

AoFrio

1Q26: Cold Start From Tariff Chill

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AoFrio (AOF) delivered a weak 1Q26 trading update, reflecting: US tariff pressure; a major Motors customer choosing to onshore supply; and an unusually strong prior comparable period, when 1Q25 revenue grew +44% year-on-year. AOF's Internet of Things (IoT) controller business was broadly stable, while Motors was the source of weakness. The resulting mix shift lifted group gross margin, but EBITDA still fell to -NZ\$0.4m from NZ\$1.5m in 1Q25 as operating leverage unwound. The disappointing start to FY26 does not change the SaaS investment case, but leaves it unproven. The main 2H26 test is SCS800 and AoFrio iQ converting from product launches into orders, invoicing, and cash. Food Retail is now commercially live, while SCS800 and AoFrio iQ remain on track for commercial release in 2Q26. We trim FY26 Motors estimates, partly offset by higher IoT expectations as launch timing firms, but remain below company expectations for FY26 revenue and EBITDA growth. Our base case Future One valuation falls -2% to NZ\$0.106, while our blended spot valuation falls -2% to NZ\$0.128, including a risked contribution from Future Two. Future Two funding has not progressed publicly since the December 2025 Investor Day.

NZX code	AOF	Financials: Dec/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.074	Rev (NZ\$m)	83.9	79.7	88.8	101.4	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.128 (from 0.131)	NPAT* (NZ\$m)	-2.1	-3.5	-3.5	-3.0	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	High	EPS* (NZc)	-0.5	-0.8	-0.8	-0.7	EV/EBITDA	11.8	14.3	11.8	9.4
Issued shares	434.2m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	n/a	n/a	n/a	n/a
Market cap	NZ\$32.1m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	92.0k (NZ\$8k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** We cut EBITDA estimates by -NZ\$0.4m/-NZ\$0.2m/-NZ\$0.1m across FY26/FY27/FY28 respectively.
- **Spot valuation:** Our blended spot valuation falls -2% to NZ\$0.128, with lower earnings estimates partly offset by peer multiples.

Revenue falls, gross margin lifts on mix change

Total revenue fell -28% year-on-year to NZ\$17.2m in 1Q26. Motors was the key driver, with revenue declining -53% to NZ\$5.7m as tariffs and customer onshoring reduced volumes, while IoT revenue was broadly stable at NZ\$11.4m (-3%). The affected customer represented ~US\$5.6m of FY25 Motors revenue, or ~7% of group sales, explaining only part of the Motors decline. Mix shift toward higher-margin IoT revenue lifted gross margin to 34.8% from 31.1% in 1Q25. EBITDA declined to -NZ\$0.4m from NZ\$1.5m in 1Q25, as operating deleverage and a +8% increase in operating costs to NZ\$6.4m more than offset the gross margin improvement from mix.

Launches need to convert

SCS800 and AoFrio iQ are on track for commercial release in 2Q26, with first revenues expected around mid-year. The Food Retail product is live and has secured an order from a Latin American supermarket after a successful proof-of-concept trial. This provides early validation, but repeatable deployments and broader customer acceptance are still needed before the SaaS thesis de-risks.

Guidance for FY26 growth reiterated

Management reiterated its expectation for FY26 revenue and EBITDA to improve against FY25, when revenue was NZ\$83.2m and EBITDA was NZ\$3.5m. AOF expects 2Q26 revenue to be broadly in line with 2Q25, implying 1H26 revenue of ~NZ\$36.3m. AOF ended 1Q26 with NZ\$1.4m cash (FY25: NZ\$1.3m). Operating cash flow of +NZ\$1.9m against EBITDA of -NZ\$0.4m implies a ~NZ\$2.3m working capital inflow, consistent with upfront multi-year IoT/SaaS billings supporting reported cash balances.

AoFrio Limited (AOF)

Market Data (NZ\$)						Spot valuation (NZ\$)				
Priced as at 13 May 2026					0.074	Future One blended valuation (80% weight)				0.106
52 week high / low					0.108 / 0.064	Future Two valuation (20% weight)				0.219
Market capitalisation (NZ\$m)					32.1					
Key WACC assumptions						DCF valuation summary (NZ\$m)				
Risk free rate					5.00%	Total firm value				56
Equity beta					1.10	(Net debt)/cash				(8)
WACC					13.2%	Less: Capitalised operating leases				(4)
Terminal growth					1.5%	Value of equity				44
Profit and Loss Account (NZ\$m)						Valuation Ratios				
Revenue	2024A	2025A	2026E	2027E	2028E	2024A	2025A	2026E	2027E	2028E
Normalised EBITDA	2.5	3.5	3.3	4.2	5.2	EV/Sales (x)	0.5	0.5	0.6	0.6
Depreciation and amortisation	2.8	3.6	4.4	4.8	5.1	EV/EBITDA (x)	15.2	11.8	14.3	11.8
Normalised EBIT	(0.3)	(0.1)	(1.1)	(0.7)	0.1	EV/EBIT (x)	n/a	n/a	n/a	n/a
Net interest	(1.6)	(1.9)	(2.4)	(2.9)	(3.1)	PE (x)	n/a	n/a	n/a	n/a
Associate income	-	-	-	-	-	Price/NTA (x)	10.9	n/a	n/a	n/a
Tax	(0.0)	0.1	-	-	-	Free cash flow yield (%)	-1.0	-17.3	-14.8	-4.3
Minority interests	-	-	-	-	-	Adj. free cash flow yield (%)	-1.0	-17.3	-14.8	-4.3
Normalised NPAT	(1.9)	(2.1)	(3.5)	(3.5)	(3.0)	Net dividend yield (%)	0.0	0.0	0.0	0.0
Abnormals/other	-	-	-	-	-	Gross dividend yield (%)	0.0	0.0	0.0	0.0
Reported NPAT	(1.9)	(2.1)	(3.5)	(3.5)	(3.0)	Capital Structure				
Normalised EPS (cps)	(0.4)	(0.5)	(0.8)	(0.8)	(0.7)	2024A	2025A	2026E	2027E	2028E
DPS (cps)	-	-	-	-	-	Interest cover EBIT (x)	n/a	n/a	n/a	n/a
						Interest cover EBITDA (x)	1.5	1.8	1.4	1.4
						Net debt/ND+E (%)	10.2	29.0	43.9	52.4
						Net debt/EBITDA (x)	1.0	2.3	4.0	3.5
Growth Rates						Key Ratios				
2024A	2025A	2026E	2027E	2028E		2024A	2025A	2026E	2027E	2028E
Revenue (%)	19.1	4.5	-5.0	11.4	14.2	Return on assets (%)	-0.4	-0.2	-1.6	-0.9
EBITDA (%)	>100	39.3	-6.9	27.3	25.3	Return on equity (%)	-8.6	-10.4	-21.2	-27.2
EBIT (%)	n/a	n/a	n/a	n/a	n/a	Return on funds employed (%)	-5.9	-5.9	-9.8	-10.1
Normalised NPAT (%)	n/a	n/a	n/a	n/a	n/a	EBITDA margin (%)	3.1	4.2	4.1	4.7
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a	EBIT margin (%)	-0.3	-0.1	-1.4	-0.7
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a	Capex to sales (%)	7.4	10.8	9.2	7.7
						Capex to depreciation (%)	-724	-957	-728	-682
						Imputation (%)	0	0	0	0
						Pay-out ratio (%)	0	0	0	0
Cash Flow (NZ\$m)						Operating Performance				
2024A	2025A	2026E	2027E	2028E		2024A	2025A	2026E	2027E	2028E
EBITDA	2.5	3.5	3.3	4.2	5.2	Motors revenue	36.4	36.1	25.7	29.1
Working capital change	6.5	1.6	2.1	4.5	6.1	IoT revenue	43.3	47.1	53.1	58.8
Interest & tax paid	(1.7)	(0.7)	-	-	-	Total segment revenue	79.7	83.2	78.8	87.9
Other	(1.5)	(0.5)	(2.4)	(2.9)	(3.1)	Motors gross profit	5.6	6.4	5.5	5.8
Operating cash flow	5.8	3.8	2.9	5.8	8.2	Segment gross margin (%)	15%	18%	22%	20%
Capital expenditure	(5.9)	(9.1)	(7.3)	(6.9)	(6.9)	IoT gross profit	17.6	20.0	21.0	22.0
(Acquisitions)/divestments	-	-	-	-	-	Segment gross margin (%)	41%	43%	40%	38%
Other	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	Total segment gross profit	23.2	26.4	26.5	27.9
Funding available/(required)	(0.3)	(5.6)	(4.8)	(1.4)	1.0	Gross margin (%)	29%	32%	34%	32%
Dividends paid	-	-	-	-	-					
Equity raised/(returned)	-	-	-	-	-	Motors EBITDA	1.5	2.4	1.9	2.6
(Increase)/decrease in net debt	(0.3)	(5.6)	(4.8)	(1.4)	1.0	IoT EBITDA	10.3	11.3	11.1	11.8
						Unallocated (corporate) EBITDA	-9.2	-10.2	-9.8	-10.3
						Total EBITDA	2.5	3.5	3.3	4.2
						EBITDA margin (%)	3%	4%	4%	5%
Balance Sheet (NZ\$m)										
2024A	2025A	2026E	2027E	2028E						
Working capital	5.8	5.6	5.3	4.7	4.2					
Fixed assets	5.8	6.1	6.5	7.1	7.8					
Intangibles	19.0	24.1	27.0	29.0	30.4					
Right of use asset	-	-	-	-	-					
Other assets	10.4	10.6	10.6	10.6	10.6					
Total funds employed	41.0	46.4	49.5	51.3	53.0					
Net debt/(cash)	2.5	8.2	13.0	14.3	13.4					
Lease liability	4.0	4.0	4.1	4.1	4.3					
Other liabilities	17.2	18.3	20.1	24.0	29.5					
Shareholder's funds	17.3	15.9	12.4	8.8	5.9					
Minority interests	-	-	-	-	-					
Total funding sources	41.0	46.4	49.5	51.3	53.0					

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Earnings revisions

We revise our forecasts following AOF's 1Q26 update. We lower our FY26 Motors revenue estimate -20% to NZ\$25.7m, assuming the weak 1Q26 run rate persists into 2Q26 before a partial 2H26 recovery as tariff pressure eases and new fan-pack products begin to contribute. We lift our FY26 Internet of Things (IoT) revenue forecast by +7% to NZ\$53.1m, reflecting NZDUSD tailwinds (year-to-date average rate of 0.588 versus management's assumed 0.606) and improved timing confidence, with SCS800 and AoFrio iQ on track for commercial release in 2Q26; we assume first commercial contribution from 1 June 2026.

Our FY26 revenue forecast falls -3% to NZ\$78.8m, below management's expectation for growth against FY25, although a richer mix toward higher-margin IoT supports gross margin. We modestly increase opex assumptions following 1Q26 trends, reducing our FY26 EBITDA forecast by NZ\$0.4m to ~NZ\$3.3m. This is slightly below FY25 EBITDA of NZ\$3.5m and therefore inconsistent with management's expectation for growth. We need proof points from the SCS800 and AoFrio iQ commercial launches before giving credit for a stronger 2H26.

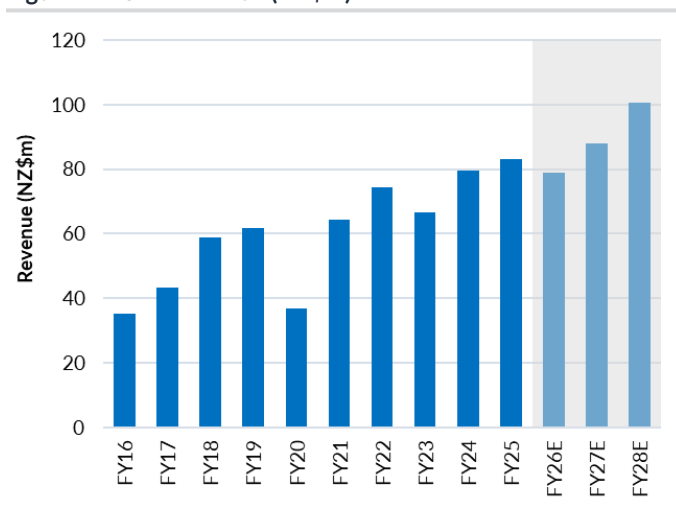
Beyond FY26, our forecasts reset from a lower base, with FY27/FY28 revenue falling -3%/-2% and EBITDA lowered by NZ\$0.2m/NZ\$0.1m respectively. Our medium-term outlook remains broadly unchanged, with FY30 revenue of NZ\$134.0m and an EBITDA margin of ~7%.

Figure 1. Earnings revisions

	FY25 Actual	Old	FY26 New	Change	Old	FY27 New	Change	Old	FY28 New	Change
Revenue	83.2	81.4	78.8	-3%	90.6	87.9	-3%	102.5	100.5	-2%
COGS	(56.8)	(55.4)	(52.3)	-6%	(62.3)	(60.0)	-4%	(71.2)	(69.5)	-2%
Gross profit	26.4	26.0	26.5	+2%	28.3	27.9	-1%	31.3	31.0	-1%
FX gain (loss)	(0.2)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Other income	0.9	0.9	0.9	+0%	0.9	0.9	+0%	0.9	0.9	+0%
Opex	(23.6)	(23.2)	(24.1)	+4%	(24.7)	(24.6)	-0%	(26.8)	(26.6)	-1%
EBITDA	3.5	3.7	3.3	-11%	4.5	4.2	-7%	5.3	5.2	-3%
Depreciation	(0.9)	(1.0)	(1.0)	n/a	(1.0)	(1.0)	n/a	(1.0)	(1.0)	n/a
Amortisation	(2.7)	(3.4)	(3.4)	n/a	(3.8)	(3.8)	n/a	(4.1)	(4.1)	n/a
EBIT	(0.1)	(0.7)	(1.1)	n/a	(0.4)	(0.7)	n/a	0.2	0.1	n/a
Finance income	0.1	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Finance expenses	(2.0)	(2.4)	(2.4)	+0%	(2.9)	(2.9)	-0%	(3.1)	(3.1)	n/a
PBT	(2.0)	(3.1)	(3.5)	n/a	(3.3)	(3.5)	n/a	(2.9)	(3.0)	n/a
Tax	(0.1)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.00	n/a
NPAT	(2.1)	(3.1)	(3.5)	n/a	(3.3)	(3.5)	n/a	(2.9)	(3.0)	n/a

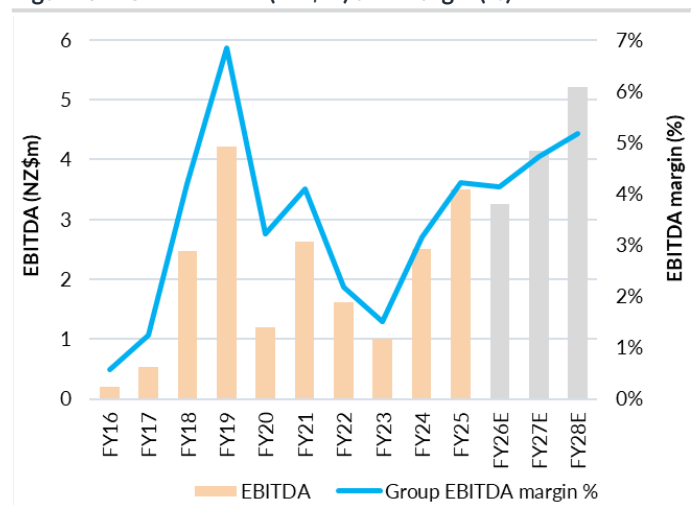
Source: Forsyth Barr analysis

Figure 2. AOF—Revenue (NZ\$m)



Source: Company, Forsyth Barr analysis

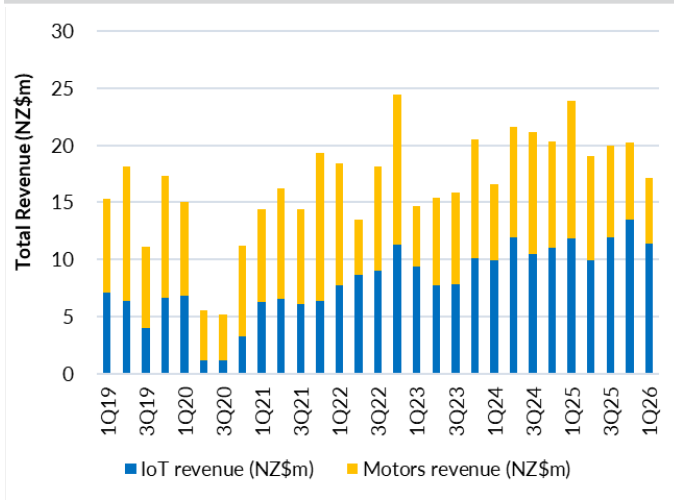
Figure 3. AOF—EBITDA (NZ\$m) and margin (%)



Source: Company, Forsyth Barr analysis

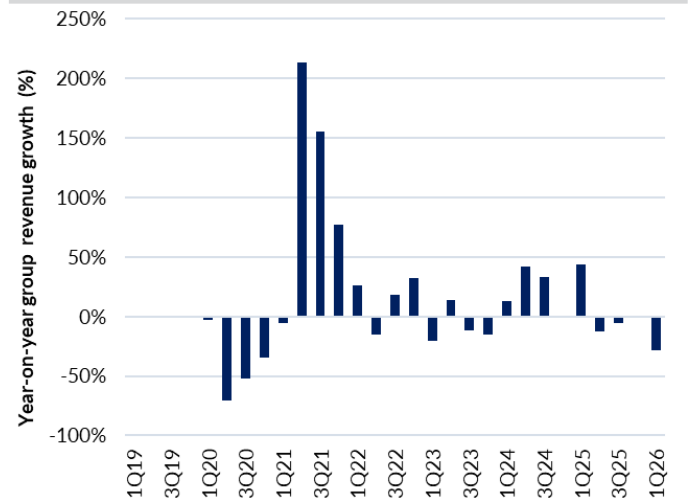
Charts of interest

Figure 4. AOF—Quarterly revenue stack (NZ\$m)



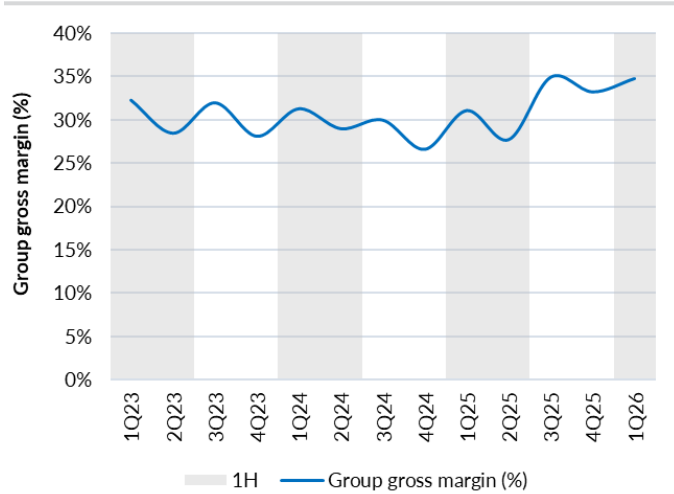
Source: Company, Forsyth Barr analysis

Figure 5. AOF—Quarterly revenue growth rate (%)



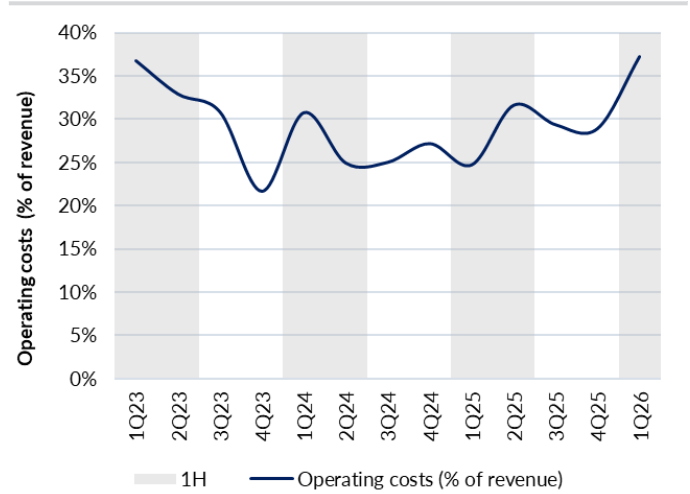
Source: Company, Forsyth Barr analysis

Figure 6. AOF—Quarterly group gross margin (%)



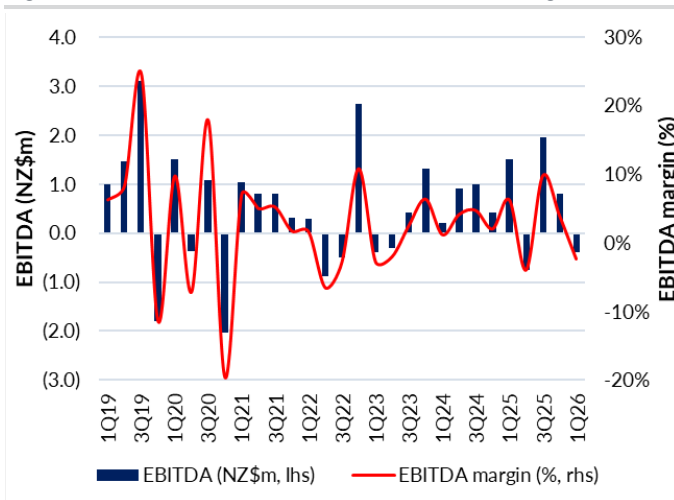
Source: Company, Forsyth Barr analysis

Figure 7. AOF—Quarterly operating cost (% of revenue)



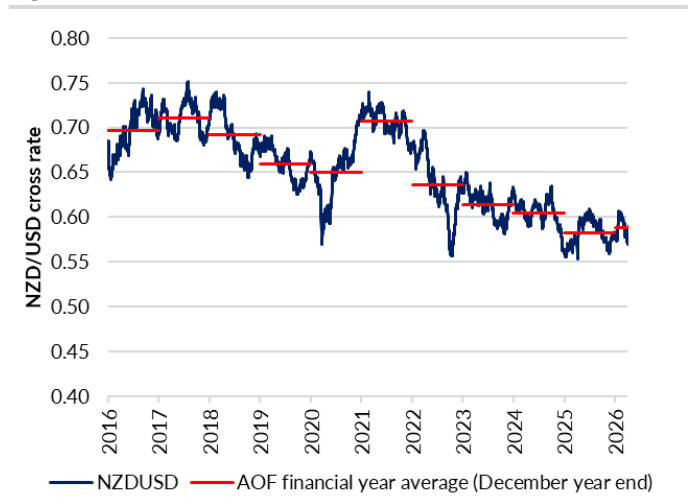
Source: Company, Forsyth Barr analysis

Figure 8. AOF—Quarterly EBITDA (NZ\$m) and margin (%)



Source: Company, Forsyth Barr analysis

Figure 9. NZD/USD cross has sat lower than expectations so far



Source: Workspace, Forsyth Barr analysis

Valuation matrix

Figure 10. Our AOF valuation matrix

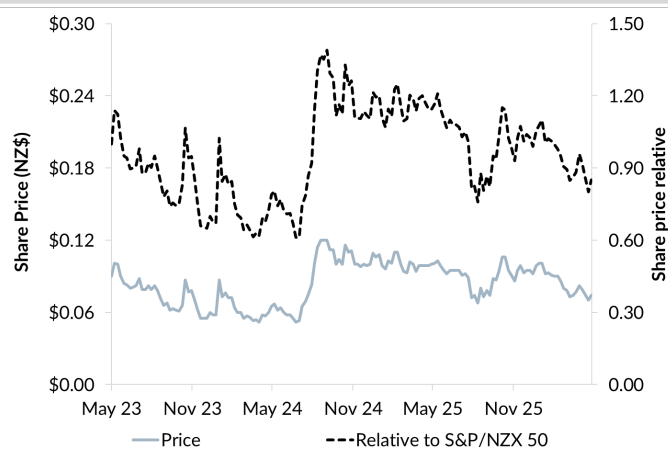
Base case (Future One) scenario				Fully funded (Future Two) scenario			
Method	Value (NZ\$)	Weight (%)	Weighted value (NZ\$)	Method	Value (NZ\$)	Weight (%)	Weighted value (NZ\$)
DCF	0.102	50%	0.051	DCF	0.219	100%	0.219
SOTP	0.109	50%	0.055				
Base case blended valuation:			0.106	Future Two valuation:			0.219

Blended spot valuation			
Scenario	Value (NZ\$)	Weight (%)	Weighted value (NZ\$)
Base case (Future One)	0.106	80%	0.085
Fully funded (Future Two)	0.219	20%	0.044
Risk weighted blended spot valuation (NZ\$):			0.128

Source: Forsyth Barr analysis

Additional data

Figure 11. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 12. Substantial shareholders

Shareholder	Latest Holding
East West Legacy	12.7%
FirstCape	9.4%
Wairahi Investments	7.1%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 13. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
AoFrio Limited	AOF NZ	NZ\$0.07	NZ\$32	<0x	<0x	12.2x	10x	<0x	<0x	0.0%
Nidec Corp	6594 JP	¥2433.00	¥2,901,520	14.8x	12.8x	8.5x	7.8x	13.4x	11.7x	1.4%
Mabuchi Motor Co	6592 JP	¥1587.50	¥413,782	18.5x	17.2x	7.1x	6.7x	10.9x	10x	3.5%
Sanyo Denki Co	6516 JP	¥7600.00	¥295,766	24.4x	21.4x	13.2x	12x	18.4x	16.1x	1.7%
Hangzhou Weiguang Electric Co	002801 CH	CN¥32.97	CN¥7,571	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Carel Industries SpA	CRL IM	€26.55	€2,987	36.9x	32.1x	20.8x	18.7x	28.7x	25.1x	0.8%
Digi International	DGII US	US\$61.53	US\$2,320	23.2x	21.3x	17x	16.1x	23.4x	22.5x	n/a
HMS Networks AB	HMS SS	kr564.00	kr28,380	35.1x	30.7x	24.3x	22x	30.7x	27.3x	1.0%
Lantronix	LTRX US	US\$6.11	US\$243	20.3x	12.8x	18.6x	n/a	63.4x	n/a	n/a
Advantech Co	2395 TT	TWD464.00	TWD401,745	28.5x	24.7x	21.1x	18.2x	22.9x	19.9x	2.8%

Source: Forsyth Barr analysis, Bloomberg. NOTE: all multiples based on Bloomberg consensus estimates. EV = market cap + net debt + lease liabilities + min interests - investments

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