

Aztech Global (AZTECH SP)

3Q26: Earnings In Line; Competition Remains Intense

Highlights

- 9M26 net profit of S\$15.9m forms 79.6% of our full-year forecast, in line with expectations after allowing for quarterly seasonality.
- Revenue of S\$231.8m forms 73.4% of our July forecast, slightly below expectations. Competition continues to weigh on existing customer orders.
- Maintain HOLD with a lower target price of S\$0.44 (previously S\$0.73), pegged to 13.6x 2027F PE (+1.5SD above historical mean).

3Q269M26 Results

Year to 31 Dec (\$m)	3Q26	3Q25	yoy%	2Q26	qoq%	9M26	9M25	yoy%
Revenue	80.4	133.5	(39.8)	86.7	(7.3)	231.8	318.9	(27.3)
EBITDA	9.5	15.6	(39.1)	8.6	10.5	24.0	39.0	(38.5)
PBT	8.2	13.5	(39.3)	7.3	12.3	20.3	32.4	(37.3)
PBT margin (%)	10.2	10.1	0.1ppt	8.4	1.8ppt	8.8	10.2	(1.4ppt)
Net profit	6.5	10.8	(39.8)	5.4	20.4	15.9	26.9	(40.9)
Net profit margin (%)	8.1	8.1	0.0ppt	6.2	1.9ppt	6.9	8.4	(1.5ppt)

Source: Aztech, UOB Kay Hian

Analysis

- Earnings in line; revenue slightly below expectations.** Aztech Global's (Aztech) 3Q26 revenue fell 39.8% yoy and 7.3% qoq to S\$80.4m as intensifying competition reduced orders from existing customers. Net profit declined 39.8% yoy but rose 20.4% qoq to S\$6.5m. 9M26 revenue of S\$231.8m (down 27.3% yoy) formed 73.4% of our full-year forecast, slightly below expectations, while net profit of S\$15.9m (down 40.9% yoy) formed 79.6%, in line with expectations.
- Margins improved qoq, but remain lower on a 9M basis.** 3Q26 EBITDA rose 10.5% qoq to S\$9.5m despite lower sales, lifting PBT margin to 10.2% from 8.4% in 2Q26. A tax incentive cut the effective tax rate to 20.7% from 26.0%, raising net margin to 8.1% from 6.2%, flat yoy. However, 9M26 PBT and net margins fell to 8.8% and 6.9% respectively (9M25: 10.2% and 8.4%) on higher R&D costs, lower interest income and forex losses from a stronger Chinese yuan. Increased production in Malaysia also raised the 9M26 effective tax rate to 21.7% from 17.0%.
- 4Q26 delivery remains key.** Our forecasts imply 4Q26 revenue of S\$83.8m (up 4.3% qoq) and net profit of S\$4.1m (down 37.5% qoq). The high earnings fulfilment partly reflects the 3Q tax incentive and quarterly earnings seasonality, so we do not view it as a beat. Existing customer orders and NPI conversion will drive 4Q performance.

Key Financials

Year to 31 Dec (\$m)	2024	2025	2026F	2027F	2028F
Net turnover	622	433	316	340	360
EBITDA	78	47	26	30	34
Operating profit	68	40	18	24	29
Net profit (rep./act.)	71	40	20	25	30
Net profit (adj.)	71	40	20	25	30
EPS (S\$ cent)	9.1	5.2	2.6	3.3	3.8
PE (x)	4.4	7.8	15.7	12.4	10.6
P/B (x)	0.9	1.1	1.3	1.3	1.2
EV/EBITDA (x)	3.1	5.2	9.6	8.2	7.3
Dividend yield (%)	37.0	29.6	4.9	7.4	9.9
Net margin (%)	11.3	9.3	6.3	7.4	8.2
Net debt/(cash) to equity (%)	(81.9)	(38.9)	(28.4)	(36.4)	(42.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	20.6	12.7	7.5	10.4	12.0
Consensus net profit (\$m)	-	-	20	26	32
UOBKH/Consensus (x)	-	-	0.98	0.99	0.94

Source: Aztech, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	S\$0.405
Target Price	S\$0.44
Upside	8.6%
Previous TP	S\$0.73

Stock Data

Sector	Information Technology
Bloomberg ticker	AZTECH SP
Shares issued (m)	771.8
Market cap (\$m)	312.6
Market cap (US\$m)	243.8
3-mth avg daily t'over (US\$m)	0.7

Price Performance (%)

52-week high/low			S\$1.090/S\$0.395	
1mth	3mth	6mth	1yr	YTD
(22.9)	(51.2)	(53.7)	(40.4)	(38.2)

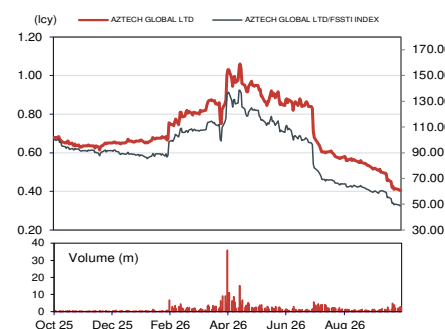
Major Shareholders (%)

Michael Mun Hong Yew	70.3
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Balance Sheet

NAV/Share (\$)	0.31
Net Cash/Share (\$)	0.09

Share Price



Source: UOB Kay Hian

Company Description

Aztech Global designs and manufactures IoT devices and data-communication products. It operates three R&D centres and two manufacturing facilities in Asia, serving customers across security, consumer, communications, medical and renewable energy markets.

- **NPI pipeline continues to support diversification.** Aztech secured 19 new project orders and added five new customers in 9M26 across the consumer, communications, security and renewable energy segments. Compared with 13 orders and four customers in 1H26, this implies six additional orders and one new customer in 3Q26. These wins broaden the customer base, though revenue contribution depends on the pace of commercialisation.
- **Commercialisation remains the priority.** Seventeen projects entered commercial production in 9M26, including 10 secured in 2025, vs 13 in 1H26. Contributions from newly onboarded customers have only partly offset weaker existing orders, and management expects conditions to stay challenging amid competition, tariffs and supply chain uncertainty. Aztech still expects to remain profitable in 2026, barring unforeseen circumstances.
- **Building new products alongside the core business.** Aztech's "One Platform, Two Engines" strategy pairs its turnkey electronics design and manufacturing services with proprietary Vision Technology and Intelligent Lighting solutions. It launched a body worn camera in Oct 26 and is developing a Smart Badge Camera and a surveillance camera with facial recognition. These could diversify revenue and support margins, but their financial contribution has not been disclosed.
- **Healthy net cash position.** Net cash stood at S\$186.9m at end-Sep 26 after S\$88.8m of dividend payments, comprising cash of S\$70.7m and short-term investments of S\$129.2m, less S\$13.0m of bank debt and leases. 9M26 operating cash flow and free cash flow were S\$12.8m and S\$12.4m respectively (9M25: S\$16.1m and S\$14.5m).

Earnings Revision/Risk

- **We keep our 2026 forecasts unchanged, but cut our 2027/28 revenue forecasts by 2%/6% respectively,** reflecting a slower order recovery amid intensifying competition. Correspondingly, we lower our 2027/28 earnings forecasts by 15%/24% respectively, on lower revenue and higher operating expenses from sustained R&D investment.
- **Risks** include further order losses, slower NPI conversion, tariff and supply chain disruptions, adverse forex and higher R&D spending.

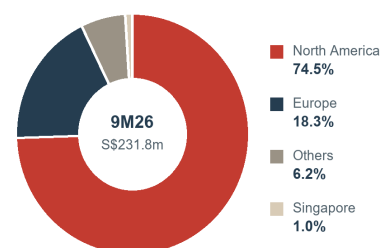
Valuation/Recommendation

- **Maintain HOLD with a lower target price of S\$0.44** (previously S\$0.73), pegged to 13.6x 2027F PE (+1.5SD above the historical mean), compared with 19x previously (+3SD above the historical mean). The lower multiple reflects a broader industry de-rating, alongside Aztech's weaker order visibility and uncertain operating environment.
- **Cash backing limits downside; visibility caps upside.** Our target implies 8.6% upside from S\$0.405. Net cash of S\$0.242/share represents 60% of the share price. We would turn more positive on clearer signs of order recovery or a faster NPI ramp up.

Share Price Catalyst

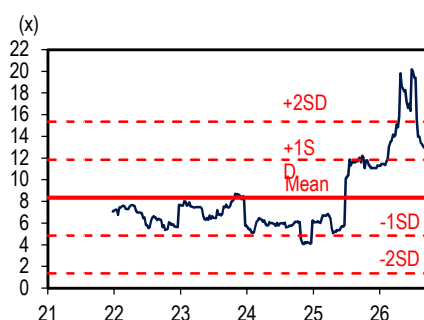
- Steady order wins and faster conversion of NPI projects into revenue.
- Better-than-expected forex gains and cost management, or a dividend surprise.

9M26 Geographical Revenue



Source: Aztech

Historical PE Band



Source: Bloomberg

Profit & loss

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Net turnover	432.5	315.6	339.5	360.2
EBITDA	47.4	25.6	29.7	33.5
Deprec. & amort.	7.6	7.6	6.0	4.8
EBIT	39.8	18.0	23.7	28.7
Total other non-operating income	2.2	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	5.8	5.7	6.2	6.4
Pre-tax profit	47.8	23.7	29.9	35.2
Tax	(7.6)	(3.8)	(4.8)	(5.6)
Minorities	0.0	0.0	0.0	0.0
Net profit	40.2	20.0	25.2	29.6
Net profit (adj.)	40.2	20.0	25.2	29.6

Cash flow

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Operating	38.5	27.3	36.6	33.0
Pre-tax profit	47.8	23.7	29.9	35.2
Tax	(10.0)	(10.4)	(3.0)	(4.1)
Deprec. & amort.	7.6	7.6	6.0	4.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	0.5	6.3	3.7	(2.9)
Non-cash items	(7.4)	0.0	0.0	0.0
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(116.1)	6.6	4.8	4.8
Capex (growth)	(1.7)	(1.7)	(1.7)	(1.7)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.7	0.0	0.0	0.0
Others	(116.1)	8.4	6.6	6.6
Financing	(91.8)	(97.6)	(19.6)	(23.2)
Dividend payments	(84.9)	(88.8)	(19.3)	(23.2)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(9.1)	(7.9)	0.0	0.0
Others/interest paid	2.2	(0.9)	(0.4)	(0.1)
Net cash inflow (outflow)	(169.4)	(63.7)	21.8	14.6
Beginning cash & cash equivalent	292.1	123.3	69.5	85.1
Changes due to forex impact	0.6	9.8	(6.2)	(6.4)
Ending cash & cash equivalent	123.3	69.5	85.1	93.3

Balance Sheet

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Fixed assets	27.6	21.7	17.5	14.4
Other LT assets	0.4	0.0	0.0	0.0
Cash/ST investment	123.3	69.5	90.7	109.5
Other current assets	277.1	231.6	233.5	244.7
Total assets	428.3	322.8	341.7	368.6
ST debt	2.3	1.8	1.9	1.9
Other current liabilities	122.6	75.3	80.9	90.4
LT debt	7.5	0.0	0.0	0.0
Other LT liabilities	4.3	7.4	14.8	25.7
Shareholders' equity	291.6	238.3	244.2	250.6
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	428.3	322.8	341.7	368.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.9	8.1	8.7	9.3
Pre-tax margin	11.0	7.5	8.8	9.8
Net margin	9.3	6.3	7.4	8.2
ROA	8.9	5.3	7.6	8.3
ROE	12.7	7.5	10.4	12.0
Growth				
Turnover	(30.4)	(27.0)	7.6	6.1
EBITDA	(39.1)	(45.9)	16.0	12.8
Pre-tax profit	(41.1)	(50.3)	26.1	17.5
Net profit	(43.0)	(50.3)	26.1	17.5
Net profit (adj.)	(43.0)	(50.3)	26.1	17.5
EPS	(43.0)	(50.3)	26.1	17.5
Leverage				
Debt to total capital	3.3	0.8	0.8	0.8
Debt to equity	3.4	0.8	0.8	0.8
Net debt/(cash) to equity	(38.9)	(28.4)	(36.4)	(42.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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