Plover Bay Technologies (1523 HK)

Takeaways From Luncheon: Positive Business Outlook

Highlights

- We held a luncheon with Plover Bay. Management remains positive on the business outlook and sees ample opportunities from its recently launched Orbit series, physical AI applications and upcoming edge AI products.
- Regarding investors' concern about SpaceX's exclusion of Chinese nationals from its supply chain, there is no impact as Plover Bay is not its supplier. Management sees this as an opportunity, backed by its proven record of navigating challenges as an adaptive player.
- Maintain BUY and DCF-based target price of HK$9.86.

Analysis

- **Large-scale deployment boosts subscription take-up rates.** Management highlighted that central management for large fleets is operationally necessary and mission-critical (such as hundreds and thousands of branches for an enterprise), compared with optional subscriptions for small deployment. We see Plover Bay's continued software upgrades and solid pipeline for large-scale projects across different markets supporting higher subscription take-up rates (41.4% in Jun 26) in the future.
- **Opportunities from the Orbit Series and physical AI.** Plover Bay recently launched its Orbit Series products that bond multiple satellite connections such as Starlink, OneWeb and Iridium. In addition, it has seen meaningful physical AI applications such as mega infrastructure and tele-operated services that drove meaningful growth of its high-end products in 1H26. We see its Orbit Series and physical AI applications across verticals as emerging growth drivers ahead.
- **Edge AI products on the road.** Plover Bay sees edge AI products as a natural extension of its multi-WAN technology and is developing purpose-built products to provide reliable and mission-critical connectivity for AI workload at the edge.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	117	130	153	177	204
EBITDA	47	55	66	77	89
Operating profit	44	52	64	75	87
Net profit (rep./act.)	38	45	56	65	76
Net profit (adj.)	38	45	56	65	76
EPS (cents)	3.5	4.1	5.0	5.9	6.9
P/E (x)	30.9	25.9	21.2	18.1	15.6
P/B (x)	20.9	20.0	19.1	16.7	14.7
EV/EBITDA (x)	24.1	20.5	17.1	14.5	12.9
Dividend yield (%)	3.6	4.2	4.6	5.2	6.1
Net margin (%)	32.6	34.9	36.5	36.8	37.3
Net debt to equity (%)	(97.4)	(92.1)	(85.3)	(87.5)	(88.6)
Interest cover (x)	151.3	202.4	329.7	245.0	290.4
ROE (%)	71.4	78.9	92.3	98.2	100.5
Consensus net profit	-	-	56	65	76
UOBKH/Consensus (x)	-	-	1.00	1.00	1.00

Source: Plover Bay, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	HK$8.34
Target Price	HK$9.86
Upside	18.2%

Analyst(s)

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Stock Data

GICS sector	Information Technology
Bloomberg ticker	1523 HK
Shares issued (m)	1,106
Market cap (HK$m)	9,926
Market cap (US$m)	1,183
3-mth avg daily t'over (US$m)	1.4

Price Performance (%)

52-week high/low: HK$9.85HK$5.66

1mth	3mth	6mth	1yr	YTD
4.9	10.8	20.5	26.1	40.4

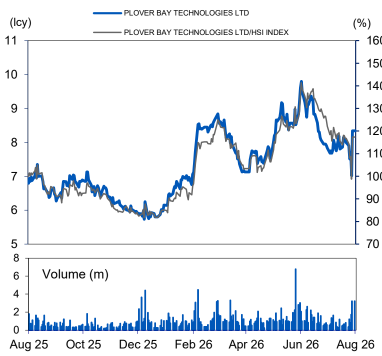
Major Shareholders

	%
Chan Wing Hong Alex	68.9%

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.06
FY26 Net Debt/Share (US$)	(0.05)

Price Chart



Source: Bloomberg

Company Description

Plover Bay specialises in the R&D of connectivity hardware and software, services and the sale of add-on software licences, warranty and support services.

- **Concerns about SpaceX excluding Chinese nationals from the supply chain.** Regarding investors' concern about SpaceX moving Chinese nationals out of the supply chain, there is no impact as Plover Bay is not its supplier, management sees this as an industry-wide challenge and an opportunity for adaptive players like Plover Bay with a proven record of navigating challenges, such as COVID-19 and US tariffs.

Earnings Revision

- We keep our earnings forecasts unchanged.

Valuation/Recommendation

- **Maintain BUY with a target price of HK$9.86,** based on 10-year DCF model, assuming a 9.9% WACC and 2% terminal growth rate. The current price implies 18.1x 2027F PE, which is about 1SD above its historical mean of 13.6x, and a 4.6%/5.2%/6.1% dividend yield in 2026-28 respectively, assuming a payout ratio of 95%.

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	**130**	**153**	**177**	**204**
EBITDA	55	66	77	89
Deprec. & amort.	(3)	(2)	(2)	(2)
EBIT	**52**	**64**	**75**	**87**
Total other non-operating income	1	1	2	2
Net interest income/(expense)	1	1	1	1
Pre-tax profit	**54**	**67**	**78**	**91**
Tax	(9)	(11)	(13)	(15)
Minorities	-	-	-	-
Net profit	**45**	**56**	**65**	**76**
Net profit (adj.)	**45**	**56**	**65**	**76**

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	3	3	2	2
Other LT assets	2	2	3	3
Cash/ST investment	56	61	69	79
Other current assets	57	65	73	81
Total assets	**118**	**131**	**147**	**165**
ST debt	1	7	7	7
Other current liabilities	45	48	56	64
LT debt	1	1	1	1
Other LT liabilities	11	13	13	13
Shareholders' equity	59	62	71	81
Minority interest	0	0	0	0
Total liabilities & equity	**118**	**131**	**147**	**165**

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**52**	**54**	**68**	**78**
Pre-tax profit	54	67	78	91
Tax	(9)	(11)	(13)	(15)
Deprec. & amort.	3	2	2	2
Working capital changes	(2)	(4)	0	(0)
Other operating cashflows	6	0	0	0
Investing	**(8)**	**(2)**	**(2)**	**(2)**
Capex (growth)	(1)	(2)	(2)	(2)
Others	(7)	-	-	-
Financing	**(54)**	**(48)**	**(58)**	**(67)**
Dividend payments	(44)	(53)	(57)	(66)
Issue of shares	1	-	-	-
Proceeds from borrowings	-	6	-	-
Loan repayment	(9)	-	-	-
Others/interest paid	(2)	(1)	(1)	(1)
Net cash inflow (outflow)	**(10)**	**4**	**9**	**9**
Beginning cash & cash equivalent	66	56	61	69
Changes due to forex impact	0	-	-	-
Ending cash & cash equivalent	**56**	**61**	**69**	**79**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	57.0	58.2	58.4	58.5
Pre-tax margin	40.0	41.8	42.3	42.8
Net margin	34.9	36.5	36.8	37.3
ROE	78.9	92.3	98.2	100.5
ROA	39.8	44.8	46.8	48.6
Growth				
Turnover	11.4	17.4	15.7	15.2
Gross profit	15.5	19.9	16.1	15.3
Pre-tax profit	19.9	22.7	16.7	16.6
Net profit	19.5	22.7	16.7	16.6
EPS	19.3	22.4	16.7	16.6
Leverage				
Debt to total capital	1.7	5.9	5.1	4.5
Debt to equity	3.3	12.4	10.7	9.2
Net debt/(cash) to equity	(92.1)	(85.3)	(87.5)	(88.6)
Interest cover	202.4	329.7	245.0	290.4

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