Aztech Global (AZTECH SP)

2Q26: Weak Results And Outlook As Competition Heats Up; Downgrade To HOLD

Highlights

- 2Q26 earnings of S$5.4m (-36% yoy; +35% qoq) are below our expectation, bringing 1H26 earnings of S$9.4m to form 22% of our full-year estimate.
- Revenue declined by 40% yoy in 2Q26 due to reduced customer demand from higher competition. Aztech expects near-term demand softness in 2H26.
- Downgrade to HOLD with a 45% lower target price of S$0.73. We cut 2026 and 2027 EPS by 54% and 41% to reflect the challenging business outlook.

2Q26 Results

Year to 31 Dec (S$m)	2Q26	2Q25	yoy%
Revenue	87	143	(40)
PBT	7	17	(57)
PBT margin (%)	8.4%	11.9%	(3.5ppt)
Net profit	5.4	14.6	(63)
Net profit margin (%)	6.2%	10.2%	(4.0ppt)

Source: Aztech

Analysis

- **2Q26 earnings below expectations.** Aztech Global's (Aztech) 2Q26 net profit of S$5.4m (-36% yoy; +35% qoq) is in line with our expectation, bringing 1H26 earnings of S$9.4m to form 22% of our full-year estimate. Revenue and profit declined yoy due to reduced volume from existing customers from increased competition. Net profit fell 63% yoy due to lower revenue, reduced interest income of S$0.7m and foreign exchange loss of $1.2m.
- **Challenging business outlook for the near term.** Aztech expects softer customer demand for 2H26. While Aztech maintained its NPI pipeline, the ramp-up and revenue contribution from these projects are expected to be gradual. Contributions from these projects in the near term will not fully offset the lower order volume from existing customers arising from increased competition. The operating environment is expected to remain challenging amid ongoing macroeconomic and geopolitical uncertainties, evolving trade dynamics, cost pressures and limited visibility on customer demand.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	622	433	316	347	382
EBITDA	78	47	26	35	44
Operating profit	68	40	18	29	40
Net profit (rep./act.)	71	40	20	29	39
Net profit (adj.)	71	40	20	29	39
EPS (S$ cent)	9.1	5.2	2.6	3.8	5.0
PE (x)	9.1	15.9	32.1	21.7	16.5
P/B (x)	1.9	2.2	2.7	2.7	2.7
EV/EBITDA (x)	7.2	11.8	21.8	16.0	12.5
Dividend yield (%)	18.1	14.5	4.8	5.2	5.2
Net margin (%)	11.3	9.3	6.3	8.5	10.1
Net debt/(cash) to equity (%)	(81.9)	(38.9)	(35.1)	(52.4)	(63.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	20.6	12.7	7.6	12.6	16.4
Consensus net profit (S$m)	-	-	44	48	51
UOBKH/Consensus (x)	-	-	0.46	0.61	0.76

Source: Aztech, Bloomberg, UOB Kay Hian

HOLD (Downgraded)

Share Price	S$0.83
Target Price	S$0.73
Upside	-12.6%
Previous TP	S$1.32

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Stock Data

GICS Sector	Information Technology
Bloomberg ticker	AZTECH SP
Shares issued (m)	771.8
Market cap (S$m)	521.0
Market cap (US$m)	401.9
3-mth avg daily t'over (US$m)	0.5

Price Performance (%)

52-week high/low S$1.04/S$0.495

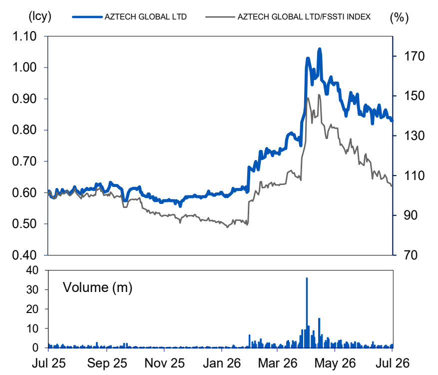
1mth	3mth	6mth	1yr	YTD
(0.7)	14.4	(6.9)	(34.5)	(4.3)

Major Shareholders	**%**
Michael Mun Hong Yew	70.3

Balance Sheet Metrics

FY25 NAV/Share (S$)	0.44
FY25 Net Cash/Share (S$)	0.36

Price Chart



Source: Bloomberg

Company Description

Aztech Global is an electronics manufacturer with 34 years of proven track record in adapting to evolving trends and transforming from an OEM into a full-fledged manufacturer.

- **Aztech maintained its New Product Introduction (NPI) pipeline during 1H26,** securing 13 new project orders and adding four new customers across the security, consumer and renewable energy segments. In 1H26, 13 projects progressed to commercial production. These developments form part of Aztech's ongoing customer and revenue diversification efforts, with contributions expected to build gradually over the medium term.

Valuation/Recommendation

- **Downgrade to HOLD with a 45% lower target price of S$0.73,** after our downward earnings revisions following weaker-than-expected results. Our target price is pegged to 19x 2027F PE, or 3 SD above Aztech's long-term historical mean PE. Our previous valuation was 20x 2027F PE.

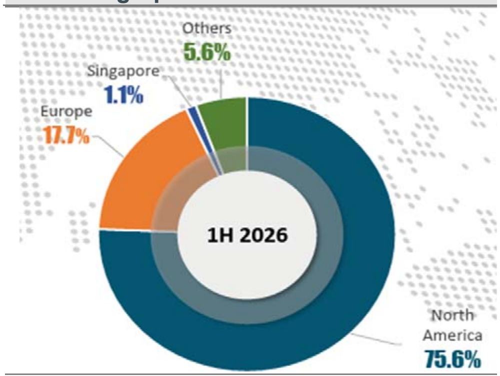
Earnings Revision/Risk

- **We cut our 2026/27/28 revenue forecasts by 34%/33%/30% respectively,** following weaker-than-expected 2Q26 results and challenging business outlook, which indicate weaker customer demand. Correspondingly, we lower our 2026/27/29 earnings forecasts by 54%/41%/28% respectively.

Share Price Catalyst

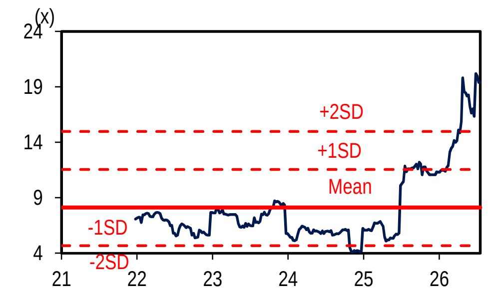
- Steady order wins.
- Better-than-expected forex gain and cost management.
- Dividend surprise.

1H26 Geographical Revenue Breakdown



Source: Aztech

Historical PE Band



Source: Bloomberg

Peer Comparison

Company	Ticker	Trading Curr (lcy)	Price @ 28 Jul 26 (lcy)	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	P/B 2026 (x)	P/B 2027 (x)	EV/EBITDA 2026 (x)	EV/EBITDA 2027 (x)	ROE 2026 (%)	Yield 2026 (%)
Singapore Peers												
AEM	AEM SP	SGD	8.04	1,987	39.6	31.4	4.7	4.2	26.8	22.0	12.5	0.6
Frencken	FRKN SP	SGD	2.46	817	23.3	21.6	2.1	1.9	11.8	11.0	9.1	1.3
Fu Yu	FUYU SP	SGD	0.094	55	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
UMS	UMSH SP	SGD	2.27	1,559	34.5	27.4	4.5	4.2	20.7	17.3	13.3	2.2
Valuetronics	VALUE SP	SGD	1.08	341	16.8	15.4	1.8	1.8	5.7	5.5	10.9	6.0
Venture Corp	VMS SP	SGD	15.87	3,526	19.2	18.2	1.6	1.6	11.7	11.1	8.5	5.0
Average					26.7	22.8	2.9	2.8	15.3	13.4	10.9	3.0
Malaysia Peers												
V.S. Industry	VSI MK	MYR	0.22	207	n.a.	11.6	0.4	0.4	4.9	2.8	(0.0)	1.4
Wavefront	WAVEFRNT MK	MYR	0.12	35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Skp Resources	SKP MK	MYR	0.32	120	12.8	9.1	0.5	0.5	1.7	1.3	3.8	3.1
Average					12.8	10.4	0.5	0.4	3.3	2.1	1.9	2.2
Aztech	AZTECH SP	SGD	0.83	495	32.1	21.7	2.7	2.7	21.8	16.0	7.6	4.8

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	432.5	315.6	347.3	382.2
EBITDA	47.4	25.6	34.8	44.5
Deprec. & amort.	7.6	7.6	6.0	4.8
EBIT	39.8	18.0	28.9	39.7
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	35.0	46.1
Tax	(7.6)	(3.8)	(5.6)	(7.3)
Minorities	0.0	0.0	0.0	0.0
Net profit	40.2	20.0	29.5	38.8
Net profit (adj.)	40.2	20.0	29.5	38.8

Balance Sheet

Year to 31 Dec (S$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	84.2	124.0	153.4
Other current assets	277.1	231.6	235.4	250.7
Total assets	428.3	337.5	376.9	418.5
ST debt	2.3	1.8	1.8	1.9
Other current liabilities	122.6	75.3	84.0	98.3
LT debt	7.5	0.0	0.0	0.0
Other LT liabilities	4.3	25.9	58.1	79.7
Shareholders' equity	291.6	234.5	233.1	238.7
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	428.3	337.5	376.9	418.5

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	38.5	27.3	42.2	43.5
Pre-tax profit	47.8	23.7	35.0	46.1
Tax	(10.0)	(10.4)	(2.3)	(4.2)
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	3.6	(3.3)
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)	(101.5)	(31.3)	(33.3)
Dividend payments	(84.9)	(92.6)	(30.9)	(33.2)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(9.1)	(8.0)	(0.0)	0.0
Others/interest paid	2.2	(0.9)	(0.4)	(0.1)
Net cash inflow (outflow)	(169.4)	(67.5)	15.8	15.0
Beginning cash & cash equivalent	292.1	123.3	55.8	71.6
Changes due to forex impact	0.6	0.0	0.0	0.0
Ending cash & cash equivalent	123.3	55.8	71.6	86.6

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.9	8.1	10.0	11.6
Pre-tax margin	11.0	7.5	10.1	12.1
Net margin	9.3	6.3	8.5	10.1
ROA	8.9	5.2	8.3	9.8
ROE	12.7	7.6	12.6	16.4
Growth				
Turnover	(30.4)	(27.0)	10.0	10.0
EBITDA	(39.1)	(45.9)	35.9	27.8
Pre-tax profit	(41.1)	(50.3)	47.6	31.6
Net profit	(43.0)	(50.3)	47.6	31.6
Net profit (adj.)	(43.0)	(50.3)	47.6	31.6
EPS	(43.0)	(50.3)	47.6	31.6
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)	(35.1)	(52.4)	(63.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.