recence	3,766 35.5%	5,432 39.6%	4,995 32.0%	5,000 31.5%	7,064 37.0%	7,449 35.1%	8,260 35.1%	9,144 35.1%	10,107 35.1%	11,156 35.1%
iventory Al- Stick Bacazorea	2,158	3,961	4,083	3,153	3,635	4,848	5,376	5,951	6,578	7,261
iccounts Payable	562	1,061	734	812	1,001	1,170	1,555	1,965	1,939	1,875
As % of Proxy Raw Material Costs	16.3%	25.9%	14.2%	14.9%	16.4%	17.5%	17.5%	17.5%	17.5%	17.5%
let Working Capital Increase in NWC	5,363	8,332	8,344	7,341	9,698	11,127 1,429	12,080 953	13,130 1,050	14,746 1,617	16,542 1,796
225.0.11										
'PE Build										
CAPEX	1,613	4,652	5,259	3,204	3,004	3,223	3,456	3,696	3,941	4,191
CAPEX as % of Revenue	15.2%	33.9%	33.7%	20.2%	15.7%	15.2%	14.7%	14.2%	13.7%	13.2%
ocumulated Depreciation	(2,860)	(3,436)	(4,112)	(5,071)	(6,177)	(7,890)	(9,779)	(11,858)	(14,138)	(16,632)
PE	14,629	18,223	22,619	25,331	28,380	31,603	35,059	38,755	42,696	46,888
dditional Depreciation Expense (from CAPEX)	766	NCO	1.094	1996	1549	165	177	189	202	214
as % of PPE	5.2%	4.6%	4.8%	5.5%	5.5%	1,110	1,000	2,010	2,200	2,434
					5.1%					
lepreciation Expense (CoGS)	457	566	809	980	1,130	1,182	1,304	1,435	1,574	1,722
<i>is //, or rotarDeprediationExpense</i> epreciationExpense (SG&A)	53.6% 272	67.8% 226	74.0% 223	70,7% 302	328	63.U% 431	63.0%	523	63.0%; 574	63.0%
As % of Total Depreciation Expense	35.5%	27.1%	20.4%	21.8%	21.2%	25.2%	25.2%	25.2%	25.2%	25.2%
)epreciation Expense (R&D) As X of Total Depreciation Expense	38 4.9%	42 5.0%	62 5.7%	104 7.5%	89 5.8%	99 5.8%	109 5.8%	120 5.8%	132 5.8%	144 5.8%
.ash Holdings										
.ash at Year End 1ean Cash Balance	1,827	2,017 1,922	3,888 2,952	5,236 4,562	4,360 4,798	4,778 4,569	5,298 5,038	5,866 5,582	6,484 6 175	7,157 6 820
nterest Income		27	40	142	154	104	114	127	140	155
: Interest on Cash Holdings		1.4%	1.3%	3.1%	3.2%	2.3%	2.3%	2.3%	2.3%	2.3%

Long Term Debt Principal Payments									
			₩eighted Average						
Maturity 2023	Principal 3,568	Coupon/Base Rate 1.80%	Interest Rate 1.80%						
Total Long Term Debt Weighted Cost of Debt	3,568 <b>1.80%</b>								
			Historical				Forec	asted	
Figures in NT\$ '000,000	2017A	20184	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Interest Repayment Schedule									
Interest Paid Principal Repayment						(64) -	(64) -	(3,568)	-
ST & LT Debt									
Short Term Debt				7.040	10.044	10.070		10 014	10.450
Beginning Balance Additions				7,812	12,841	10,673 11,814	11,814 12,314	12,314 13,458	13,458 14,492
Repayment				7,812	12,841	(10,673)	(11,814)	(12,314)	(13,458)
Ending Balance	7,812	8,004	11,695	12,841	10,673	11,814	12,314	13,458	14,492
Interest Rate on ST Debt					(	2.3%	2.3%	2.3%	2.3%
Interest Paid						(240)	(266)	(277)	(303)
Current Portion of LT Debt									
Beginning Balance					······	767	-	-	-
Additions Benauments						(767)	-	- !	-
Ending Balance						-	-	-	-
Interest Expense on Current Portion of LT Debt						14	-	-	-
Long Term Debt									
Beginning Balance				3,503	4,631	3,568	3,568	3,568	3,568
Additions						- [	- 1	3,568	- i
Ending Balance	2,035	1,600	) 3,503	4,631	3,568	3,568	3,568	3,568	3,568
Nov I T Dobt Additions									
Balance					-	-	-	3,568	3,568
Interest Expense on New Debt					-	-	-	(64)	(64)
Total Interest Expense						(291)	(330)	(341)	(367)
Cash & Cash Equivalents Cash as X of Revenue	1,827 17 2*/	2,017 14 7*/	3,888	5,236 32.9%	4,360 22.8*/	4,778	5,298	5,866	6,484
Minimum Target Cash Balance	11.27.	14.12	24.07	02.0/1		4,778	5,298	5,866	6,484
Minimum Target Cash Balance as % of Revenue						22.5%	22.5%	22.5%	22.5%
Revolver									
Cash available at beginning of period						4,360	4,778	5,298	5,866
Lash generated during current year Minimum cash desired						(723) 4 778	20 5 298	(577) 5866	(415) 6 484
Cash Surplus (Deficit)						(1.141)	(501)	(1.144)	(1.033)

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3,568

2026E

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14,492 14,869 <u>(14,492)</u> 14,869

2.3% (326)

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3,568

3,568

3,568 (64)

(390)

7,157

7,157

6,484 295 7,157 (378)

### Material costs projections

Weight	0.450			Weight	0.200			Weight	0.200			Weight	0.150		0.999999
Aluminum	n - Monthl	) Price		Copper, grade	A cathode -	Monthly Price		Zin	o - Monthly P	rice		Steel F	lebar - Month	ly Price	
Month	Price	Chang	Average	Month	Price	Change	Average	Month	Price	Change	Average	Month	Price	Change	Average
Jan-10	2,235.15	#VALUE!		Jan-10	7,386.25	#VALUE!		Jan-10	2,434.45	#VALUE!		Jan-10	3,884.00	#VALUE!	
Feb-10	2,048.93	-8.33%		Feb-10	6,848.18	-7.28%		Feb-10	2,156.90	-11.40%		Feb-10	3,891.00	0.18%	
Mar-10	2,205.63	7.65%		Mar-10	7,462.83	8.98%		Mar-10	2,275.07	5.48%		Mar-10	4,328.00	11.23%	
Apr-10	2,316.73	5.04%		Apr-10	7,745.08	3.78%		Apr-10	2,366.68	4.03%		Apr-10	4,274.00	-1.25%	
May-10	2,040.53	-11.92%		May-10	6,837.68	-11.72%		May-10	1,968.37	-16.83%		May-10	4,026.00	-5.80%	
Jun-10	1,931.39	-5.35%		Jun-10	6,499.30	-4.95%		Jun-10	1,742.84	-11.46%		Jun-10	3,826.00	-4.97%	
Jul-10	1,988.27	2.95%		Jul-10	6,735.25	3.63%		Jul-10	1,843.89	5.80%		Jul-10	3,956.00	3.40%	
Aug-10	2,118.14	6.53%		Aug-10	7,283.95	8.15%		Aug-10	2,044.57	10.88%		Aug-10	4,177.00	5.59%	
Sep-10	2,162.34	2.09%		Sep-10	7,709.30	5.84%		Sep-10	2,151.41	5.23%		Sep-10	4,168.00	-0.22%	
Oct-10	2,346.57	8.52%		Oct-10	8,292.41	7.56%		Oct-10	2,372.14	10.26%		Oct-10	4,334.00	3.98%	
Nov-10	2,333.07	-0.58%		Nov-10	8,469.89	2.14%		Nov-10	2,291.68	-3.39%	4.00	Nov-10	4,734.00	9.23%	1.00
Llec-10	2,350.67	0.75%	1.00	Llec-10	9,147.26	8.00%	1.00	Llec-10	2,280.93	-0.47%	1.00	Dec-10	4,901.00	3.53%	1.00
Jan-11	2,439.53	3.78%		Jan-11	9,555.70	4.4/%		Jan-11	2,371.55	3.97%		Jan-11	5,171.00	5.51%	
Feb-11	2,508.18	2.81%		Fieb-11	9,867.60	3.26%		Fieb-11	2,465.13	3.95%		Feb-11	4,950.00	-4.27%	
Iviar-II	2,000.00	1.89%		Mar-II	3,503.36	-3.63%		Mar-II	2,391.98	-5.02%		Iviar-II And H	4,703.00	-4.87%	
Apr-11	2,670.1	4.80%		Apr-11	3,432.73	-0.11%		Apr-II Mov.11	2,362.22	0.83%		Apr-ti May 11	4,314.00	4.30%	
- Wag-11	2,036.40	-3.00%		iviay-ti Jup-11	9,000,00	-0.01/4		iviay-ti Jup-11	2,107.30	-0.2074		May-11	4,300.00	2.09%	
Jol-11	2,507.76	-1.437		Jul-11	9,000.00	6.44%		Jul-11	2,204.47	7.21%		Jul-11	4 994 00	-3.63%	
	2,020.40	-5.79%		Aug-11	9,000,76	6.77%		Aug-11	2,001.10	.9.24*/		Aug.11	4,334.00	-5.03%	
Sep.11	2,010.00	-3.61%		Sep-11	9 300 14	-0.13/		Sep-11	2,200.0	-5.69%		Sep.11	4,703.00	-3.13%	
Oct-11	2 180 65	-4.92%		Oct-11	7 394 19	10.91%		Oct-11	187142	-9.82%		Oct-11	4,560.00	-2.417	
Nou-11	2.079.98	-4.62%		Nov-11	7 581 02	2.53%		Nou-11	1935.32	3 41%		Nou-11	4 416 00	-3.16%	
Dec-11	2 022 25	2.78%	1 11	Dec-11	7 565 48	-0.20%	1 17	Dec-11	1904 73	-158%	102	Dec-11	4 344 00	163%	1 14
Jan-12	2.144.20	6.03%		Jan-12	8.040.47	6.28%		Jan-12	1.981.86	4.05%		Jan-12	4.225.00	2.74%	
Feb-12	2.207.92	2.97%		Feb-12	8,441,49	4.99%		Feb-12	2.057.79	3.83%		Feb-12	4,222.00	-0.07%	
Mar-12	2,184.16	-1.08%		Mar-12	8,470.78	0.35%		Mar-12	2,035.92	-1.06%		Mar-12	4,239.00	0.40%	
Apr-12	2,049.67	-6.16%		Apr-12	8,289.48	-2.14%		Apr-12	2,002.14	-1.66%		Apr-12	4,283.00	1.04%	
Mag-12	2,007.63	-2.05%		May-12	7,955.64	-4.03%		May-12	1,936.00	-3.30%		May-12	4,046.00	-5.53%	
Jun-12	1,890.18	-5.85%		Jun-12	7,423.02	-6.69%		Jun-12	1,858.70	-3.99%		Jun-12	4,358.00	7.71%	
Jul-12	1,876.25	-0.74%		Jul-12	7,584.26	2.17%		Jul-12	1,847.75	-0.59%		Jul-12	3,708.00	-14.92%	
Aug-12	1,845.38	-1.65%		Aug-12	7,515.53	-0.91%		Aug-12	1,818.16	-1.60%		Aug-12	3,458.00	-6.74%	
Sep-12	2,064.12	11.85%		Sep-12	8,087.74	7.61%		Sep-12	2,009.85	10.54%		Sep-12	3,668.00	6.07%	
Oct-12	1,974.30	-4.35%		Oct-12	8,062.03	-0.32%		Oct-12	1,903.96	-5.27%		Oct-12	3,733.00	1.77%	
Nov-12	1,948.83	-1.29%		Nov-12	7,711.23	-4.35%		Nov-12	1,912.40	0.44%		Nov-12	3,603.00	-3.48%	
Dec-12	2,086.76	7.08%	0.93	Dec-12	7,966.49	3.31%	1.06	Dec-12	2,040.43	6.69%	0.90	Dec-12	3,824.00	6.13%	0.94
Jan-13	2,037.75	-2.35%		Jan-13	8,047.36	1.02%		Jan-13	2,032.20	-0.40%		Jan-13	3,881.00	1.49%	
Feb-13	2,053.60	0.78%		Feb-13	8,060.93	0.17%		Feb-13	2,128.69	4.75%		Feb-13	3,791.00	-2.32%	
Mar-13	1,909.57	-7.01%		Mar-13	7,645.58	-5.15%		Mar-13	1,926.07	-9.52%		Mar-13	3,734.00	-1.50%	
Apr-13	1,861.67	-2.51%		Apr-13	7,234.28	-5.38%		Apr-13	1,856.00	-3.64%		Apr-13	3,451.00	-7.58%	
May-13	1,832.02	-1.59%		May-13	7,249.41	0.21%		Mag-13	1,831.55	-1.32%		May-13	3,244.00	-6.00%	
Jun-13	1,814.54	-0.95%		Jun-13	7,000.24	-3.44%		Jun-13	1,839.01	0.41%		Jun-13	3,165.00	-2.44%	
Jul-13	1,769.61	-2.48%		Jul-13	6,906.64	-1.34%		Jul-13	1,837.62	-0.08%		Jul-13	3,381.00	6.82%	
Aug-13	1,817.62	2.71%		Aug-13	7,192.92	4.14%		Aug-13	1,898.82	3.33%		Aug-13	3,392.00	0.33%	
Sep-13	1,761.30	-3.10%		Sep-13	7,159.27	-0.47%		Sep-13	1,846.88	-2.74%		Sep-13	3,450.00	1.71%	
Oct-13	1,814.58	3.03%		Oct-13	7,203.02	0.61%		Oct-13	1,884.84	2.06%		Oct-13	3,296.00	4.46%	
Nov-13	1,747.96	-3.67%		Nov-13	7,070.65	-1.84%		Nov-13	1,866.42	0.98%		Nov-13	3,487.00	5.79%	
Dec-13	1,739.81	-0.47%	0.85	Dec-13	7,214.90	2.04%	0.97	Dec-13	1,974.98	5.82%	0.88	Dec-13	3,344.00	4.10%	0.82
Jan-14	1,727.41	-0.71%		Jan-14	7,291.47	1.06%		Jan-14	2,036.93	3.14%		Jan-14	3,245.00	-2.96%	
Feb-14	1,695.17	-1.87%		Feb-14	7,149.21	-1.95%		Feb-14	2,034.53	-0.12%		Feb-14	3,038.00	-6.38%	
Mar-14	1,705.37	0.60%		Mar-14	6,650.04	6.98%		Mar-14	2,007.90	1.31%		Mar-14	3,318.00	9.22%	

Apr-14	1,810.67	6.17%	]	Apr-14	6,673.56	0.35%		Apr-14	2,027.21	0.96%		Apr-14	3,317.00	-0.03%	
May-14	1,751.05	-3.29%		May-14	6,891.13	3.26%		Mag-14	2,058.97	1.57%		May-14	2,983.00	-10.07%	
Jun-14	1,838.95	5.02%		Jun-14	6,821.14	-1.02%		Jun-14	2,128.10	3.36%		Jun-14	2,811.00	-5.77%	
Jul-14	1,948.30	5.95%		Jul-14	7,113.38	4.28%		Jul-14	2,310.62	8.58%		Jul-14	3,053.00	8.61%	
Aug-14	2,030.49	4.22%		Aug-14	7,001.84	-1.57%		Aug-14	2,326.99	0.71%		Aug-14	2,900.00	-5.01%	
Sep-14	1,990.43	-1.97%		Sep-14	6,872.22	-1.85%		Sep-14	2,294.59	-1.39%		Sep-14	2,502.00	-13.72%	
Oct-14	1,946.19	-2.22%		Oct-14	6,737.48	-1.96%		Oct-14	2,276.83	-0.77%		Oct-14	2,654.00	6.08%	
Nov-14	2,055.55	5.62%		Nov-14	6,712.85	-0.37%		Nov-14	2,253.22	-1.04%		Nov-14	2,644.00	-0.38%	
Dec-14	1,909.46	-7.11%	0.86	Dec-14	6,446.45	-3.97%	0.91	Dec-14	2,175.76	-3.44%	1.00	Dec-14	2,607.00	-1.40%	0.69
Jan-15	1,814.72	-4.96%		Jan-15	5,830.54	-9.55%		Jan-15	2,113.05	-2.88%		Jan-15	2,188.00	-16.07%	
Feb-15	1,817.82	0.17%		Feb-15	5,729.27	-1.74%		Feb-15	2,097.76	-0.72%		Feb-15	2,240.00	2.38%	
Mar-15	1,773.86	2.42%		Mar-15	5,939.67	3.67%		Mar-15	2,028.73	-3.29%		Mar-15	2,126.00	-5.09%	
Apr-15	1,819.19	2.56%		Apr-15	6,042.09	1.72%		Apr-15	2,212.72	9.07%		Apr-15	2,210.00	3.95%	
May-15	1,804.04	0.83%		May-15	6,294.78	4.18%		May-15	2,281.80	3.12%		May-15	2,174.00	-1.63%	
Jun-15	1,687.73	6.45%		Jun-15	5,833.01	7.34%		Jun-15	2,082.09	-8.75%		Jun-15	2,097.00	-3.54%	
Jul-15	1,639,50	-2.86%		Jul-15	5,456.75	-6.45%		Jul-15	2,000.68	-3.91%		Jul-15	1,720.00	-17.98%	
Aug-15	1,548.13	-5.57%		Aug-15	5,127.30	-6.04%		Aug-15	1,807.64	-9.65%		Aug-15	2,233.00	29.83%	
Sep-ID	1,583.60	2.68%		Sep-15	5,217.25	1.75%		Sep-15	1,720.23	-4.84%		Sep-ID	1,970.00	-11.78%	
Uct-15	1,516.43	-4.60%		Uct-15	5,216.09	-0.02%		Uct-15	1,724.34	0.24%		Uct-15	1,783.00	-9.49%	
NOV-ID	1,467.83	-3.20%	0.77	NOV-15	4,793.30	-7.98%	0.70	NOV-IS	1,083.31	-8.18%	0.00	NOV-15	1,805.00	1.23%	0.40
Lec-Io	1,497.20	2.00%	0.77	Lec-10	9,538.83	-3.36%	0.73	Dec-to	1,927.78	-3.91%	0.83	Dec-10	1,600.00	-11.91%	0.48
Can-Ib Epb. 10	1,901.10	-1.08%		Eab.10	4,471.73	-3.60%		Cah-16 Eab.16	1,020.36	-0.43%		Dan-16 Epb. 16	1,763.00	2.96%	
Mar-16	1521.01	-0.02%		Mar-16	4,030.02	2.04%		Mar-16	1,703.00	5 27%		Mar-16	2 275 00	24.25%	
Apr-16	157123	2.63%		Apr-16	4,000.00	.164%		Apr.16	1,001.03	2.98%		Apr.18	2,210.00	19.97%	
Man-16	1550.63	-1312		Man-16	4 694 54	3.66%		Man-16	1869.03	0.74%		Maiu-18	1931.00	-29.19%	
Jun-16	1593.51	2 77%		Jun-16	4 641.97	-112%		Jun-16	2 026 19	8 41%		Jun-16	2 208 00	14.34%	
Jul-16	1629.05	2.23%		Jul-16	4,864,90	4.80%		Jul-16	2,183,25	7.75%		Jul-16	2.343.00	6.11%	
Aug-16	1,639,28	0.63%		Aug-16	4,751.67	2.33/		Aug-16	2,279,14	4.39%		Aug-16	2.378.00	1.49%	
Sep-16	1.592.36	2.86%		Sep-16	4,722,20	0.62%		Sep-16	2.292.31	0.58%		Sep-16	2,168.00	-8.83%	
Oct-16	1,665.90	4.62%		Oct-16	4,731.26	0.19%		Oct-16	2,311.50	0.84%		Oct-16	2,415.00	11.39%	
Nov-16	1,737.11	4.27%		Nov-16	5,450.93	15.21%		Nov-16	2,566.20	11.02%		Nov-16	3,044.00	26.05%	
Dec-16	1,727.74	-0.54%	0.74	Dec-16	5,660.35	3.84%	0.65	Dec-16	2,664.81	3.84%	0.97	Dec-16	2,954.00	-2.96%	0.56
Jan-17	1,791.24	3.68%		Jan-17	5,754.56	1.66%		Jan-17	2,714.80	1.88%		Jan-17	3,307.00	11.95%	
Feb-17	1,860.75	3.88%	1	Feb-17	5,940.91	3.24%		Feb-17	2,845.55	4.82%		Feb-17	3,871.00	17.05%	
Mar-17	1,901.47	2.19%	1	Mar-17	5,824.63	-1.96%		Mar-17	2,776.88	-2.41%		Mar-17	3,774.00	-2.51%	
Apr-17	1,921.22	1.04%	1	Apr-17	5,683.90	-2.42%		Apr-17	2,614.92	-5.83%		Apr-17	3,375.00	-10.57%	
Mag-17	1,913.02	-0.43%	]	Mag-17	5,599.56	-1.48%		Mag-17	2,590.21	-0.94%		May-17	3,865.00	14.52%	
Jun-17	1,885.29	-1.45%		Jun-17	5,719.76	2.15%		Jun-17	2,573.40	-0.65%		Jun-17	3,692.00	-4.48%	
Jul-17	1,902.96	0.94%		Jul-17	5,985.12	4.64%		Jul-17	2,787.19	8.31%		Jul-17	3,992.00	8.13%	
Aug-17	2,030.01	6.68%		Aug-17	6,485.63	8.36%		Aug-17	2,980.73	6.94%		Aug-17	4,151.00	3.98%	
Sep-17	2,096.49	3.27%		Sep-17	6,577.17	1.41%		Sep-17	3,116.86	4.57%		Sep-17	3,913.00	-5.73%	
Oct-17	2,131.49	1.67%		Oct-17	6,807.60	3.50%		Oct-17	3,264.60	4.74%		Oct-17	3,682.00	-5.90%	
Nov-17	2,097.44	-1.60%		Nov-17	6,826.55	0.28%		Nov-17	3,229.31	-1.08%		Nov-17	4,370.00	18.69%	
Dec-17	2,080.47	-0.81%	0.91	Dec-17	6,833.89	0.11%	0.82	Dec-17	3,195.95	1.03%	1.34	Dec-17	4,215.00	-3.55%	0.92
Jan-18	2,209.73	6.21%		Jan-18	7,065.85	3.39%		Jan-18	3,441.52	7.68%		Jan-18	3,866.00	-8.28%	
Feb-18	2,181.79	1.26%		Feb-18	7,006.52	-0.84%		Feb-18	3,532.90	2.66%		Feb-18	4,135.00	6.96%	
Mar-18	2,069.24	5.16%		Mar-18	6,799.18	2.96%		Mar-18	3,269.18	7.46%		Mar-18	3,530.00	14.63%	
Apr-18	2,254.69	8.96%		Apr-18	6,851.51	0.77%		Apr-18	3,188.05	-2.48%		Apr-18	3,938.00	11.56%	

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May-18	2,299.67	1.99%		May-18	6,825.27	-0.38%		May-18	3,059.87	-4.02%	-	May-18	4,130.00	4.88%	
Jun-18	2,237.62	-2.70%		Jun-18	6,965.86	2.06%		Jun-18	3,088.57	0.94%		Jun-18	4,184.00	1.31%	
Jul-18	2,082.24	-6.94%		Jul-18	6,250.75	-10.27%		Jui-18	2,656.13	-14.00%		JUI-18	4,157.00	-0.65%	
Aug-18	2,051.51	-1.48%		Aug-18	6,051.05	-3.19%		Aug-18	2,512.00	-0.43%		Aug-18 Con 10	4,573.00	10.15%	
Sep-16 Oct. 19	2,026.96	-1.22%		Sep-18 Oct 19	6,000.76	0.00%		Sep-16 Oct. 19	2,939.55	-3.08%		Sep-18	4,027.00	-1.19%	
Uct-18	2,023.86	0.17%		Uct-18	6,213.03	2.73%		Uct-18	2,673.67	3.82%		Uct-18 May 10	4,612.00	1.88%	
NOV-10	1,000,00	-4.00%	0.97	NOV-16	6,130.32	-0.38%	0.07	NOV-18	2,030,63	-2.32%	1.95	NOV-10 Dec 19	3,512.00	-23.80%	0.97
Lec-10	1,820.80	-0.34%	0.57	Lec-10	6,070.32 E 929.10	-1.50%	0.01	Lec-10	2,010.23	170*/	1.35	Dec-to	3,870.00	127%	0.57
Eab.19	1,000.72	0.50%		Eab.19	6,000,49	-2.24% £ 00%		Eab.19	2,000.70	•Lroz. 5.25%	-	Eab.19	2,797,00	-0.27%	
Mar-19	197121	0.00%		Mar-19	6,300.43	2.21%		Mar-19	2,707.13	5 30%		Mar-19	3,737.00	-0.037	
Apr-19	1945.42	.129%		0 pr. 19	6,400.00	-0.02%		0 pr. 19	2,000.00	2.00%	-	Apr.19	4 192 00	12 225/	
Mail-19	178126	-2.48%		Maii-19	6.017.90	-6.52%		Maii-19	2 742 81	-6.47%		Maii-19	3,834,00	-2.56%	
Jun-19	1755.95	-142%		Jup-19	5,882,23	-2.25%		Jup-19	2,601.22	-0.4174		Jup 19	3 780 00	-0.04%	
Jul-19	1796.99	2.34%		Jul-19	5.941.20	100%		Jul-19	2 446 51	-5.95%		Jul-19	4 064 00	7.51%	
Aug-19	1740.68	-3.13%		Aug-19	5 709 44	-3.90%		Aug-19	2 273 01	7.09%		Aug-19	3.625.00	10.80%	
Sep-19	1753.51	0.74%		Sep-19	5 759 25	0.87%		Sep-19	2,33156	2.58%		Sep-19	3,691,00	182%	
Oct-19	1,725,96	157%		Oct-19	5,757,30	-0.03%		Oct-19	2,451,65	5.15%	-	Oct-19	3,494,00	-5.34%	
Nov-19	1,774,79	2.83%		Nov-19	5,859,95	1.78%		Nov-19	2,425,48	1.07%		Nov-19	3,938,00	12.71%	
Dec-19	1,771.38	-0.19%	0.83	Dec-19	6,077.06	3.70%	0.80	Dec-19	2,272.54	-6.31%	1.18	Dec-19	3,796.00	-3.61%	0.91
Jan-20	1,773.09	0.10%		Jan-20	6,031.21	-0.75%		Jan-20	2,354.31	3.60%		Jan-20	3,626.00	-4.48%	
Feb-20	1,688.10	-4.79%		Feb-20	5,687.75	-5.69%		Feb-20	2,113.24	-10.24%		Feb-20	3,390.00	-6.51%	
Mar-20	1,610.89	-4.57%		Mar-20	5,182.63	-8.88%		Mar-20	1,903.63	-9.92%		Mar-20	3,431.00	1.21%	
Apr-20	1,459.93	-9.37%		Apr-20	5,057.97	-2.41%		Apr-20	1,903.37	-0.01%		Apr-20	3,506.00	2.19%	
May-20	1,466.37	0.44%		May-20	5,239.83	3.60%		May-20	1,975.32	3.78%		May-20	3,504.00	-0.06%	
Jun-20	1,568.57	6.97%		Jun-20	5,754.60	9.82%		Jun-20	2,025.71	2.55%		Jun-20	3,699.00	5.57%	
Jul-20	1,643.81	4.80%		Jul-20	6,372.46	10.74%		Jul-20	2,177.20	7.48%	[	Jul-20	3,802.00	2.78%	
Aug-20	1,737.26	5.68%		Aug-20	6,498.94	1.98%		Aug-20	2,410.05	10.69%	[	Aug-20	3,773.00	-0.76%	
Sep-20	1,743.77	0.37%		Sep-20	6,704.90	3.17%		Sep-20	2,442.46	1.34%	[	Sep-20	3,613.00	-4.24%	
Oct-20	1,806.10	3.57%		Oct-20	6,713.81	0.13%		Oct-20	2,440.65	-0.07%		Oct-20	3,748.00	3.74%	
Nov-20	1,935.28	7.15%		Nov-20	7,068.91	5.29%		Nov-20	2,671.60	9.46%		Nov-20	4,194.00	11.90%	
Dec-20	2,014.67	4.10%	0.78	Dec-20	7,772.24	9.95%	0.82	Dec-20	2,779.85	4.05%	1.05	Dec-20	4,220.00	0.62%	0.88
Jan-21	2,003.98	-0.53%		Jan-21	7,972.15	2.57%		Jan-21	2,705.34	-2.68%		Jan-21	4,191.00	-0.69%	
Feb-21	2,078.59	3.72%		Feb-21	8,470.94	6.26%		Feb-21	2,744.50	1.45%		Feb-21	4,587.00	9.45%	
Mar-21	2,190.48	5.38%		Mar-21	8,988.25	6.11%		Mar-21	2,791.94	1.73%		Mar-21	4,832.00	5.34%	
Apr-21	2,319.39	5.89%		Apr-21	9,324.82	3.74%		Apr-21	2,829.01	1.33%		Apr-21	5,362.00	10.97%	
Mag-21	2,433.53	4.92%		Iviay-21	0,001.50	8.98%		Iviay-21	2,365.73	4.83%		May-21	4,842.00	-9.70%	
Jun-21	2,446.60	0.54%		Jun-21	3,631.00	-9.22%		Jun-21	2,301.80	-0.47%		Jun-21	4,893.00	1.05%	
0ui-21	2,937.09	2.08%		0ui-21	3,400.62	-1.00%		00i-21	2,397.02	-0.15%	-	00-21 Aug 21	5,705.00	0.00%	
Rug-21	2,002.33	9.227		Rug-21	9,070.14	-0.0074		Rug-21	2,007.00	1.01%	-	Rug-21 Cop. 21	5,235.00	-0.2774	
Oct-21	2,034.30	2.52%		Det-21	9,924.71	-0.40% 5.41%		Oot-21	2,056.02	10.67%	-	Dep-21 Dep-21	4,806,00	17.62%	
Nou-21	2,004.00	-10.15%		Nou-21	9,729,90	-102%		Nou-21	3,333.31	-145%		Nou-21	4,000.00	-12.11	
Dec-21	2,000.40	6 4 9 1/2	1.14	Dec-21	9468.25	-2.68%	1.24	Dec-21	3 534 00	6.73%	139	Dec-21	4 548 00	-10.1174 8.91%	1 17
dap-22	3.021.00	7.60%	1. 14	Jan-22	9,731,50	2 78 2	1.24	Jan-22	3 586 00	147%	1.33	Jan-22	4 778 00	5.06%	6.11
Eeb-22	3,136,50	3.82%		Eeb-22	9,720,50	-0.11%		Eeb-22	3,626,50	113%		Feb-22	4,999,00	4.63%	
Mar-22	3,107,33	0.93%		Mar-22	9.639.84	-0.83%		Mar-22	3,603 11	-0.65%		Mar-22	4,973,23	-0.52%	
Apr-22	3,078,15	0.94%		Apr-22	9,559,18	-0.84%		Apr-22	3,579,71	-0.65%		Apr-22	4,947,46	-0.52%	
Mau-22	3,048,98	0.95%		Mau-22	9,478,52	-0.84%		May-22	3,556,32	-0.65%		Mau-22	4,921,70	-0.52%	
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Jun-22	3,019.80	-0.96%		Jun-22	9,397.86	-0.85%		Ju	n-22	3,532.93	-0.66%		Jun-22	4,895.9	93	0.52%	
Jul-22	2,990.63	-0.97%		Jul-22	9,317.20	-0.86%		JU	1-22	3,509.53	-0.66%		Jul-22	4,870.	16	0.53%	
Aug-22	2,961.46	-0.98%		Aug-22	9,236.54	-0.87%		Au	g-22	3,486.14	-0.67%		Aug-22	4,844.3	39	0.53%	
Sep-22	2,932.28	-0.99%		Sep-22	9,155.88	-0.87%		Se	p-22	3,462.75	-0.67%		Sep-22	4,818.6	32	0.53%	
Oct-22	2,903.11	-0.99%		Oct-22	9,075.22	-0.88%		00	t-22	3,439.35	-0.68%		Oct-22	4,792.8	36	0.53%	
Nov-22	2,873.93	-1.00%		Nov-22	8,994.56	-0.89%		No	<i>i</i> -22	3,415.96	-0.68%		Nov-22	4,767.0	09	0.54%	
Dec-22	2,844.76	-1.02%	1.38	Dec-22	8,913.90	-0.90%	1.24	De	0-22	3,392.57	-0.68%	1.63	Dec-22	4,741.3	32	0.54%	1.16
Jan-23	2,815.58	-1.03%		Jan-23	8,833.24	-0.90%		Ja	n-23	3,369.17	-0.69%		Jan-23	4,715.8	55	0.54%	
Feb-23	2,786.41	-1.04%		Feb-23	8,752.58	-0.91%		Fe	b-23	3,345.78	-0.69%		Feb-23	4,689.7	78	0.55%	
Mar-23	2,757.24	-1.05%		Mar-23	8,671.92	-0.92%		Ma	r-23	3,322.39	-0.70%		Mar-23	4,664.	01	0.55%	
Apr-23	2,728.06	-1.06%		Apr-23	8,591.26	-0.93%		Ap	r-23	3,298.99	-0.70%		Apr-23	4,638.2	25	0.55%	
May-23	2,698.89	-1.07%		Mag-23	8,510.60	-0.94%		Ma	y-23	3,275.60	-0.71%		Mag-23	4,612.4	48	0.56%	
Jun-23	2,669.71	-1.08%		Jun-23	8,429.94	-0.95%		Ju	n-23	3,252.21	-0.71%		Jun-23	4,586.	71	0.56%	
Jul-23	2,640.54	-1.09%		Jul-23	8,349.28	-0.96%		Ju	1-23	3,228.81	-0.72%		Jul-23	4,560.9	94	0.56%	
Aug-23	2,611.37	-1.10%		Aug-23	8,268.62	-0.97%		Au	<b>a-23</b>	3,205.42	-0.72%		Aug-23	4,535.	17	0.56%	
Sep-23	2,582.19	-1.12%		Sep-23	8,187.96	-0.98%		Se	0-23	3,182.03	-0.73%		Sep-23	4,509.	41	0.57%	
Oct-23	2.553.02	1.13%		Oct-23	8,107,30	0.99%		00	t-23	3,158,63	-0.74%		Oct-23	4,483,6	54	0.57%	
Nov-23	2,523,84	-1.14%		Nov-23	8,026.64	0.99%		No	v-23	3,135,24	-0.74%		Nov-23	4,457.8	37	0.57%	
Dec-23	2,494.67	-1.16%	1.22	Dec-23	7,945.98	-1.00%	1,11	1 De	o-23	3,111.85	-0.75%	1.50	Dec-23	4,432.	10	0.58%	1.09
Jan-24	2,465,49	-1.17%		Jan-24	7,865.32	-1.02%		Ja	n-24	3.088.46	-0.75%		Jan-24	4,406.3	33	0.58%	
Feb-24	2,436.32	-1.18%		Feb-24	7,784.66	-1.03%		Fe	b-24	3,065.06	-0.76%		Feb-24	4,380.5	57	0.58%	
Mar-24	2,407.15	-1.20%		Mar-24	7,704.00	-1.04%		Ma	r-24	3,041.67	-0.76%		Mar-24	4,354.8	30	0.59%	
Apr-24	2,377.97	-1.21%		Apr-24	7,623.34	-1.05%		Ac	r-24	3,018,28	-0.77%		Apr-24	4,329.0	)3	0.59%	
May-24	2,348.80	-1.23%		Mau-24	7,542.68	-1.06%		Ma	u-24	2,994.88	-0.78%		Mau-24	4,303.2	26	0.60%	
Jun-24	2,319.62	-1.24%		Jun-24	7,462.02	-1.07%		Ju	n-24	2,971.49	-0.78%		Jun-24	4,277.4	19	0.60%	
Jul-24	2,290.45	-1.26%		Jul-24	7,381.36	-1.08%		JU	1-24	2,948.10	-0.79%		Jul-24	4,251.3	72	0.60%	
Aug-24	2,261.28	-1.27%		Aug-24	7,300.70	-1.09%		Au	g-24	2,924.70	-0.79%		Aug-24	4,225.9	96	-0.61%	
Sep-24	2,232.10	-1.29%		Sep-24	7,220.04	-1.10%		Se	0-24	2,901.31	-0.80%		Sep-24	4,200.	19	-0.61%	
Oct-24	2,202.93	-1.31%		Oct-24	7,139.38	-1.12%		00	t-24	2,877.92	-0.81%		Oct-24	4,174.4	12	-0.61%	
Nov-24	2,173.75	-1.32%		Nov-24	7,058.72	-1.13%		No	v-24	2,854.52	-0.81%		Nov-24	4,148.6	35	0.62%	
Dec-24	2,144.58	-1.34%	1.06	Dec-24	6,978.06	-1.14%	0.98	) De	0-24	2,831.13	-0.82%	1.37	Dec-24	4,122.8	38	0.62%	1.01
Jan-25	2,115.40	-1.36%		Jan-25	6,897.40	-1.16%		Ja	n-25	2,807.74	-0.83%		Jan-25	4,097.	12	0.63%	
Feb-25	2,086.23	-1.38%		Feb-25	6,816.74	-1.17%		Fe	b-25	2,784.34	-0.83%		Feb-25	4,071.3	35	0.63%	
Mar-25	2,057.06	-1.40%		Mar-25	6,736.08	-1.18%		Ma	r-25	2,760.95	-0.84%		Mar-25	4,045.5	58	0.63%	
Apr-25	2,027.88	-1.42%		Apr-25	6,655.42	-1.20%		Ap	r-25	2,737.56	-0.85%		Apr-25	4,019.	81	0.64%	
May-25	1,998.71	-1.44%		May-25	6,574.76	-1.21%		Ma	y-25	2,714.16	-0.85%		May-25	3,994.0	)4	0.64%	
Jun-25	1,969.53	-1.46%		Jun-25	6,494.10	-1.23%		Ju	n-25	2,690.77	-0.86%		Jun-25	3,968.2	28	0.65%	
Jul-25	1,940.36	-1.48%		Jul-25	6,413.44	-1.24%		JU	1-25	2,667.38	-0.87%		Jul-25	3,942.	51	0.65%	
Aug-25	1,911.19	-1.50%		Aug-25	6,332.78	-1.26%		Au	g-25	2,643.98	-0.88%		Aug-25	3,916.7	74	0.65%	
Sep-25	1,882.01	-1.53%		Sep-25	6,252.12	-1.27%		Se	p-25	2,620.59	-0.88%		Sep-25	3,890.9	97	0.66%	
Oct-25	1,852.84	-1.55%		Oct-25	6,171.46	-1.29%		00	t-25	2,597.20	-0.89%		Oct-25	3,865.2	20	0.66%	
Nov-25	1,823.66	-1.57%		Nov-25	6,090.80	-1.31%		No	v-25	2,573.80	-0.90%		Nov-25	3,839.4	13	0.67%	
Dec-25	1,794.49	-1.60%	0.90	Dec-25	6,010.15	-1.32%	0.86	) De	o-25	2,550.41	-0.91%	1.24	Dec-25	3,813.6	57	0.67%	0.94
	1,794.49			I	6,010.15					2,550.41			L	3,813.6	37		
Figures in NT\$ '0	00,000		2011/	A 2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenues			5,638	5,698	7,300	8,379	8,797	10,622	13,718	15,601	15,896	19,103	21,220	23,530	26,049	28,793	31,782
Material costs			(1,934	) (2,436)	(2,819)	(2,595)	(2,869) (	(3,455)	(4,091)	(5,166)	(5,461)	(6,121)	(6,673)	(8,873) (:	11,211)	(11,062)	(10,698)
AS a % OT Reve	ndex (t-1)		34.39	6 42.8%	38.5%	31.0%	0.87	52.5% 0.74	29.8%	33.1%	34.4%	32.0%	31.4% 0.86	3/./% 1.22	43.0%	58.4% 1.2/	55./% 1.10
			1.00	- 1.11	6.55	0.00	0.07	0.74	0.74	0.50	1.00	0.50	0.00	1.66	1.07	1.64	1.10

Correl 0.7414307

### WACC

Airtac International Group WACC Build	
WACC Calculation	
Total Debt (NT\$ '000,000) Market Capitalisation (NT\$ '000,000) Debt as proportion of current capital structure Equity as proportion of current capital structure	15,007 181,000 7.7% 92.3%
WALL Cost of Equity	6.90%
Risk Free Rate Equity Risk Premium Beta Cost of Equity	2.80% 5.63% 0.81 7.37%
Cost of Debt	
Pre-Tax Cost of Debt Tax Rate Post-Tax Cost of Debt	1.80% 27% 1.32%

## Airtac International Group

#### Model Assumptions

27%
6.90%
29/3/2022
905.00
200.00

#### Model Output

	Exit Multiple
DV of FOFF	6.067
	0,907
PV of IV	111,802
Implied EV	118,769
	94.1%
Less: Debt	(15,007)
Plus: Cash	4,360
Less: Minority Interest	-
Less: Preferred Shares	
Implied Equity Value	108,122
Implied Share Price	540.61
% Upside/Downside	-40.3%

#### Free Cash Flow Calculation

		Historical					Forecas	ted		
Figures in NT\$ '000,000	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Devenue	40.000	40.740	45.004	45.000	40.400	04.000	00.500	00.040	00 700	04 700
Revenue	10,622	13,718	15,601	15,896	19,103	21,220	23,530	26,049	28,793	31,782
% Growth		29.2%	13.7%	1.9%	20.2%	11.1%	10.9%	10.7%	10.5%	10.4%
ЕВІТ	2.990	3.810	4.055	4,008	6.603	6.574	5.680	4,745	6.398	8.371
% Growth	_,	27.4%	6.4%	-1 1%	64.8%	-0.4%	-13.6%	-16.5%	34.8%	30.8%
Margin %	28.1%	27.8%	26.0%	25.2%	34.6%	31.0%	24.1%	18.2%	22.2%	26.3%
Tax	(000)	(1.057)	(060)	(076)	(1.400)	(1.672)	(1.424)	(1.170)	(1.605)	(0.405)
Tax Data %	(820)	(1,057)	(909)	(970)	(1,496)	(1,073)	(1,424)	(1,172)	(1,005)	(2,120)
Tax Rate %	28.8%	29.0%	25.3%	20.4%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Tax-Adjusted EBIT	2,129	2,704	3,029	2,951	5,043	4,824	4,168	3,482	4,695	6,143
Add: Depreciation and Amortisation	766	834	1,094	1,386	1,548	1,713	1,889	2,078	2,280	2,494
% of Revenue	7.2%	6.1%	7.0%	8.7%	8.1%	8.1%	8.0%	8.0%	7.9%	7.8%
EBITDA	3,756	4,644	5,149	5,394	8,151	8,287	7,570	6,823	8,678	10,865
Less: CAPEX	(1,613)	(4,652)	(5.259)	(3.204)	(3.004)	(3,223)	(3.456)	(3.696)	(3.941)	(4,191)
% of Revenue	15.2%	33.9%	33.7%	20.2%	15.7%	15.2%	14.7%	14.2%	13.7%	13.2%
Less: Change in Net Working Capital	(985)	(2.319)	(819)	546	(1 228)	(1 429)	(953)	(1.050)	(1 617)	(1796)
% of Revenue	-9.3%	-16.9%	-5.2%	3.4%	-6.4%	-6.7%	-4.1%	-4.0%	-5.6%	-5.7%
Unlevered FCFF	297	-3 433	-1 955	1 679	2 359	1.885	1 648	815	1 4 1 7	2 650
% Crowth	201	1256 404	12 104	105.0%	40.5%	20.1%	12.6%	50.6%	72.0%	07.004
% Growin		-1230.4%	-43.1%	-100.9%	40.3%	-20.1%	-12.0%	-50.0%	13.9%	07.0%
Period						2022	2023	2024	2025	2026
Year Frac						0.76	1.76	2.76	3.76	4.76
Discount Factor						0.95	0.89	0.83	0.78	0.73
Present Value of Unlevered FCFF						1,792	1,466	678	1,103	1,929

#### Exit Multiple

Exit EV/EBITDA Multiple	14.14x
Implied Perpetual Growt	5.09%
Terminal Year EBITDA	10,865.42
Terminal Value (EV)	153,582.70
Present Value of Termina	111.801.59

Sensitivity Analysis													
			Implied Share Price										
	Exit EV/EBITDA Multiple												
		7.14x	10.64x	14.14x	17.64x	21.14x							
	4.9%	292.11	443.52	594.92	746.32	897.72							
	5.9%	277.54	422.27	566.99	711.71	856.44							
WACC	6.9%	263.73	402.13	540.53	678.93	817.33							
	7.9%	250.64	383.04	515.45	647.85	780.26							
	8.9%	238.22	364.94	491.66	618.38	745.10							

#### **Trading Comparables**

#### Airtac International Group Relative Valuation (Comparable Company Analysis)

Company Name	MC	+1FY EV/EBITDA	+1FY EV/Revenue	+1FY P/E	5Y Beta	FY Total Equity	FY Total Liabilities	Unlevered Beta
	USDm							
AirTAC International Group	6,862.60	16.06	6.44	24.94	1.14			
Curtiss-Wright Corporation	5,894.70	12.49	2.71	18.71	1.44	1,826.50	2,277.06	0.91
Parker-Hannifin Corporation	38,258.10	13.12	2.92	16.29	1.67	8,413.70	11,927.53	1.10
Mi plc	4,883.30	9.87	2.17	14.04	1.16	1,023.70	1,826.01	0.82
CKD Corporation	1,035.60	4.72	0.81	10.33	1.51	795.40	449.05	0.66
SMC Corporation	36,848.00	15.27	5.34	25.83	1.00	11,244.40	1,302.78	0.14
NSK Ltd.	3,113.20	7.02	0.69	20.89	1.07	4,672.40	4,840.63	0.63
Fanue Corporation	34,128.00	15.15	4.93	26.12	1.10	11,697.20	1,545.21	0.17
		+1FY EV/EBITDA	+1FY EV/Revenue	+1FY P/E				
	Min	4.72	0.69	10.33				
	25th Percentile	8.45	1.49	15.17				
	Median	12.49	2.71	18.71				
	75th Percentile	14.14	3.93	23.36				
	Max	15.27	5.34	26.12				

Relative Valuation (EV/EBITDA)	
75th Percentile 2022 EV/EBITDA	14.14
2021EBITDA	8,286.75
Implied Enterprise Value	117,133.16
Less: Debt	(15,007.39)
Add: Cash	4,360.43
Implied Equity Value	106,486.20
Share Count	200.00
Implied Share Value	532.43
Relative Valuation (EV/R	evenue)
75th Percentile 2022 EV/EBITDA	3.93
2021Revenue	21,220.20
Implied Enterprise Value	83,289.29
Less: Debt	(15,007.39)
Add: Cash	4,360.43
Implied Equity Value	72,642.33
Share Count	200.00
Implied Share Value	363.21
Relative Valuation (I	P/E)
75th Percentile 2022 P/E	23.36
2021EPS	23.05
Implied Share Value	538.55