NEW ZEALAND EQUITY RESEARCH | TECHNOLOGY | COMMERCIAL REFRIGERATION IOT AND CONTROLS
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AoFrio
1H26: Motors Run Cold

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AoFrio (AOF) reported a soft 1H26 result, with revenue below our forecast. EBITDA beat our expectations due to the recognition of an R&D tax incentive in the half. Excluding the incentive, an EBITDA loss of -NZ$0.3m was broadly in line with our forecast. Operationally, Motors revenue halved versus 1H25, a larger-than-expected decline, while its higher-margin IoT segment continued to grow. Management described FY26 as a transition year following completion of its staged NZ$8.9m equity raise and the commercial release of its SCS 800 cellular controller and AoFrio iQ SaaS platform in June 2026. Debt reduction, the commercial scale-up of its Food Retail solution, and the commercialisation of new IoT products were identified as near-term priorities, while previous expectations for year-on-year revenue and EBITDA growth were downgraded. With Motors expected to remain subdued, the near-term outlook is increasingly dependent on AOF translating recent product launches into orders. Our spot valuation falls -3.1cps to NZ$0.120.

NZX code	AOF
Share price	NZ$0.066
Spot Valuation	NZ$0.120 (from 0.151)
Risk rating	High
Issued shares	562.6m
Market cap	NZ$37.1m
Avg daily turnover	120.3k (NZ$10k)

Financials: Dec/	25A	26E	27E	28E
Rev (NZ$m)	83.9	75.6	87.4	105.1
NPAT* (NZ$m)	-2.1	-3.7	-3.8	-2.8
EPS* (NZc)	-0.5	-0.7	-0.7	-0.5
DPS (NZc)	0.0	0.0	0.0	0.0
Imputation (%)	0	0	0	0

*Based on normalised profits

Valuation (x)	25A	26E	27E	28E
PE	n/a	n/a	n/a	n/a
EV/EBIT	n/a	n/a	n/a	n/a
EV/EBITDA	13.3	19.3	18.3	11.9
Price / NTA	n/a	n/a	n/a	n/a
Cash div yld (%)	0.0	0.0	0.0	0.0
Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** We reduce our revenue forecasts across FY26–FY28 by -7%, primarily due to lower assumed Motors revenue.
- **Spot valuation:** Our spot valuation falls -3.1cps to NZ$0.120 on lower earnings and higher development capex.

Mix lifts margin and RDTI supports EBITDA

Group revenue declined -22% year-on-year to NZ$33.8m, as Motors revenue halved to NZ$10.6m on -53% lower volumes. AOF's higher-margin IoT revenue increased +7% to NZ$23.2m, lifting its contribution to c.69% of group revenue. The mix shift expanded gross margin by +5.3ppt to 34.9%, while EBITDA increased by +18% to NZ$0.9m, including NZ$1.2m of RDTI income (typically recognised in the second half). Operating cash flow was -NZ$0.9m, while investment in intangible assets was -NZ$4.3m. The NZ$8.9m staged equity raise reduced net debt from NZ$8.2m to NZ$5.1m.

Launches need orders

AOF has 33 SCS 800 trials globally, while more than 10 customers have completed AoFrio iQ pilots, including major US bottlers. Management expects the first SCS 800 orders in 2H26 and estimates the product addresses a c.700k-unit annual market across North America and Europe, with hardware pricing at roughly double that of its traditional Bluetooth solution (c.NZ$66.50 per unit in FY25). AoFrio iQ for Food Retail is also commercially live, with an order from a major LATAM supermarket and the associated 70-store rollout expected in 3Q26. While early signals are encouraging, proof of order momentum is the next key milestone.

2H26 execution becomes key

2Q26 revenue of NZ$16.6m declined -13% year-on-year, below AOF's expectation for broadly flat revenue, reflecting continued motor customer down-trading. Our FY26 forecasts now require robust initial SCS 800 orders and accelerating AoFrio iQ adoption, implying +15% IoT revenue growth in 2H26 (NZ$29.3m). We forecast cash use through to FY28E, potentially requiring further capital, although stronger-than-expected SCS 800 sales or cost control could mitigate the funding need.

AoFrio Limited (AOF)

Market Data (NZ$)	
Priced as at 05 Aug 2026	**0.066**
52 week high / low	0.106 / 0.064
Market capitalisation (NZ$m)	37.1

Key WACC assumptions	
Risk free rate	5.00%
Equity beta	1.10
WACC	13.2%
Terminal growth	1.5%

Profit and Loss Account (NZ$m)	2024A	2025A	2026E	2027E	2028E
Revenue	80.3	83.9	75.6	87.4	105.1
Normalised EBITDA	**2.5**	**3.5**	**2.5**	**2.7**	**4.1**
Depreciation and amortisation	2.8	3.6	4.1	4.4	4.5
Normalised EBIT	**(0.3)**	**(0.1)**	**(1.6)**	**(1.7)**	**(0.4)**
Net interest	(1.6)	(1.9)	(2.0)	(2.1)	(2.4)
Associate income	-	-	-	-	-
Tax	(0.0)	0.1	0.1	-	-
Minority interests	-	-	-	-	-
Normalised NPAT	**(1.9)**	**(2.1)**	**(3.7)**	**(3.8)**	**(2.8)**
Abnormals/other	-	-	-	-	-
Reported NPAT	**(1.9)**	**(2.1)**	**(3.7)**	**(3.8)**	**(2.8)**
Normalised EPS (cps)	(0.4)	(0.5)	(0.7)	(0.7)	(0.5)
DPS (cps)	-	-	-	-	-

Growth Rates	2024A	2025A	2026E	2027E	2028E
Revenue (%)	19.1	4.5	-9.9	15.6	20.3
EBITDA (%)	>100	39.3	-27.2	4.7	53.6
EBIT (%)	n/a	n/a	n/a	n/a	n/a
Normalised NPAT (%)	n/a	n/a	n/a	n/a	n/a
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (NZ$m)	2024A	2025A	2026E	2027E	2028E
EBITDA	**2.5**	**3.5**	**2.5**	**2.7**	**4.1**
Working capital change	6.5	1.6	1.0	3.6	7.1
Interest & tax paid	(1.7)	(0.7)	(0.1)	-	-
Other	(1.5)	(0.5)	(2.0)	(2.1)	(2.4)
Operating cash flow	**5.8**	**3.8**	**1.4**	**4.1**	**8.8**
Capital expenditure	(5.9)	(9.1)	(9.4)	(9.7)	(10.2)
(Acquisitions)/divestments	-	-	-	-	-
Other	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Funding available/(required)	**(0.3)**	**(5.6)**	**(8.3)**	**(5.9)**	**(1.7)**
Dividends paid	-	-	-	-	-
Equity raised/(returned)	-	-	8.9	-	-
(Increase)/decrease in net debt	**(0.3)**	**(5.6)**	**0.6**	**(5.9)**	**(1.7)**

Balance Sheet (NZ$m)	2024A	2025A	2026E	2027E	2028E
Working capital	5.8	5.6	5.8	5.8	5.7
Fixed assets	5.8	6.1	6.3	6.9	7.7
Intangibles	19.0	24.1	29.5	34.7	40.1
Right of use asset	-	-	-	-	-
Other assets	10.4	10.6	10.6	10.6	10.6
Total funds employed	**41.0**	**46.4**	**52.2**	**58.0**	**64.0**
Net debt/(cash)	2.5	8.2	7.6	13.5	15.2
Lease liability	4.0	4.0	4.0	4.1	4.3
Other liabilities	17.2	18.3	19.5	23.0	30.0
Shareholder's funds	17.3	15.9	21.1	17.3	14.6
Minority interests	-	-	-	-	-
Total funding sources	**41.0**	**46.4**	**52.2**	**58.0**	**64.0**

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

Spot valuation (NZ$)	**0.120**
DCF valuation (50%)	0.158
Comparables valuation (50%)	0.082

DCF valuation summary (NZ$m)	
Total firm value	101
(Net debt)/cash	(8)
Less: Capitalised operating leases	(4)
Value of equity	89

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	0.5	0.6	0.7	0.6	0.5
EV/EBITDA (x)	17.2	13.3	19.3	18.3	11.9
EV/EBIT (x)	n/a	n/a	n/a	n/a	n/a
PE (x)	n/a	n/a	n/a	n/a	n/a
Price/NTA (x)	9.7	n/a	n/a	n/a	n/a
Free cash flow yield (%)	-0.9	-15.0	-22.3	-16.0	-4.6
Adj. free cash flow yield (%)	-0.9	-15.0	-22.3	-16.0	-4.6
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0

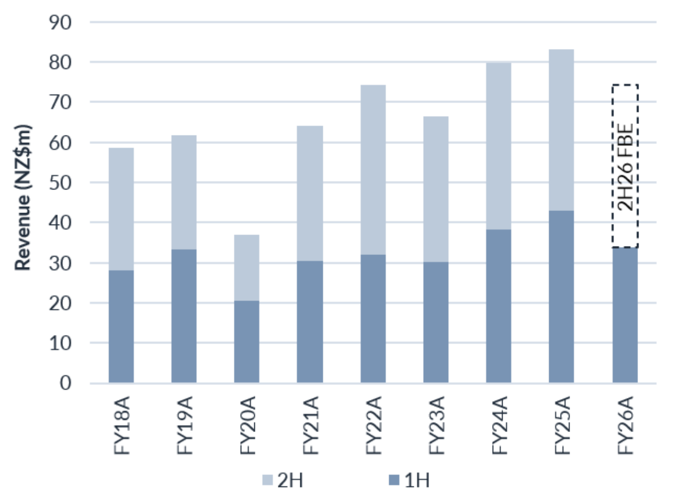
Capital Structure	2024A	2025A	2026E	2027E	2028E
Interest cover EBIT (x)	n/a	n/a	n/a	n/a	n/a
Interest cover EBITDA (x)	1.5	1.8	1.3	1.3	1.7
Net debt/ND+E (%)	10.2	29.0	23.0	38.6	44.8
Net debt/EBITDA (x)	1.0	2.3	3.0	5.1	3.7

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	-0.4	-0.2	-2.2	-2.1	-0.4
Return on equity (%)	-8.6	-10.4	-14.5	-17.7	-14.8
Return on funds employed (%)	-5.9	-5.9	-9.2	-8.9	-6.4
EBITDA margin (%)	3.1	4.2	3.4	3.1	3.9
EBIT margin (%)	-0.3	-0.1	-2.1	-1.9	-0.3
Capex to sales (%)	7.4	10.8	12.4	11.1	9.7
Capex to depreciation (%)	-724	-957	-928	-1,001	-1,029
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance	2024A	2025A	2026E	2027E	2028E
Motors revenue	36.4	36.1	21.1	24.3	27.8
IoT revenue	43.3	47.1	52.6	59.9	71.9
Food Retail revenue	0.0	0.0	0.6	1.8	4.0
Total segment revenue	**79.7**	**83.2**	**74.3**	**86.0**	**103.7**
Motors gross profit	5.6	6.4	4.5	5.1	5.7
Segment gross margin (%)	15%	18%	22%	21%	21%
IoT gross profit	17.6	20.0	21.0	23.1	25.5
Segment gross margin (%)	41%	43%	40%	39%	36%
Food Retail gross profit	0.0	0.0	0.3	1.0	2.5
Segment gross margin (%)	n/a	n/a	45%	57%	63%
Total segment gross profit	**23.2**	**26.4**	**25.8**	**29.2**	**33.7**
Gross margin (%)	29%	32%	35%	34%	33%
Motors EBITDA	1.5	2.4	0.3	0.9	1.7
IoT EBITDA	10.3	11.3	10.0	11.1	11.5
Food Retail EBITDA	0.0	0.0	0.0	0.4	1.3
Unallocated (corporate) EBITDA	-9.2	-10.2	-7.8	-9.7	-10.4
Total EBITDA	**2.5**	**3.5**	**2.5**	**2.7**	**4.1**
EBITDA margin (%)	3%	4%	3%	3%	4%

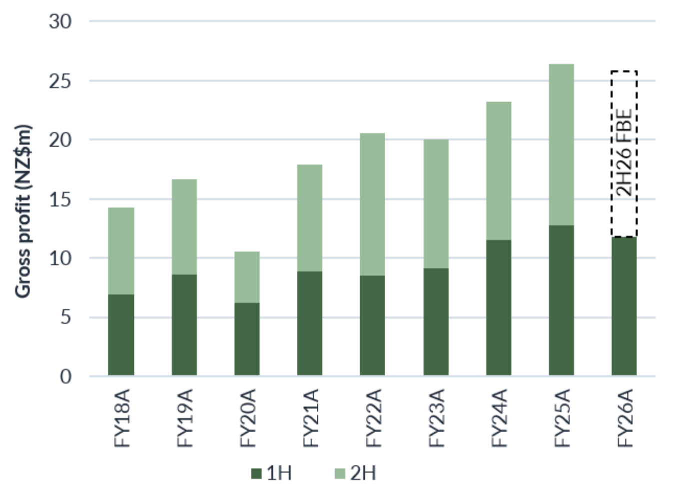
Key charts

Figure 1. AOF—Revenue by half (NZ$m)



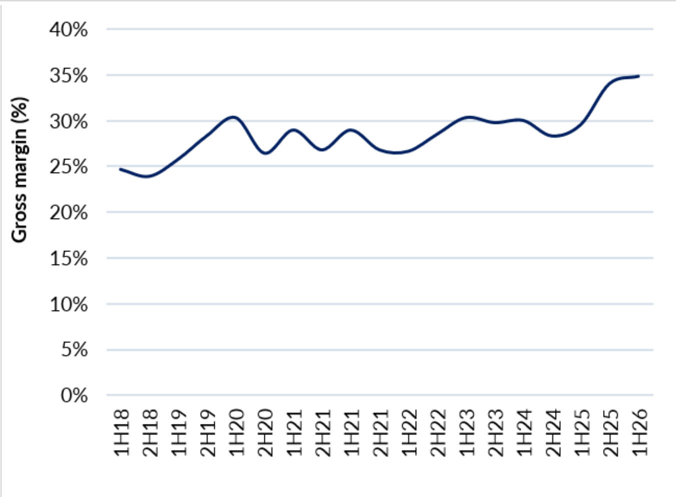
Source: Company, Forsyth Barr analysis

Figure 2. AOF—Gross profit by half (NZ$m)



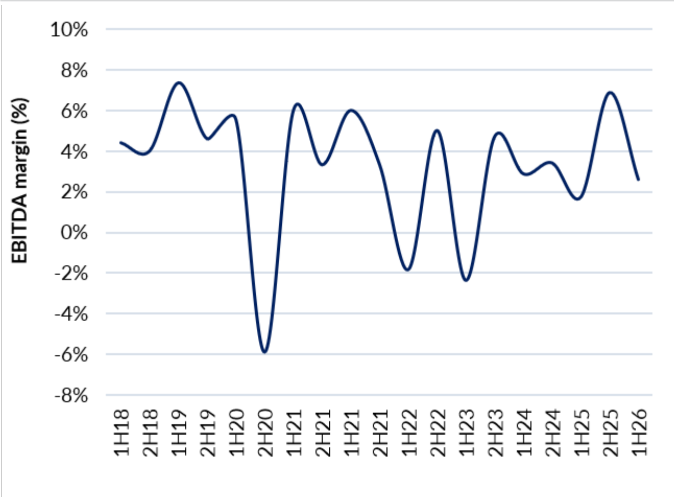
Source: Company, Forsyth Barr analysis

Figure 3. AOF—Gross margin percent by half



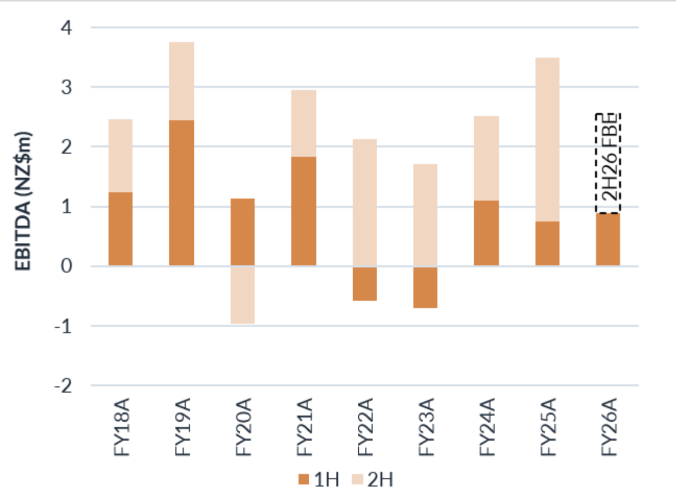
Source: Company, Forsyth Barr analysis

Figure 4. AOF—EBITDA margin by half (%)



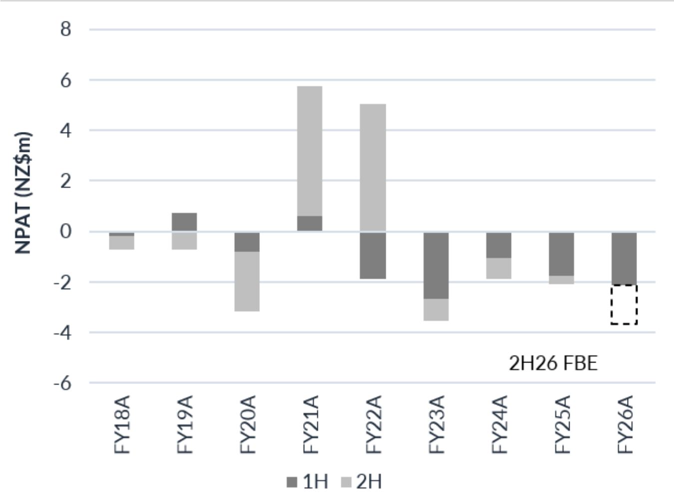
Source: Company, Forsyth Barr analysis

Figure 5. AOF—EBITDA by half (NZ$m)



Source: Company, Forsyth Barr analysis

Figure 6. AOF—NPAT by half (NZ$m)



Source: Company, Forsyth Barr analysis

1H26 result review

AOF reported a soft 1H26 result, with a sharp reduction in Motors revenue partly offset by continued IoT growth, which also lifted group gross margin. Revenue declined -22% year-on-year to NZ$33.8m, while gross margin improved +5.3ppt to 34.9%. EBITDA rose +18% to NZ$0.9m, although it included NZ$1.2m of RDTI income. The reported loss widened to -NZ$2.1m from -NZ$1.8m.

Key points:

- **IoT:** Revenue increased +7% year-on-year to NZ$23.2m, with hardware volumes up +5% to 322k units and the connected-device base reaching 3.68m. IoT represented c.69% of group revenue, up from c.51% in 1H25, materially shifting group mix. Recurring revenue remained modest at NZ$1.6m, or c.5% of group revenue.
- **Motors:** Revenue declined -50% year-on-year, reflecting the loss of AOF's largest US motor customer and the continued down-trading into lower-specification products elsewhere. Gross profit declined -41% to NZ$2.3m, although gross margin improved +3.5ppt to 21.5% on favourable mix. Segment EBITDA declined by -NZ$1.6m to NZ$0.1m. Management is responding through lower-cost motor designs and component sourcing.
- **Food Retail:** AOF secured a commercial order in April from a leading Latin American supermarket chain, with the company expecting to commence a 70-store rollout to this customer in 3Q26. The Board has approved four new sales team members, with hiring starting in 4Q26 to drive new customer acquisition.
- **Earnings:** Gross margin lifted by +5.3ppt to 34.9%, reflecting the mix shift towards IoT and lower Motors revenue. EBITDA rose to NZ$0.9m from NZ$0.7m, but would have been negative (-NZ$0.3m) excluding NZ$1.2m of RDTI income recognised in 2Q26.
- **New products:** SCS 800 and AoFrio iQ are now commercially launched, with 33 SCS 800 trials underway globally and more than 10 customers having completed successful AoFrio iQ pilots, including several major US Coca-Cola bottlers. Management expects initial SCS 800 purchase orders and first recurring AoFrio iQ billings from beverage customers before year-end.
- **Cash flow, net debt, and funding:** Operating cash flow remained negative at -NZ$0.9m and intangibles investment absorbed a further NZ$4.3m, so the staged NZ$8.9m equity raise—started by the NZ$4.6m placement to Wairahi Investments in May 2026—reduced net debt from NZ$8.2m at FY25 to NZ$5.1m.
- **Outlook:** AOF has revised its FY26 outlook, with management stating that an improvement in full-year revenue 'now appears unlikely'. The company now expects EBITDA to be broadly consistent with FY25 (NZ$3.5m).

Figure 7. Result summary (NZ$m)

	1H25	1H26	Change (%)	1H26E	Deviation (%)
Revenue	**43.0**	**33.8**	**-22%**	**36.8**	**-8%**
COGS	(30.3)	(22.0)	-27%	(25.1)	-12%
Gross profit	**12.7**	**11.8**	**-7%**	**11.7**	**+1%**
Gross margin (%)	*29.6%*	*34.9%*	*+5.3 ppt*	*31.8%*	*+3.1 ppt*
FX gain (loss)	(0.1)	(0.0)	n/a	0.0	n/a
Other income	0.1	1.3	n/a	0.1	n/a
Opex	(11.9)	(12.2)	+2%	(12.1)	+0%
EBITDA	**0.7**	**0.9**	**+18%**	**(0.3)**	**n/a**
Depreciation	(0.4)	(0.5)	+16%	(0.5)	+5%
Amortisation	(1.3)	(1.3)	-2%	(1.5)	-15%
Impairment	0.0	0.0	n/a	0.0	n/a
EBIT	**(1.0)**	**(0.9)**	**-8%**	**(2.2)**	**n/a**
Finance expenses	(0.8)	(1.2)	+39%	(0.5)	n/a
PBT	(1.8)	(2.0)	+15%	(2.7)	-26%
Tax	(0.0)	(0.1)	n/a	0.0	n/a
NPAT	**(1.8)**	**(2.1)**	**+20%**	**(2.7)**	**n/a**

Source: Company, Forsyth Barr analysis

Earnings revisions

We revise our forecasts following AOF's 1H26 result. We lower FY26 Motors revenue -18% to NZ$21.1m, reflecting continued down-trading through 2Q26 beyond the already anticipated loss of the largest customer. We now forecast no recovery in motor volumes through 2H26. Our IoT revenue forecast remains broadly unchanged at NZ$52.6m, requiring NZ$29.3m in 2H26 as SCS 800 trials convert to orders. We lower our forecast Food Retail revenue to NZ$0.6m, reflecting the 70-store rollout in 3Q26 and moderating our additional 2H26 customer win assumptions. Our EBITDA forecasts decline -20%/-16%/-8% across FY26/FY27/FY28 respectively, largely reflecting our revised revenue forecasts. Our FY26 EBITDA forecast of NZ$2.5m sits below management's expectation that FY26 EBITDA will be broadly consistent with FY25 (NZ$3.5m). Additionally, we increase our capitalised spend assumptions to reflect ongoing product development initiatives, including the company's camera solution and further software development for AoFrio iQ modules. Higher capitalised spend and the resulting lift in forecast net debt, alongside assumptions around working capital funding interest, lift our finance expense forecast.

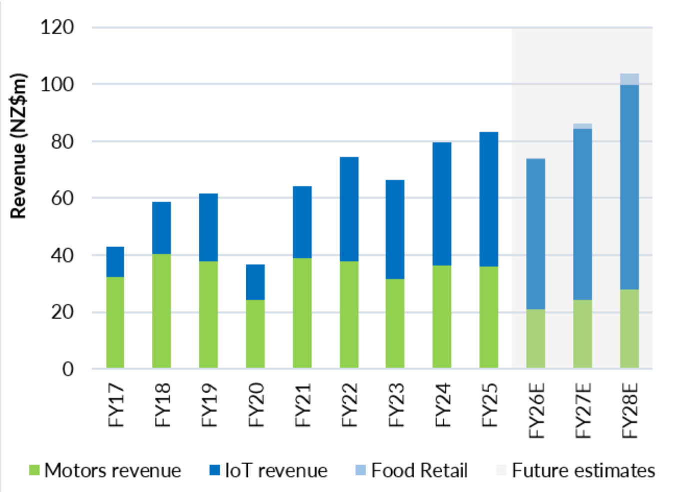
We forecast cash use through FY28E. Slower SCS 800 sales conversion may mean AOF requires additional capital, although the Board says it can manage 'planned increases' in opex and capex if demand disappoints.

Figure 8. Earnings revisions (NZ$m)

	FY25A	FY26E			FY27E			FY28E		
	Reported	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	83.2	79.8	74.3	-7%	92.0	86.0	-7%	110.9	103.7	-7%
COGS	(56.8)	(52.9)	(48.4)	-8%	(61.5)	(56.8)	-8%	(75.7)	(70.0)	-7%
Gross profit	**26.4**	**27.0**	**25.8**	**-4%**	**30.5**	**29.2**	**-4%**	**35.3**	**33.7**	**-4%**
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	1.4	+56%	0.9	1.4	+56%	0.9	1.4	+56%
Opex	(23.6)	(24.6)	(24.6)	+0%	(28.2)	(27.9)	-1%	(31.7)	(31.0)	-2%
EBITDA	**3.5**	**3.2**	**2.5**	**-20%**	**3.2**	**2.7**	**-16%**	**4.4**	**4.1**	**-8%**
Depreciation	(0.9)	(1.0)	(1.0)	n/a	(1.0)	(1.0)	n/a	(1.0)	(1.0)	n/a
Amortisation	(2.7)	(3.1)	(3.1)	n/a	(3.1)	(3.4)	n/a	(3.1)	(3.5)	n/a
Impairment	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
EBIT	**(0.1)**	**(0.9)**	**(1.6)**	**n/a**	**(1.0)**	**(1.7)**	**n/a**	**0.3**	**(0.4)**	**n/a**
Finance income	0.1	0.1	0.0	n/a	0.1	0.0	n/a	0.1	0.0	n/a
Finance expenses	(2.0)	(1.2)	(2.0)	+69%	(1.0)	(2.1)	+118%	(0.9)	(2.4)	+165%
PBT	**(2.0)**	**(2.1)**	**(3.6)**	**n/a**	**(1.9)**	**(3.8)**	**n/a**	**(0.4)**	**(2.8)**	**n/a**
Tax	(0.1)	0.0	(0.1)	n/a	0.0	0.0	n/a	0.0	0.0	n/a
NPAT	**(2.1)**	**(2.1)**	**(3.7)**	**n/a**	**(1.9)**	**(3.8)**	**n/a**	**(0.4)**	**(2.8)**	**n/a**

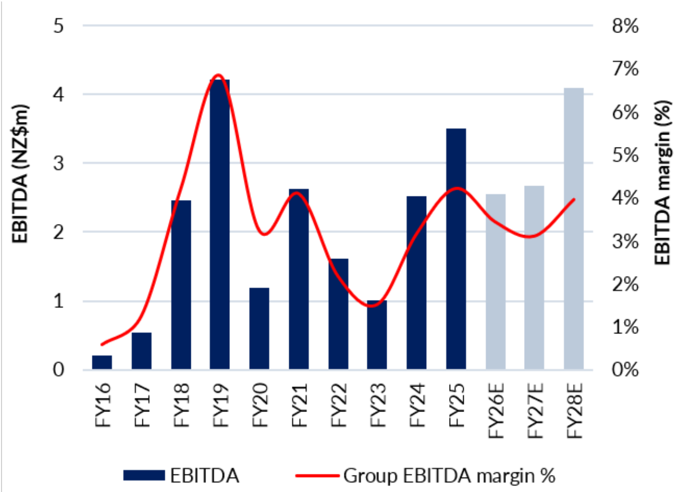
Source: Company, Forsyth Barr analysis. NOTE: revenue shown is total segment revenue, excluding other income and FX.

Figure 9. AOF—segment revenue (NZ$m)



Source: Company, Forsyth Barr analysis

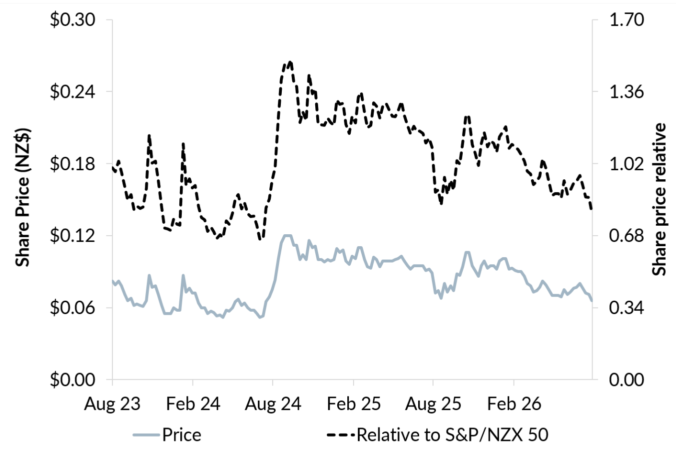
Figure 10. AOF—EBITDA (NZ$m) and margin (%)



Source: Company, Forsyth Barr analysis

Additional data

Figure 11. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 12. Substantial shareholders

Shareholder	Latest Holding
Wairahi Investments	17.0%
East West Legacy	9.8%
FirstCape	6.4%

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	PE		EV/EBITDA		EV/EBIT		Cash Yld
			(m)	1yr	2yr	1yr	2yr	1yr	2yr	1yr
AoFrio Ltd	**AOF NZ**	**NZD0.07**	**NZD37.1**	**<0x**	**<0x**	**18.7x**	**13.8x**	**<0x**	**<0x**	**0.0%**
Nidec Corp	6594 JP	JPY2766.00	JPY3,298,645.9	21.3x	16.3x	11.2x	9.3x	19.6x	14.5x	0.5%
Mabuchi Motor Co	6592 JP	JPY1647.00	JPY429,290.2	18.8x	17.7x	7.1x	6.7x	10.9x	10x	3.3%
Sanyo Denki Co	6516 JP	JPY6080.00	JPY236,612.7	16.5x	14.8x	8.7x	8x	11.5x	10.2x	3.0%
Hangzhou Weiguang Electric Co	002801 CH	CNY28.43	CNY6,528.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Carel Industries SpA	CRL IM	EUR28.30	EUR3,183.7	34.9x	30.4x	19.7x	17.6x	26.6x	23.1x	0.9%
Digi International	DGII US	USD72.14	USD2,719.8	26.1x	24.6x	19.3x	18.7x	26.7x	26.2x	n/a
HMS Networks AB	HMS SS	SEK499.00	SEK25,109.1	30x	26.2x	20.7x	18.8x	26x	23.3x	1.2%
Lantronix	LTRX US	USD6.10	USD268.3	37.4x	21.2x	40.1x	21.7x	<0x	>75x	n/a
Advantech Co	2395 TT	TWD633.00	TWD549,605.1	35.5x	30.7x	27.8x	23.6x	29.7x	25.2x	2.1%

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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