

4Q22 OP in line with consensus expectation

Management guides for positive outlook in 2023; maintain Neutral, lift TP to TWD1,118

4Q22 results: Operating profit in line with consensus estimates

4Q22 sales came in at TWD6,265mn, +3% q-q/+9% y-y. Operating profit of TWD1,836mn (+8% q-q/+2% y-y) was 4% lower than our estimate but in line with consensus. Airtac reported 4Q22 GM of 46.4% (+0.1pp q-q/-0.9pp y-y) and OPM at 29.3% (+1.3pp q-q/-1.9pp y-y). 4Q22 EPS of TWD6.71 was 10%/6% lower than our/Bloomberg consensus estimate, which we attribute to an FX loss of RMB14mn.

Management provides positive 2023 operational outlook

Management indicated the following key outlook during the earnings call: **1) 2023 consolidated sales** are likely to grow at teens % y-y (with 2H23 sales likely better than 1H23), albeit 1Q23 sales should grow at a lower rate. Management estimate China's pneumatic market to grow at mid-single-digit % in 2023 and the company's sales should outperform; **2) linear guide business:** management targets external sales of RMB600mn in 2023, up from RMB180mn in 2022, on more item launches and the company's lower pricing compared to competitors; **3) margins:** 2023 GM is likely to improve y-y on higher utilization rates (UTR) and lower material costs; management targets 2023 OPM at 30%; **4) UTR and pricing:** current UTR is 100% and should increase to 110% for the peak season demand in 2Q23; pneumatic ASP remains stable and linear guide products' ASP are still 20-30% lower than those of peers; **5) DOI:** 160 days as of end-2022; **6) 2023 capex:** TWD2-3bn.

Earnings forecast revisions and valuation

We lift 2023/24F EPS by 5%/8% to factor in management's positive 2023 outlook, an increase in pneumatic products' daily shipments (starting in Jan-Feb 2023), and likely improved linear guide sales contribution in 2023/24F. We raise our TP accordingly to TWD1,118, based on 30x 2Q23-1Q24F EPS of TWD37.28 vs 22x 2023F EPS previously (historical average of 23x since 2014). We note that during the periods when earnings growth regained momentum (i.e. 2017 and 2021), the stock traded at a P/E above 30x. Airtac's share price has significantly rebounded since Oct 2022 (up by 64%, vs TAIEX up by 23%), after management indicated in its 3Q22 earnings call that demand began to bottom out at the start of 4Q22, and we expect support from management's more positive outlook. The stock is currently trading at 31x/26x 2023/24F P/E.

Year-end 31 Dec		FY21		FY22F		FY23F		FY24F	
Currency (TWD)	Actual	Old	New	Old	New	Old	New	Old	New
Revenue (mn)	25,400	26,343	26,073	29,204	29,452	32,816	33,922		
Reported net profit (mn)	6,442	6,157	6,013	6,793	7,100	7,717	8,315		
Normalised net profit (mn)	6,442	6,157	6,013	6,793	7,100	7,717	8,315		
FD normalised EPS	32.21	30.79	30.07	33.97	35.50	38.59	41.58		
FD norm. EPS growth (%)	25.7	-4.4	-6.7	10.3	18.1	13.6	17.1		
FD normalised P/E (x)	34.0	—	36.4	—	30.8	—	26.3		
EV/EBITDA (x)	22.2	—	23.5	—	19.5	—	16.8		
Price/book (x)	6.2	—	5.7	—	5.2	—	4.7		
Dividend yield (%)	1.2	—	1.2	—	1.4	—	1.6		
ROE (%)	22.4	16.7	16.3	16.8	17.6	17.4	18.6		
Net debt/equity (%)	6.1	8.7	8.8	5.5	5.4	2.2	2.2		

Source: Company data, Nomura estimates

Rating Remains **Neutral**

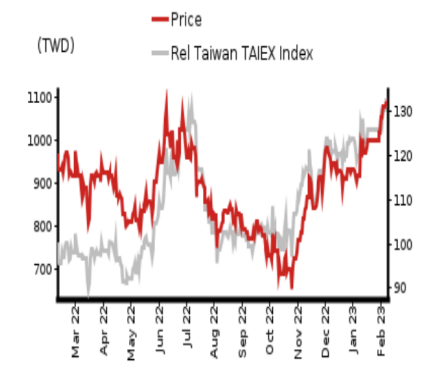
Target price TWD
Increased from TWD 747.00 **1,118.00**

Closing price TWD
08 February 2023 **1,095.00**

Implied upside **+2.1%**

Market Cap (USD mn) 7,287.6
ADT (USD mn) 21.2

Relative performance chart



Source: Thomson Reuters, Nomura

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Key data on AIRTAC

Performance

(%)	1M	3M	12M		
Absolute (TWD)	19.4	33.5	18.0	M cap (USDmn)	7,287.6
Absolute (USD)	21.5	42.2	9.3	Free float (%)	40.0
Rel to Taiwan	10.8	16.5	31.1	3-mth ADT (USDmn)	21.2
TAIEX Index					

Income statement (TWDmn)

Year-end 31 Dec	FY20	FY21	FY22F	FY23F	FY24F
Revenue	19,103	25,400	26,073	29,452	33,922
Cost of goods sold	-9,650	-13,063	-14,180	-15,504	-17,770
Gross profit	9,453	12,337	11,893	13,948	16,152
SG&A	-3,489	-4,121	-4,351	-4,667	-5,256
Employee share expense					
Operating profit	5,964	8,216	7,542	9,281	10,896
EBITDA	7,512	9,943	9,480	11,328	13,073
Depreciation	-1,548	-1,727	-1,937	-2,047	-2,177
Amortisation					
EBIT	5,964	8,216	7,542	9,281	10,896
Net interest expense	-261	-192	-133	-100	-89
Associates & JCEs	0	0	0	0	0
Other income	639	360	415	110	98
Earnings before tax	6,343	8,384	7,824	9,291	10,905
Income tax	-1,498	-1,943	-1,811	-2,191	-2,589
Net profit after tax	4,844	6,441	6,013	7,100	8,315
Minority interests	1	1	0	0	0
Other items					
Preferred dividends					
Normalised NPAT	4,845	6,442	6,013	7,100	8,315
Extraordinary items	0	0	0	0	0
Reported NPAT	4,845	6,442	6,013	7,100	8,315
Dividends	-1,712	-2,662	-2,544	-3,003	-3,517
Transfer to reserves	3,133	3,780	3,470	4,097	4,798

Valuations and ratios

Reported P/E (x)	42.7	34.0	36.4	30.8	26.3
Normalised P/E (x)	42.7	34.0	36.4	30.8	26.3
FD normalised P/E (x)	42.7	34.0	36.4	30.8	26.3
Dividend yield (%)	0.8	1.2	1.2	1.4	1.6
Price/cashflow (x)	46.6	34.7	37.6	36.3	30.9
Price/book (x)	9.7	6.2	5.7	5.2	4.7
EV/EBITDA (x)	30.3	22.2	23.5	19.5	16.8
EV/EBIT (x)	38.2	26.9	29.5	23.8	20.2
Gross margin (%)	49.5	48.6	45.6	47.4	47.6
EBITDA margin (%)	39.3	39.1	36.4	38.5	38.5
EBIT margin (%)	31.2	32.3	28.9	31.5	32.1
Net margin (%)	25.4	25.4	23.1	24.1	24.5
Effective tax rate (%)	23.6	23.2	23.1	23.6	23.7
Dividend payout (%)	35.3	41.3	42.3	42.3	42.3
ROE (%)	27.5	22.4	16.3	17.6	18.6
ROA (pretax %)	18.1	20.4	16.4	18.5	20.3

Growth (%)

Revenue	1.9	33.0	2.7	13.0	15.2
EBITDA	3.0	32.4	-4.7	19.5	15.4
Normalised EPS	-4.0	25.7	-6.7	18.1	17.1
Normalised FDEPS	-4.0	25.7	-6.7	18.1	17.1

Source: Company data, Nomura estimates

Cashflow statement (TWDmn)

Year-end 31 Dec	FY20	FY21	FY22F	FY23F	FY24F
EBITDA	7,512	9,943	9,480	11,328	13,073
Change in working capital	2,447	-1,877	-2,130	-3,122	-3,408
Other operating cashflow	-5,514	-1,746	-1,529	-2,181	-2,580
Cashflow from operations	4,445	6,320	5,821	6,026	7,084
Capital expenditure	-3,004	-3,796	-4,200	-2,200	-2,600
Free cashflow	1,441	2,523	1,621	3,826	4,484
Reduction in investments	-2,479	-434	800	0	0
Net acquisitions					
Dec in other LT assets	-426	-1,319	-1,218	460	514
Inc in other LT liabilities	205	-131	300	0	0
Adjustments	4,551	188	118	-460	-514
CF after investing acts	3,291	828	1,621	3,826	4,484
Cash dividends	-913	-1,712	-2,662	-2,544	-3,003
Equity issue	0	0	0	0	0
Debt issue	-3,326	-6,559	1,400	-200	1,000
Convertible debt issue					
Others	73	7,457	-200	-200	-200
CF from financial acts	-4,166	-814	-1,462	-2,944	-2,203
Net cashflow	-876	14	159	882	2,281
Beginning cash	5,236	4,360	4,374	4,533	5,415
Ending cash	4,360	4,374	4,533	5,415	7,696
Ending net debt	9,098	2,144	3,385	2,303	1,023

Balance sheet (TWDmn)

As at 31 Dec	FY20	FY21	FY22F	FY23F	FY24F
Cash & equivalents	4,360	4,374	4,533	5,415	7,696
Marketable securities	1,397	1,831	1,031	1,031	1,031
Accounts receivable	4,652	5,390	7,561	10,603	12,890
Inventories	3,635	5,302	5,956	6,202	7,641
Other current assets	2,604	2,417	2,417	2,417	2,417
Total current assets	16,649	19,314	21,498	25,668	31,676
LT investments	0	0	0	0	0
Fixed assets	22,203	24,467	26,729	26,882	27,305
Goodwill	0	0	0	0	0
Other intangible assets					
Other LT assets	2,579	3,898	5,116	4,657	4,142
Total assets	41,431	47,679	53,344	57,206	63,123
Short-term debt	9,573	3,713	7,913	7,713	8,213
Accounts payable	875	1,077	1,773	1,938	2,257
Other current liabilities	4,291	4,430	4,430	4,430	4,430
Total current liabilities	14,739	9,219	14,115	14,081	14,899
Long-term debt	3,568	2,806	6	6	506
Convertible debt					
Other LT liabilities	633	502	802	802	802
Total liabilities	18,940	12,527	14,923	14,888	16,207
Minority interest					
Preferred stock					
Common stock	1,890	2,000	2,000	2,000	2,000
Retained earnings	14,800	19,530	22,800	26,697	31,295
Proposed dividends					
Other equity and reserves	5,801	13,622	13,622	13,622	13,622
Total shareholders' equity	22,491	35,152	38,421	42,318	46,916
Total equity & liabilities	41,431	47,679	53,344	57,206	63,123

Liquidity (x)

Current ratio	1.13	2.09	1.52	1.82	2.13
Interest cover	22.9	42.9	56.5	92.8	122.4

Leverage

Net debt/EBITDA (x)	1.21	0.22	0.36	0.20	0.08
Net debt/equity (%)	40.5	6.1	8.8	5.4	2.2

Per share

Reported EPS (TWD)	25.63	32.21	30.07	35.50	41.58
Norm EPS (TWD)	25.63	32.21	30.07	35.50	41.58
FD norm EPS (TWD)	25.63	32.21	30.07	35.50	41.58
BVPS (TWD)	112.46	175.76	192.11	211.59	234.58
DPS (TWD)	8.56	13.31	12.72	15.02	17.59

Activity (days)

Days receivable	115.1	72.2	90.7	112.6	126.7
Days inventory	156.3	124.8	144.9	143.1	142.6
Days payable	33.4	27.3	36.7	43.7	43.2
Cash cycle	238.0	169.7	198.9	212.0	226.1

Source: Company data, Nomura estimates

Company profile

Airtac manufactures pneumatic equipment, which are widely used in the automotive, machinery manufacturing, electronics, textile, medical equipment, food and packaging automatic industrial fields.

Valuation Methodology

Our target price of TWD1,118 is based on 30x 2Q23-1Q24F EPS of TWD37.28, which is at the high end of its P/E multiple of 18-40x since 2014. The benchmark for this stock is TAIEX.

Risks that may impede the achievement of the target price

Upside risks to our target price include: 1) a faster-than-expected arrival of IA up cycle; 2) AirTAC's better market share gain progress in China's pneumatic market and better-than-expected linear guide shipments and margin improvement; 3) faster-than-expected improvement of global consumer sentiment, eased global inflation, and faster inventory destocking, which lead to stronger Capex and demand for manufacturing equipment. Downside risks include: 1) Possible economic recessions that drag enterprises' capex and consumers' spending; 2) linear guide competitors' aggressive pricing strategies that may negatively impact AirTAC's linear guide sales performance; 3) currently the material prices were lower than those of 2H22, but if they increase significantly during 2023F, the company will face cost pressure.

ESG

Airtac is fully conscious of the impact of global climate change. Airtac follows the Sustainable Development Goals (SDGs) published by the UN and incorporates these goals in its sustainable business strategies. For mid-to-long term, Airtac targets its waste/industrial wastewater recovery rate increases each year.

Financial analysis and forecasts

Fig. 1: 4Q22 result comparison

TWDMn	4Q22 results	Nomura estimates	Diff%	Consensus	Diff%	3Q22 results	q-q (%)	4Q21 results	y-y (%)
Total sales	6,265	6,534	-4%	6,350	-1%	6,077	3%	5,768	9%
Gross profit	2,905	3,052	-5%	2,948	-1%	2,814	3%	2,725	7%
Operating profit	1,836	1,920	-4%	1,841	0%	1,703	8%	1,801	2%
Pretax profit	1,759	1,930	-9%	1,869	-6%	1,802	-2%	2,064	-15%
Net profit	1,342	1,486	-10%	1,439	-7%	1,391	-4%	1,606	-16%
EPS (NT\$)	6.71	7.43	-10%	7.11	-6%	6.96	-4%	8.03	-16%
			(ppts)		(ppts)		(ppts)		(ppts)
Gross margin (%)	46.4	46.7	(0.3)	46.4	(0.1)	46.3	0.1	47.3	(0.9)
Operating margin (%)	29.3	29.4	(0.1)	29.0	0.3	28.0	1.3	31.2	(1.9)
Pretax margin (%)	28.1	29.5	(1.5)	29.4	(1.4)	29.7	(1.6)	35.8	(7.7)
Net margin (%)	21.4	22.7	(1.3)	22.7	(1.2)	22.9	(1.5)	27.8	(6.4)

Source: Company data, Bloomberg Finance L.P., Nomura estimates

Fig. 2: AirTAC: earnings forecast revisions

TWDmn	New forecasts			Previous forecasts			Change (%)		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
Revenue	26,073	29,452	33,922	26,343	29,204	32,816	(1.0)	0.8	3.4
Gross profit	11,893	13,948	16,152	12,041	13,845	15,685	(1.2)	0.7	3.0
Operating profit	7,542	9,281	10,896	7,627	8,894	10,112	(1.1)	4.3	7.8
Pre-tax profit	7,824	9,291	10,905	7,995	8,889	10,121	(2.1)	4.5	7.7
Net profit	6,026	7,100	8,315	6,157	6,793	7,717	(2.1)	4.5	7.8
EPS (NT\$)	30.13	35.50	41.58	30.79	33.97	38.59	(2.2)	4.5	7.7
Margins (%)									
Gross margin	45.6	47.4	47.6	45.7	47.4	47.8	(0.1)	(0.1)	(0.2)
Operating margin	28.9	31.5	32.1	29.0	30.5	30.8	(0.0)	1.1	1.3
Pretax margin	30.0	31.5	32.1	30.3	30.4	30.8	(0.3)	1.1	1.3
Net margin	23.1	24.1	24.5	23.4	23.3	23.5	(0.3)	0.8	1.0

Source: Company data, Nomura estimates

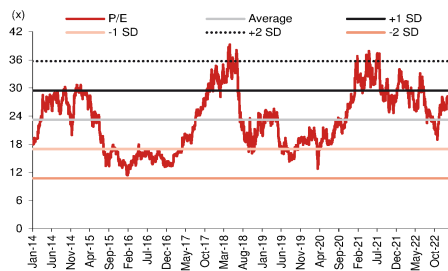
Fig. 3: AirTAC: quarterly financial highlights

(TWDm)	2021	2022F	2023F	2024F	1Q22	2Q22	3Q22	4Q22F	1Q23F	2Q23F	3Q23F	4Q23F	1Q24F	2Q24F	3Q24F	4Q24F
Net sales	25,400	26,073	29,452	33,922	6,509	7,222	6,077	6,265	6,451	7,713	7,678	7,610	7,597	9,086	8,692	8,547
COGS	13,063	14,180	15,504	17,770	3,701	3,856	3,263	3,360	3,432	4,028	4,029	4,016	3,992	4,737	4,542	4,499
Gross profit	12,337	11,893	13,948	16,152	2,808	3,366	2,814	2,905	3,019	3,684	3,649	3,594	3,605	4,350	4,150	4,048
Op expenses	4,121	4,351	4,667	5,256	997	1,174	1,111	1,069	1,052	1,215	1,193	1,207	1,162	1,395	1,364	1,335
Op profit	8,216	7,542	9,281	10,896	1,811	2,192	1,703	1,836	1,967	2,470	2,457	2,387	2,442	2,955	2,786	2,713
Non-op income	168	282	10	9	380	(120)	99	(77)	0	5	5	0	6	3	(3)	3
Pre-tax profit	8,384	7,824	9,291	10,905	2,191	2,072	1,802	1,759	1,967	2,475	2,462	2,387	2,448	2,958	2,783	2,716
Net profit	6,442	6,013	7,100	8,315	1,678	1,602	1,391	1,342	1,505	1,891	1,883	1,821	1,861	2,254	2,120	2,080
EPS (NT\$)	32.21	30.07	35.50	41.58	8.39	8.01	6.96	6.71	7.52	9.45	9.42	9.11	9.30	11.27	10.60	10.40
Operating ratios (%)																
Gross margin	48.6%	45.6%	47.4%	47.6%	43.1%	46.6%	46.3%	46.4%	46.8%	47.8%	47.5%	47.2%	47.4%	47.9%	47.7%	47.4%
Operating margin	32.3%	28.9%	31.5%	32.1%	27.8%	30.4%	28.0%	29.3%	30.5%	32.0%	32.0%	31.4%	32.2%	32.5%	32.0%	31.7%
Pre-tax profit margin	33.0%	30.0%	31.5%	32.1%	33.7%	28.7%	29.7%	28.1%	30.5%	32.1%	32.1%	31.4%	32.2%	32.6%	32.0%	31.8%
Net profit margin	25.4%	23.1%	24.1%	24.5%	25.8%	22.2%	22.9%	21.4%	23.3%	24.5%	24.5%	23.9%	24.5%	24.8%	24.4%	24.3%
Year-to-year (%)																
Net sales	33%	3%	13%	15%	10%	3%	-9%	9%	-1%	7%	26%	21%	18%	18%	13%	12%
Gross profit	31%	-4%	17%	16%	-2%	-3%	-14%	7%	8%	9%	30%	24%	19%	18%	14%	13%
Operating profit	38%	-8%	23%	17%	-8%	-9%	-16%	2%	9%	13%	44%	30%	24%	20%	13%	14%
Pre-tax profit	32%	-7%	19%	17%	14%	-11%	-13%	-15%	-10%	19%	37%	36%	24%	20%	13%	14%
Net profit	33%	-7%	18%	17%	16%	-10%	-13%	-16%	-10%	18%	35%	36%	24%	19%	13%	14%
Qtr-to-Qtr (%)																
Net sales					13%	11%	-16%	3%	3%	20%	0%	-1%	0%	20%	-4%	-2%
Gross profit					3%	20%	-16%	3%	4%	22%	-1%	-2%	0%	21%	-5%	-2%
Operating profit					1%	21%	-22%	8%	7%	26%	-1%	-3%	2%	21%	-6%	-3%
Pre-tax profit					6%	-5%	-13%	-2%	12%	26%	-1%	-3%	3%	21%	-6%	-2%
Net profit					5%	-5%	-13%	-4%	12%	26%	0%	-3%	2%	21%	-6%	-2%

Source: Company data, Nomura estimates

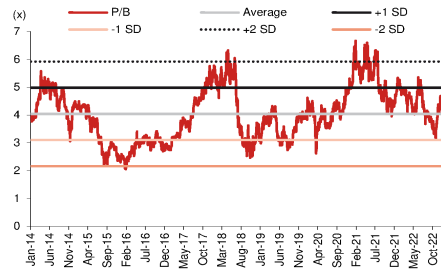
Valuation charts

Fig. 4: AirTAC: 12M forward-PE



Source: Company data, Nomura estimates

Fig. 5: AirTAC: 12M forward PB



Source: Company data, Nomura estimates

Fig. 6: AirTAC – peer comparison table

Code	Company	Price 8-Feb	Nomura Rating	Mkt cap US\$m	P/E (x)		P/B (x)		ROE (%)		EPS growth (%)		Yield (%)
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F
Global peers													
1590 TT	AiTAC	1,095	Neutral	7,227	30.8	26.3	5.2	4.7	17.6	18.6	18.1	17.1	1.4
6954 JP	Fanuc	23,105	Neutral	35,628	29.2	26.2	2.7	2.6	9.5	10.2	(6.8)	11.3	2.1
6273 JP	SMC	67,270	Buy	34,611	27.2	20.7	2.5	2.3	9.4	11.5	(23.0)	31.5	1.3
6481 JP	THK	2,686	Neutral	2,664	12.3	12.0	1.0	0.9	8.1	7.8	(17.7)	2.6	2.4
2049 TT	Hiwin	232	Neutral	2,734	24.5	20.1	2.3	2.2	9.7	11.2	(32.6)	22.0	1.6
Average					24.8	21.1	2.7	2.5	10.9	11.9	(12.4)	16.9	1.8

Source: Company data, Nomura estimates

4Q22 earnings call highlights

- Management expects China's pneumatic component industry to grow at single-digit % in 2023, and the company's related sales growth to outperform.
- **4Q22 sales mix by end-application:** Electronics: 22% of total sales (+3% y-y), general machinery: 8% (+23% y-y), package: 7% (-2% y-y), automotive: 7% (+28% y-y), battery: 18% (+32% y-y), textile: 2% (-30% y-y), machine tool: 5% (+17% y-y), and energy lighting: 8% (+150% y-y).
- **Market situation:** After the China government significantly eased COVID restrictions in late-2022, the number of COVID infection cases rose sharply, and then fell rapidly after a month, which is positive for pneumatic components' demand in 2023; management believes negative factors mentioned previously, such as COVID restrictions and inflation, have likely eased. Management expects an increased number of clients to restore confidence in end demand, and accelerate capacity expansion.
- Jan sales saw y-y / m-m declines due to less working days, but battery and energy lighting-related sales were able to sustain double-digit % growth in Jan 2023. Management expects better auto revenue growth going forward, as the company is penetrating into more clients with more items. The company expects spec upgrades for consumer electronic devices in 2023.
- **Pricing:** Pneumatic components' pricing remains stable, and management sees limited competition in the pneumatic industry; a weaker JPY will likely result in limited impact on the competition landscape with its Japanese peers in China.
- **Material costs:** Material prices have declined by around 20% vs the peak since Apr 2022, which is good for GM in the coming months and quarters.
- **DOI and UTR:** 160 days as at the end of 2022; UTR is 100% currently, and the company expects to raise it to 110% in the coming months for peak season demand.
- **Linear guide:** While capacity expansion is on track, 2022 shipments were lower than management's expectation. Linear guide sales were RMB180mn in 2022, and the company expects sales of RMB600mn in 2023 (annual capacity in 2022 was RMB1bn, and management estimates it to reach RMB2bn by end of Mar 2023). Once UTR reaches 80-90% with the RMB2bn annual capacity, linear guide's GM could be around 40-50% (close to 50%). Linear guide's UTR should be around 60-70% in

2023, according to management, with GM of 40%. The company's linear guide items are currently able to meet 60% of the market's demand.

- Management believes the pneumatic industry's upcycle in this round could last for more than the previous rounds (typically 18-24 months), owing to insufficient labor force in China and the government's support for China manufacturing industry's upgrade.
- **2H23 sales** will likely be better than 1H23, according to management, owing to likely more sales contribution from linear guide products.
- Linear guide industry's overall recovery will likely be 1-2 quarters later than the pneumatic industry's recovery, as per management.
- **2023 opex rate:** Management estimates selling opex at around 10-12% of sales, administration 4-5%, and RD at 2-3%.
- Long-term sales contribution outlook from linear guide: Management said that while it is difficult to estimate currently, if the company's market share in China reaches 30-40% in next 8-10 years, the annual sales contribution from linear guide could be RMB5-6bn.

Appendix A-1

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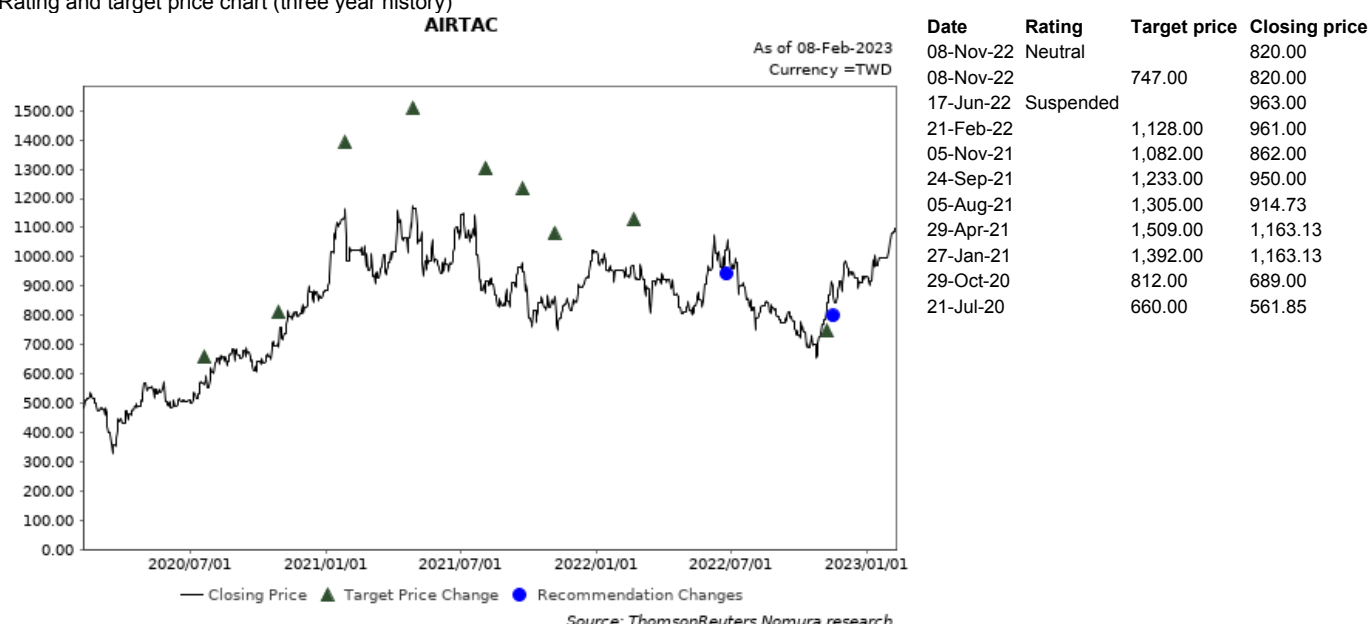
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
AIRTAC	1590 TT	TWD 1,095.00	08-Feb-2023	Neutral	N/A	

AIRTAC (1590 TT)

Rating and target price chart (three year history)

TWD 1,095.00 (08-Feb-2023) Neutral (Sector rating: N/A)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of TWD1,118 is based on 30x 2Q23-1Q24F EPS of TWD37.28, which is at the high end of its P/E multiple of 18-40x since 2014. The benchmark for this stock is TAIEX.

Risks that may impede the achievement of the target price Upside risks to our target price include: 1) a faster-than-expected arrival of IA up cycle; 2) AirTAC's better market share gain progress in China's pneumatic market and better-than-expected linear guide shipments and margin improvement; 3) faster-than-expected improvement of global consumer sentiment, eased global inflation, and faster inventory destocking, which lead to stronger Capex and demand for manufacturing equipment. Downside risks include: 1) Possible economic recessions that drag enterprises' capex and consumers' spending; 2) linear guide competitors' aggressive pricing strategies that may negatively impact AirTAC's linear guide sales performance; 3) currently the material prices were lower than those of 2H22, but if they increase significantly during 2023F, the company will face cost pressure.

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As at 31 December 2022.

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