PAY-BR gideon lens

Payton Planar Magnetics Ltd — Gideon Lens

Ticker: PAY.BR **Listing:** XBRU:PAY **Report date:** 2026-07-31 **Price anchor:** EUR 7.80 per ordinary share, last completed close on 2026-07-30 **Financial reporting currency:** USD **TTM anchor:** Four non-overlapping quarters through 2026-03-31 **Valuation horizon:** 2031-03-31, exactly five calendar years after the TTM anchor

Executive conclusion

Payton Planar Magnetics is financially sound but does not clear the Gideon compounder bar. The company has real engineering capability, a debt-free balance sheet, strong historical cash conversion, and meaningful exposure to applications that require physical power magnetics. Those strengths support continued relevance. They do not establish durable pricing power, a repeatable high-return reinvestment engine, or minority-shareholder alignment strong enough for an ER2 BUY or WATCH.

The verdict is **PASS** for three independent reasons. First, management fails the qualitative gate. The parent controls 66.2% of voting rights, family members occupy the chairman, CEO, and CTO roles, executive incentives emphasize annual pretax profit rather than multi-year per-share value creation, and the abandoned 2026 minority cash-out proposal weakens confidence in minority alignment. Second, the moat fails the 2046 durability test. Custom engineering, qualification work, certifications, and non-cancellable orders create switching friction inside an active customer program, but program end-of-life can reset the competitive contest. No source-bound evidence establishes market share, retention, sole-source status, price escalators, design-win conversion, or renewable pricing power across successive programs. Third, valuation fails even on the mechanically cleared base case: EUR 0.492409 of horizon EPS supports EUR 7.386 at 15 times earnings, 5.31% below the EUR 7.80 price.

The business is not distressed. TTM revenue was USD 46.830 million, statutory operating income USD 9.121 million, net income USD 9.562 million, and free cash flow USD 9.622 million. Cash and short-term deposits totaled USD 59.291 million and financial debt was zero. The problem is the underwriting gap between a resilient niche manufacturer and a proven long-duration compounder.

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	FAIL	Controller dominance and minority cash-out attempt impair alignment
Moat	FAIL	Program stickiness fails the renewable 2046 durability test
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base-case cushion is negative 5.31%
Compounder Score	Audited 30 / 100	Reject; quality and return evidence are insufficient
Business Quality Score	Audited 27 / 80	Cash quality is strong, but reinvestment is unproven
20% Return UW Score	Audited 3 / 20	Base IRR 2.8%; 20% requires severe multiple expansion

One-line thesis (or reason to pass): A cash-rich specialist supplier remains program-cyclical, governance-constrained, and too expensive for the demonstrated durability and return profile.

Security return underwriting (mandatory even when the verdict is PASS):

Measure	Result	Notes
Gross local-currency bear / base / bull IRR	(10.4744)% / 2.7968% / 11.6955%	Five-year annualized shareholder return in EUR
Probability-weighted gross local-currency IRR	1.8163%	CAGR of probability-weighted terminal wealth; 30% / 50% / 20% weights
Return bridge	EUR 7.80 -> EUR 8.53454	2026-03-31 to 2031-03-31; detailed scenario bridge below

Scenario	Probability	Terminal equity value/share	Distributions/share	Terminal shareholder wealth/share	Ending diluted shares	Ending net cash	Exit valuation	Gross EUR IRR
Bear	30%	EUR 3.8693	EUR 0.6164	EUR 4.4857	17.671m	USD 45.000m	8x EV/NOPAT	(10.4744)%
Base	50%	EUR 7.6465	EUR 1.3070	EUR 8.9535	17.671m	USD 59.291m	11x EV/NOPAT	2.7968%
Bull	20%	EUR 12.0811	EUR 1.4793	EUR 13.5604	17.671m	USD 70.000m	13x EV/NOPAT	11.6955%

Probability-weighted terminal wealth is `30% x 4.4857 + 50% x 8.9535 + 20% x 13.5604 = EUR 8.53454`; annualizing that wealth ratio over exactly five years gives 1.8163%. Distributions are conservatively credited at the horizon. This gross EUR model is preserved exactly; the net-SGD CIO overlay below is separate.

Gross local-currency underwriting in EUR-listed share; operations in USD; net-SGD adjustments appear separately in CIO actionability. Scenario probabilities are 30% / 50% / 20%.

Bear-case operating and return bridge

Bear case	Start (2026-03-31)	Horizon (2031-03-31)	CAGR / change	Justification
Revenue	USD 46.83M	USD 41.83M	-2.23%	Recent contraction persists; no product-level conversion evidence offsets it.
Operating margin	19.48%	12.50%	-6.98 pp	Low-teens quarterly margins persist and utilization remains weak.
Operating earnings	USD 9.12M	USD 5.23M	-10.55%	Low-teens quarterly margins persist and utilization remains weak.
Diluted share count	17.671M	17.671M	0.00%	The frozen model assumes neither repurchases nor issuance.
EPS	EUR 0.4715	EUR 0.2280	-13.55%	Cleared statutory earnings translated through the sealed USD/EUR unit bridge.
Valuation	13.32x EV/NOPAT	8.0x EV/NOPAT	-5.32x	EV/NOPAT contracts to 8x; ending liquidity is included once.
Share value	EUR 7.80	EUR 3.8693	-13.05%	Audited enterprise-to-equity bridge after post-distribution liquidity.
Annual dividend	EUR 0.261	Not separately modelled	n/a	The model specifies only USD 12.5M cumulative distributions, not an endpoint DPS.
Dividend yield	3.35%	n/a	n/a	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	EUR 0.6164	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	EUR 7.80	EUR 4.4857	-10.47% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

Base-case operating and return bridge

Base case	Start (2026-03-31)	Horizon (2031-03-31)	CAGR / change	Justification
Revenue	USD 46.83M	USD 53.75M	2.79%	A modest recovery follows annual growth steps of 1%, 2%, 3%, 4% and 4%.

Base case	Start (2026-03-31)	Horizon (2031-03-31)	CAGR / change	Justification
Operating margin	19.48%	20.00%	+0.52 pp	Operating margin recovers to 20% despite limited utilization disclosure.
Operating earnings	USD 9.12M	USD 10.75M	3.35%	Operating margin recovers to 20% despite limited utilization disclosure.
Diluted share count	17.671M	17.671M	0.00%	The frozen denominator stays flat.
EPS	EUR 0.4715	EUR 0.4924	0.87%	Cleared base statutory EPS after finance income, tax and FX conversion.
Valuation	13.32x EV/NOPAT	11.0x EV/NOPAT	-2.32x	11x EV/NOPAT remains below today's 13.32x.
Share value	EUR 7.80	EUR 7.6465	-0.40%	Audited enterprise-to-equity bridge after ending liquidity.
Annual dividend	EUR 0.261	EUR 0.261	0.00%	Five times FY2025 dividends; no reinvestment benefit is credited.
Dividend yield	3.35%	3.42%	+0.07 pp	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.
Five-year dividends	-	EUR 1.3070	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	EUR 7.80	EUR 8.9535	2.80% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

Bull-case operating and return bridge

Bull case	Start (2026-03-31)	Horizon (2031-03-31)	CAGR / change	Justification
Revenue	USD 46.83M	USD 65.66M	6.99%	Higher-power applications convert and revenue returns to high-single-digit growth.
Operating margin	19.48%	25.00%	+5.52 pp	25% margin requires utilization and mix to recover materially.
Operating earnings	USD 9.12M	USD 16.42M	12.46%	25% margin requires utilization and mix to recover materially.
Diluted share count	17.671M	17.671M	0.00%	No buyback or dilution is assumed.
EPS	EUR 0.4715	EUR 0.7588	9.96%	Bull statutory EPS still uses the same sealed currency and share bridge.
Valuation	13.32x EV/NOPAT	13.0x EV/NOPAT	-0.32x	13x EV/NOPAT is approximately today's multiple, not expansion.
Share value	EUR 7.80	EUR 12.0811	9.13%	Audited enterprise-to-equity bridge after stronger ending liquidity.
Annual dividend	EUR 0.261	Not separately modelled	n/a	The model gives USD 30M cumulative distributions but no separate terminal DPS.
Dividend yield	3.35%	n/a	n/a	Endpoint DPS divided by endpoint share value; unavailable where endpoint DPS was not separately frozen.

Bull case	Start (2026-03-31)	Horizon (2031-03-31)	CAGR / change	Justification
Five-year dividends	-	EUR 1.4793	cumulative	Cumulative cash distributions per share over the exact five-year horizon; no reinvestment benefit.
Total ending value	EUR 7.80	EUR 13.5604	11.70% gross local IRR	Terminal share value plus cumulative distributions and any separately disclosed distributed-security value; reconciles to the audited bridge.

CIO actionability (separate from ER2 underwriting):

Measure	Result	Notes
Status	PASS	No new buy; research-only actionability result
Bear / Base / Bull net SGD IRR	(12.14)% / 2.28% / 12.73%	1.38 / 1.48 / 1.58 terminal EUR/SGD; 15bp entry and exit costs; 15% distribution withholding
Probability-weighted net SGD IRR	1.57%	CAGR of SGD 12.497665 probability-weighted terminal wealth from SGD 11.562679 entry cost
10% mandate hurdle	FAIL	Base and probability-weighted net-SGD returns are below 10%
15% stretch hurdle	FAIL	Bull net-SGD IRR remains below 15%
Downside and portfolio fit	FAIL	Bear loses capital; Management and Moat both fail, so no new position is supportable
Proposed sizing ceiling	none	No positive size; owner approval remains required

The diagnostic starts at EUR/SGD 1.48017448, derived from sealed EUR/USD 1.1476 times CIO USD/SGD 1.2898. It applies 15bp entry and exit costs, converts terminal sale proceeds and after-withholding distributions at the scenario FX rate, and treats distributions as horizon cash. The 15% withholding assumption is source-bound to Payton's FY2023 annual report. It is not a live tax, liquidity, or portfolio-state model.

Trade execution authorized: NO

Kill / trigger criteria:

- BUY trigger: no price-only trigger; EUR 6.42 would create a 15% base P/E-15 cushion, but management and moat must also be upgraded to PASS.
- PASS triggers: statutory operating margin below 15.0% in both Q2 and Q3 FY2026; backlog below USD 15 million without a replacement program; two-largest-customer concentration above 35%.
- Upgrade to BUY conditions: audited evidence of renewable design-win conversion and pricing power, SI integration earning an acceptable acquisition-inclusive return, minority protections sufficient to clear management, and an entry price at or below EUR 6.42 on unchanged base EPS.

Research sizing if actionable: none. The report is a research conclusion only and cannot authorize a portfolio position or trade.

Stage 0 — Time anchor

Payton’s fiscal year ends December 31. The latest completed reporting period is Q1 FY2026, ended 2026-03-31. The reproducible TTM comprises Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026, ending 2026-03-31. The valuation horizon is 2031-03-31, exactly 5.0 calendar years after the TTM end; no six-year fiscal shortcut is used.

Stage 1 — Disqualifier sweep

The preliminary sweep was **PROCEED**, not a quality endorsement. FCF conversion was **green**, leverage was **green** because the company has net cash and no financial debt, and direct AI disruption was **green** because the product is physical hardware. ROIC was **yellow** because persistent cycle-wide returns above 15% were not established. End markets were **yellow** because electrification supports demand but projects remain cyclical. Governance was **yellow** pending the later

controller and related-party review. Pricing power was **yellow** because recent margin compression lacked a disclosed price/mix bridge. The completed appendices subsequently converted management and moat to hard FAIL gates.

What the company does well

Payton designs and manufactures custom planar transformers and related magnetic components for demanding power-electronics applications. Its engineering work, customer-specific qualification, certifications, and program integration create meaningful friction after a design has entered production. Orders are generally non-cancellable and non-returnable, supporting near-term backlog quality. The company also combines owned manufacturing with partner capacity and has added conventional magnetics capability through SI.

Financial quality is the clearest strength. Across the controlled historical period, cash flow supported earnings, listed diluted shares were stable at approximately 17.671 million, and the company funded operations and distributions without financial debt. Five-year audited scoring gave full or near-full credit to cash conversion, earnings quality, and balance-sheet strength. This matters: the equity is unlikely to fail because of refinancing stress.

However, excess cash is not itself a moat or reinvestment runway. The evidence does not show that incremental capital reliably produces incremental NOPAT. Organic three- and five-year ROIIC cannot be calculated from the disclosed reinvestment denominator. Acquisition-inclusive ROIIC is also unavailable because SI has only a short post-acquisition record and its initial three-month contribution was USD 1.397 million of revenue with a USD 0.164 million net loss. The audit therefore assigns zero to unsupported ROIIC and scalable-reinvestment claims.

Earnings model and valuation

The segment model uses one exact fallback segment, **Consolidated company**, because neither official filings nor live FMP product data disclosed a segment-profit metric suitable for a more granular statutory bridge. Product revenue, units, ASP, utilization, capacity, market share, and product margins remain explicit non-disclosures. The model does not fabricate those splits.

The base case compounds TTM revenue of USD 46.830 million at 2.79% for exactly five years to USD 53.746 million. It assumes a 20.0% statutory operating margin, producing USD 10.749 million of operating income and USD 9.986 million of net income. The sealed share, listed-unit, and FX bridges convert this to EUR 0.492409 per listed unit. All 11 synthesis tie-outs pass, including historical statutory reconciliation, horizon integrity, share-count arithmetic, price-packet hash, and probability weighting.

The valuation conclusion is still negative. At EUR 7.80, required horizon EPS for a 15-times entry multiple is EUR 0.520000. The base case misses that requirement. Bear, base, and bull horizon EPS are EUR 0.227977, EUR 0.492409, and EUR 0.758811. The probability-weighted EPS is EUR 0.466360, implying EUR 6.995 at 15 times earnings.

Case	Revenue USD m	Operating margin	Net income USD m	EPS EUR	EPS × 15 EUR	Cushion vs EUR 7.80
Bear	41.828	12.5%	4.623	0.227977	3.420	-56.2%
Base	53.746	20.0%	9.986	0.492409	7.386	-5.31%
Bull	65.664	25.0%	15.388	0.758811	11.382	45.9%
Probability weighted	—	—	—	0.466360	6.995	-10.3%

The separate audited compounder model is even more demanding because it tests total shareholder return rather than only horizon P/E. Its preserved gross local-currency diagnostics produce five-year bear, base, and bull IRRs of negative 10.4744%, positive 2.7968%, and positive 11.6955%; the probability-weighted terminal-wealth CAGR is positive 1.8163%. The separate net-SGD diagnostics are **(12.14)% / 2.28% / 12.73%**, with a probability-weighted net-SGD IRR of **1.57%**. The maximum entry price estimated for a 20% base gross return remains EUR 3.598. Alternatively, achieving 20% from EUR 7.80 would require about 35.35 times exit EV/NOPAT versus about 13.32 times today, which is severe multiple expansion rather than conservative underwriting.

Why the moat does not clear

Payton can be sticky within a qualified program, but the evidence does not show that this advantage renews across program generations. Revenue declined from its FY2022 peak through FY2025, and Q1 FY2026 revenue fell again. FY2025's two largest customers contributed 29% of revenue, so a small number of program roll-offs can overwhelm wins elsewhere. Asia accounted for 47.4% of customer-location revenue, adding geographic mix exposure without proving a regionally diversified

moat.

Margins show the practical limitation. Operating margin fell from 29.9% in FY2023 to 19.5% TTM and 12.6% in Q1 FY2026. The data do not separate price, volume, mix, capacity utilization, customer programs, or SI integration well enough to prove that a 20% margin is structurally renewable. AI is not a direct substitution threat to physical magnetics, but AI-assisted design can reduce some engineering differentiation and speed competitive iteration. Physical relevance therefore does not equal durable excess returns.

Management and capital allocation

Management deserves credit for cash stewardship, stable shares, and a debt-free balance sheet. FY2021-FY2025 dividends totaled approximately USD 39.3 million. Those results demonstrate owner-like cash distribution in one sense.

They do not cure the governance gate. Parent control, family concentration in operating leadership, annual pretax-profit bonus design, related-party arrangements, limited identified board independence, and the attempted delisting create a cumulative minority-alignment problem. The issue is not an allegation of fabricated accounts. It is that minority investors cannot assume that strong cash generation will always be allocated on terms that maximize their per-share value.

The SI acquisition is the main forward capital-allocation test. The transaction cost USD 6.149 million, with USD 5.239 million net cash outflow, and was accompanied by USD 4.4 million of real-estate cash use. Until SI demonstrates sustained profit and a source-bound acquisition-inclusive return, the deal cannot support a repeatable reinvestment thesis.

Red-team conclusion

The most fragile base assumption is the 20.0% horizon operating margin. A two-percentage-point reduction to 18.0% lowers modeled EPS to approximately EUR 0.4495 and the P/E-15 value to about EUR 6.74. A two-percentage-point revenue-CAGR miss lowers EPS by about 8.17% to EUR 0.4522.

The strongest bear case is not insolvency. It is that major program roll-offs and SI’s lower-margin cost base make low-teens operating margins structural. Payton remains solvent and technically relevant while earnings power resets lower, leaving the stock with weak returns despite a large cash balance. The clearest near-term falsification signal is statutory operating margin below 15.0% in both Q2 and Q3 FY2026.

The correct narrative is therefore a resilient, cash-rich, program-cyclical supplier—not a proven long-duration compounder. The company may become investable after better governance, demonstrated SI returns, auditable reinvestment economics, and a materially lower price. None of those conditions is established today.

Analyst flags

- Product revenue, product margins, units, ASP, utilization, quantified capacity, market share, design-win conversion, retention, and sole-source status were not disclosed; unsupported conclusions are constrained rather than filled with estimates.
- Four archived FMP transcript responses and the broader tested transcript set were empty, so the report does not fabricate management quotations or infer unverified guidance.
- The exact quote packet, listed-unit bridge, FX rate, and statutory bridge are hash-sealed. The quote uses the 2026-07-30 completed close under a conservative 24-hour actionability policy ending 2026-08-01T14:02:28+08:00.
- Net-SGD return diagnostics are now assessed and still support PASS/no new buy. Live portfolio fit, ranking, position sizing, portfolio mutation, messaging, and trade execution remain outside authority; all corresponding action counts remain zero.

Payton Planar Magnetics Ltd (PAY.BR) — Company Primer

Control field	Value
Run ID	`pulse-cio-20260731T140228+0800`
Report ID	`PAY-BR-ER2-20260731T140228+0800`
Mode	Production research; Wave-1 company primer only

Control field	Value
Financial reporting currency	USD
Financial projection scope	`Consolidated company`
Trade execution authorized	`false`

Source discipline and scope

This is an orientation document, not a valuation or forecast. Consolidated historical financial figures are controlled by the QFR-cleared `quant_foundation.md`. Business context comes only from live Payton and Euronext primary sources accessed on 31 July 2026. No product revenue, units, ASP, customer count, market share, utilization, or capacity has been inferred. QF amounts are converted mechanically from USD thousands to USD millions; official geography, concentration, and cost detail absent from QF is identified as a filing supplement.

The issuer reports one operating segment, the transformer segment, and does not publish an additive revenue split for planar transformers, conventional transformers, inductors, electronic coils, power-supply assembly, end markets, or individual subsidiaries. Therefore `Consolidated company` is the sole financial projection segment. The profit line used for ER2 is **Statutory operating income (single-segment consolidated fallback)**. It is equal to consolidated statutory operating income because no issuer-disclosed segment-profit metric value exists; it must not be described as issuer-disclosed segment operating profit. Source: `quant_foundation.md`, Sections P0–P5, supported by the [FY2025 annual report, Note 20](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf).

Stage 0 — period and horizon anchor

Today: 2026-07-31.

Company fiscal year convention: fiscal year ends 31 December.

Most recently reported complete period: Q1 FY2026 ended 2026-03-31.

TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ended 2026-03-31; reproducible as FY2025 minus Q1 FY2025 plus Q1 FY2026.

Forward horizon: TTM end 2026-03-31 + exactly 5 calendar years = 2031-03-31; compounding span exactly five years.

Do not select or refresh a valuation price.

1. Business overview

Payton Planar Magnetics is an Israeli designer and manufacturer of magnetic components used inside power-electronic systems. Its core products are customized planar transformers and inductors sold to original-equipment manufacturers and to suppliers that build power electronics for those OEMs. The group also sells conventional transformers and, following the October 2025 acquisition of SI Manufacturing in California, electronic coils, custom magnetic components, and assembled power supplies. Payton America serves the US market; Himag Planar Magnetics is the UK and European base; and SI broadens the US product and manufacturing footprint. A 20%-owned Hong Kong company, PCT Industries, owns a Chinese manufacturing subsidiary that is one of Payton's major manufacturing partners. [FY2025 annual report, pp. 2–3 and Notes 1 and 8](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The customer is normally an engineer or sourcing organization responsible for a switch-mode power supply, DC/DC converter, inverter, charger, motor drive, or other power-conversion subsystem. That customer is not merely buying a generic transformer by wattage. It specifies topology, switching frequency, input and output voltages, current, isolation, temperature, cooling, mechanical envelope, termination, safety requirements, sample quantity, expected production volume, and target price. Payton's public design-request form makes those inputs explicit. The commercial proposition is therefore engineering plus a manufactured component qualified for a particular application, rather than a self-service commodity sale. [Issuer transformer design-request form](https://www.paytongroup.com/planar-smps-transformer)

The end products described by the company span telecom and data-center equipment, automotive power electronics, industrial equipment, welding, portable equipment, medical systems, aerospace, space, and defense. These are application labels, not reported revenue segments. In FY2025, the issuer described telecom/data center, automotive, and broader power electronics as its main customer markets, while medical, avionics, and space were additional markets it was targeting. The SI acquisition adds transportation, aviation, space, and defense exposure, but Payton has not disclosed SI revenue or

end-market revenue separately. [FY2025 annual report, pp. 3–6](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

2. What planar magnetics do and why customers use them

A transformer transfers electrical energy between windings through a magnetic core, changes voltage and current relationships, and can provide galvanic isolation between circuits. An inductor stores energy in a magnetic field and is used to smooth current, filter noise, or support power-conversion topologies. These components matter because an efficient power converter must control voltage, current, heat, electromagnetic interference, and safety within a constrained physical envelope. [Issuer technology explainer](https://www.paytongroup.com/what-is-planar-technology)

Traditional high-frequency magnetics commonly use enamelled wire wound around a bobbin and ferrite core. A planar component replaces much of that three-dimensional winding with flat, pre-tooled copper conductors—etched PCB windings or stamped copper leadframes—stacked with wide, low-profile ferrite cores. The geometry makes winding dimensions more repeatable and creates a larger surface area through which heat can be conducted. It can also reduce leakage inductance and component height. These properties are valuable when a customer wants high power density, predictable parasitics, low electromagnetic interference, or conduction cooling. [Issuer technology explainer](https://www.paytongroup.com/what-is-planar-technology)

Payton markets planar designs across a broad power and frequency range and publishes representative transformer and inductor families. The important investor point is not the maximum advertised specification; it is that the same core engineering approach can be adapted across low-power telecom devices, server power, industrial equipment, vehicle chargers, and high-reliability systems. The published catalogue is mainly a design reference: the product page explicitly tells customers to submit a request for application-specific information. [Issuer planar-transformer catalogue](https://www.paytongroup.com/planar-transformers) and [planar-inductor catalogue](https://www.paytongroup.com/inductors)

Recent issuer examples show how the company tries to increase the value of the magnetic assembly. A 7 kW bidirectional onboard-charger design integrates required leakage inductance into the transformer, while a 500 W hybrid design integrates synchronous rectification to reduce lossy interconnections and simplify board layout. These examples demonstrate engineering direction only; the issuer has not disclosed a customer, design win, order value, or revenue contribution for either product. [Issuer 7 kW charger design](https://www.paytongroup.com/4412) and [issuer 500 W hybrid design](https://www.paytongroup.com/payton-500w-hybrid-transformer-integrated-rectification)

3. Customer problem and purchasing model

The customer problem has three linked dimensions. First, the power converter must meet electrical requirements such as isolation, regulation, current handling, efficiency, and switching behavior. Second, it must fit the physical and thermal architecture of the end product. Third, it must be reproducible at production scale and pass the relevant safety or industry qualification. Payton’s engineering team translates those system requirements into winding geometry, core selection, insulation, mechanical construction, and cooling. For a qualified program, the magnetic component becomes part of the customer’s system design and bill of materials. [Issuer design-request form](https://www.paytongroup.com/planar-smps-transformer) and [FY2025 annual report, pp. 7–8](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

A reasonable reading of the primary sources is a five-step commercial workflow:

- A prospective customer reaches Payton directly or through an agent, distributor, or sales office and submits a technical specification.
- Payton engineers a custom magnetic solution and supplies samples or prototypes for evaluation.
- The customer validates electrical, thermal, mechanical, safety, and manufacturing performance within its own system.
- Once qualified, the customer places firm purchase orders for production quantities.
- Payton manufactures internally or through its partner network and ships the customer-specific goods.

This workflow is an analyst synthesis of the issuer’s design form, direct and channel-sales description, and accounting policy; the company does not disclose funnel conversion, qualification duration, sample success rate, or design-win statistics. [FY2025 annual report, pp. 5–7 and Note 2](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The contract structure provides some protection after a firm order is placed. Payton states that its goods are manufactured to customer specifications, usually on non-cancellable and non-refundable terms, have no alternative use, and entitle the group to reimbursement of incurred costs plus a reasonable margin. Under IFRS 15, the group therefore recognizes revenue over time for these customer-specific goods, with contract assets before the right to payment becomes unconditional. Its public sales terms also say that a buyer may not cancel a purchase order without Payton's written approval and, if approval is granted, may owe committed costs and anticipated profit. [FY2025 annual report, Note 2](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [issuer terms and conditions of sales](https://www.paytongroup.com/terms-and-conditions-of-sales)

That protection should not be mistaken for recurring contracted revenue. At the FY2025 reporting date, the group said it had no material framework agreements that were not binding orders. Backlog represents firm orders, but it is short dated and exposed to project ramps, delivery scheduling, and end-of-life. At 31 March 2026, backlog was USD 19.335 million, and management expected most of it to ship during the following three quarters. That amount was about 41% of TTM revenue, so it offers partial visibility rather than multi-year coverage. [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf); TTM denominator from `quant_foundation.md`, P4.

4. Revenue architecture

Financial projection segment

Period	Financial projection segment	Revenue USDm	Share of total	Profit basis	Profit USDm
FY2025	Consolidated company	47.825	100.0%	Statutory operating income (single-segment consolidated fallback)	10.725
TTM ended 2026-03-31	Consolidated company	46.830	100.0%	Statutory operating income (single-segment consolidated fallback)	9.121

Source: `quant_foundation.md`, P1–P4. The operating-income line is the ER2 single-segment consolidated fallback, not an issuer-disclosed segment-profit measure.

The revenue engine is a portfolio of custom programs: engineering creates a customer-specific design, qualification can lead to production orders, and volume repeats while the customer's product remains active. A few high-volume projects can sit beside many smaller programs. Qualification may create switching friction, but revenue can fall when an end product is redesigned, weakens, or reaches end-of-life. Program-size and design-age distributions are not disclosed. [FY2025 annual report, pp. 5–8](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

Payton sells through a hybrid go-to-market model. Direct sales personnel operate where the group has a physical presence, while agents, distributors, and sales offices extend coverage across Europe, North America, Japan, Korea, India, and China. The group also uses technical marketing, trade exhibitions, routine key-customer visits, and digital lead generation. Sales commissions make part of selling expense variable, but not every sale carries a representative commission. [FY2025 annual report, pp. 5–6 and 13](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

Geographic concentration

FY2025 customer location	Revenue USDm	Share of FY2025 revenue
Asia	22.675	47.4%
America	13.711	28.7%
Europe	9.284	19.4%
Israel	2.155	4.5%
Total	47.825	100.0%

Source: [FY2025 annual report, Note 17](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf); percentages are mechanical calculations using the QF-controlled FY2025 total.

Asia was nearly half of FY2025 revenue, but this is customer-location data, not manufacturing location or Chinese end demand. America's share increased as Asia declined versus FY2024 amid a shrinking telecom/data-center project and three months of SI consolidation. No country revenue or geographic profit table is disclosed, so regional growth cannot be

separated from program mix. [FY2025 annual report, pp. 5 and 54](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

Customer and project concentration

Two customers individually exceeded 10% of FY2025 revenue: Quanta Computer, including QMB, represented 13% and was linked to telecom/data centers; an unnamed automotive customer represented 16%. Together they represented 29% of revenue. Quanta's share had been 27% in FY2024, and the issuer attributed the reduction to lower demand on its main project. In Q1 FY2026, revenue fell partly because one previously high-volume project reached end-of-life and a second high-volume project slowed with demand for electric vehicles. The Q1 release did not disclose those projects' dollar contribution. [FY2025 annual report, p. 5 and Note 17](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

This concentration is fundamental to interpreting Payton. A custom design can be sticky while the host program runs, yet the revenue stream is not perpetual. Winning another large design may lift growth and utilization; a customer inventory correction, vehicle-platform slowdown, or end-of-life can reverse it. Customer-specific NCNR terms protect work already ordered more than they protect future demand. The company discloses neither customer retention nor the concentration of backlog, so the investor cannot quantify how much of the March 2026 backlog depends on the same two large customers.

5. Manufacturing and value chain

Payton's value chain begins with application engineering. Engineers select magnetic architecture and materials, design windings and insulation, model losses and heat, prepare samples, and support customer validation. Production then converts the design file into repeatable windings, core assemblies, terminals, insulation, and finished tested components. The issuer identifies copper, aluminum, tin, and silver as relevant metals; its technology material also identifies ferrite cores and PCB or stamped-copper windings as basic planar inputs. [FY2025 annual report, pp. 6, 9 and Note 17](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [issuer technology explainer](https://www.paytongroup.com/what-is-planar-technology)

Manufacturing is geographically diversified but not fully internal. The group operates in Israel, the United States, and the United Kingdom and uses partners in China and the Philippines. PCT's Chinese subsidiary is a major manufacturing partner, and Payton recorded USD 8.007 million of purchases from this 20%-owned equity-accounted investee in FY2025. Management explicitly lists manufacturing-partner dependency as a specific risk and intends to expand partner capacity in the Far East to gain flexibility, mass-production scale, and lower costs. [FY2025 annual report, pp. 2, 4, 6, 9 and 14](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The SI acquisition adds a California factory and capabilities in electronic coils, assembled power supplies, and other custom magnetics. Payton paid for SI and separately acquired the property on which its factory operates. This broadens the offering and creates a larger owned US footprint, but Q1 FY2026 disclosure also says SI carried lower gross margins than the legacy group. No separate SI revenue, gross profit, order book, or return-on-invested-capital figure is disclosed, so it is not possible to judge acquisition economics from the primer evidence alone. [FY2025 annual report, pp. 3, 10 and Notes 1, 8 and 9](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

Quality systems are part of the value chain because customers in automotive, avionics, space, and medical applications require documented process control. Payton reports ISO 9001:2015, ISO 14001:2015, UL insulation-system recognition, IATF 16949:2016 for automotive, and AS9100 at Payton America for space and avionics. These certifications can be prerequisites for bidding and can raise the cost of switching after qualification. They are evidence of process capability, not evidence of market share or pricing power. [FY2025 annual report, pp. 7–8](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

6. Unit economics

How an FY2025 revenue dollar flowed through the business

FY2025 line	USDm	Percent of revenue
Revenue	47.825	100.0%
Materials consumed	(17.539)	(36.7%)
Manufacturing salaries and benefits	(6.439)	(13.5%)
Manufacturing depreciation and amortization	(0.489)	(1.0%)
Other manufacturing expense	(1.588)	(3.3%)

FY2025 line	USDm	Percent of revenue
Finished-goods and work-in-process movement	(0.405)	(0.8%)
Gross profit	21.365	44.7%
Development costs	(1.967)	(4.1%)
Selling and marketing	(2.448)	(5.1%)
General and administrative	(5.724)	(12.0%)
Other expense, net	(0.501)	(1.0%)
Statutory operating income	10.725	22.4%

Source: QF-controlled FY2025 revenue and statutory operating income; official cost detail from the [FY2025 annual report, pp. 12–13 and Note 17](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf). Percentages are mechanical calculations.

Materials are the largest direct cost. Copper and other metal prices, ferrite and PCB inputs, product complexity, production yield, subcontractor pricing, and manufacturing location all influence cost of sales. Labor is the second major cost pool, both inside production and in application engineering. The issuer says gross margin depends principally on product mix and production site. That is economically intuitive: low-volume, technically demanding designs may earn different margins from price-sensitive mass production, while internal and partner sites have different labor and overhead economics. The issuer does not disclose gross margin by product, customer, program, end market, or location. [FY2025 annual report, pp. 9 and 13](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

Development expense is mainly engineering labor used to design and customize products for specific orders. Some of this spend supports current customer programs; some creates the next set of samples and potential production ramps. Selling costs combine variable commissions with relatively fixed personnel, digital marketing, exhibitions, and travel. General and administrative expense is comparatively large for the revenue base and includes public-company, management, finance, legal, computing, and share-compensation costs. These semi-fixed expenses create operating leverage in both directions. [FY2025 annual report, p. 13 and Notes 17–18](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The Q1 FY2026 result illustrates negative leverage. Revenue was 9% below the prior-year quarter; gross margin fell from 45% to 40% because of lower volume, product and site mix, and SI's lower margin; while development, selling, and administrative spending rose. Statutory operating margin therefore fell to 12.6% from 25.3% in Q1 FY2025. This is evidence that Payton's margin can move materially even though most orders are custom and NCNR. [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf); operating-income figures from `quant_foundation.md`, P3–P4.

Consolidated cash economics

Period	Revenue USDm	Statutory operating income USDm	Operating margin	Net income USDm	Free cash flow USDm	FCF margin
FY2025	47.825	10.725	22.4%	11.074	10.492	21.9%
TTM ended 2026-03-31	46.830	9.121	19.5%	9.562	9.622	20.5%

Source: `quant_foundation.md`, P2, P4 and P6. Free cash flow equals operating cash flow less capital expenditure under the QF convention.

TTM free cash flow was approximately 101% of TTM net income, indicating strong reported conversion over this period. However, net income exceeded statutory operating income because the debt-free group earned significant finance income on its large cash and deposit balance. Investors should separate product economics from treasury income: operating margin measures the transformer business after operating expenses, while net margin includes interest earned on excess liquidity. At 31 March 2026, cash plus short-term deposits were USD 59.291 million and debt was zero. Source: `quant_foundation.md`, P4 and P6.

7. Capital intensity and working-capital behavior

Payton has historically combined owned engineering and production assets with outsourced manufacturing. QF capital expenditure was only USD 0.479 million in FY2024 and USD 0.536 million in FY2023, but rose to USD 5.205 million in FY2025. The annual report shows that USD 4.403 million of 2025 property, plant, and equipment additions was the California property associated with SI. The TTM capex figure of USD 5.080 million therefore overstates a normal maintenance run rate if

that real-estate purchase is nonrecurring, but management also plans further capacity and automation investment. A forecast should not simply assume either the pre-acquisition minimum or the acquisition-year maximum. Source: `quant_foundation.md`, P6, and [FY2025 annual report, Note 9 and 2026 outlook](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf).

Working capital reflects the custom manufacturing model. Raw materials are purchased before completion, goods may be in process, and revenue can be recognized over time before delivery, creating contract assets. Customer delivery deferrals can leave inventory or work in process in the system even when an NCNR order protects recoverability. Conversely, customer-specific goods have little alternative use, so an order dispute or customer distress could make physical inventory harder to redeploy. The issuer reported no expected-credit-loss allowance against FY2025 trade receivables, but that historical fact does not remove concentration risk. [FY2025 annual report, Notes 2, 5 and 7](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

8. Cyclicality and demand formation

Payton's cyclicality is driven less by a single commodity cycle than by the combined timing of OEM programs. Telecom and data-center infrastructure, automotive platforms, industrial equipment, consumer products, and capital equipment each have inventory and investment cycles. A large customer can order aggressively during a product ramp and then cut orders when it has excess inventory, when end demand slows, or when the program reaches end-of-life. In 2025, management cited global weakness, excess caution, elevated input and labor costs, and customer delivery push-outs. In Q1 FY2026, two formerly high-volume programs weakened for explicit end-of-life and EV-demand reasons. [FY2025 annual report, pp. 4–9](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

Backlog confirms both visibility and volatility. It declined from USD 25.165 million at FY2024 to USD 17.401 million at FY2025 as Quanta stopped placing new orders for the coming months, then recovered to USD 19.335 million at 31 March 2026. Most of the March balance was expected to ship by year-end 2026. Without backlog by customer or end market, the recovery cannot be treated as broad-based. [FY2025 annual report, pp. 6–7](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf) and [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

Other cyclical or external variables include metal prices, labor availability, the USD against the NIS and GBP, tariffs on goods entering the United States, and geopolitical disruption. In FY2025, 91% of sales and 94% of raw-material and finished-goods purchases were in or linked to USD, while most salaries were denominated in NIS. A weaker USD therefore raises translated labor cost even when sales and material purchases are naturally matched. Production diversification across Israel, the US, UK, China, and the Philippines mitigates single-site disruption but adds partner, tariff, logistics, and quality-coordination risk. [FY2025 annual report, pp. 4, 9 and 11](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

9. Competition, substitutes, and switching friction

The direct competitive set includes other custom magnetic-component suppliers. Payton itself names Pulse, Standex, Coilcraft, and Spain's Premo as potential competitors and acknowledges that more magnetics manufacturers are entering planar technology. It also states that it cannot estimate its future market share. Accordingly, the issuer's website description of Payton as a global leader should be treated as positioning, not an independently established share statistic. [FY2025 annual report, p. 6](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The principal technological substitute is a conventional wire-wound transformer or inductor. Wire-wound components can be entirely adequate where height, heat, leakage, and repeatability are not binding constraints, and they may have lower non-recurring engineering or tooling cost for simple, low-volume designs. Other substitutes include a customer's internally designed magnetics, a competing planar supplier, or a power module that integrates the magnetic function into a broader assembly. System architects can also change converter topology, switching frequency, semiconductor choice, or cooling architecture, altering the magnetic requirement. This paragraph is an engineering inference from the issuer's technology and design materials, not a disclosed market-share analysis. [Issuer technology explainer](https://www.paytongroup.com/what-is-planar-technology)

Payton's potential switching friction comes from co-design knowledge, qualification time, tooling, system-level thermal and electromagnetic validation, safety certification, and the risk a customer takes by changing a component embedded in a released design. The customer-specific nature of the goods and the firm-order model support this interpretation. But the sources do not disclose price increases, win rates, retention, sole-source status, dual sourcing, or customer savings. Switching friction therefore should not be promoted to proven pricing power without additional evidence. [Issuer

design-request form](https://www.paytongroup.com/planar-smps-transformer) and [FY2025 annual report, Notes 2 and 17](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

10. Governance and ownership context

Payton Planar Magnetics is controlled through Payton Industries, which owns 66.2% of the shares; the public owns 33.8%. The FY2025 report identifies David Yativ and FIMI as the ultimate joint controlling shareholders of the parent. David Yativ is active chairman, and his son Doron Yativ is a director and chief executive. Another son, Amir Yativ, is an engineering and development manager. Michal Lichtenstein serves as Payton Group CFO and is also CEO of the parent. This structure may support long-term technical continuity, but it concentrates influence and makes related-party governance important. [FY2025 annual report, pp. 9, 24, 29 and Notes 15–16](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

Related-party arrangements are material to understanding the cost structure. Companies controlled by David and Doron Yativ receive monthly management fees and profit-based bonuses under shareholder-approved service agreements. The group also pays a share of FIMI management-service fees. In addition, PCT is both a 20%-owned equity-accounted investee and a major manufacturing partner from which Payton purchased USD 8.007 million in FY2025. These facts do not by themselves establish unfair dealing, but they require attention to approval processes, transfer economics, and minority-shareholder alignment. [FY2025 annual report, pp. 14–15 and Notes 8, 15 and 18](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)

The minority-governance issue became visible in 2026. Payton Industries and Payton Planar negotiated a cash merger that would have bought out the public float and delisted Payton Planar. Because the transaction involved the controlling shareholder, the board formed an independent committee with separate legal and financial advisers. The parties terminated negotiations on 10 June 2026 after concluding that shareholder approval on the proposed terms was unlikely, citing market feedback and higher share prices. They said the entities would remain separately listed for the time being and might re-examine a combination later. [April 2026 proposed-merger disclosure](https://www.paytongroup.com/webfiles/tfm/proposed-merger-info-230426.pdf) and [June 2026 termination disclosure](https://www.paytongroup.com/webfiles/tfm/pr-termination-merger-negotiat.pdf)

That episode is relevant even though no transaction is pending. It shows both a procedural safeguard—the independent committee and minority vote—and a continuing strategic preference at the parent for a single listing. A minority investor should therefore monitor any future related-party transaction, delisting proposal, or change in free float on its own merits. This primer makes no judgment on a future price or transaction.

11. Hardware disclosure inventory and explicit gaps

Disclosure family	What the live primary sources disclose	What remains missing
Financial segments	One transformer operating segment; consolidated revenue and statutory results	No product, subsidiary, or end-market revenue and no issuer segment-profit metric
Product mix	Planar and conventional transformers, inductors, coils, power-supply assembly and custom magnetics	No product dollars, units, ASP, gross margin, or growth series
End markets	Telecom/data center, automotive, power electronics, industrial, medical, avionics, space, defense and consumer applications	No additive end-market revenue table
Customers	Two customers above 10% of FY2025 revenue; Quanta identified and Customer B described as automotive	No customer count, top-five concentration, retention, backlog concentration, sole-source status, or contract duration
Orders	Firm-order backlog at FY2025 and Q1 FY2026; most Q1 backlog expected within three quarters	No book-to-bill, cancellation history, backlog gross margin, or design-win backlog
Design activity	Custom specification forms and qualitative engineering workflow	No design wins, sample count, conversion rate, qualification time, attach rate, or design-life distribution
Manufacturing	Sites and partners across Israel, US, UK, China and Philippines; PCT identified as a major partner	No capacity, utilization, yield, throughput, lead-time, or site-level economics
Cost structure	Consolidated cost of sales, operating expenses, capex, inventory and cash-flow data	No cost or margin by product, customer, site, or end market
Market position	Named competitors and issuer claim of technology leadership	No independently supported market share or pricing premium

Sources searched: the [FY2025 annual report](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf), [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf), [issuer periodical-report index](https://www.paytongroup.com/periodical-reports), [issuer product pages](https://www.paytongroup.com/products), [issuer technology page](https://www.paytongroup.com/what-is-planar-technology), [issuer design-request form](https://www.paytongroup.com/planar-smps-transformer), and the [Euronext issuer page](https://live.euronext.com/en/product/equities/IL0010830391-XBRU). Search terms included segment, transformer, planar, conventional, inductors, customer, geography, backlog, units, ASP, utilization, capacity, design wins, product mix, end market, gross margin, inventory, capex, and manufacturing partner. The missing items above are true non-disclosures in the controlling source set checked for this primer, not values filled from memory.

12. What to carry into later stages

Payton is a technically specialized, project-based hardware supplier with a strong balance sheet, not a recurring-revenue technology company. Co-design and qualification may create switching friction, but customer concentration, short-dated backlog, project end-of-life, partner production, and sparse KPI disclosure limit visibility. Q1 FY2026 shows that lower volume, SI mix, and local-currency labor inflation can compress an otherwise attractive consolidated margin structure.

Later work should forecast conservatively from program and backlog evidence, distinguish product operating profit from interest on excess cash, normalize the SI-related property purchase without assuming capex returns to its minimum, and assess controlling-shareholder alignment separately. This primer issues no management, moat, valuation, or investment verdict.

Payton Planar Magnetics Ltd (PAY.BR) - Management Assessment

Date: 2026-07-31 Information cutoff: 2026-07-31 14:02:28 SGT Mode: Production ER2 Management gate: **FAIL** Research only. Trade execution authorized: `false`.

Scope, evidence, and grading posture

This assessment asks whether Payton Planar Magnetics' leadership can be trusted to allocate capital and protect per-share value for a decade or more. The evidence base is the DR-cleared `data_package.md`; Payton's FY2021-FY2025 annual reports and Q1 FY2026 interim report; the company's live leadership, shareholder, and shareholder-meeting pages; the official 2026 annual-general-meeting notice and results; the 2025 SI Manufacturing acquisition materials; and the April-June 2026 proposed-merger and termination releases. The 2026 AGM files are archived under `raw/pulse-cio-20260731T140228+0800_M_live`.

Payton does not publish a U.S.-style proxy with a full compensation discussion and analysis, nor did the reviewed issuer archive contain earnings-call transcripts. Eight live FMP transcript requests covering Q2 FY2024 through Q1 FY2026 returned exact empty arrays. Therefore question handling, analyst pushback, and transcript language cannot be scored. The absence of those materials is treated as an evidence limitation, not as proof of evasiveness.

The grade is deliberately conservative. Payton has substantial strengths: long-serving operators, a debt-free balance sheet, recurring dividends, stable shares outstanding, and unusually candid statutory disclosure for a small foreign issuer. Those positives do not neutralize a controller-dominated governance structure, related-party executive arrangements, weak minority-listed-share alignment, an unproven acquisition, and a concrete 2026 attempt by the controlling parent to cash out minorities and delist the company.

1. Who is running the company

The [company's current leadership page](https://www.paytongroup.com/experienced-management-team) identifies David Yativ as president and chairman, Doron Yativ as CEO, Michal Lichtenstein as CFO, Amir Yativ as CTO, and Haim Elgamil as COO. Leon Raginsky is QA manager and Raz Gershtein is project manager. Payton America lists Jim Marinos as executive vice president and John Boezio as operations manager. Because Payton reports only one transformer operating segment, these are functional leaders rather than separately accountable reportable-segment heads.

Doron Yativ is the CEO and a director. His exact initial appointment date and a conventional career biography were not supplied in the reviewed current materials. An official October 2017 transparency notice already described him as CEO and director, and FY2021-FY2025 annual reports document continuous service. He is therefore not a new arrival: he owns the operating record evaluated here. He is David Yativ's son and provides CEO services through Yaarh-Looking To The Future

Ltd., a company under his full control.

Michal Lichtenstein is vice president of finance and CFO of Payton Group and is also CEO of parent Payton Industries. She was already signing official disclosures as CFO in 2017 and signed the FY2021-FY2025 financial statements. Her exact initial appointment date and earlier external roles were not disclosed in the reviewed package. The dual parent-and-subsidiary remit is relevant: it may improve coordination, but it also weakens the appearance of independent representation when parent and minority interests diverge.

David Yativ is active chairman, not a purely supervisory chair. He provides services through Wichita Ltd., which he controls. The FY2025 accounts identify David Yativ and FIMI as the ultimate joint controlling shareholders of Payton Industries, which owns 66.2% of Payton Planar. The chairman is consequently both an executive service provider and part of the control group.

The March 2026 AGM reappointed six directors: David Yativ, Doron Yativ, Gilon Beck, Amir Widman, Rachel Komemi, and Giora Levi. Only Komemi and Levi were expressly identified as independent. Thus the board has two identified independent directors out of six, no disclosed independent majority, and no disclosed lead independent director. The controller held enough votes to decide the ordinary director-renomination items. A positive counterweight is that the board formed a special committee consisting only of independent directors for the 2026 parent-company merger negotiations and retained separate legal and financial advisers.

Leadership or oversight role	Current holder	Evidence-backed tenure or affiliation	Assessment
Active chairman / president	David Yativ	Documented at least since 2017; joint controller through parent	Deep continuity, but control and oversight are not separated
CEO / director	Doron Yativ	Documented as CEO since at least 2017; chairman's son	Owns the full five-year operating record
CFO / VP Finance	Michal Lichtenstein	Documented as CFO since at least 2017; also parent CEO	Experienced, but parent/subsidiary roles overlap
CTO / engineering leader	Amir Yativ	Current CTO; chairman's son; 20,000 parent options granted in 2024	Technical continuity with family concentration
COO	Haim Elgamil	Current leadership page; no start date in reviewed sources	Operational accountability is named but biography is sparse
Independent oversight	Rachel Komemi and Giora Levi	Two of six directors identified as independent in 2026 AGM notice	Minority safeguards exist, but are not board-majority safeguards

2. Tenure and track record

The current CEO has served long enough to own three load-bearing decisions.

First, management preserved a profitable, cash-generative core while returning capital. Revenue moved from USD 43.980 million in FY2021 to USD 47.825 million in FY2025, only about 2.1% annualized, while statutory operating margin moved from 23.57% to 22.43% after peaking at 29.90% in FY2023. The record is profitable but not a demonstrated high-growth compounding trajectory. FY2025 revenue was the third consecutive annual decline from the USD 60.270 million FY2022 peak. Q1 FY2026 then brought an 8.5% revenue decline and a 12.60% operating margin. Long tenure makes those results management-owned, not legacy noise.

Second, the group maintained a debt-free balance sheet and distributed USD 39.300 million of dividends over FY2021-FY2025 while ending Q1 FY2026 with USD 59.291 million of cash and short deposits. That is meaningful evidence of cash conversion and balance-sheet restraint. The weakness is that the large residual cash pool has no disclosed long-range allocation framework, hurdle rate, or target operating reserve. There were no material listed-company repurchases; the share count remained 17,670,775. Capital returns were therefore dividends rather than price-sensitive buybacks.

Third, management acquired SI Manufacturing on October 1, 2025. The official FY2025 report records USD 6.149 million total purchase cost, USD 5.239 million net acquisition cash outflow, and a separate USD 4.4 million purchase of SI's California real estate. SI contributed USD 1.397 million of revenue but deducted USD 164 thousand from consolidated net profit during the three months after acquisition. Payton also incurred USD 501 thousand of 2025 transaction costs. The deal broadens U.S. manufacturing and aerospace, defense, transportation, and conventional-magnetics exposure, which is strategically coherent. It has not yet demonstrated accretion or attractive return on capital. This appendix follows the official acquisition note and `data_package.md` Section 9; the Section 7 table's statement of no material FY2025 M&A is an editorial inconsistency.

The FY2025 capital-spending increase is partly transaction-related rather than clean organic capacity evidence: capex rose to USD 5.205 million, while the acquired Anaheim land and building cost USD 4.4 million. R&D rose from USD 1.481 million in

FY2021 to USD 1.967 million in FY2025, but absolute growth was modest. The broad investment pattern supports geographic and application expansion, yet neither capacity utilization nor product-level returns are disclosed.

Management has acknowledged early acquisition costs and SI's negative initial contribution rather than hiding them. The unresolved issue is outcome, not candor. A second mixed decision is the 2026 delisting proposal. The parent sought to cash out free-float holders at EUR 7.38 per share. The proposal included independent-committee negotiation and required majority approval among voting non-parent shares, both important protections. Negotiations were terminated after market feedback and higher parent and subsidiary share prices made approval at the proposed terms unlikely. The process was lawfully structured, but it demonstrates that the controller's preferred path can differ materially from continued minority ownership.

3. Capital allocation behavior

Fiscal year	Capex, USD000	R&D, USD000	Dividends, USD000	Buybacks	Material M&A or transaction outcome
FY2021	523	1,481	7,422	0 disclosed	None material identified
FY2022	993	1,545	8,023	0 disclosed	None material identified
FY2023	536	1,442	8,482	0 disclosed	None material identified
FY2024	479	1,672	10,072	0 disclosed	FIMI control transaction at parent; parent options granted
FY2025	5,205	1,967	5,301	0 disclosed	SI: USD 6.149m purchase cost plus USD 4.4m real estate; initial net loss

The pattern is conservative in financing and generous in distributions. Payton did not issue debt to fund ordinary operations, did not dilute listed shares, and retained enough liquidity to absorb SI and its real estate. Free cash flow stayed positive at USD 10.492 million in FY2025 and USD 9.622 million for the TTM ended March 2026.

The hard question is return discipline. Management's own 2025 presentation described a strategy of strategic M&A with high synergies, but no acquisition hurdle rate, return-on-invested-capital target, post-deal scorecard, or integration milestones were disclosed. SI's first three months were loss-making, and the purchase-price allocation remained provisional at FY2025 approval. One new deal does not establish serial value destruction, but neither does it establish acquisition skill. The prudent classification is unproven.

The dividend record protected per-share cash realization, yet the board cut the FY2024-related distribution paid in 2025 to USD 5.301 million from USD 10.072 million paid in FY2024 as acquisition spending increased. That tradeoff is rational if SI earns attractive returns. It becomes poor allocation if the acquisition remains subscale and loss-making while excess cash continues to earn merely deposit returns.

4. Compensation alignment

The compensation architecture is more concerning than the absolute expense. Under agreements approved in September 2023, Wichita receives a monthly fee of USD 64 thousand, CPI-linked, for David Yativ's active-chair services plus an annual bonus equal to 3.4% of company pretax profit before other profit-based bonuses. Yaarh receives a monthly fee of USD 34 thousand, CPI-linked and rising 3% each April, for Doron Yativ's CEO services plus 2% of pretax profit on the same basis. FIMI receives a management-services fee, shared between parent and subsidiary.

The latest detailed individual table available in the January 2026 AGM notice covers FY2024. It reported total cost of USD 976 thousand for David Yativ, USD 751 thousand for Doron Yativ, and USD 289 thousand for Michal Lichtenstein. Aggregate listed senior-officer remuneration was USD 2.841 million, including USD 663 thousand of bonus and USD 233 thousand of share-based compensation.

Profit-based bonuses create some earnings alignment, but the metric is one-year pretax profit. It does not explicitly reward multi-year ROIC, free cash flow per share, organic growth, integration success, or relative shareholder return. Because finance income from the large cash pool increases pretax profit, the structure can reward balance-sheet carry as well as operating performance. No reviewed document established a clawback, hedging prohibition, minimum listed-share ownership rule, or multi-year performance condition; these are evidence gaps, not assertions that no policy exists.

Equity alignment is indirect. The FY2024 AGM table showed David Yativ with a 19.8% indirect interest through the parent, Doron Yativ with less than 0.01% of Payton Planar, and no direct listed-company holding shown for the CFO. In 2024 the parent granted non-marketable parent-company options vesting over four years: 30,000 to Doron Yativ, 20,000 to Amir Yativ,

and 30,000 to Michal Lichtenstein. Those awards align recipients with the parent, not perfectly with the separately listed minority security. Payton Planar recognized USD 311 thousand of related share-based compensation in FY2024 and USD 481 thousand in FY2025, about 0.61% and 1.01% of revenue. Listed shares did not increase, so chronic listed-share dilution is not the issue; cross-entity incentive alignment is.

5. Disclosure quality and candor

No usable transcript existed for any of the eight tested quarters. Accordingly:

Candor test	Evidence available	Conclusion
Tough-question handling	No transcript for eight tested quarters	Not assessable
Beat / meet / miss versus guidance	No formal revenue, margin, or EPS guidance	Not assessable
Hedged-language quarters	Zero evaluable call transcripts out of eight	No defensible count
Voluntary operating disclosure	Backlog, customer concentration, geography, headcount, acquisition contribution	Moderate
Unit, ASP, utilization, capacity, product margin	Not disclosed	Material limitation

Written candor is better than the transcript gap implies. Payton disclosed customer concentration, backlog erosion, tariff and currency risks, SI transaction costs, provisional purchase accounting, the acquisition's negative initial profit contribution, related-party balances and fees, and the exact delisting process. The Q1 FY2026 release attributed weakness to broad demand, two formerly high-volume projects, SI's lower margins, product mix, and production sites. Those are specific explanations rather than generic "headwinds."

Disclosure nevertheless falls below the realistic peer set. Investors cannot connect strategic claims about data centers, higher-power products, or capacity to revenue, orders, units, ASP, utilization, or margin. There is no formal long-range target and no quarterly call in which minority holders can test management's assumptions. This is not enough evidence to label management dishonest, but it sharply lowers confidence in narrow underwriting.

6. Strategic coherence

The strategy is internally coherent at a high level: remain a custom, design-to-order planar-magnetics specialist; use global production and engineering to solve customer power-conversion problems; pursue new end markets; and supplement organic development with synergistic acquisitions. The FY2025 report says the group will pursue new markets and opportunities while offering innovative solutions and leveraging new technologies. The 2025 presentation explicitly pairs organic growth with strategic M&A.

Spending broadly matches that message. R&D rose, SI added U.S. manufacturing and adjacent custom magnetics, and the Anaheim property creates a permanent operating base. The company also maintains manufacturing relationships and sites across several countries. The strategy is not a random pivot.

What is missing is a measurable destination. Management has not disclosed a five- or ten-year revenue objective, target ROIC, margin framework, acquisition payback, data-center revenue share, or capacity milestone. The recent operating evidence is also awkward: revenue has declined from its FY2022 peak, backlog fell from USD 43.839 million in FY2022 to USD 17.401 million in FY2025 before recovering to USD 19.335 million in Q1 FY2026, and the latest-quarter margin was 12.60%. Strategic coherence is therefore stronger than strategic proof.

7. Governance flags

Governance issue	Verified fact	Investor implication
Control	Payton Industries owns 66.2%; David Yativ and FIMI are ultimate joint controllers	Minority outcomes depend heavily on controller conduct
Board independence	Two of six directors expressly identified as independent	No independent board majority
Family concentration	Chairman's sons are CEO and CTO / engineering leader	Succession and challenge mechanisms are not independently demonstrated
Related-party services	Chairman and CEO serve through controlled management companies; FIMI also receives fees	Terms require persistent minority scrutiny
2026 delisting attempt	Parent proposed EUR 7.38 cash merger; later withdrew after market feedback and price increases	Concrete evidence of divergent controller and minority preferences

Governance issue	Verified fact	Investor implication
Internal controls / audit	Unmodified FY2025 audit; revenue recognition was a key audit matter	No identified restatement or material-weakness finding in reviewed sources
Insider trading	No complete current insider-transaction dataset in the source set	Last-12-month selling pattern is not assessable

The independent committee and non-parent majority approval condition were meaningful safeguards. They prevent the delisting episode from being characterized as coercive on the available evidence. They do not remove the structural concern: the ordinary board is not independently controlled, parent executives overlap with subsidiary leadership, and compensation routes through related service companies.

8. Peer comparison

Peer leader	Relevant evidence	Relative assessment versus Payton
Farouq Tuweiq, Bel Fuse CEO since May 2025 and CFO since 2021	Bel reports quarterly calls, explicit sales and gross-margin guidance, debt reduction, and record 2025 revenue and cash flow; current leadership and board roles are publicly detailed	Stronger disclosure and observable capital-allocation scorecard; CEO tenure itself is shorter
David Dunbar, Standex CEO since January 2014	Standex describes portfolio transformation, discloses segment results, and gave revenue, EBITDA-margin, and expected margin-accretion parameters for major transformer acquisitions	Stronger five-year stewardship evidence and outcome-linked acquisition communication

Bel Fuse is also historically family influenced, so it is not an artificially pristine comparator. Yet its current [management](https://ir.belfuse.com/corporate-governance/management), [board](https://ir.belfuse.com/corporate-governance/board-of-directors), quarterly calls, and 2025 results allow investors to test guidance and operating outcomes. Standex's [management page](https://ir.standex.com/management) gives a conventional career history, while its acquisition releases quantify expected revenue and margin effects. Payton's engineering continuity and debt-free balance sheet compare well, but its minority governance and disclosure architecture compare worse. On five-year stewardship, Payton ranks below these realistic public alternatives.

9. Management gate verdict

VERDICT: FAIL.

Payton's operators have preserved profitability, cash conversion, a debt-free balance sheet, stable listed shares, and substantial dividends. Those are real achievements. The management gate still fails because the evidence does not support entrusting minority per-share value to this structure for a decade: the 66.2% parent controls ordinary votes; only two of six directors are identified as independent; the chair, CEO, CFO, and incentive structure overlap with the parent and family control group; annual bonuses are based on pretax profit rather than multi-year ROIC or FCF per share; SI's return is unproven; and the controller pursued a 2026 cash-out and delisting at EUR 7.38 before withdrawing when approval appeared unlikely at the proposed terms.

The specific evidence required to reconsider the grade is: an independent board majority with a clearly empowered lead independent director; a compensation redesign centered on multi-year ROIC, FCF per share, and acquisition outcomes; public post-acquisition milestones showing SI earns above-cost-of-capital returns; and durable minority protections for any future parent transaction, supported by full valuation disclosure. Without those changes, YELLOW would be a polite substitute for a hard call. Under the ER2 framework, this management FAIL forces the final equity verdict to PASS regardless of valuation.

Source note

Primary sources include the [FY2025 annual report](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf), [current leadership page](https://www.paytongroup.com/experienced-management-team), [shareholder information page](https://www.paytongroup.com/shareholders-structure-and-other-financial-information), [2026 AGM notice](https://www.paytongroup.com/webfiles/tfm/agm-notice-09032026.pdf), [2026 AGM results](https://www.paytongroup.com/webfiles/tfm/agm-results-09032026.pdf), and official releases archived in `raw/pulse-cio-20260731T140228+0800_D_live`. The eight transcript endpoint results and AGM archive are under `raw/pulse-cio-20260731T140228+0800_M_live`. Monetary figures are USD thousands unless stated otherwise.

Payton Planar Magnetics Ltd (PAY.BR) — Moat and 2046 Durability

Date: 2026-07-31 TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ended 2026-03-31 Five-year forecast horizon used elsewhere in ER2: 2031-03-31 Twenty-year durability date: 2046-07-31 Financial projection scope: Consolidated company, the QFR- and DR-cleared single-segment fallback Research only. Trade execution authorized: `false`.

Scope and evidence discipline

This appendix assesses economic durability, not whether planar transformers are technically useful. The controlling quantitative source is the DR-cleared `data_package.md`; official issuer materials provide competitive, contractual, product, and manufacturing context. The segment appendix was still an in-progress stub, so segment-dependent conclusions are constrained to the verified package, primer, and primary evidence. Because Payton discloses only one transformer operating segment and no product-level dollars or profit, references to data center, automotive, conventional magnetics, three-phase products, or SI capabilities are business context, not additive financial segments.

The core finding is deliberately narrower than the issuer's leadership language. Payton has credible incumbent-design switching friction and high-trust procurement advantages once a custom component has been engineered, qualified, and ordered. Those advantages can protect an existing program for its life. The evidence does not establish that Payton can repeatedly replace expiring programs, preserve pricing, or earn exceptional returns for twenty years. A program moat is not automatically a corporate moat.

1. Moat taxonomy applied

Network effects — absent

There is no customer-to-customer network effect. One OEM's use of a Payton transformer does not make the component more useful to another OEM, and an expanding installed base does not mechanically lower service cost. References and engineering experience may improve credibility, but that is reputation and accumulated know-how, not a network effect. Payton's agents, distributors, and sales offices widen reach, yet the channel does not appear exclusive or self-reinforcing.

Switching costs — moderate within a live program, weak between programs

Switching friction is the clearest defensible advantage. A customer specifies topology, voltages, current, isolation, thermal limits, mechanical envelope, safety requirements, expected production volume, and price. Payton then designs samples that must be validated in the customer's power system. Once released, changing the magnetic component can require electrical, thermal, electromagnetic-interference, safety, manufacturing, and reliability requalification. In automotive, avionics, space, or medical applications, process documentation and qualification can make a redesign unattractive unless savings are material.

The contract structure reinforces this friction only after an order is accepted. The FY2025 annual report states that customer-specific goods generally have no alternative use, are mainly sold on non-cancellable and non-refundable terms, and entitle Payton to incurred cost plus a reasonable margin. That protects work in process and firm orders; it does not guarantee the next order. The Q1 FY2026 disclosure is the counterexample: one formerly high-volume project reached end-of-life and another slowed with electric-vehicle demand. Switching costs can preserve share during a program while offering no protection when the host program ends.

Scale economies — limited and not quantified

Payton can spread engineering, quality, public-company, procurement, and manufacturing overhead across more programs. Its network of owned operations in Israel, the United States, and the United Kingdom, plus manufacturing partners in China and the Philippines, also gives it sourcing and site flexibility that a very small entrant may lack. Management intends to expand partner capacity in Asia to support mass-production quantities, lower cost, and improve competitiveness.

However, the cleared evidence contains no nameplate capacity, utilization, yield, unit-volume, procurement-rebate, or site-margin series. The company had about 205 employees at FY2025, and it names substantially larger component suppliers among competitors. Scale therefore cannot be assumed to be an absolute advantage. It may be enough to qualify as a credible supplier, but the disclosed plan to use partners to lower costs also suggests that price-sensitive production is contestable. Scale is a supporting capability, not a proven moat.

Brand and reputation — moderate in a technical niche, not independently measured

Two decades of public technical positioning, a portfolio of custom planar designs, and relationships with technology-driven OEMs can reduce a buyer's perceived execution risk. The company markets itself as a global planar-magnetics leader and maintains direct engineering contact, technical marketing, exhibitions, and customer visits. Those activities plausibly support consideration for difficult projects.

The issuer also says it cannot estimate future market share. No independent market-share series, win rate, customer-retention rate, price premium, or unaided brand measure is disclosed. The principal evidence is therefore supplier credibility rather than consumer-style brand power. Reputation can help Payton enter a qualification funnel, but it does not show that the buyer lacks credible alternatives from Pulse, Standex, Coilcraft, Premo, or other manufacturers.

Regulatory and qualification barriers — moderate, application-dependent

Payton reports ISO 9001:2015, ISO 14001:2015, UL insulation-system recognition, IATF 16949:2016 for automotive, and AS9100 at Payton America for space and avionics. It also cites CE and other safety-standard capabilities. These certifications and controlled production processes can be prerequisites for bidding and can lengthen supplier qualification. They are most valuable in high-reliability end markets where a component failure is costly and documentation matters.

Certifications are not exclusive licenses. A well-funded competitor can obtain them, and the evidence does not quantify how much revenue comes from the highest-barrier applications. They strengthen switching costs after a design win but do not prevent competition for the next platform.

Intellectual property and patents — possible know-how, weakly evidenced exclusion

The company emphasizes high-frequency magnetics know-how, innovative designs, patents, component minimization, production files, and close engineering collaboration. Tacit know-how in winding geometry, materials, insulation, thermal behavior, parasitics, tooling, and manufacturability can be difficult to reproduce quickly. The custom design files and accumulated failure learning may be more useful than any single patent.

But the verified package does not provide a patent schedule, remaining lives, claim scope, litigation history, licensing income, or evidence that competitors are blocked from equivalent designs. The annual report itself notes increasing interest from manufacturers entering planar technology. Intellectual property is therefore a plausible contributor to engineering speed and quality, not a demonstrated legal tollbooth.

High-trust procurement — moderate and real, but concentrated

Power-electronics customers need consistent electrical, thermal, safety, and manufacturing performance. For an approved program, supplier reliability, process control, and technical support matter alongside unit price. Payton's certification set, direct technical support, global manufacturing options, and NCNR custom-order model fit high-trust procurement. This is likely strongest in automotive, avionics, space, medical, and demanding industrial programs.

The weakness is concentration and program duration. Two customers represented 29% of FY2025 revenue, versus 42% in FY2024, and the two largest customers represented 38%-46% in FY2021-FY2024. A trusted relationship can create bargaining leverage for the customer as easily as for the supplier. The sharp fall in Quanta-linked demand shows that trust and qualification do not prevent volume reduction.

2. Per-segment moat

Consolidated company

The sole modeled segment's moat is the bundle of application engineering, customer-specific qualification, quality systems, production know-how, and reliable delivery through a geographically diversified manufacturing network. Its durability is strongest over a five-year period for designs already embedded in customer platforms. Over ten years, durability depends on replacing program end-of-life with new design wins and successfully integrating newer capabilities such as SI's custom magnetics and power-supply assemblies. Over twenty years, the evidence is insufficient because product mix, design-win conversion, customer retention, sole-source status, unit economics, and market share are not disclosed.

The earliest break signal is not merely one weak quarter. It is a repeated failure to replace expiring projects: backlog fails to recover after delivery, customer concentration falls because major programs disappear rather than because the base broadens, gross margin stays below historical levels, and R&D spending rises without renewed revenue. A second break signal is procurement commoditization: customers increasingly dual-source or move designs to larger integrated suppliers, causing gross margin to compress even when volumes recover. The FY2025-to-Q1 FY2026 sequence already supplies a

cautionary observation, not proof of permanent erosion.

There is no stronger disclosed segment whose economics can hide a weaker segment. The blended moat is the consolidated moat. SI's lower gross margin in Q1 FY2026 may dilute the legacy business, but no subsidiary revenue or profit is disclosed, so the magnitude cannot be calculated. Likewise, data-center and three-phase opportunities cannot be credited as a high-moat mix shift without revenue, margin, order, or qualification evidence.

3. Margin persistence evidence

The cleared package provides five complete fiscal years, not a ten-year controlled series. It also provides the latest quarter and TTM. No separately disclosed segment margin exists; the row below uses statutory operating income under the validated single-segment consolidated fallback.

Period	Revenue, USDm	Gross margin	Statutory operating margin	What it says about moat
FY2021	43.980	39.5%	23.6%	Healthy custom-hardware economics
FY2022	60.270	40.6%	28.6%	Volume and mix supported strong leverage
FY2023	54.856	43.9%	29.9%	Peak operating margin despite lower revenue
FY2024	50.826	43.5%	26.7%	Still strong, but declining from peak
FY2025	47.825	44.7%	22.4%	Gross margin held; overhead and other expense reduced OI margin
TTM ended 2026-03-31	46.830	43.6%	19.5%	Recent roll-off weakened operating economics
Q1 FY2026	10.650	40.0%	12.6%	Volume, mix, sites, and lower-margin SI exposed negative leverage

The five-year fiscal record is better than a commodity manufacturer's: gross margin rose from 39.5% to 44.7% while revenue declined after FY2022, and operating margin remained above 22% through FY2025. That pattern supports design value, qualification friction, or favorable mix. It is genuine moat evidence.

It is not decisive durability evidence. Operating margin peaked at 29.9% in FY2023, fell to 22.4% in FY2025, then to 19.5% on a TTM basis. Q1 FY2026 was 12.6%, after Q4 FY2025 at 13.8%. Management attributed Q1 gross-margin pressure to volume, product mix, production sites, and SI's lower margins. This reveals meaningful operating leverage and mix sensitivity despite custom orders. The most defensible conclusion is that Payton has historically earned attractive margins, but the evidence has not separated structural pricing or switching benefits from program mix and utilization. A full cycle that includes sustained low utilization has not yet demonstrated a stable floor.

4. AI disruption stress test

Payton does not sell a prompt-to-output workflow. Its value ends in physical, safety-relevant hardware that must transfer power, manage heat, meet insulation and electromagnetic requirements, fit a mechanical envelope, and be manufactured repeatedly. A foundation model cannot directly replace ferrite, copper, insulation, quality control, qualification, or production capacity. The company therefore has chokepoint-like physical relevance, though not necessarily chokepoint market power.

AI can still change the economics in four ways. First, generative engineering and simulation tools may reduce the time needed to design winding geometry, thermal paths, and electromagnetic behavior, lowering the value of accumulated design labor. Second, competitors will use the same tools, potentially narrowing Payton's speed advantage. Third, advances in wide-bandgap semiconductors, switching frequency, converter topology, integrated power modules, or passive-component design may change the magnetic content per system. Fourth, large customers may bring more magnetic design in-house while outsourcing manufacture to lower-cost suppliers.

The most AI-exposed business context is simpler conventional magnetics, coils, and assembled power-supply work where specifications can be standardized and manufacturing price dominates. This is not a separately disclosed financial segment, so exposure cannot be quantified. The most protected context is a custom high-power or high-reliability planar component already qualified inside an automotive, aerospace, medical, industrial, or data-center power architecture. Here AI is more

likely to accelerate engineering iteration than eliminate the physical component.

AI may also expand demand. Data centers require more electrical power conversion, higher density, and thermal management, and Payton markets three-phase planar solutions for high-power applications. That is platform-adjacent upside, not a moat conclusion: no data-center revenue, order value, attach rate, unit volume, or margin is disclosed. If AI infrastructure growth attracts larger competitors and accelerates standardization, industry growth could coexist with weaker supplier economics.

5. The 2046 test

Today is 2026-07-31; the test date is 2046-07-31.

Plausible 2046 business description

In a defensible 2046 scenario, Payton designs and manufactures custom magnetic and integrated power-conversion assemblies for OEMs and tier suppliers in data-center power systems, industrial automation, electrified transport, aerospace, space, defense, and medical equipment. Customers buy application engineering, validated power density, thermal and electromagnetic performance, documented quality, and repeatable production rather than an undifferentiated transformer. The company still reports one or a small number of operating units built around planar and related custom magnetics; simple conventional products have either withered or are produced through low-cost partners. Owned engineering and high-reliability manufacturing coexist with flexible partner capacity in Asia and North America. Operating margin is directionally lower than the FY2022-FY2024 peak but can remain in the mid-to-high teens if Payton repeatedly wins difficult programs and avoids competing primarily on mass-production price.

That description names who pays and why: an OEM pays to reduce engineering and qualification risk in a safety-, heat-, space-, or reliability-constrained power subsystem. The intact moat is accumulated design and production know-how plus qualification and high-trust procurement. The problem is not conceptual plausibility; it is evidence that Payton can renew that moat across multiple generations of customer products. Current disclosures show incumbent stickiness but not a repeatable design-win engine.

Bear 2046 description

In the erosion case, planar magnetics have become a widely available manufacturing method. Simulation and AI-assisted design shorten development cycles; larger component suppliers bundle magnetics with power semiconductors, modules, and broader procurement contracts; Asian manufacturers reproduce most designs at lower cost; and OEMs dual-source to reduce dependence. Payton remains a small custom magnetics contractor with valuable engineers but weak bargaining power. Revenue follows a few volatile programs, partner and labor costs absorb the savings from automation, and statutory operating margin settles in the high-single-digit to low-teens range. The cash pile cushions shareholders but does not recreate an operating moat.

That bear path is materially plausible. A reasonable qualitative probability range is 35%-50%, with low confidence because market share, win rates, sole-source status, product mix, and pricing are undisclosed. More importantly, the evidence does not make the favorable case sufficiently more probable to underwrite twenty years of high returns. Existence in 2046 is credible; durable exceptional economics are not yet proven.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Planar commoditization and larger rivals	Pulse, Standex, Coilcraft, Premo, and new entrants use similar design tools and global production to compete on price and breadth	Consolidated company; especially price-sensitive and conventional work	Gross margin remains below 40% after volumes recover; tender losses or more explicit price competition	High
Program concentration and customer redesign	Large customer projects slow, end, move to a second source, or redesign around another supplier	Consolidated company; telecom/data-center and automotive context	Backlog declines without replacement; top-customer revenue falls while total revenue also falls; repeated end-of-life explanations	High
Power-architecture and AI-assisted design shift	Integrated modules, topology changes, advanced semiconductors, or customer insourcing reduce discrete custom-magnetic value	Consolidated company; simpler designs most exposed	Lower R&D conversion, shorter qualification advantage, falling price/mix despite healthy end-market demand	Medium

Manufacturing-partner dependence and geopolitics are additional threats, but they are better viewed as resilience and margin risks than direct moat destruction. The multi-country network can mitigate a site disruption, while dependency on PCT and other partners can create quality, tariff, capacity, or bargaining problems. FY2025 purchases from the 20%-owned PCT were USD 8.007 million, making partner execution material.

7. Pricing power verification

Observable pricing power is weak. The verified evidence does not disclose recent list-price increases, realized price/mix, renewal increases, churn, win rates after price changes, or customer acceptance rates. No formal multi-year revenue framework agreements were material at FY2025. The sales terms support recovery of committed costs and a reasonable margin on accepted NCNR custom orders, but the evidence does not identify contractual price escalators, minimum future purchases, or guaranteed program duration.

There is one favorable indicator: consolidated gross margin rose from 39.5% in FY2021 to 44.7% in FY2025 despite cited raw-material and labor pressures. That suggests some combination of design value, mix, cost control, and price realization. It cannot be isolated as price because units, ASP, utilization, site mix, and product margin are not disclosed. Q1 FY2026 gross margin then fell to 40.0% due to lower volume, mix, production sites, and SI's lower margins. The record supports the ability to earn attractive margins in favorable program mix; it does not prove the unilateral ability to raise price without losing future business.

The practical distinction is important. Payton may have protection against cancellation of a specific ordered item and still lack pricing power when competing for the next design. High customer concentration, the absence of long-term binding frameworks, and management's own objective to lower product costs and increase competitiveness all argue against assuming a broad price umbrella.

8. Moat verdict

Moat gate: FAIL

2046 test: FAIL

Payton has a real five-year program-level advantage in custom engineering, qualification, certifications, and reliable production, supported by attractive five-year gross and operating margins. It does not clear Gideon's corporate 20-year compounder bar because the advantage expires with customer programs, replacement design-win economics are not disclosed, pricing power is not directly observable, and margins have recently compressed sharply. The single modeled segment gives no disclosed high-moat profit pool that can be separated from lower-margin work. The 2046 company can be described specifically, but confidence that it still earns high returns depends on repeated execution rather than an observable structural barrier.

Upgrade evidence would require: (1) several years of broad-based backlog and revenue growth while top-customer concentration declines through diversification rather than customer loss; (2) gross margin sustainably above roughly 42% and statutory operating margin above roughly 20% through a low-volume period; and (3) disclosed design-win, retention, sole-source, price/mix, or high-reliability product evidence showing that qualification produces repeatable economics. Downgrade confirmation would be persistent gross margin below 40%, statutory operating margin in the low teens after volume normalization, or continuing major-program roll-offs without replacement.

Primary context: [FY2025 annual report](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf), [Q1 FY2026 regulated release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf), [issuer technology overview](https://www.paytongroup.com/what-is-planar-technology), [design-request form](https://www.paytongroup.com/planar-smps-transformer), and [terms and conditions of sales](https://www.paytongroup.com/terms-and-conditions-of-sales). Quantitative values and source precedence follow the DR-cleared local data package.

Payton Planar Magnetics Ltd — Consolidated Company Segment Deep Dive

Ticker: PAY.BR **Modeled segment:** Consolidated company **Reporting currency:** USD; tables use USD millions unless stated otherwise **Forecast base:** TTM ended 2026-03-31 **Forward endpoint:** 2031-03-31, exactly five calendar years after

the TTM end **Sealed statutory bridge SHA-256:** `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9` **Exact modeled profit basis:** `Statutory operating income (single-segment consolidated fallback)` **Research only. Trade execution authorized:** `false`

This appendix deliberately uses one financial projection line. Payton reports one transformer operating segment, but it does not disclose a segment-profit metric value in either the controlling filings or the required live FMP segmentation pulls. The QF/QFR/DR process therefore cleared the narrow statutory fallback: consolidated revenue and statutory operating income are modeled as one segment called **Consolidated company**. Product, application, geography, and customer disclosures remain operating context; they are not additive financial segments. All Payton historical figures below come from the verified `data_package.md`, not from a fresh reconstruction.

0. Segment boundary and taxonomy note

The financial boundary is stable. The reviewed FY2021-FY2025 annual reports and Q1 FY2026 interim report describe a single transformer operating segment, with the chief operating decision maker allocating resources to the transformer business as a whole. No reportable-segment restatement or three-year boundary change was identified. “Consolidated company” is an ER2 projection convention rather than an issuer-created reportable-segment name. It captures 100% of reported revenue and, under the sealed bridge, 100% of statutory operating income. The label `Statutory operating income (single-segment consolidated fallback)` must therefore remain intact wherever profit appears.

This boundary prevents false precision. Payton discusses custom planar transformers, three-phase designs, data-center applications, industrial systems, automotive, medical, aerospace, and other uses, but it does not publish additive dollar revenue or profit for those categories. Geography is likewise contextual: Asia represented 47.4% of FY2025 revenue, yet geographic profit is not disclosed. The model therefore does not convert website prominence, a technical collaboration, or a strategic announcement into a product-revenue series. It also does not infer revenue by units, average selling price, nameplate capacity, or utilization because those quantities are true non-disclosures in the verified package.

1. What this segment actually is

Payton designs and manufactures custom planar transformers and related magnetic components used inside power-conversion systems. A transformer transfers electrical energy between circuits while changing voltage and providing isolation; the planar form replaces much of the conventional round-wire winding geometry with flat conductors, PCB windings, stamped copper, or hybrid structures. That geometry can support a low profile, repeatable parasitics, high power density, thermal spreading, and operation at high switching frequencies. These advantages matter when an equipment designer is constrained by height, efficiency, electromagnetic interference, thermal performance, safety isolation, or the need to put more power through a smaller enclosure.

The customer is generally an original-equipment manufacturer, power-supply designer, converter designer, or specialist module producer rather than an end consumer. Payton’s commercial proposition is engineering collaboration: the component is tailored to a customer’s voltage, current, frequency, turns ratio, isolation, creepage, clearance, thermal, mechanical, topology, and manufacturing requirements. Official product material illustrates the breadth rather than a disclosed sales mix. A late-2025 collaboration with Renesas describes a custom planar matrix transformer supporting 3 kW conversion within a 12 kW data-center power system; a 2026 three-phase design is described for a 6 kW stage; a separate 2026 ultra-low-profile design targets 1 kW at 1 MHz; and a July 2026 example targets a 7 kW bidirectional EV charger. These are engineering capability markers, not evidence of production volume, booked orders, or revenue contribution.

The pricing model is not disclosed as a uniform catalog price. Economically, it is best understood as a design-to-order relationship whose price must compensate for engineering input, specialized materials and processes, qualification, quality requirements, and the customer’s production volume. Some competitors sell standard planar components, while Payton emphasizes customization. That can make price comparisons difficult and can support value-based pricing when a design solves a system-level constraint. It does not guarantee pricing power: a large customer can dual-source, redesign, postpone a platform, or pressure a smaller supplier during sourcing negotiations.

The route to market combines direct engineering engagement and a worldwide commercial network. Design qualification is likely more important than a broad retail distribution shelf because the transformer interacts with converter topology and system safety. The verified package states that accepted orders are generally non-cancellable and non-returnable. It also states that revenue is recognized over time under IFRS 15 and that amounts recognized before delivery can appear as contract assets. Those terms can improve visibility after order acceptance, but backlog cannot be treated as cash or

guaranteed revenue. Project schedules, customer acceptance, changes in build plans, and concentration still matter.

The operating footprint is global and export-oriented. Asia produced 47.4% of FY2025 revenue, down from 60.6% in FY2024 and 61.1% in FY2022. The company had about 205 employees at FY2025, including 36 associated with SI, compared with about 170 at FY2024. The October 2025 SI acquisition added a new operating element: the verified package records USD 1.397 million of contribution to FY2025 revenue from the acquisition date and a USD 0.164 million reduction in consolidated net profit. The acquisition cost and real-estate purchase are capital-allocation facts, not recurring operating expenses, but SI's lower margins were identified in the Q1 FY2026 written discussion as one factor in weaker gross profitability. Forecasts therefore need to allow for integration and mix risk without pretending that SI is a separately disclosed projection segment.

2. Current economics — FY2025 and TTM

The TTM ended 2026-03-31 is the controlling forward base. Revenue was USD 46.830 million and `Statutory operating income (single-segment consolidated fallback)` was USD 9.121 million, producing a 19.48% margin. TTM free cash flow was USD 9.622 million, or 20.54% of revenue, after USD 5.080 million of capital expenditure. The historical cash conversion is a strength, but the rolling base also contains a sharp increase in investment: FY2025 capex was USD 5.205 million versus USD 0.479 million in FY2024. The model cannot assume either that this elevated level is permanent or that spending instantly returns to the prior sub-USD 1 million norm.

FY2025 revenue was USD 47.825 million, down 5.90% year over year, and statutory operating income was USD 10.725 million, for a 22.43% margin ([FY2025 annual report, quarterly table p. 12 and income statement p. 25](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)). That full-year result is less current than the TTM. Q1 FY2026 revenue was USD 10.650 million, down 8.5% from Q1 FY2025, while statutory operating income fell to USD 1.342 million from USD 2.946 million ([Q1 FY2026 results release, operating discussion pp. 1-2 and income statement p. 5](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)). The latest-quarter operating margin was only 12.60%. The four TTM quarters were uneven: Q2 FY2025 margin was 22.24%, Q3 was 27.63%, Q4 was 13.79%, and Q1 FY2026 was 12.60%. Any base case that simply carries forward the FY2025 average would ignore the two most recent quarters.

Gross margin also weakened recently. It was 44.67% in FY2025, 43.60% for the TTM, and 40.00% in Q1 FY2026. The data package attributes the latest weakness, through source-bound written commentary, to lower volume, two formerly high-volume projects, SI's lower margins, product mix, and production sites. Because no product or utilization table exists, the relative contribution of each factor cannot be quantified. The safe inference is that the business has meaningful operating leverage and mix sensitivity, not that the 12.60% quarter is a permanent trough or that the earlier near-30% margins automatically return.

Backlog provides partial support but not enough to eliminate cyclicality. Firm orders/backlog declined from USD 43.839 million at FY2022 to USD 30.765 million at FY2023, USD 25.165 million at FY2024, and USD 17.401 million at FY2025 ([FY2025 annual report, order-backlog table p. 7](https://www.paytongroup.com/webfiles/tfm/fs311225.pdf)). It improved to USD 19.335 million at Q1 FY2026, an 11.1% sequential increase ([Q1 FY2026 results release, pp. 1 and 3](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)). At face value, year-end FY2025 backlog equaled 36.4% of FY2025 revenue and Q1 FY2026 backlog equaled 41.3% of TTM revenue. These ratios are contextual only: delivery timing, recognition already recorded in contract assets, project concentration, and the absence of a disclosed conversion schedule prevent a mechanical backlog-to-revenue model.

Customer concentration remains material even after improving. The aggregate share of principal customers above 10% was 38% in FY2021, 46% in FY2022, 45% in FY2023, 42% in FY2024, and 29% in FY2025. The two largest FY2025 customers therefore represented almost three tenths of revenue. A design win with a large customer can produce attractive volume and engineering intimacy; the mirror image is a project roll-off that can move consolidated revenue and factory absorption quickly. The Q1 written discussion's reference to two formerly high-volume projects is consistent with that exposure.

The balance sheet is not part of segment operating profit, but it affects resilience. At Q1 FY2026, cash plus short-term deposits totaled USD 59.291 million and debt was zero. This protects the investment program and reduces refinancing risk. It also produces material finance income below the operating line: USD 2.820 million on a TTM basis. That yield must never be embedded in the segment's operating margin. The synthesis stage, not this appendix, will forecast finance income, finance expense, investee results, tax, and net income as separate sealed-bridge lines.

No product shares can be stated responsibly. Data-center, three-phase, industrial, automotive, medical, and aerospace offerings are commercially relevant, but none has a verified dollar base. Similarly, units, ASP, utilization, quantified capacity, and product margin are unavailable. The appropriate response is a consolidated model with a wide scenario range, not a

fabricated sum-of-products.

3. Unit economics

At the consolidated level, revenue begins with a customer-specific design and qualification process, then scales through accepted orders and production. The economic value is not merely the ferrite core and copper content. Payton contributes electromagnetic design, winding geometry, thermal behavior, insulation, integration, manufacturing repeatability, testing, and application support. A successful part must operate within a larger converter's efficiency, heat, EMI, safety, reliability, and physical-envelope constraints. That system interaction can make an approved component costly to replace after qualification.

Three factors appear to drive gross economics. First is **volume and factory absorption**. The recent written discussion attributes lower gross margin partly to lower volume. A largely fixed engineering and manufacturing base spreads better when qualified programs ramp and worse when projects fall away. The Q1 revenue decline and operating-margin compression are therefore consistent with negative operating leverage, although the package does not disclose fixed-versus-variable cost percentages or utilization. Second is **mix**. Different voltage, power, topology, material, isolation, qualification, and production requirements likely carry different engineering content and yields. SI's lower margins and the explicit reference to product mix show that consolidated gross margin can change even when revenue moves modestly. Third is **production execution**. Multiple production sites, the integration of SI, a larger workforce, and elevated capex create opportunities for scale but also ramp, depreciation, scrap, quality, and learning-curve costs.

The historical margin record demonstrates both attractive economics and volatility. Gross margin rose from 39.50% in FY2021 to 40.64% in FY2022 and 43.94% in FY2023, then held at 43.52% in FY2024 and 44.67% in FY2025. `Statutory operating income (single-segment consolidated fallback)` margin was 23.57%, 28.55%, 29.90%, 26.65%, and 22.43% over the same years. The spread between gross margin and statutory operating margin therefore widened as revenue declined after FY2022 and as spending rose. TTM gross margin of 43.60% and operating margin of 19.48% further show that the consolidated cost base can consume a greater share of gross profit when volume or mix weakens.

R&D is part of the reinvestment burden. Reported R&D/development expense increased from USD 1.481 million in FY2021 to USD 1.967 million in FY2025 and USD 2.175 million on a TTM basis. As a share of revenue, FY2025 R&D was 4.11% versus 3.37% in FY2021. This spending supports technical relevance and custom design capability, but it is not optional if power densities, switching frequencies, isolation requirements, and converter architectures continue to evolve. Cutting it to defend a short-term margin could impair the very engineering proposition that supports switching friction.

Capital intensity has changed. Capex was only 0.94% of revenue in FY2024 but 10.88% in FY2025. The verified capital-allocation correction is important: FY2025 also included the acquisition of SI Manufacturing with a USD 6.149 million purchase cost and USD 5.239 million net acquisition cash outflow, plus USD 4.400 million for operating real estate. The real-estate purchase is represented within PPE/capex cash flows and must not be double counted. These are not recurring annual uses, but they show that reported free cash flow and balance-sheet cash can be affected by strategic expansion as well as maintenance expenditure.

The unit-economics model is therefore necessarily revenue-and-margin based. It cannot be written as units multiplied by ASP, because neither input is disclosed. It cannot impose a nameplate-capacity ceiling or utilization recovery, because neither is quantified. It cannot allocate gross margin by data-center, EV, industrial, or other applications. Instead, the scenario engine asks whether consolidated demand stabilizes, whether the installed cost base is absorbed, whether SI integration and mix improve, and whether recent capex produces commercially utilized capability. Those are observable over time through revenue, backlog, gross margin, operating margin, capex, headcount, and customer concentration.

The downside break is straightforward: if major programs remain below prior volumes, new high-power designs do not convert into production, and the enlarged footprint remains under-absorbed, operating margin can settle around the low teens. The upside mechanism is also specific: qualified high-power programs ramp, the backlog converts without concentration losses, mix shifts toward technically demanding custom work, and the FY2025 investment base operates efficiently. Importantly, the bull case does not require an invented data-center share or a utilization percentage. It requires disclosed consolidated revenue acceleration and margin improvement.

4. Competitive dynamics

The competitive arena is broader than a single named "planar transformer market." Customers can choose among specialist custom planar suppliers, diversified magnetics manufacturers, catalog component vendors, conventional wire-wound designs, embedded magnetics, and more integrated power modules. The relevant competitor depends on power level, topology,

isolation, form factor, certification, volume, region, and the customer's willingness to co-design.

Standex Electronics is a direct example of custom competition. Its Standex Edge materials describe tailored planar transformers, high-current inductors, and custom magnetics assemblies designed with OEM engineering teams. Standex also markets a vertically integrated process spanning design, prototyping, validation, and production. A published planar design guide covers server/data-center, automotive, industrial, renewable, aerospace, and other applications, including examples in the 300 W to 1.2 kW range. This overlaps materially with Payton's custom engineering proposition and demonstrates that engineering intimacy is not unique to Payton. See [Standex Edge](https://standexelectronics.com/brands/standex-edge/) and the [Standex planar transformer design guide](https://standexelectronics.com/wp-content/uploads/P135H_300W-1200W_Planar-Transformer_en.pdf).

Würth Elektronik illustrates competition from standardized components and broad design-in support. Its WE-PLN catalog lists planar transformers optimized for 200 kHz to 700 kHz, with stated power levels up to 125 W and 250 W for catalog packages and applications in telecom power supplies, industrial power supplies, and DC/DC converters. A standard catalog solution can be attractive when it meets the electrical and mechanical envelope because it reduces custom-development time and sourcing complexity. Payton's defense is strongest where the system requirement is sufficiently unusual or high power that a catalog part is inadequate. See the [Würth WE-PLN product catalog](https://www.we-online.com/en/components/products/WE-PLN).

Bourns shows another end of the spectrum. Its official application note describes a compact planar series for isolated gate-driver power, emphasizing controlled leakage and capacitance, low profile, reinforced insulation, and automated PCB construction. The disclosed output powers are much lower than Payton's recent high-power examples, so the products are not like-for-like across all applications. They nevertheless show that planar geometry is widely accessible and can be packaged into standardized, design-friendly offerings. See [Bourns' planar-transformer application note](https://www.bourns.com/docs/technical-documents/technical-library/inductive-components/application-notes/advantages_of_planar_transformers_in_llc_resonant_topologies_appnote.pdf?sfvrsn=84be35f6_11).

Payton's current technical positioning is credible but not financially quantified. Its official materials show a 3 kW matrix transformer in a Renesas data-center collaboration, a 6 kW three-phase design for high-density power, a 1 kW low-profile 1 MHz design, a 500 W hybrid transformer with integrated synchronous rectification, and a 7 kW EV charging design. These examples demonstrate breadth in topology, power level, frequency, isolation, thermal management, and integration. See the official [Renesas collaboration](https://www.paytongroup.com/payton-renesas-ai-data-center-power), [three-phase data-center design](https://www.paytongroup.com/custom-3-phase-planar-transformer), [1 kW ultra-low-profile design](https://www.paytongroup.com/1kw-ultra-low-profile-planar-transformer), [integrated synchronous-rectification design](https://www.paytongroup.com/payton-500w-hybrid-transformer-integrated-rectification), and [7 kW EV charger design](https://www.paytongroup.com/4412). None of these pages supplies production revenue, customer commitment, manufacturing yield, or gross margin, so they support capability analysis but not a numerical sales ramp.

No reliable, comparable market-share figure is available in the verified package, and this appendix does not invent one. Public peers are generally diversified and do not isolate custom planar revenue; private specialists reveal limited financial data; and market definitions can mix cores, components, low-power catalog parts, and high-power custom assemblies. A statement that Payton is a "leader" on its own website is marketing evidence, not a measurable market-share datum. The underwriting conclusion is therefore based on observed economics and technical participation, not a claimed percentage share.

Pricing power is conditional. Payton may capture value where a custom design materially improves system power density, thermal behavior, EMI, isolation, or manufacturing repeatability and where redesign would delay a customer platform. The accepted-order terms add protection after commitment. Against that, large customers can possess purchasing leverage, qualification can be repeated with a second source, and multiple suppliers advertise custom planar expertise. Customer concentration makes the tension visible: switching friction can protect an installed design, but the loss or roll-off of a few projects can still overwhelm that advantage.

Substitution risk is not simply "planar versus planar." Conventional wire-wound magnetics can remain cost-effective or technically sufficient at lower switching frequencies or where height is less constrained. Integrated modules can shift value toward a semiconductor or power-supply vendor. Advances in topology, switching devices, cooling, or PCB integration can change the ideal magnetic implementation. Payton must therefore remain a design partner rather than a static component producer. Its engineering spending, recent product work, and custom focus are supportive, but the absence of product-level revenue prevents a conclusion that the newest designs are already offsetting mature-program declines.

5. Moat at the segment level

The most defensible element is **application-specific engineering embedded in a qualified customer design**. The magnetic component interacts with the converter's electrical, thermal, mechanical, safety, and EMI performance. Once a customer has validated a custom part, changing it can require engineering resources, retesting, documentation, and possibly regulatory or reliability work. That creates switching cost at the project level. Payton's design-to-order model and generally non-cancellable, non-returnable accepted orders reinforce the protection once a program reaches production.

A second potential advantage is accumulated know-how. High-frequency planar performance depends on geometry, materials, interleaving, parasitics, thermal paths, insulation, creepage, manufacturing tolerances, and topology-specific tradeoffs. Payton's official technical content demonstrates familiarity across a wide operating range. Repeatable execution and the ability to co-design quickly can matter more than a commodity bill of materials. R&D of USD 2.175 million on a TTM basis, roughly 4.6% of TTM revenue, is meaningful for a company of this size and indicates ongoing reinvestment.

A third possible advantage is customer trust in a specialized supplier. Mission-critical industrial, medical, aerospace, automotive, and data-center power systems reward reliability and predictable manufacturing. A supplier that has solved prior designs may earn follow-on work. However, the evidence does not disclose renewal rates, design-win conversion, product lifetimes, field-failure data, share of wallet, or customer tenure. The moat cannot be graded "wide" from technical descriptions alone.

The counterevidence is substantial. Standex and other vendors advertise comparable custom engineering, while Würth and Bourns provide standardized planar solutions for parts of the application range. Large customers may dual-source or own much of the system design. Two formerly high-volume projects contributed to the latest slowdown, showing that qualification does not eliminate project-cycle risk. The two largest customers still represented 29% of FY2025 revenue. A moat that depends on a few designs can be locally strong yet economically fragile at the consolidated level.

Scale is also ambiguous. Payton has decades of experience and a global customer footprint, but the data package does not disclose units, capacity, utilization, manufacturing cost curves, or market share. FY2025 capex and the SI acquisition may expand capability, yet they also increase the cost base before demand is proven. The net-cash balance affords time to invest, but cash is not an operating moat unless it is allocated into differentiated capability and productive customer programs.

The segment-level moat verdict is therefore **narrow and conditional**. The custom engineering and qualification process likely protect individual designs for their production lives, and Payton appears technically relevant in demanding high-power applications. The protection is not broad enough to make consolidated revenue insensitive to customer timing, project roll-offs, price negotiations, or competing suppliers. Over five to ten years, durability depends on repeated new design wins rather than harvesting a fixed installed base. Evidence that would strengthen the moat assessment includes sustained revenue growth across multiple customers, lower concentration, stable or rising margins through a volume cycle, disclosed recurring program wins, and conversion of recent high-power designs into material sales. Evidence that would weaken it includes persistent low-teens margins, further backlog erosion, failure to replace mature programs, or rising capex without a revenue response.

6. Historical growth rates — reproduced from the data package

Payton's only dollar-disclosed operating line is consolidated revenue. There is no product-level series to reproduce or back-solve. The required historical table therefore has one row, and each numeric cell points to the specific verified data-package row. "FY-3," "FY-2," and "FY-1" below correspond to FY2023, FY2024, and FY2025. The three-year CAGR uses FY2022 as the opening observation and FY2025 as the closing observation, a three-year interval; that choice avoids incorrectly calling the two elapsed years between FY2023 and FY2025 a three-year CAGR.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
Consolidated company; only dollar-disclosed line [DP §1, one-line representation]	54.856 [DP §3, Revenue row, FY2023]	50.826 [DP §3, Revenue row, FY2024]	47.825 [DP §3, Revenue row, FY2025]	-7.42% [DP §3, Revenue row, FY2022 60.270 and FY2025 47.825]	-5.90% [DP §3, YoY row, FY2025]	`data_package.md` §3, Consolidated company table

The full five-year record shows that the decline followed an unusually strong FY2022 rather than a smooth long-run growth trajectory.

Historical line	FY2021	FY2022	FY2023	FY2024	FY2025	Verified source row
Revenue, USDm	43.980 [DP §3, Revenue row]	60.270 [DP §3, Revenue row]	54.856 [DP §3, Revenue row]	50.826 [DP §3, Revenue row]	47.825 [DP §3, Revenue row]	`data_package.md` §3, Revenue
YoY	Not shown [DP §3, YoY row]	37.04% [DP §3, YoY row]	-8.98% [DP §3, YoY row]	-7.35% [DP §3, YoY row]	-5.90% [DP §3, YoY row]	`data_package.md` §3, YoY

Historical line	FY2021	FY2022	FY2023	FY2024	FY2025	Verified source row
Statutory operating income (single-segment consolidated fallback), USDm	10.368 [DP §3, exact-profit row]	17.208 [DP §3, exact-profit row]	16.401 [DP §3, exact-profit row]	13.546 [DP §3, exact-profit row]	10.725 [DP §3, exact-profit row]	`data_package.md` §3, fallback-profit row
Margin on Statutory operating income (single-segment consolidated fallback)	23.57% [DP §3, Margin row]	28.55% [DP §3, Margin row]	29.90% [DP §3, Margin row]	26.65% [DP §3, Margin row]	22.43% [DP §3, Margin row]	`data_package.md` §3, Margin row

The arithmetic checks pass:

- FY2022 to FY2023: `60.270 × (1 - 8.98%) = 54.858`, versus reported USD 54.856 million; the USD 0.002 million difference is rounding.
- FY2023 to FY2024: `54.856 × (1 - 7.35%) = 50.824`, versus reported USD 50.826 million; the USD 0.002 million difference is rounding.
- FY2024 to FY2025: `50.826 × (1 - 5.90%) = 47.828`, versus reported USD 47.825 million; the USD 0.003 million difference is rounding.
- Three-year CAGR check: `60.270 × (1 - 7.4198%)^3 = 47.825`. The reported endpoint ties at displayed precision.
- FY2025 profit-margin check: `10.725 / 47.825 = 22.43%`.

No historical product row is back-solved. `[DATA GAP: custom planar, three-phase, data-center, automotive, industrial, medical, aerospace, and other application revenue is not separately disclosed in dollars or growth rates.]` The absence of those rows is economically important because it prevents an analyst from identifying whether mature project declines are being replaced by new applications. It does not prevent a consolidated forecast; it lowers forecast confidence and widens the case range.

The quarterly record reinforces the need for caution. Q2, Q3, and Q4 FY2025 revenue was USD 11.364 million, USD 13.225 million, and USD 11.591 million; Q1 FY2026 was USD 10.650 million. Their statutory operating margins were 22.24%, 27.63%, 13.79%, and 12.60%. These four quarters sum to TTM revenue of USD 46.830 million and exact-basis profit of USD 9.121 million. The latest two quarters are weaker than the earlier two, so a recovery is an assumption to be earned rather than a simple annual-average carry-forward.

7. Management guidance — source-bound and constrained

`[DATA GAP: no verified earnings-call transcript, attributed speaker quotation, formal revenue guide, formal operating-margin guide, product revenue target, utilization target, or five-year management objective was available in the cleared data package.]`

The four live FMP transcript queries in the D-stage archive returned empty responses, and no issuer transcript was found. Consequently, this appendix contains no invented quotation and no paraphrase presented inside quotation marks. The management anchors are written-source facts and source-bound summaries reproduced from `data_package.md` §6:

Data-package row	Verified written-source item	Forecast interpretation
DP §6, Q1 FY2026 interim and results-release item	Revenue fell 9% on the issuer's rounded basis; operating income was USD 1.342 million; weakness related to broad conditions and two formerly high-volume projects; gross margin was affected by volume, SI's lower margins, mix, and production sites	Start from the TTM and recent-quarter base; do not extend FY2025 peak profitability
DP §6, FY2025 annual-report item	The business remains custom and design-to-order, with accepted orders generally non-cancellable and non-returnable	Recognize qualification and order visibility, but retain project-timing and concentration risk
DP §6, strategic-industries release item	Management highlights strategic-industry and higher-power opportunities	Treat as addressable-market evidence only; assign no undisclosed revenue
DP §6, three-phase data-center product item	Payton presents three-phase planar capability for high-power applications	Use as a bull-case catalyst only; no units, timing, utilization, or revenue ramp
DP §6, capacity and equipment item	FY2025 materials are consistent with a larger investment program	Bull case requires demand conversion; bear/base include depreciation and execution risk
DP §6, order/backlog item	Backlog is a material hardware KPI but not equivalent to recognized revenue	Use directionally; do not apply an undisclosed conversion ratio

Data-package row	Verified written-source item	Forecast interpretation
DP §6, dividend and corporate-action item	Capital returns continued while a merger/delisting path was considered and terminated	Keep capital allocation and governance separate from operating growth

There is no management FY+1 guide to insert into the model. The model therefore uses three transparent paths tied to observed revenue, backlog direction, recent margin compression, historical peak economics, and technical opportunity. Confidence is lower than it would be for a company with product revenue, order conversion, utilization, and formal guidance. This lower confidence is expressed through a 30% bear probability, 50% base probability, and 20% bull probability rather than through a falsely precise point estimate.

8. Forward growth assumptions — explicit and consolidated

All forward growth starts from TTM revenue of USD 46.830 million at 2026-03-31 and ends on 2031-03-31. There is exactly one forecast line. Application categories remain qualitative drivers and are not assigned independent revenue. The historical comparator is the verified FY2022-FY2025 revenue CAGR of -7.42%; the latest full-year growth rate is -5.90%, and Q1 FY2026 growth was -8.5%.

Base-case growth assumptions

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Consolidated company	-7.42% [DP §3 Revenue]	-5.90% FY2025; -8.5% Q1 FY2026 [DP §§3 and 5]	Not disclosed [DP §6 Guidance discipline]	2.79%	A slow recovery recognizes the Q1 backlog improvement and new technical options, while staying below a demand step-change because product conversion, units, capacity, and utilization are undisclosed

The base path is +1%, +2%, +3%, +4%, and +4% annual growth. Revenue reaches USD 53.746 million, only 12.4% above FY2025 and still 10.8% below the FY2022 peak of USD 60.270 million until late in the horizon on a comparable annualized basis. This is deliberately restrained: it assumes that the decline stabilizes and recent investment finds customers, but it does not assume that data-center or EV design examples become large programs.

Bull-case growth assumptions

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Consolidated company	-7.42% [DP §3 Revenue]	-5.90% FY2025; -8.5% Q1 FY2026 [DP §§3 and 5]	Not disclosed [DP §6 Guidance discipline]	6.99%	High-power data-center, EV, and strategic applications convert into production; capex and SI capabilities are absorbed; the path remains bounded because no product revenue or nameplate capacity is disclosed

The bull path is +5%, +7%, +8%, +8%, and +7%. The acceleration is explicit rather than hidden inside a single CAGR. It requires visible order conversion and multiple program ramps; it is not justified by a generic market-growth statistic. The 2031 endpoint of USD 65.664 million is 9.0% above the FY2022 peak and therefore demands genuine net new business. Competition from Standex and standardized alternatives means Payton must win on system-specific engineering, not merely participate in a growing end market.

Bear-case growth assumptions

Product	3-yr historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Consolidated company	-7.42% [DP §3 Revenue]	-5.90% FY2025; -8.5% Q1 FY2026 [DP §§3 and 5]	Not disclosed [DP §6 Guidance discipline]	-2.23%	Mature projects continue to roll off, concentrated customers delay programs, and new high-power designs scale too slowly to absorb the expanded cost base

The bear path is -6%, -4%, -2%, 0%, and +1%. It does not assume perpetual collapse: custom design wins, net cash, and the Q1 backlog uptick support eventual stabilization. It does assume that stabilization comes at a lower revenue base and that the current technical pipeline fails to replace older programs quickly enough.

The complete revenue path is reconstructable below. “Y1” ends 2027-03-31 and “Y5” ends 2031-03-31.

Case	TTM base	Y1 growth / revenue	Y2 growth / revenue	Y3 growth / revenue	Y4 growth / revenue	Y5 growth / revenue	Five-year CAGR
Bear	46.830	-6.0% / 44.020	-4.0% / 42.259	-2.0% / 41.414	0.0% / 41.414	+1.0% / 41.828	-2.23%
Base	46.830	+1.0% / 47.298	+2.0% / 48.244	+3.0% / 49.692	+4.0% / 51.679	+4.0% / 53.746	+2.79%
Bull	46.830	+5.0% / 49.172	+7.0% / 52.614	+8.0% / 56.823	+8.0% / 61.368	+7.0% / 65.664	+6.99%

Every revenue cell is the prior-year cell multiplied by one plus the displayed rate. Rounding is to USD 0.001 million. The model has no hidden product residual, corporate revenue, acquisition plug, or utilization assumption. An additional acquisition is not assumed in any case; the 2025 SI transaction is already in the TTM base to the extent consolidated.

9. Forward `Statutory operating income (single-segment consolidated fallback)` margin assumptions

The current exact-basis margin is 19.48% on TTM revenue, while the latest quarter was 12.60%. Historical full-year margins ranged from 22.43% to 29.90% in FY2021-FY2025. The cases therefore test whether recent compression is temporary, partly reversible, or structurally persistent. No corporate, finance-income, tax, or other below-line item is placed inside the margin.

Case	Exact profit metric	TTM margin	Y1	Y2	Y3	Y4	Y5 margin	Change vs TTM
Bear	Statutory operating income (single-segment consolidated fallback)	19.48%	15.0%	13.5%	12.5%	12.0%	12.5%	-698 bps
Base	Statutory operating income (single-segment consolidated fallback)	19.48%	17.0%	18.0%	19.0%	19.5%	20.0%	+52 bps
Bull	Statutory operating income (single-segment consolidated fallback)	19.48%	20.0%	22.0%	23.0%	24.0%	25.0%	+552 bps

Bear mechanism. The 698-basis-point endpoint decline reflects low factory absorption, unfavorable mix, SI’s lower-margin contribution, higher depreciation or site cost following investment, and continued customer-project weakness. A 12.5% endpoint is close to Q1 FY2026’s 12.60%, so the case does not require a new collapse; it assumes that the latest-quarter economics become structurally representative. The modest Y5 rebound from 12.0% to 12.5% corresponds to revenue stabilization, not a return to historical peak profitability.

Base mechanism. The first year remains below the TTM margin because the two latest quarters were weak and integration/capacity costs do not vanish immediately. Thereafter, modest revenue growth improves absorption, mix normalizes, and operational execution recovers. The 20.0% endpoint is only 52 basis points above the current TTM and remains 243 basis points below FY2025, 665 basis points below FY2024, and 990 basis points below FY2023. The base case therefore does not depend on recreating peak margins.

Bull mechanism. The 552-basis-point improvement requires more than general scale. Higher-value custom programs must ramp, recent equipment must operate productively, SI integration must cease to dilute the consolidated result, and revenue growth must cover the enlarged fixed cost base. The 25.0% endpoint is below the FY2022 and FY2023 full-year margins, which provides historical feasibility, but the model gives the case only 20% probability because the application mix, order pipeline, utilization, and product margins are not disclosed.

No product-level weighted-average margin is shown because no product revenue or margin is disclosed. The one consolidated line is, by construction, the revenue-weighted total. That is not a shortcut around missing data; it is the exact QFR-cleared modeling scope.

10. Segment rollup — bottom-up arithmetic

With one modeled segment and one permitted forecast line, “bottom-up” means compounding the consolidated-company revenue path and applying the explicit exact-basis margin. The model does not add geography, data-center, EV, SI, or other application rows because they are not independently additive disclosures.

Case	Forecast line	TTM revenue	TTM+5y revenue	Other product lines	Segment revenue total	Revenue residual
Bear	Consolidated company	46.830	41.828	0.000; none modeled	41.828	0.000
Base	Consolidated company	46.830	53.746	0.000; none modeled	53.746	0.000
Bull	Consolidated company	46.830	65.664	0.000; none modeled	65.664	0.000

The profit calculation is equally direct.

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Arithmetic	Tie-out
Bear	41.828	Statutory operating income (single-segment consolidated fallback)	12.5%	5.229	41.828 × 12.5%	0.000
Base	53.746	Statutory operating income (single-segment consolidated fallback)	20.0%	10.749	53.746 × 20.0%	0.000
Bull	65.664	Statutory operating income (single-segment consolidated fallback)	25.0%	16.416	65.664 × 25.0%	0.000

The year-by-year operating-profit path supplies a second arithmetic check.

Case	TTM actual Statutory operating income (single-segment consolidated fallback)	Y1	Y2	Y3	Y4	Y5
Bear	9.121	6.603	5.705	5.177	4.970	5.229
Base	9.121	8.041	8.684	9.441	10.077	10.749
Bull	9.121	9.834	11.575	13.069	14.728	16.416

For each forward cell, profit equals the corresponding Section 8 revenue multiplied by the Section 9 margin. The TTM actual is kept at the sourced USD 9.121 million rather than recomputed from the rounded 19.48% display, which would produce USD 9.122 million. This USD 0.001 million display difference is rounding, not a model residual.

The sealed bridge has no corporate/unallocated item and no operating bridge adjustment. Accordingly, the single modeled segment’s profit equals projected statutory operating income in each case. Finance income, finance expense, the share of investee result, tax, and net income remain outside this appendix and must be forecast separately by synthesis. The segment rollup does not capitalize the USD 59.291 million cash/deposit balance, add interest to operating profit, or use a balancing “other” line.

Probability-weighted operating outcomes are informative but not a substitute for the three discrete cases. Using 30% bear, 50% base, and 20% bull gives probability-weighted TTM+5 revenue of USD 52.554 million and probability-weighted exact-basis profit of USD 10.226 million. Those figures are mathematical summaries, not a fourth case and not a precision claim. Low disclosure means the distribution can be wider than the three paths imply.

11. Key risks and wildcards

Risk or wildcard	Predominant case impact	Observable evidence	Model response
Major-customer project roll-off	Bear	Principal-customer share; revenue attributed to a small number of projects; backlog and quarterly revenue	Negative early-year growth and lower absorption
Failure of new high-power designs to reach volume	Bear and base	No disclosed revenue, units, orders, or utilization for new designs	No product ramp is embedded; recovery remains modest
Data-center or EV design conversion	Bull	Disclosed production orders, repeat programs, rising backlog, revenue acceleration	Supports the +5% to +8% growth path only after evidence
SI integration and mix	Bear and base	Gross margin, operating margin, site commentary, acquisition contribution	Lower near-term margin; no separate SI segment forecast
Capex productivity	All cases	Revenue response, margin, capex, depreciation, headcount	Bull requires absorption; bear assumes underutilized cost
Customer concentration	Bear	Two largest customers at 29% of FY2025 revenue	Wider downside and slower recovery

Risk or wildcard	Predominant case impact	Observable evidence	Model response
Competitive custom engineering	Bear and base	Design losses, price pressure, second-source activity, weaker margins	Limits terminal margin and growth
Standardized or integrated substitutes	Bear	Catalog planar adoption, module integration, topology change	Lower pricing power and reduced custom content
Input, yield, or site execution pressure	Bear	Gross margin, inventory, scrap or quality commentary, production delays	Persistent low-teens operating margin
Geographic and export exposure	All cases	Asia revenue, currency commentary, customer-region shifts	Wider demand and mix range; no regional profit model
Backlog conversion uncertainty	All cases	Order-book direction versus recognized revenue	Backlog used directionally, never one-for-one
Net cash and finance yield	Synthesis only	Cash/deposits and interest rates	Kept below operating profit; not a segment-margin driver
Governance and controlled ownership	Valuation and actionability, not operating model	66.19% voting control; prior merger/delisting process	Does not change segment revenue but affects minority realization

Customer and project concentration. This is the clearest operating risk. The improvement from 42% to 29% aggregate principal-customer concentration is welcome, but 29% remains high. A custom product can be deeply embedded while a customer platform is active, then decline sharply when the platform matures. The Q1 commentary on two formerly high-volume projects is a real-world warning against treating switching friction as recurring revenue.

Conversion of engineering examples into production. Payton's technical pages are evidence of capability, not demand. The bull case will be wrong if high-power data-center, AI, EV, or other designs remain evaluation projects, produce small engineering runs, or are won by competitors. A credible upgrade signal is not another product announcement; it is disclosed consolidated revenue acceleration accompanied by backlog, margin, and cash-flow evidence.

Investment and integration. FY2025 capex, the SI acquisition, the real-estate purchase, and higher headcount can create future capacity and capability. They can also raise depreciation, overhead, execution complexity, and break-even revenue. The model does not double count the real-estate purchase and acquisition outflow, and it does not assume another transaction. The key question is whether the enlarged operating base produces revenue and gross profit.

Margin normalization. Historical full-year margins prove that a 25% bull endpoint is technically possible, but the latest two quarters prove that low-teens outcomes are also possible. Without utilization, product mix, or segment gross margin, an analyst cannot know how quickly the margin should recover. The base case's gradual path is therefore more defensible than an immediate reversion.

Technology and substitution. Higher switching frequencies and power density can increase demand for planar solutions, but design methods evolve. A competitor may supply a better thermal structure, a catalog part may become adequate, or integration may move magnetics into a module. Payton's response must be continued co-design and manufacturing execution. Technical heritage alone is not enough.

Backlog quality. Backlog rose sequentially at Q1 FY2026, but it remained far below FY2022. Accepted orders may be non-cancellable, yet conversion timing and the interaction with over-time revenue recognition are not fully disclosed. The model treats the change as a stabilization clue, not a revenue formula.

Governance and liquidity. Controlled ownership and the terminated merger/delisting process do not alter the segment model, but they matter to how minority investors realize operating value. This appendix makes no portfolio, sizing, ranking, or trade recommendation. Any later CIO actionability assessment must remain separate.

Decision-useful monitoring framework

The model can be falsified with a small set of disclosed indicators:

- **Revenue trajectory:** two or more quarters of year-over-year growth would support the base stabilization; continued high-single-digit declines would move weight toward bear.
- **Exact-basis margin:** sustained margins above 18% while revenue stabilizes would support base normalization; persistence near 12%-14% would indicate a structurally higher cost base.
- **Backlog direction:** growth in backlog accompanied by revenue conversion is constructive; backlog growth without revenue or margin can indicate timing or low-quality mix.

- **Customer concentration:** continued diversification lowers project risk; renewed concentration increases downside even if current revenue grows.
- **Capex productivity:** revenue and gross profit should respond to the FY2025 investment base. Continued elevated capex without utilization evidence is negative.
- **SI contribution:** improving consolidated mix and margin would support integration; ongoing dilution would challenge base assumptions.
- **Evidence on new applications:** disclosed production orders or revenue matter; technical announcements alone do not.

Data-gap register carried into synthesis

- `[DATA GAP: no product or application revenue series.]`
- `[DATA GAP: no product growth-rate series.]`
- `[DATA GAP: no units, ASP, utilization, or quantified nameplate capacity.]`
- `[DATA GAP: no product or geography profit.]`
- `[DATA GAP: no formal revenue or margin guidance.]`
- `[DATA GAP: no verified transcript quotations.]`
- `[DATA GAP: no comparable market-share percentage.]`
- `[DATA GAP: no disclosed backlog conversion schedule.]`

These gaps constrain confidence and granularity. They do not invalidate the sealed one-segment statutory bridge.

Segment forecast summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	USD 41.828m	Statutory operating income (single-segment consolidated fallback)	12.5%	USD 5.229m	30%
Base	USD 53.746m	Statutory operating income (single-segment consolidated fallback)	20.0%	USD 10.749m	50%
Bull	USD 65.664m	Statutory operating income (single-segment consolidated fallback)	25.0%	USD 16.416m	20%

The base case is intentionally conservative relative to the company’s historical peak: its revenue endpoint remains below FY2022 until late in the horizon, and its 20.0% exact-basis margin is below every FY2021-FY2025 full-year margin. The bull case requires real production conversion and productive use of recent investment. The bear case makes the latest-quarter margin environment structurally persistent. Across all cases, the segment remains exactly one consolidated projection line, and every profit figure retains the sealed fallback label.

Payton Planar Magnetics Ltd (PAY.BR) — Synthesis and Combined Earnings Model

Production ER2 Stage S Model date: 2026-07-31 **Forecast anchor:** TTM ended 2026-03-31 **Valuation horizon:** 2031-03-31, exactly 5.0 calendar years after the TTM anchor **Model scope:** one QFR-validated consolidated projection segment **Trade execution authorized:** NO

This appendix mechanically consolidates the reviewed segment forecast into statutory operating income, pretax income, net income, and EPS. It does not reopen source classification, invent product rows, introduce a balancing residual, or treat the validated fallback as an issuer-disclosed segment profit measure. The modeling basis remains exactly `Statutory operating income (single-segment consolidated fallback)`. All reporting-currency amounts are USD unless stated otherwise. Values labeled “B” are billions; the corresponding business-scale figures are often discussed in USD

millions for readability.

Before any modeling, the strict quote-packet validator returned `QUOTE_PACKET_VALID` and exact packet SHA-256 `16f7a249aff61a11c57402f5058f82b0eaadfedf7beaa55a2d727b34c9b27677`. The statutory validator returned `STATUTORY_BRIDGE_VALID` and exact bridge SHA-256 `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9`. `gate_manifest.json` contains the durable DR clearances `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING` and `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2`, plus the reviewed sole-segment record. The sealed packets were not modified.

1. Anchors

- **Today:** 2026-07-31.
- **Fiscal year end:** December 31.
- **TTM anchor:** 2026-03-31, comprising Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026.
- **Latest completed fiscal year:** FY2025, used only for the historical tie-out.
- **Horizon:** 2031-03-31, exactly 5.0 calendar years after 2026-03-31. No row compounds from FY2025 and no row uses six fiscal years.
- **Exact security:** XBRU:PAY, Euronext Brussels ordinary voting share, ISIN IL0010830391, one listed ordinary share per quoted unit.
- **Valuation price:** EUR 7.80 per listed ordinary share, raw Euronext completed close for the 2026-07-30 session. The raw-source SHA-256 is `59ec6ca447f8063322023418bae140728d47430fa21473577b1d2ee2ea008f89`; the QFR-sealed packet SHA-256 is `16f7a249aff61a11c57402f5058f82b0eaadfedf7beaa55a2d727b34c9b27677`. Actionability expires 2026-08-01T14:02:28+08:00 under the validated conservative 24-hour policy.
- **Reporting and quote currencies:** financial statements are in USD; the security is quoted in EUR.
- **Split/share bridge:** 17,671,000 financial-statement diluted shares at 2026-03-31 multiplied by the sealed split factor of 1.0 equals 17,671,000 quote-basis diluted financial shares. The bridge covers 2026-03-31 through the 2026-07-30 quote session and records `NO_INTERVENING_SPLIT`. Evidence is hash-bound in `attempt7_unit_split_bridge_evidence.json`, SHA-256 `fbb7de4301f221c8ffe62a49264c3a9e49fc91307678e6c60719cb0201a7536b`.
- **Listed-unit bridge:** depositary ratio 1.0 multiplied by share-class factor 1.0 equals 1.0 financial share per listed unit. Therefore 17,671,000 quote-basis financial shares divided by 1.0 equals 17,671,000 listed-unit equivalents. This is an ordinary share, not an ADR.
- **FX bridge:** EUR 0.871383757406762 per USD for 2026-07-30, derived from the ECB observation of USD 1.1476 per EUR. Evidence is `official_ecb_EXR_D_USD_EUR_2026-07-30.csv`, SHA-256 `073a647c795f3a072cbe40aa1967d70d0112950f913448b180338d139f35e742`.
- **Historical statutory bridge:** exact SHA-256 `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9`; validator status `STATUTORY_BRIDGE_VALID`; all five FY2025 residuals and all five TTM residuals are zero; DR forecasting clearance is durable.

The packet converts EPS with one and only one formula:

`EPS_EUR_PER_LISTED_UNIT = (NI_USD / QUOTE_BASIS_DILUTED_FINANCIAL_SHARES) × 1.0 FINANCIAL_SHARE_PER_LISTED_UNIT × 0.871383757406762 EUR_PER_USD`.

The quote price is not translated into USD and no second market price is used. This preserves an exact same-currency, same-listed-unit comparison at the P/E gate.

2. Segment-level forward assumptions

The reviewed appendix has one modeled financial segment because official filings and both required FMP product responses disclose no segment-profit metric value. Product and application descriptions remain qualitative context, but they are not additive revenue rows. The row below reproduces, rather than re-derives, Sections 8 through 10 of `appendix_B_consolidated_company.md`.

Segment	Exact profit metric	TTM revenue, USD B	Bear TTM+5y revenue, USD B	Base TTM+5y revenue, USD B	Bull TTM+5y revenue, USD B	Bear profit margin	Base profit margin	Bull profit margin
Consolidated company	Statutory operating income (single-segment consolidated fallback)	0.046830	0.041828	0.053746	0.065664	12.5%	20.0%	25.0%

Source: `appendix_B_consolidated_company.md` Sections 8, 9, and 10, post-review SHA-256 `cc13c23c0085d3b6f44f31817288ce881dc7d063a802623c6a39c6a5c7c83729`.

The bear path is -6%, -4%, -2%, 0%, and +1% annual revenue growth. It makes recent program weakness and low factory absorption persistent and ends at USD 41.828 million. The base path is +1%, +2%, +3%, +4%, and +4%; it ends at USD 53.746 million, still below the FY2022 peak of USD 60.270 million. The bull path is +5%, +7%, +8%, +8%, and +7%, ending at USD 65.664 million and therefore requiring real program conversion rather than mere participation in attractive end markets.

The margin paths are also reproduced unchanged. Bear declines from 19.48% TTM to 12.5%, approximately the 12.60% reported in Q1 FY2026. Base starts at 17.0% in year one and recovers to 20.0%, only 52 basis points above TTM and below every FY2021-FY2025 full-year margin. Bull reaches 25.0%, which is historically feasible but requires higher-value programs, productive deployment of recent equipment, and an end to SI dilution. These assumptions are broad because units, ASP, utilization, product revenue, product margins, and formal management guidance are true non-disclosures.

3. Combined revenue build

There is no corporate revenue, elimination, acquisition plug, or undisclosed product residual. The single reviewed forecast line therefore equals combined revenue.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue, USD B	0.041828	0.053746	0.065664
Corporate eliminations	0.000000	0.000000	0.000000
Combined TTM+5y revenue, USD B	**0.041828**	**0.053746**	**0.065664**
Implied TTM to TTM+5y CAGR over 5.0 years	-2.23%	2.79%	6.99%

The endpoint arithmetic is `USD 46.830m × (1 + CAGR)^5`. Using the displayed CAGRs gives USD 41.836 million, USD 53.738 million, and USD 65.651 million for bear, base, and bull. Those differ from the year-by-year modeled endpoints by only +0.020%, -0.016%, and -0.020%, respectively, because the appendix reports rounded equivalent CAGRs while the underlying path uses the five displayed annual rates.

The base-case first-forward-year revenue is USD 47.298 million, only 1.0% above the TTM run rate. That prevents a hidden step change at model inception. The bull first year is USD 49.172 million, 5.0% above TTM; the bear first year is USD 44.020 million, 6.0% below TTM. All are inside the 10% recency band.

4. Combined statutory operating income build

The sealed fallback has an empty corporate/unallocated array and an empty operating-adjustment array. The zero presentation rows below document the absence of an adjustment; they do not create accounting lines in the statutory bridge. The sole segment's exact-basis profit is statutory operating income by the validator-cleared fallback definition.

Line	Bear	Base	Bull
Sum of segment TTM+5y profit on sealed common metric, USD B	0.005229	0.010749	0.016416
Corporate / unallocated adjustments from Section 3a, USD B	0.000000	0.000000	0.000000

Line	Bear	Base	Bull
Consolidated TTM+5y segment-profit metric, USD B	0.005229	0.010749	0.016416
Operating bridge adjustments from Section 3a, USD B	0.000000	0.000000	0.000000
Combined statutory TTM+5y operating income, USD B	**0.005229**	**0.010749**	**0.016416**
Implied statutory OI margin	12.50%	20.00%	25.00%

The source ledger is `data_package.md` Section 3a. It says corporate/unallocated items are none and operating bridge adjustments are none. Consequently, no case projects such a line. Operating profit equals revenue multiplied by the reviewed exact-basis margin: `41.828 × 12.5% = 5.2285`, rounded to USD 5.229 million; `53.746 × 20.0% = 10.7492`, reported as USD 10.749 million; and `65.664 × 25.0% = 16.416 million`.

The base year-one operating income is USD 8.041 million, 11.84% below TTM operating income of USD 9.121 million even though revenue rises 1%. That exceeds a mechanical 10% band, but it is a deliberately evidence-bound margin reset rather than an unsupported discontinuity. Q4 FY2025 and Q1 FY2026 statutory margins were 13.79% and 12.60%, versus 19.48% for the full TTM. The reviewed appendix therefore begins base at 17.0% and only later normalizes. The primary-source quantified evidence satisfies the recency exception while keeping the model conservative.

5. Net income and EPS build

The historical bridge contains three separate below-line drivers: finance income, finance expenses, and the share of loss of an equity-accounted investee. They remain separate. No generic “other” plug is introduced.

Line	Bear	Base	Bull
Combined TTM+5y statutory OI, USD B	0.005229	0.010749	0.016416
Finance income, USD B	0.000900	0.001779	0.002450
Finance expenses, USD B	-0.000200	-0.000150	-0.000100
Share of loss of equity-accounted investee, USD B	-0.000150	-0.000050	0.000000
Pretax income, USD B	0.005779	0.012328	0.018766
Tax rate assumed	20.0%	19.0%	18.0%
Taxes on income, USD B	-0.001156	-0.002342	-0.003378
Net income, USD B	**0.004623**	**0.009986**	**0.015388**
Quote-basis diluted financial shares at TTM+5y, M	17.671	17.671	17.671
EPS in USD per quote-basis financial share	0.261626	0.565089	0.870812
Financial shares per listed unit	1.000000	1.000000	1.000000
EPS in USD per listed unit	0.261626	0.565089	0.870812
FX, EUR per USD	0.871383757	0.871383757	0.871383757
EPS in EUR per listed unit at TTM+5y	**0.227977**	**0.492409**	**0.758811**

Finance income uses a transparent balance-and-yield schedule rather than extrapolating the unusually large TTM line indefinitely.

Driver	Bear	Base	Bull
Horizon interest-bearing liquidity, USD B	0.045000	0.059291	0.070000
Normalized cash/deposit yield	2.0%	3.0%	3.5%
Finance income, USD B	0.000900	0.001779	0.002450
Finance expense, USD B	-0.000200	-0.000150	-0.000100
Investee result, USD B	-0.000150	-0.000050	0.000000
Tax rate	20.0%	19.0%	18.0%

The liquidity anchor is USD 59.291 million at 2026-03-31, with no debt. The bear case allows investment, distributions, and weaker cash generation to reduce liquidity while deposit yields normalize. Base preserves the current liquidity pool but assumes a 3.0% yield, below the 4.76% TTM finance-income-to-liquidity ratio. Bull permits stronger free cash flow to grow liquidity, but even its USD 2.450 million finance income remains below the TTM USD 2.820 million; there is no interest-rate windfall. This is consistent with the Section 3a instruction that bear should use a lower yield/balance, base a normalized yield, and bull no unsupported windfall.

Finance expense is never set to zero. Bear modestly exceeds the TTM USD 0.148 million cost; base rounds that recent cost; bull improves it to USD 0.100 million but preserves a recurring amount. The investee line follows the same discipline: bear worsens the TTM USD 0.046 million loss, base keeps a normalized loss, and bull reaches no better than zero because positive evidence is absent.

Tax rates sit inside the data package's 18%-20% normalized range. FY2025's effective rate was 18.24% and TTM was 18.60%. Bear uses 20%, base 19%, and bull 18%; no case assumes a tax benefit or an undisclosed structural rate reduction.

The arithmetic is exact before display rounding. Bear pretax income is `5.229 + 0.900 - 0.200 - 0.150 = USD 5.779m`; after 20% tax, net income is USD 4.6232 million. Base pretax income is `10.749 + 1.779 - 0.150 - 0.050 = USD 12.328m`; after 19% tax, net income is USD 9.98568 million. Bull pretax income is `16.416 + 2.450 - 0.100 + 0.000 = USD 18.766m`; after 18% tax, net income is USD 15.38812 million.

6. Share-count and security-unit path

Payton disclosed no listed-company repurchase program, no listed-share issuance, and an unchanged 17,670,775 issued-share count. The packet uses 17.671 million diluted shares at disclosed precision. The base, bear, and bull models therefore use the same explicit flat path; no buyback is inferred merely because the stock might appear inexpensive.

Year ending	Starting quote-basis financial shares, M	Buyback, USD B	Average buyback price in USD	Shares retired, M	Listed-share SBC issuance, M	Ending quote-basis financial shares, M
2027-03-31	17.671	0.000	Not applicable	0.000	0.000	17.671
2028-03-31	17.671	0.000	Not applicable	0.000	0.000	17.671
2029-03-31	17.671	0.000	Not applicable	0.000	0.000	17.671
2030-03-31	17.671	0.000	Not applicable	0.000	0.000	17.671
2031-03-31	17.671	0.000	Not applicable	0.000	0.000	17.671

The TTM income statement recognizes USD 0.499 million of share-based compensation. Dividing that expense by the packet-session USD equivalent share price of approximately USD 8.950 would produce a purely mechanical 0.0558 million-share annual approximation. That approximation is not used as listed-company issuance because the management appendix identifies the awards as non-marketable parent-company options and confirms that Payton Planar's listed shares did not increase. Treating the expense as if it issued PAY.BR shares would create dilution unsupported by the security record. The model therefore reconciles the approximation to observed listed-share change of zero and carries zero issuer-share SBC issuance.

The five-year path ties exactly: `17.671 + Σ(0.000 SBC - 0.000 repurchase retirement) = 17.671 million`. The starting share bridge also ties: `17.671 million financial-basis shares × 1.0 split factor = 17.671 million quote-basis financial shares`; dividing by `1.0 depositary ratio × 1.0 share-class factor` gives 17.671 million listed-unit equivalents. The model never runs the path in ADR units.

7. P/E 15 test

The required EPS is fixed by the sealed quote packet: `EUR 7.80 / 15 = EUR 0.520000 per listed unit`. Each case is compared on the same EUR ordinary-share basis. Cushion equals `(EPS × 15 - EUR 7.80) / EUR 7.80`.

Case	EPS in EUR per listed unit at TTM+5y	EPS × 15	Quote-packet price per listed unit	Cushion	Pass?
Bear	0.227977	3.419655	7.800000	-56.16%	FAIL
Base	0.492409	7.386135	7.800000	-5.31%	FAIL
Bull	0.758811	11.382172	7.800000	+45.93%	PASS

The confident base case controls. Its EUR 0.492409 EPS is EUR 0.027591, or 5.31%, below the EUR 0.520000 required for P/E 15. The model therefore produces a binary **P/E 15 gate FAIL**, even though the bull case passes. A bull-only pass cannot rescue the price test.

This is a close valuation miss rather than an enormous one, but the closeness should not be mistaken for certainty. The base case already requires five-year revenue recovery from three declining fiscal years, margin normalization from the two weak recent quarters, continued preservation of a large cash pool, and no listed-share dilution. The management and moat appendices both fail their qualitative gates. Those facts argue against rounding EUR 0.492 to EUR 0.520 or using excess cash as an unmodeled plug. The correct result at EUR 7.80 remains FAIL.

For orientation only, the P/E-15 prices implied by the three cases are EUR 3.42, EUR 7.39, and EUR 11.38. They are valuation outputs, not trade instructions, target prices, or sizing recommendations. The packet explicitly sets `trade_execution_authorized=false`.

8. Reflexivity and historical anchor check

The model starts from two independently sealed historical anchors. Because the validated scope contains exactly one consolidated segment, segment revenue equals consolidated revenue, and the segment fallback profit equals statutory operating income. There are no corporate/unallocated or operating bridge adjustments.

Historical anchor	Segment revenue, USD m	Consolidated revenue, USD m	Revenue residual	Segment exact-basis profit, USD m	Statutory OI, USD m	OI residual
FY2025	47.825	47.825	0.000	10.725	10.725	0.000
TTM ended 2026-03-31	46.830	46.830	0.000	9.121	9.121	0.000

The FY2025 below-line bridge also closes: `10.725 OI + 2.877 finance income - 0.035 finance expense - 0.022 investee loss = 13.545 pretax`; `13.545 - 2.471 tax = 11.074 net income`. The packet tolerance is USD 0.0067725 million and the five residuals are zero.

The TTM bridge closes independently: `9.121 OI + 2.820 finance income - 0.148 finance expense - 0.046 investee loss = 11.747 pretax`; `11.747 - 2.185 tax = 9.562 net income`. The packet tolerance is USD 0.0058735 million and the five residuals are zero.

The TTM reporting-currency EPS is `USD 9.562m / 17.671m = USD 0.5411125573 per quote-basis financial share`. Multiplying by one financial share per listed unit and EUR 0.8713837574 per USD gives EUR 0.4715166934 per listed unit. That historical unit bridge reproduces the value in `quant_foundation.md` and is a reflexive check on the same formula used at the horizon.

No historical plug, corporate residual, or product allocation is required. The revenue and operating-profit comparisons are both exactly 100%, well inside the 2% reflexivity bound. The latest-FY comparison is a sanity check; the TTM comparison is the forecast base that is actually compounded.

9. Latest interim bridge reconciliation

P4 uses the permitted cumulative-interim bridge. FY2025 covers 2025-01-01 through 2025-12-31. The subtracted comparative period is Q1 FY2025, 2025-01-01 through 2025-03-31. The added current period is Q1 FY2026, 2026-01-01 through 2026-03-31. The result covers 2025-04-01 through 2026-03-31 with no overlap.

Line item, USD m	FY2025	Less Q1 FY2025	Add Q1 FY2026	TTM ended 2026-03-31	Residual
Revenue	47.825	-11.645	10.650	46.830	0.000
Statutory operating income	10.725	-2.946	1.342	9.121	0.000
Finance income	2.877	-0.635	0.578	2.820	0.000
Finance expenses	-0.035	0.031	-0.144	-0.148	0.000
Share of loss of equity-accounted investee	-0.022	0.011	-0.035	-0.046	0.000
Pretax income	13.545	-3.539	1.741	11.747	0.000
Taxes on income	-2.471	0.627	-0.341	-2.185	0.000
Net income	11.074	-2.912	1.400	9.562	0.000
Operating cash flow	15.697	-2.203	1.208	14.702	0.000
Capital expenditure	-5.205	0.312	-0.187	-5.080	0.000

Line item, USD m	FY2025	Less Q1 FY2025	Add Q1 FY2026	TTM ended 2026-03-31	Residual
Free cash flow	10.492	-1.891	1.021	9.622	0.000
Share-based compensation	0.481	-0.113	0.131	0.499	0.000

The TTM operating rows also cross-check to four non-overlapping quarters. Q2, Q3, and Q4 FY2025 plus Q1 FY2026 revenue is `11.364 + 13.225 + 11.591 + 10.650 = USD 46.830m`. Statutory operating income is `2.527 + 3.654 + 1.598 + 1.342 = USD 9.121m`. Diluted shares remained 17.671 million at disclosed precision, so no weighted-share restatement is needed. TTM EPS is computed from TTM net income and that stable diluted-share count; it is not formed by summing quarterly EPS.

This bridge matters because the recent Q1 replacement reduces operating income much more than revenue. Q1 FY2025 OI of USD 2.946 million leaves the TTM and Q1 FY2026 OI of USD 1.342 million enters it. The resulting TTM margin of 19.48% is therefore the correct and more conservative anchor, rather than FY2025's 22.43%.

10. Sensitivity analysis

The sensitivity holds all non-varied drivers at the base case. Because there is only one validated segment, a requested "Segment 2 margin" sensitivity is not triggered. The economically equivalent test varies the sole consolidated segment's exact-basis statutory operating margin by 200 basis points. No undisclosed second segment is created.

Variable varied	Low case	Base	High case	EUR EPS at low	EUR EPS at base	EUR EPS at high	Low / high change vs base
Sole-segment revenue CAGR	0.79%	2.79%	4.79%	0.4522	0.4924	0.5358	-8.17% / +8.81%
Sole-segment exact-basis margin	18.0%	20.0%	22.0%	0.4495	0.4924	0.5354	-8.72% / +8.72%
TTM+5y diluted shares	16.787m	17.671m	18.555m	0.5183	0.4924	0.4690	+5.26% / -4.76%
Tax rate	16.0%	19.0%	22.0%	0.5106	0.4924	0.4742	+3.70% / -3.70%

For the revenue sensitivity, endpoints are USD 48.709 million, USD 53.738 million, and USD 59.173 million at 0.79%, 2.79%, and 4.79% five-year CAGRs. The base table elsewhere uses the exact reviewed annual path and USD 53.746 million endpoint; the USD 0.008 million difference is solely the displayed-CAGR approximation. The 20.0% margin and all base below-line assumptions are held constant.

For the margin sensitivity, operating income is USD 9.674 million at 18%, USD 10.749 million at 20%, and USD 11.824 million at 22%. The resulting EPS movement is almost symmetrical and is slightly larger than the revenue-CAGR movement. The result identifies normalized operating margin as the most immediate valuation driver, with the five-year revenue trajectory a close second.

Share count has meaningful but smaller leverage over this range. A 5% reduction would raise base EPS above the P/E-15 requirement to about EUR 0.5183 only narrowly and would still be slightly below EUR 0.5200. More importantly, no buyback policy supports that lower-share path, so it is a sensitivity rather than a base assumption. A 5% increase would reduce EPS to EUR 0.4690, but observed listed shares have been stable and parent-level awards should not be misclassified as PAY.BR issuance.

Tax is least decisive among the tested variables. Even a 16% rate raises EPS only to EUR 0.5106, still below the P/E-15 requirement. The gate cannot be made to pass by choosing the favorable end of the data package's normal tax range. This reinforces that operating recovery, not tax engineering, is the key underwriting question.

The two most decision-relevant monitoring variables are therefore: first, whether statutory operating margin can recover above the mid-teens after the 12.6%-13.8% recent-quarter trough; and second, whether revenue can stabilize and then compound without inventing data-center mix or utilization. A persistent margin below 18% or continued revenue contraction would push EPS materially below the base case. Conversely, a demonstrated 22% margin with sustained mid-single-digit growth would move the valuation into bull-like territory.

11. Combined earnings summary

The probability weights are 30% bear, 50% base, and 20% bull, reproduced from the reviewed segment appendix. Base receives the highest weight because the company remains profitable, net cash, and technically relevant, but recent revenue

and margin deterioration prevent a more optimistic distribution. Bear receives more weight than bull because customer concentration, program roll-off, weak disclosure, and failed management/moat gates make a durable shortfall more plausible than an unproven high-power ramp.

Case	Revenue, USD B	OI, USD B	OI margin	NI, USD B	EPS, EUR per listed unit	Probability	EPS × 15	Versus EUR 7.80 per listed unit
Bear	0.041828	0.005229	12.50%	0.004623	0.227977	30%	3.419655	-56.16%
Base	0.053746	0.010749	20.00%	0.009986	0.492409	50%	7.386135	-5.31%
Bull	0.065664	0.016416	25.00%	0.015388	0.758811	20%	11.382172	+45.93%
Probability-weighted	0.052554	0.010226	19.46%	0.009457	0.466360	100%	6.995398	-10.32%

Probability-weighted EPS is `0.30 × 0.227977 + 0.50 × 0.492409 + 0.20 × 0.758811 = EUR 0.466360`. This is a mathematical summary, not a fourth operating case. Its P/E-15 value is EUR 6.995, 10.32% below the packet price. The base case, not the probability-weighted or bull value, controls the binary framework gate.

Interpretation

The synthesis says something narrower than “the company is cheap” or “the company is expensive.” Payton’s operating business can plausibly restore revenue and margins enough to produce almost the required five-year EPS at the current quote, while the large cash balance contributes meaningful below-line income. Yet the base case still misses, and the evidence needed to raise confidence is absent. Product revenue, utilization, design-win conversion, ASP, capacity, and product profitability are not disclosed. A close numerical miss under low-disclosure assumptions should be treated more conservatively than an equally close miss supported by quantified backlog, product mix, and management targets.

The bull case shows the potential if new high-power applications convert and recent investment becomes productive. Revenue would exceed the prior peak and the exact-basis margin would recover to 25%, still below the FY2022-FY2023 peak range. That case creates a large valuation cushion, but it has only 20% probability because the required drivers are not quantified. The bear case does not require business failure. It merely makes the latest-quarter 12.6% margin approximately structural, allows revenue to settle at a lower level, and reduces the yield-bearing cash pool. That is enough to cut the P/E-15 value by more than half versus the current quote.

Capex consistency also matters. FY2025 capex was USD 5.205 million and TTM capex USD 5.080 million, far above the sub-USD 1 million FY2021-FY2024 range. The segment OI margins already absorb depreciation and execution effects at the operating level; the finance-income schedule separately avoids assuming that all current liquidity compounds untouched. No model row instantly normalizes capex to the old level, and no acquisition is inserted. The higher investment phase can support future growth, but only demonstrated revenue conversion would justify the bull case.

12. Mandatory tie-out checks

Check	Result	Reproduced arithmetic	Exact source
1. Reported financials and statutory bridge	PASS	FY2025 revenue 47.825 equals 47.825 and OI 10.725 equals 10.725; TTM revenue 46.830 equals 46.830 and OI 9.121 equals 9.121; all bridge residuals zero	`statutory_bridge.json`; `data_package.md` Sections 2 and 3a
2. NI, shares, units, and FX equal EPS	PASS	Each case uses NI divided by 17.671m, multiplied by unit factor 1.0 and FX 0.8713837574	Section 5; `quote_packet.json`
3. Segment sum at horizon	PASS	Combined revenue divided by sole-segment revenue equals 100.00% in bear, base, and bull	Sections 2 and 3; reviewed segment Section 10
4. Product-to-segment rollup	PASS	Validated fallback has one disclosed-dollar forecast line and zero residual; no undisclosed product rows are invented	Reviewed segment Sections 8 and 10; data package Section 4
5. Weighted margin	PASS	One consolidated line means exact-basis segment margin equals the total margin by construction; multi-product weighting is not triggered	Reviewed segment Sections 9 and 10

Check	Result	Reproduced arithmetic	Exact source
6. Share count and security unit	PASS	17.671m times split 1.0 equals 17.671m; divide by unit factor 1.0 equals 17.671m; five-year share movements sum to zero	Section 6; `quote_packet.json`
7. Growth plausibility	PASS	Base CAGR 2.79% is explicitly justified, endpoint remains below FY2022 peak, and no product step change is assumed	Reviewed segment Sections 6 through 8
8. Historical arithmetic	PASS	46.830 times one plus displayed CAGR to the fifth differs from case endpoints by at most 0.020%	Sections 2 and 3; reviewed segment Section 8
9. Recency anchor	PASS	Base Y1 revenue is 1.0% above TTM; OI is 11.84% below TTM with quantified Q4 and Q1 margin evidence for the conservative reset	Sections 3 and 4; data package Section 5
10. Period and horizon integrity	PASS	FY2025 less Q1 FY2025 plus Q1 FY2026 equals TTM; 2026-03-31 plus exactly five years equals 2031-03-31	Sections 1 and 9; quantitative foundation P4
11. Valuation, unit bridge, hashes, and probability	PASS	Both exact hashes match; scenario EPS times 15 ties; probabilities sum to 100%; weighted EPS is EUR 0.466360; base controls	Sections 1, 5, 7, and 11

Check 1 — reported-financial and statutory-bridge tie-out: PASS

For FY2025, the exact common segment-profit sum is USD 10.725 million. There are no corporate/unallocated adjustments and no operating bridge adjustments, so the consolidated segment metric and statutory operating income are both USD 10.725 million. Adding finance income of USD 2.877 million, finance expense of USD 0.035 million, and investee loss of USD 0.022 million gives USD 13.545 million pretax; subtracting USD 2.471 million tax gives USD 11.074 million net income. Segment and consolidated revenue both equal USD 47.825 million.

For the TTM, the segment sum and statutory OI are both USD 9.121 million. Adding USD 2.820 million finance income, subtracting USD 0.148 million finance expense and USD 0.046 million investee loss gives USD 11.747 million pretax; subtracting USD 2.185 million tax gives USD 9.562 million net income. Segment and consolidated revenue both equal USD 46.830 million. Every sealed residual is zero, so the historical anchor is intact.

Check 2 — NI, shares, listed unit, and FX equal EPS: PASS

Bear: `USD 4.6232m / 17.671m = USD 0.261626`; multiplying by 1.0 and 0.8713837574 gives EUR 0.227977. Base: `USD 9.98568m / 17.671m = USD 0.565089`; the unit and FX factors give EUR 0.492409. Bull: `USD 15.38812m / 17.671m = USD 0.870812`; the unit and FX factors give EUR 0.758811. The table uses reporting-currency NI and quote-basis financial shares before conversion; it never attaches EUR to unconverted issuer EPS.

Check 3 — segment sum at horizon: PASS

There is exactly one modeled segment. Bear combined revenue divided by segment revenue is `41.828 / 41.828 = 100.00%`; base is `53.746 / 53.746 = 100.00%`; bull is `65.664 / 65.664 = 100.00%`. Corporate eliminations are absent in the sealed record. The horizon sum therefore ties with no gap to explain.

Check 4 — product-to-segment rollup: PASS under the validated fallback

Official reports and both required FMP product responses disclose no additive product revenue. The reviewed segment appendix correctly uses one forecast line, “Consolidated company,” and shows zero other-product revenue and zero residual in every case. Bear is `41.828 + 0.000 = 41.828`; base is `53.746 + 0.000 = 53.746`; bull is `65.664 + 0.000 = 65.664`. This check passes within the QFR-validated one-line scope. Creating synthetic data-center, EV, or SI rows would make the check less reliable, not more complete.

Check 5 — weighted margin: PASS under the validated fallback

The conditional multi-product weighted-average test is not triggered because no product revenue or margin is disclosed and the validator permits one consolidated line. For that line, exact-basis profit divided by revenue reproduces the modeled margin: `5.229 / 41.828 = 12.50%` after endpoint rounding, `10.749 / 53.746 = 20.00%`, and `16.416 / 65.664 = 25.00%`. There is no mixed profit basis and no product margin to weight.

Check 6 — share count and security-unit path: PASS

Starting financial-statement diluted shares of 17.671 million multiplied by the split factor of 1.0 equals 17.671 million quote-basis diluted financial shares. Dividing by the depositary factor of 1.0 and share-class factor of 1.0 yields 17.671 million listed-unit equivalents. Across five years, starting shares plus cumulative listed-company SBC issuance minus repurchased shares is `17.671 + 0.000 - 0.000 = 17.671 million`. The parent-option expense is disclosed but not falsely converted into PAY.BR issuance.

Check 7 — growth plausibility: PASS with explicit justification

The disclosed FY2022-FY2025 historical CAGR is -7.42%, so any positive base CAGR requires justification. The reviewed appendix provides it explicitly: Q1 backlog improvement, technical options in higher-power applications, and investment that may support recovery, while withholding any product ramp or utilization claim. The base CAGR is only 2.79%, its year-one increase is 1%, and the USD 53.746 million endpoint remains below the USD 60.270 million FY2022 peak. No comparable-company trajectory is used as an unsupported substitute. The assumption is uncertain but bounded and justified, satisfying the check.

Check 8 — five-year historical arithmetic: PASS

Using displayed equivalent CAGRs, `46.830 × (1 - 2.23%)^5 = 41.836`, only 0.020% above the bear endpoint. `46.830 × (1 + 2.79%)^5 = 53.738`, 0.016% below the base endpoint. `46.830 × (1 + 6.99%)^5 = 65.651`, 0.020% below the bull endpoint. All differences are far inside 1% and arise because the segment appendix compounds five explicit annual rates before reporting a rounded equivalent CAGR.

Check 9 — recency anchor: PASS

Base first-forward-year revenue is USD 47.298 million versus TTM USD 46.830 million, a 1.0% increase. Base OI is USD 8.041 million versus TTM USD 9.121 million, an 11.84% decline. That profit change is supported by quantified primary-source evidence: the most recent two quarters posted statutory margins of 13.79% and 12.60%, materially below the TTM 19.48%. Starting at a 17.0% year-one margin recognizes those results rather than assuming an unsupported rebound. Bear and bull first-year revenue moves are -6% and +5%, both within 10%.

Check 10 — period and horizon integrity: PASS

Every P4 line uses `FY2025 - Q1 FY2025 + Q1 FY2026`, with like-for-like January 1 through March 31 comparative periods. The resulting TTM spans April 1, 2025 through March 31, 2026. The quarter cross-check uses Q2, Q3, and Q4 FY2025 plus Q1 FY2026 with no overlap. Every forward path starts 2026-03-31 and ends 2031-03-31, exactly 5.0 calendar years later. FY2025 is not substituted as the forecast base.

Check 11 — valuation, unit bridge, hashes, and probability arithmetic: PASS

The exact quote packet hash recomputes to `16f7a249aff61a11c57402f5058f82b0eaadfedf7beaa55a2d727b34c9b27677`; the exact statutory bridge hash recomputes to `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9`. Listing XBRU:PAY, EUR 7.80 raw close, ordinary-share unit, split factor 1.0, financial-shares-per-listed-unit 1.0, and EUR-per-USD FX 0.8713837574 all reproduce the sealed packet.

Bear, base, and bull EPS multiplied by 15 produce EUR 3.419655, EUR 7.386135, and EUR 11.382172. Probabilities sum to `30% + 50% + 20% = 100%`. Probability-weighted EPS is EUR 0.466360. Cushions recompute to -56.16%, -5.31%, and +45.93% against the same EUR 7.80 listed unit. The base case controls the binary P/E result.

Synthesis gate

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED

P/E 15 gate: FAIL — base-case cushion -5.31%.

Payton Planar Magnetics Ltd (PAY.BR) — Compounder Score

Analysis date: 2026-07-31 **Framework:** Production ER2, Sub-Agent CS **Listing:** XBRU:PAY, Euronext Brussels ordinary voting share **Listed-unit price:** EUR 7.80, completed 2026-07-30 close **Financial reporting currency:** USD **TTM anchor:**

2026-03-31 **Five-year underwriting horizon:** 2031-03-31 **Research only. Trade execution authorized:** `false`

This appendix applies the ER2 diagnostic 100-point compounder rubric after the quantitative, data, segment, management, moat, and synthesis gates. It does not reopen the cleared statutory model and does not override the ER2 verdict. The 20% return test is deliberately more demanding than the owner's separate 10%-15% net-SGD mandate. It is a stretch quality-and-price diagnostic, not CIO actionability, a portfolio target, a sizing instruction, or trade authority.

1. Executive Verdict

Compounder Score: 34 / 100. Business Quality Score: 29 / 80. Valuation / 20% Return Underwriting Score: 5 / 20. Score-implied classification: Reject. Source confidence: Medium.

The evidence supports a profitable, cash-generative, debt-free manufacturer with attractive historical gross margins, stable listed shares, and a balance sheet that can absorb a downturn. It does not support the much stronger proposition required by this rubric: a proven high-ROIIC reinvestment engine with a long, defensible runway, minority-aligned capital allocation, and a plausible 20% annualized return from EUR 7.80 without terminal multiple expansion.

The score is capped by four linked deficiencies. First, ROIIC cannot be calculated credibly from the cleared record because a complete reinvestment denominator is unavailable. The filings do not provide the working-capital, maintenance-versus-growth capex, capitalized R&D, and acquisition integration data needed to separate organic from acquisition-inclusive incremental returns. A high score cannot be awarded from an excess-cash-adjusted ROIC shortcut because subtracting Payton's unusually large cash pool makes invested capital artificially small. Second, the runway is qualitative. Data-center, three-phase, EV, aerospace, and other applications are technically credible, but product revenue, units, ASP, utilization, capacity, win rates, and product margins are not disclosed. Third, both the management and moat ER2 gates are FAIL. Controller dominance, related-party service arrangements, parent-level incentives, the 2026 attempted minority cash-out, project concentration, weak direct pricing evidence, and the need to replace expiring programs prevent a durable-compounder conclusion. Fourth, valuation does not rescue the case. A conservative base return model produces approximately 2.8% annualized over five years, and even the operational bull case produces approximately 11.7% using an exit multiple no higher than today's EV/NOPAT.

This is not a claim that Payton is financially weak. The statutory accounts reconcile, free cash flow is real, net cash is substantial, and the company can remain viable for a long time. The diagnostic rejection says something narrower: the evidence and price do not underwrite a 20% compounder, and the quality evidence is too incomplete to classify the company as “buy only at a lower price.” A materially lower price would improve prospective return, but it would not repair the management, moat, or ROIIC evidence gaps.

2. Data Source Map

The score uses the verified ER2 chain first. No new market quote, statement series, or management claim was substituted.

Required item	Controlling ER2 source	Period or basis	Scoring use
Price and exact security	`quote_packet.json`	EUR 7.80 on 2026-07-30; XBRU:PAY ordinary share	Market capitalization and listed-unit return anchor
Market capitalization	Quote packet price times 17.671m diluted shares	2026-07-30 price and 2026-03-31 share basis	EUR 137.834m
Enterprise value	Market capitalization translated through sealed FX, less USD 59.291m cash and deposits, plus zero debt	2026-03-31 liquidity; 2026-07-30 FX	Approximately USD 98.887m, or EUR 86.169m
Income statement	`quant_foundation.md` and `data_package.md`	FY2021-FY2025 and TTM	Revenue, statutory operating income, tax, net income
Balance sheet	`data_package.md` Section 8	FY2025 and Q1 FY2026	Cash, deposits, debt, goodwill, intangibles
Cash flow	`quant_foundation.md` P6 and `data_package.md` Sections 2 and 7	FY2021-FY2025 and TTM	CFO, capex, FCF, dividends, acquisition cash uses
Share count and SBC	`quote_packet.json`, `quant_foundation.md`, and `appendix_synthesis.md`	TTM and five-year modeled path	Stable 17.671m diluted shares; parent-option distinction
Segment economics	`appendix_B_consolidated_company.md`, post-review	TTM to 2031-03-31	One validated consolidated fallback segment
Management and governance	`appendix_management.md`	Through 2026-07-31	Capital allocation, incentives, controller and minority risks

Required item	Controlling ER2 source	Period or basis	Scoring use
Moat and competitive evidence	`appendix_moat.md`	Five-year and 2046 tests	Program switching friction, pricing, durability, disruption
Combined model and valuation	`appendix_synthesis.md`	TTM to 2031-03-31	Bear, base, bull revenue, OI, NI, EPS, and P/E-15 result

The financial source confidence is high: official FY2025 and Q1 FY2026 statements control the FMP operating-income discrepancies, the statutory bridge has zero residuals, and the quote/share/FX packet is hash-sealed. Operating source confidence is lower. Payton does not provide product-level dollars, units, ASP, utilization, quantified capacity, product margin, formal guidance, or usable earnings-call transcripts. Overall confidence is therefore **Medium**, not High. The evidence is strong enough to identify cash generation, financial resilience, valuation units, and governance facts, but not strong enough to claim precise ROIIC or a narrow long-run growth distribution.

3. Key Financial and Quality Metrics

The current market capitalization is `EUR 7.80 × 17.671m = EUR 137.834m`. Using the sealed EUR-per-USD rate of 0.8713837574, this equals approximately USD 158.178m. Subtracting USD 59.291m of cash and short-term deposits and adding zero debt produces enterprise value of approximately USD 98.887m. TTM statutory operating income is USD 9.121m. Applying the 18.6% TTM tax rate to operating income gives estimated TTM NOPAT of USD 7.424m. Current EV/NOPAT is therefore about 13.32x.

Metric	Result	Period and formula	Scoring interpretation
Revenue	USD 46.830m	TTM ended 2026-03-31	Correct forward base
Statutory operating margin	19.48%	USD 9.121m / USD 46.830m	Attractive, but below prior full-year levels
Latest-quarter operating margin	12.60%	Q1 FY2026	Material recent negative operating leverage
TTM NOPAT	USD 7.424m	USD 9.121m × 81.4%	Normalized operating-profit numerator
Reported five-observation ROIC median	13.92%	Median of FY2021-FY2025 FMP series	Definition-sensitive; no high-ROIC credit
FY2025 simple ROIC	About 10.6%	USD 8.769m NOPAT / USD 82.757m vendor invested capital	Consistent with vendor result
TTM FCF	USD 9.622m	CFO less capex	Strong despite elevated capex
TTM FCF / NOPAT	129.6%	USD 9.622m / USD 7.424m	Strong current cash conversion
FY2021-FY2025 aggregate FCF / normalized NOPAT	About 107.6%	Aggregate FCF / EBIT taxed at 18.6%	Multi-year conversion support
FY2021-FY2025 aggregate CFO / net income	108.8%	USD 67.522m / USD 62.088m	Earnings supported by cash
FY2021-FY2025 aggregate FCF / net income	96.3%	USD 59.786m / USD 62.088m	Healthy after capex
TTM SBC / revenue	1.07%	USD 0.499m / USD 46.830m	Modest expense burden
TTM SBC / gross profit	About 2.44%	SBC / estimated TTM gross profit	Not an operating threat
TTM SBC / FCF	5.19%	USD 0.499m / USD 9.622m	Real cost, but manageable
Listed-share CAGR	0.0%	17.671m stable at disclosed precision	No observed PAY.BR dilution
EV / NOPAT	13.32x	USD 98.887m / USD 7.424m	Not extreme, but too high for 20% return evidence
EV / FCF	10.28x	USD 98.887m / USD 9.622m	Cash generation supports enterprise value
Market cap / FCF	16.44x	USD 158.178m / USD 9.622m	Equity value includes large net cash
FCF yield	6.08%	TTM FCF / market capitalization	Helpful, not a 20% return base
FY2025 dividend yield proxy	3.35%	USD 5.301m / USD 158.178m	Cash returns help, but are not guaranteed
Net debt / EBITDA	Net cash	Debt zero; cash and deposits USD 59.291m	Balance-sheet veto passes

The FY2021-FY2025 interval contains five fiscal observations but only four elapsed years. Revenue rose from USD 43.980m to USD 47.825m, a 2.12% four-year CAGR. Normalized NOPAT rose by roughly 1.0% annually over that interval, while FCF

rose at about 12.1%; the FCF growth partly reflects working-capital and capex timing and should not be mistaken for a repeatable operating growth rate. The JSON deliberately leaves nominal “five-year CAGR” fields null rather than relabeling a four-year interval.

Gross margin remained unusually healthy for a small hardware company, increasing from 39.5% in FY2021 to 44.7% in FY2025. Statutory operating margin, however, declined from a 29.9% FY2023 peak to 22.4% in FY2025, 19.5% TTM, and 12.6% in Q1 FY2026. That divergence is consistent with attractive product-level gross economics but weaker overhead absorption, mix, acquisition integration, and site costs. It supports cash-quality points but not a conclusion that incremental returns are stable.

4. Rubric Scorecard

Category	Score	Maximum	Core reason
Incremental Returns on Capital	7	25	Cash conversion is strong; credible ROIIC and unit economics are unavailable
Reinvestment Runway	6	20	Attractive applications exist, but conversion and scalability are unproven
Durability of Moat	6	15	Program-level switching friction does not establish a corporate 20-year moat
Accounting and Financial Quality	8	10	Reconciled accounts, strong cash conversion, zero debt; governance prevents full score
Capital Allocation Discipline	2	10	SI returns are unproven and minority alignment is weak
Business Quality Score / 80	**29**	**80**	Strong cash quality, but reinvestment, durability, and minority alignment remain weak
20% Return Underwriting Score / 20	**5**	**20**	All modeled cases remain below 20%; base IRR is about 2.8%
Compounder Score / 100	**34**	**100**	**Reject under this diagnostic rubric**

The detailed sub-scores are intentionally asymmetric. A strong balance sheet cannot compensate for missing ROIIC evidence, and a moderate valuation cannot compensate for failed management and moat gates.

Category 1, 7/25: normalized ROIC receives 2/5 because the five-observation median is about 13.9% and FY2025 simple ROIC is about 10.6%. ROIIC receives 0/8 because neither three-year nor five-year reinvestment can be reconciled. Deterioration receives 0/3 because reported ROIC and operating margin both weakened materially. Unit economics receive 0/3 because units, ASP, utilization, capacity, and product margin are undisclosed. Cash conversion receives 3/3. Accounting-artifact protection receives 2/3 because statutory profits and cash are sound, but subtracting excess cash would create an artificially elevated operating-capital return.

Category 2, 6/20: remaining market opportunity receives 2/5 for power density, data-center, electrification, and high-reliability applications. Proven reinvestment at scale receives 1/5 because revenue has declined for three years and the major recent investment has not shown a return. Organic opportunity receives 1/4, the repeatable expansion playbook 1/3, and market structure 1/2. The assurance that growth will not require ROIC collapse receives 0/1 because recent volume weakness already compressed operating margin.

Category 3, 6/15: the source of advantage receives 2/4 for custom engineering, qualification, certifications, and live-program switching friction. Pricing power receives 0/3 because no direct price/mix, renewal, or customer-acceptance evidence exists. Competitive evidence receives 1/3, stickiness 1/2, stress resilience 1/2, and low direct AI substitution risk 1/1. The result is consistent with the separate moat FAIL: the program advantage is real but must be renewed with every new customer platform.

Category 4, 8/10: clean earnings and statutory quality receive 2/2, cash support 2/2, SBC and dilution 1/2, balance-sheet strength 2/2, and disclosure quality 1/1 for candid financial and concentration reporting despite missing operating KPIs. Governance receives 0/1 because controller, related-party, board-independence, and delisting facts are material.

Category 5, 2/10: rational reinvestment priority receives 1/2 and evidence from past decisions receives 1/1 for maintaining solvency and paying dividends. Acquisition discipline, buyback discipline, incentive alignment, and owner mentality each receive zero. The company has not demonstrated an acquisition return, has no price-sensitive buyback record, rewards

executives partly on pretax profit and through parent-level instruments, and does not align minority holders cleanly with the controller.

Category 6, 5/20: base-case IRR receives 0/6, conservative exit multiple 2/4, bear-case acceptability 0/3, reverse-DCF beatability 0/3, absence of priced perfection 1/2, and cash returns 2/2. The valuation is not an obvious bubble, but the hurdle is 20%, not merely a positive return.

5. ROIIC and Reinvestment Analysis

The evidence does not support a numeric ROIIC. That is a scoring conclusion, not an unfinished calculation.

Required return measure	Result	Why
Reported/simple ROIC	About 10.6% FY2025	Official NOPAT divided by vendor invested capital
Five-observation median reported ROIC	13.92%	FY2021-FY2025 vendor series
ROIC including goodwill	About 10.6% on the available FY2025 vendor basis	Vendor denominator already includes the reported balance-sheet capital basis
ROIC excluding goodwill and intangibles	About 11.1% year-end sensitivity	USD 8.769m NOPAT / approximately USD 78.856m
Excess-cash-excluded ROIC	Not scored	Subtracting USD 58.248m from the vendor denominator creates a small, unstable capital base
Adjusted ROIC with capitalized R&D and leases	Insufficient evidence	No complete R&D asset-age, amortization, or lease schedule in the cleared chain
Three-year ROIIC	Insufficient evidence	Complete reinvestment denominator unavailable
Five-year ROIIC	Insufficient evidence	Only four elapsed annual intervals and incomplete working-capital data
Acquisition-inclusive ROIIC	Insufficient evidence	SI has only a short post-acquisition record and no separable NOPAT schedule

Payton's excess cash is economically real but analytically dangerous. FY2025 cash and deposits were USD 58.248m against a vendor invested-capital field of USD 82.757m. Simply subtracting all liquidity would leave roughly USD 24.509m and create an apparent FY2025 ROIC near 36%. That result would be dominated by the analyst's cash classification and year-end denominator rather than demonstrated incremental returns. The rubric therefore scores the modest reported ROIC and gives no uplift for the excess-cash sensitivity.

Acquisition-inclusive treatment is explicit. FY2025 included SI purchase cost of USD 6.149m, net acquisition cash outflow of USD 5.239m, USD 4.400m for the operating real estate, and USD 0.501m of transaction costs. The real estate is already represented in capex and must not be double-counted. SI contributed USD 1.397m of revenue from October 1, 2025 and reduced net profit by USD 0.164m in that period. A defensible acquisition-inclusive denominator would include purchase consideration, transaction costs, and related incremental working capital while avoiding duplication of the real estate. A defensible numerator would require post-deal incremental NOPAT over a meaningful period. That numerator does not yet exist, so acquisition-inclusive ROIIC remains null and acquisition discipline receives no score.

The same constraint applies to organic ROIIC. Reinvestment should include net capex, non-cash working capital, justified R&D capitalization, and growth opex. The verified chain provides capex and R&D expense but not the complete classification needed to distinguish maintenance from growth or to build a clean cumulative denominator. FY2025 capex of USD 5.205m was far above the prior four-year range, while TTM capex remained USD 5.080m. This could create attractive future capacity or merely a larger under-absorbed cost base. The latest revenue decline and margin compression do not yet validate the spending.

The score therefore treats ROIIC as zero-credit rather than assuming zero economic return. Evidence needed for a positive score includes a disclosed capacity or program investment, a clear cash-cost denominator, revenue and NOPAT contribution over multiple years, and proof that returns remain above the cost of capital after including SI and growth spending.

6. Runway Analysis

The addressable opportunity is credible in direction. Power density, higher switching frequencies, electrification, data-center power conversion, EV charging, aerospace, defense, industrial automation, and medical systems all require physical magnetics. Payton's custom planar capability can solve height, heat, efficiency, EMI, isolation, and reliability constraints. AI is more likely to increase power-conversion demand than to eliminate the physical component.

The evidence does not establish Payton's share of that opportunity. No product or application revenue is disclosed. Units, ASP, utilization, nameplate capacity, design-win conversion, sole-source status, retention, and market share are unavailable. Technical announcements prove engineering capability, not booked production. The base ER2 forecast therefore grows revenue only 2.79% annually from the TTM base, while the bull case requires 6.99% and explicit conversion of new programs.

Historical scaling evidence is mixed. Revenue peaked at USD 60.270m in FY2022, then declined to USD 54.856m, USD 50.826m, and USD 47.825m in FY2023-FY2025. Q1 FY2026 declined another 8.5% year over year. Backlog fell from USD 43.839m in FY2022 to USD 17.401m at FY2025 before improving to USD 19.335m in Q1 FY2026. Two formerly high-volume projects contributed to current weakness. This is not a demonstrated repeatable expansion playbook.

The recent investment program could widen the runway. SI adds U.S. operations and adjacent conventional-magnetics capabilities, and higher capex can expand production or technical capacity. It could also lower consolidated margins and increase fixed-cost absorption risk. The evidence supports optionality, not a high score. An upgrade would require several years of revenue and backlog growth, lower customer concentration through new wins rather than customer loss, stable margins during volume transitions, and an acquisition return above the cost of capital.

7. Moat Analysis

Payton's defensible advantage is narrow and specific. A custom transformer is designed into a larger converter, qualified for electrical, thermal, mechanical, EMI, safety, and reliability constraints, and then manufactured under controlled processes. Replacing it during a live program can require engineering work, testing, documentation, and requalification. Non-cancellable and non-refundable accepted-order terms protect committed production. Certifications and accumulated manufacturing know-how reinforce trust in high-reliability applications.

The limitation is duration. Switching friction protects a design while the host program is alive; it does not guarantee the next platform or replace a project at end-of-life. The latest slowdown demonstrates that distinction. The two largest customers represented 29% of FY2025 revenue, and prior concentration was higher. Larger custom suppliers and standardized planar-component vendors can compete for new programs. Pricing power is not directly measurable because Payton does not disclose price/mix, contractual escalators, renewal economics, win rates, or sole-source status.

The historical margin record is supportive but not decisive. Gross margin stayed near or above 40% and reached 44.7% in FY2025. Operating margin remained above 22% through FY2025. Yet TTM margin fell to 19.5%, Q4 FY2025 to 13.8%, and Q1 FY2026 to 12.6%. These outcomes show that favorable product gross economics can coexist with project, mix, and utilization sensitivity.

AI disruption is low at the physical-component level, earning the only full moat sub-score. AI-assisted design may nevertheless reduce engineering differentiation and help competitors. Semiconductor, topology, module-integration, and customer-insourcing changes can alter magnetic content. The evidence supports five-year program stickiness, not confidence in exceptional economics through 2046. The separate moat and 2046 gates correctly remain FAIL.

8. Accounting and Capital Allocation Analysis

Financial quality is the strongest part of the score. Official statements control statutory operating income, the bridge from operating income to pretax and net income has zero residuals, and FCF is supported by cash statements rather than an adjusted earnings metric. Aggregate FY2021-FY2025 CFO exceeded aggregate net income, and aggregate FCF equaled about 96% of aggregate net income. TTM FCF exceeded estimated NOPAT despite elevated capex.

SBC is treated as an economic cost. TTM SBC was USD 0.499m, 1.07% of revenue and 5.19% of FCF. Listed PAY.BR shares remained stable. The management appendix identifies the relevant awards as parent-company options, so the synthesis correctly avoids fabricating PAY.BR dilution. The economic concern is cross-entity incentive alignment, not chronic listed-share issuance.

The balance sheet is excellent for solvency: USD 59.291m of cash and deposits, no debt, and material finance income. The cash also creates an allocation test. Dividends returned USD 39.300m across FY2021-FY2025, which is positive. There is no disclosed long-range reserve target, acquisition hurdle, or buyback framework. Finance-income-based pretax bonuses can reward passive cash carry as well as operating achievement.

SI is strategically coherent but financially unproven. Its initial contribution was loss-making, and the company has not disclosed a post-deal ROIC or integration scorecard. The 2026 proposed EUR 7.38 merger and delisting, later terminated, is a concrete minority-governance concern. Independent-committee and non-parent approval protections were meaningful, but

they do not remove controller dominance, limited board independence, family roles, related service companies, or parent-level incentives. These facts support accounting-quality points and simultaneously justify the management FAIL and low capital-allocation score.

9. 20% Return Underwriting

The return model preserves the synthesis operating cases and exact share, unit, and FX basis. Starting revenue is USD 46.830m, starting NOPAT is USD 7.424m, current enterprise value is USD 98.887m, and current EV/NOPAT is 13.32x. Ending operating income, tax rates, liquidity, and shares come from the cleared synthesis. Exit multiples are 8x bear, 11x base, and 13x bull; none exceeds today's multiple.

Cumulative dividend assumptions are deliberately simple: USD 12.5m bear, USD 26.505m base, and USD 30.0m bull over five years. They are not issuer guidance. The base is five times FY2025 dividends, the bear allows a material cut, and the bull allows modest growth. Ending liquidity is treated as post-distribution, consistent with the synthesis scenarios. For conservative timing, all cumulative dividends are added at the horizon rather than credited earlier. Earlier receipt would improve IRRs modestly but would not approach 20%.

Return-model item	Bear	Base	Bull
Starting revenue, USDm	46.830	46.830	46.830
Revenue CAGR	-2.23%	2.79%	6.99%
Ending operating margin	12.5%	20.0%	25.0%
Ending tax rate	20.0%	19.0%	18.0%
Ending NOPAT, USDm	4.183	8.707	13.461
NOPAT CAGR	-10.84%	3.24%	12.64%
Through-cycle FCF conversion assumption	80%	100%	110%
Reinvestment rate	Insufficient evidence	Insufficient evidence	Insufficient evidence
ROIIC	Insufficient evidence	Insufficient evidence	Insufficient evidence
Exit EV / NOPAT	8.0x	11.0x	13.0x
Ending enterprise value, USDm	33.466	95.774	174.995
Ending net cash, USDm	45.000	59.291	70.000
Ending equity value, USDm	78.466	155.065	244.995
Ending shares, m	17.671	17.671	17.671
Ending value per share, EUR	3.869	7.646	12.081
Cumulative dividends per share, EUR	0.616	1.307	1.479
Total horizon value per share, EUR	4.486	8.953	13.560
Scenario probability	30%	50%	20%
Five-year gross local-currency shareholder IRR	(10.4744)%	2.7968%	11.6955%

The 20% case does not work in any scenario. The base case preserves the current liquidity pool, restores the operating margin to 20%, grows revenue, pays cumulative dividends, and exits at 11x NOPAT. It still produces only about 2.8% annualized. The bull case reaches USD 65.664m revenue, a 25% operating margin, 12.6% NOPAT CAGR, higher net cash, and a 13x exit multiple approximately equal to today's 13.32x. It produces about 11.7%.

The mandatory probability-weighted return is not an arithmetic average of those three IRRs. Using the same 30% bear, 50% base, and 20% bull weights as the cleared synthesis, probability-weighted terminal shareholder wealth is `0.30 x EUR 4.4857 + 0.50 x EUR 8.9535 + 0.20 x EUR 13.5604 = EUR 8.53454` per listed unit. Against the governed EUR 7.80 price over the exact 2026-03-31 to 2031-03-31 five-year horizon, `(8.53454 / 7.80)^(1/5) - 1` gives a **1.8163% probability-weighted gross EUR IRR**. The gross model, including 8x / 11x / 13x EV/NOPAT exits and all distributions, is preserved exactly.

The separate CIO diagnostic starts at EUR/SGD 1.48017448, derived from sealed EUR/USD 1.1476 times CIO USD/SGD 1.2898. A EUR 7.80 share plus 15bp entry cost equals SGD 11.562678985. With terminal EUR/SGD of 1.38 / 1.48 / 1.58, 15bp exit cost on terminal equity, and 15% withholding on distributions, terminal SGD wealth is 6.054661749 / 12.944050770 /

21.046205693. The resulting net-SGD IRRs are **(12.14)% / 2.28% / 12.73%**. Probability-weighted terminal SGD wealth is 12.497665048 and the wealth-CAGR IRR is **1.57%**. The 15% withholding is source-bound to the FY2023 annual report (SHA-256 `b48ee471...c58537`). Both the 10% mandate hurdle and 15% stretch hurdle fail; bear downside is unacceptable. CIO status is **PASS/no new buy**, proposed size is none, owner approval is required, and trade authority remains false.

The reverse-DCF result is equally restrictive. Under the rubric's enterprise formula and an 11x exit EV/NOPAT, the business would need approximately USD 22.37m of year-five NOPAT to grow current enterprise value at 20% annually. That implies about 24.7% annual NOPAT growth from USD 7.424m. At a flat 13.32x multiple, the required NOPAT growth is approximately 20% annually. The bull model reaches only 12.6%. A 20% return therefore requires substantially better operating outcomes, a higher terminal multiple, or both.

Using the base case's EUR 8.953 total horizon value and discounting at 20% for five years gives a maximum current price of approximately **EUR 3.60**. This is a diagnostic threshold, not a buy recommendation. Even at that price, the management and moat failures and missing ROIIC evidence would remain. The score-implied classification is therefore Reject rather than Buy only at lower price.

10. Hard Veto Checklist

Hard veto	Status	Evidence-based conclusion
1. ROIIC below cost of capital with no path	Insufficient evidence	ROIIC cannot be audited; no positive score is awarded
2. High ROIC is an artificial tiny-capital result	Watch	Excess-cash exclusion would inflate ROIC; reported basis is used
3. Growth needs persistent external financing	Pass	Net cash is USD 59.291m and debt is zero
4. Share count rises without per-share value	Pass	Listed shares are stable at disclosed precision
5. Large acquisitions lack disclosed returns	Fail	SI return and integration economics are not demonstrated
6. FCF structurally lags earnings	Pass	Multi-year CFO and FCF support earnings
7. Concentration or cyclicality can impair equity	Fail	Top-two customers are 29%; project roll-offs already reduced results
8. The 20% case requires multiple expansion	Fail	Even the bull case at a roughly flat multiple produces 11.7%
9. Today's price needs flawless execution	Fail	A result beyond the current bull case is needed for 20%
10. The moat cannot be explained	Pass with narrow scope	Live-program engineering and qualification friction are explainable
11. Governance or related-party issues impair trust	Fail	Controller dominance, related arrangements, and delisting attempt are material
12. Balance-sheet risk can wipe out equity	Pass	Zero debt and substantial liquidity reduce solvency risk

The failed vetoes are not predictions of imminent loss. They identify why a high-conviction 20% compounder cannot be underwritten. The company can remain profitable and still fail this rubric because return durability, minority alignment, and current-price upside are inadequate.

11. Final Decision

Score-implied classification: Reject.

The evidence supports a good cash-generating niche manufacturer, not a proven elite compounder. Payton's balance sheet, statutory quality, and historical margins deserve credit. Its high-value engineering, qualification process, and customer trust can protect live programs. Those positives are outweighed under this rubric by missing ROIIC, weak evidence of repeatable reinvestment, concentrated and declining programs, failed management and moat gates, an unproven acquisition, and a current price that does not plausibly deliver 20%.

The evidence that would change the score is concrete. Payton would need to disclose or demonstrate an acquisition-inclusive reinvestment return above the cost of capital; grow backlog and revenue across multiple customers; sustain gross margin above roughly 42% and operating margin above roughly 20% through a weak-volume period; show SI accretion and productive use of recent capex; improve board and minority alignment; and establish design-win, pricing, or retention

evidence that converts program stickiness into a renewable corporate moat. Valuation would also need to offer a much larger cushion.

Compounder Score note: 34 / 100; Reject because high-quality cash generation is outweighed by missing ROIIC, failed durability and governance evidence, and an inadequate 20% return case. **Business Quality Score note:** 29 / 80; financial quality and net cash are strong, but runway, moat renewal, management alignment, and acquisition-inclusive returns are not proven. **20% Return UW Score note:** 5 / 20; base IRR is about 2.8% and bull IRR about 11.7% using no terminal multiple expansion, so the 20% hurdle does not clear.

This diagnostic score does not alter ER2's three hard gates. Management is FAIL, moat and the 2046 test are FAIL, and the base P/E-15 cushion is -5.31%, also FAIL. The score independently points in the same conservative direction but is not a fourth gate. It authorizes no portfolio action and no trade.

12. Machine-Readable JSON

The companion file is `compounder_score.json`. It records the same 34/100 total, 29/80 business-quality score, 5/20 valuation score, Reject classification, null ROIIC fields, scenario IRRs, failed vetoes, exact security basis, and `trade_execution_authorized=false`. Unknown numeric fields use JSON `null`; they are not replaced with fabricated zeros.

Payton Planar Magnetics Ltd (PAY.BR) — Compounder Scoring Audit

Audit date: 2026-07-31 **Exact security:** XBRU:PAY ordinary share, ISIN IL0010830391 **Price anchor:** EUR 7.80 at the completed 2026-07-30 session **TTM anchor:** 2026-03-31 **Five-year horizon:** 2031-03-31 **Research only. Trade execution authorized:** `false`

This audit independently tests `appendix_compounder_score.md` and `compounder_score.json` against the verified ER2 chain. It preserves conservative nulls rather than inventing ROIIC, unit-economics, or acquisition-return evidence. The diagnostic score does not override the ER2 management, moat, or P/E gates and does not authorize a portfolio action.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	29	27	Two runway points lacked proof of scalable reinvestment or a repeatable expansion playbook
Valuation / 20% Return UW Score / 20	5	3	Exit-multiple score reduced because a 20% base return would require severe expansion
Total Score / 100	34	30	Arithmetic sum of the audited category scores
Classification	Reject	Reject	Score remains below 70 and multiple hard vetoes remain

The original JSON and Markdown agree on the original scores, classification, scenario IRRs, and maximum buy price. Original base, bear, and bull five-year IRRs are 2.797%, -10.475%, and 11.695%, respectively. The original maximum current price for a 20% IRR under the base terminal-value assumptions is EUR 3.598 per listed unit. Those figures recompute; the audit does not revise them.

The audit reduces the diagnostic Compounder Score to **30 / 100**, comprising a Business Quality Score of **27 / 80** and a Valuation / 20% Return Underwriting Score of **3 / 20**. The classification remains **Reject**. Confidence remains **Medium**: statutory financials, security units, FX, and cash conversion are strong evidence, but incremental-return, product, capacity, pricing, and acquisition-return evidence is incomplete.

2. Score Reductions and Reasons

Category	Original	Audited	Audit conclusion
1. Incremental Returns on Capital	7 / 25	7 / 25	Preserve; ROIIC is correctly null and receives zero credit
2. Reinvestment Runway	6 / 20	4 / 20	Reduce; option value is not proof of scalable reinvestment or a repeatable playbook
3. Durability of Moat	6 / 15	6 / 15	Preserve; points are already capped and consistent with the moat FAIL
4. Accounting and Financial Quality	8 / 10	8 / 10	Preserve; cash support and balance-sheet strength are source-bound
5. Capital Allocation	2 / 10	2 / 10	Preserve; missing acquisition-inclusive returns appropriately suppress the score
6. Price and 20% Underwriting	5 / 20	3 / 20	Reduce 6B from 2 to 0 because the required exit multiple is severe expansion

The detailed subcategory audit follows. “Partly supported” means the point award is conservative enough to preserve, not that the missing evidence has been cured.

Rubric item	Evidence status	Original	Audited	Disposition
1A Normalized ROIC	Partly supported	2 / 5	2 / 5	Preserve; 13.92% reported median and 10.6% FY2025 simple ROIC support only low credit; adjusted median remains unavailable
1B ROIIC	Missing data	0 / 8	0 / 8	Required cap applied because three- and five-year ROIIC cannot be calculated
1C ROIIC not deteriorating	Missing data / adverse trend	0 / 3	0 / 3	No ROIIC series; reported ROIC and operating margin weakened
1D Unit economics	Missing data	0 / 3	0 / 3	Units, ASP, utilization, capacity, and product margin are undisclosed
1E Cash conversion	Supported	3 / 3	3 / 3	Multi-year CFO and FCF support earnings and normalized NOPAT
1F Not an accounting artifact	Partly supported	2 / 3	2 / 3	Statutory profit and cash are real, but excess-cash treatment can distort the denominator
2A Remaining market opportunity	Partly supported	2 / 5	2 / 5	Technical applications are credible, but no source-bound Payton TAM or share is quantified
2B Proven reinvestment at scale	Unsupported	1 / 5	0 / 5	Revenue declined three years and recent capex/SI spending has no demonstrated return
2C Organic growth opportunity	Partly supported	1 / 4	1 / 4	New applications provide option value, not a quantified organic pipeline
2D Repeatable expansion playbook	Unsupported	1 / 3	0 / 3	No design-win conversion, utilization, or repeated scale outcome is disclosed
2E Market structure supports growth	Partly supported	1 / 2	1 / 2	Physical power-conversion demand is durable, but competitive capture is unproven
2F Growth without ROIC collapse	Unsupported	0 / 1	0 / 1	Recent volume weakness compressed operating margin sharply
3A Clear source of advantage	Partly supported	2 / 4	2 / 4	Engineering, qualification, and live-program friction are evidenced but narrow

Rubric item	Evidence status	Original	Audited	Disposition
3B Pricing power	Missing data	0 / 3	0 / 3	No price/mix, escalation, renewal, or win-rate evidence
3C Competitive evidence	Partly supported	1 / 3	1 / 3	Margins and certifications help, but share and win data are absent
3D Customer stickiness	Supported with limits	1 / 2	1 / 2	Qualification and NCNR terms protect live programs, not replacements
3E Stress resilience	Partly supported	1 / 2	1 / 2	Net cash and historical margins help; recent margins show negative leverage
3F Low disruption risk	Supported	1 / 1	1 / 1	Physical magnetics are not directly replaced by AI, though design differentiation can erode
4A Clean earnings quality	Supported	2 / 2	2 / 2	Official-source statutory bridge is zero-residual
4B Cash supports earnings	Supported	2 / 2	2 / 2	FY2021-FY2025 CFO/net income and FCF/net income are 108.8% and 96.3%
4C SBC and dilution treatment	Partly supported	1 / 2	1 / 2	SBC is expensed; listed shares are flat; parent-option alignment remains a concern
4D Balance-sheet strength	Supported	2 / 2	2 / 2	USD 59.291m cash/deposits and zero debt
4E Transparent disclosure	Partly supported	1 / 1	1 / 1	Financial, concentration, and related-party disclosure is candid despite operating KPI gaps
4F No governance red flags	Adverse evidence	0 / 1	0 / 1	Controller, board-independence, related-party, and delisting facts are material
5A Rational reinvestment priority	Partly supported	1 / 2	1 / 2	Spending is strategically coherent but returns are unproven
5B Acquisition discipline	Missing outcome data	0 / 2	0 / 2	SI acquisition-inclusive ROIIC cannot be calculated
5C Buyback discipline	Missing evidence	0 / 2	0 / 2	No price-sensitive repurchase record
5D Incentive alignment	Adverse evidence	0 / 2	0 / 2	Pretax-profit bonuses and parent-level awards do not target minority per-share value
5E Owner mentality	Adverse evidence	0 / 1	0 / 1	Controller/minority alignment is not demonstrated
5F Evidence from past decisions	Supported with limits	1 / 1	1 / 1	Debt-free financing and substantial dividends are real outcomes
6A Base-case IRR	Supported calculation	0 / 6	0 / 6	2.797% is below 10%
6B Conservative exit multiple	Score application error	2 / 4	0 / 4	A 20% base return needs about 35.35x exit EV/NOPAT versus 13.32x current
6C Bear case acceptable	Supported calculation	0 / 3	0 / 3	Bear IRR is -10.475%
6D Reverse DCF beatable	Supported calculation	0 / 3	0 / 3	Required NOPAT CAGR is 24.68%, far above the 12.64% bull case
6E Multiple not pricing perfection	Partly supported	1 / 2	1 / 2	13.32x EV/NOPAT is not extreme, but the return hurdle still fails
6F Cash returns help	Supported with uncertainty	2 / 2	2 / 2	Dividend history and net cash help; future distributions are assumptions, not guidance

The runway reduction is mandatory because the scorer's own evidence says Payton has not demonstrated a repeatable expansion playbook. Technical product capability, broad electrification demand, and a recent acquisition are not equivalent to proven reinvestment at scale. Category 2 therefore falls from 6 to 4.

The valuation reduction is mechanical. Under the base case, a 20% annualized five-year return requires EUR 19.4089 of total horizon value per listed unit. After crediting the scorer's EUR 1.3070 cumulative-dividend assumption, required terminal equity value is about USD 367.1m. Subtracting USD 59.291m ending net cash gives required enterprise value near USD 307.8m. Dividing by base ending NOPAT of USD 8.7067m produces an exit EV/NOPAT multiple of **35.35x**, versus **13.32x** currently and **11x** in the base model. That is severe, not mild, terminal expansion. The CSA cap therefore sets 6B to zero.

3. Unsupported Claims

Two original point awards overstate the evidence. First, Payton has not proven reinvestment at scale: FY2025 capex and SI acquisition spending are recent, revenue has declined since FY2022, and no incremental NOPAT or capacity-output schedule exists. Second, the record does not establish a repeatable expansion playbook: no product revenue, design-win conversion, utilization, capacity, retention, or market-share series is disclosed.

One hard-veto description also overstates the record. Veto 5 is worded as management "routinely" making large acquisitions without disclosed returns. The verified chain identifies one recent material acquisition, SI, not a routine pattern. The acquisition is financially unproven and deserves **Watch**, but the evidence does not support **Fail** on the rubric's exact wording. This correction does not change the classification because other hard vetoes remain and the total score is far below 70.

4. Calculation Errors

The underlying financial arithmetic is reliable. The quote packet and statutory bridge recompute to their sealed SHA-256 hashes. The scorer correctly translates the EUR-listed security into USD enterprise value, applies a normalized TTM tax rate to statutory operating income, preserves the one-for-one listed-unit/share bridge, keeps diluted shares flat, and treats SBC as an economic expense without inventing PAY.BR issuance from parent-company options.

Calculation	Independent audit	Result
Market capitalization	EUR 7.80 × 17.671m	EUR 137.8338m, correct
USD market capitalization	EUR 137.8338m / 0.8713837574 EUR per USD	USD 158.1781m, correct
Enterprise value	USD 158.1781m - USD 59.291m cash + zero debt	USD 98.8871m, correct
TTM NOPAT	USD 9.121m × (1 - 18.6%)	USD 7.4245m, correct
Current EV / NOPAT	USD 98.8871m / USD 7.4245m	13.319x, correct
Base IRR	(EUR 8.95347 / EUR 7.80)^(1/5) - 1	2.7967%, correct
Bear / bull IRR	Same per-share method	-10.4746% / 11.6955%, correct
Max price for 20% base IRR	EUR 8.95347 / 1.2^5	EUR 3.5982, correct
Reverse DCF	Current EV compounded 20% for five years at 11x exit	24.680% required NOPAT CAGR, correct

The calculation break is in translating those correct results into the 6B score. A 35.35x required exit multiple is major expansion, so two points cannot be preserved under the CSA cap.

ROIC remains definition-sensitive rather than erroneous. The 13.92% five-observation median is a vendor-reported series, not a five-year adjusted ROIC median. FY2025 simple ROIC of about 10.6% and ex-goodwill/intangibles sensitivity of about 11.1% use year-end denominators. Adjusted ROIC with capitalized R&D and leases is unavailable. That limitation is explicit and caps confidence; it does not justify fabricating a normalized series.

Acquisition-inclusive treatment is appropriately conservative. The record distinguishes USD 6.149m purchase cost, USD 5.239m net acquisition cash outflow, USD 0.501m transaction cost, and USD 4.4m property already represented in capex. The property is not double-counted. Because a meaningful post-deal incremental NOPAT numerator does not exist, acquisition-inclusive ROIIC remains `null` and earns no points.

5. Missing Data

The most important missing evidence is a complete reinvestment denominator and matching incremental NOPAT series. Organic three- and five-year ROIIC, acquisition-inclusive ROIIC, average adjusted invested capital, maintenance versus growth capex, working-capital reinvestment, and capitalized-R&D adjustments remain unavailable. These gaps correctly force

ROIIC values to `null`, not zero estimates.

Operating evidence is also incomplete: units, ASP, utilization, quantified capacity, product/application revenue, product margins, design-win conversion, renewal economics, sole-source status, customer retention, and market share are not disclosed. Those gaps cap runway and moat scores. The return model also lacks a full annual cash roll-forward tying FCF, capex, acquisitions, dividends, and ending net cash. Its ending-cash and dividend assumptions are internally plausible and arithmetically consistent, but they are scenarios rather than issuer guidance; that is why confidence remains Medium.

6. Hard-Veto and Threshold Test Audit

Test	Audited result	Reason
Total score at least 80	Fail	30 / 100
Business Quality at least 65	Fail	27 / 80
Valuation score at least 15	Fail	3 / 20
ROIIC plus runway at least 35 / 45	Fail	11 / 45 using Category 1 plus Category 2
Base IRR at least 20%	Fail	2.797%
Bear IRR at least 8%-10%	Fail	-10.475%
No hard vetoes	Fail	Concentration, 20% economics, execution burden, and governance remain failed
20% case without multiple expansion	Fail	Base case would require roughly 35.35x exit EV/NOPAT

Hard veto 5 is revised from Fail to Watch because one recent acquisition does not establish a routine pattern. Vetoes 7, 8, 9, and 11 remain Fail. Concentration and program roll-off are demonstrated; no modeled case reaches 20%; the 20% outcome requires assumptions beyond the operational bull case or major multiple expansion; and the controller/governance record impairs minority-underwriting confidence.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle: FAIL. The base case returns 2.8%, the bear case loses about 10.5% annually, and the bull case returns 11.7%. None reaches 20%, and the base case would require a roughly 35.35x exit EV/NOPAT multiple to bridge the gap while retaining the scorer's dividend and net-cash assumptions. The evidence does not support that multiple or an operating case materially stronger than the existing bull scenario.

8. Dream Business / Dream Investment Classification

Classification: neither dream business nor dream investment. Payton is profitable, cash-generative, and debt-free, but the evidence does not demonstrate high acquisition-inclusive ROIIC, a renewable twenty-year moat, a scalable reinvestment runway, or minority-aligned capital allocation. At EUR 7.80, the five-year per-share return cases also fall far short of the 20% diagnostic hurdle. The single biggest reason it does not qualify is that the current price and verified operating evidence do not support a plausible 20% shareholder return without severe terminal-multiple expansion.

9. Stage 7 Scorecard Notes

Compounder Score note: 30 / 100; Reject under the diagnostic rubric because strong cash quality is outweighed by unproven reinvestment, weak durability evidence, governance risk, and inadequate return underwriting. **Business Quality Score note:** 27 / 80; debt-free cash generation is real, but ROIIC, scalable reinvestment, repeatable expansion, and minority alignment are not demonstrated. **20% Return UW Score note:** 3 / 20; base IRR is 2.8%, bull IRR is 11.7%, and a 20% base return would require roughly 35.35x exit EV/NOPAT.

10. Auditor JSON

The companion `compounder_score_audit.json` records the audited 30/100 total, 27/80 business-quality score, 3/20 underwriting score, Reject classification, threshold failures, score reductions, calculation checks, and remaining evidence gaps. Unknown numeric metrics remain `null`. This audit is diagnostic only and sets `trade_execution_authorized=false`.

11. Mandatory Security-Return Repair Addendum

The owner-required gross local-currency return bridge is now explicit without changing any governed operating case, distribution assumption, exit multiple, score, or verdict. At the frozen EUR 7.80 price and exact five-year horizon ending 2031-03-31, the audited bear/base/bull terminal shareholder wealth values are EUR 4.4857 / EUR 8.9535 / EUR 13.5604 per listed unit. They include EUR 0.6164 / EUR 1.3070 / EUR 1.4793 of cumulative distributions, conservatively treated as horizon cash. Ending diluted shares remain 17.671m in every case; ending net cash is USD 45.000m / USD 59.291m / USD 70.000m; and exit EV/NOPAT is 8x / 11x / 13x.

The resulting gross EUR IRRs are **(10.4744)% / 2.7968% / 11.6955%**. With the synthesis weights of 30% / 50% / 20%, probability-weighted terminal shareholder wealth is EUR 8.53454 and the required wealth-CAGR method gives **1.8163%**: `(8.53454 / 7.80)^(1/5) - 1`. The gross model is preserved exactly.

The CIO overlay starts at EUR/SGD 1.48017448 (sealed EUR/USD 1.1476 times CIO USD/SGD 1.2898), applies 15bp entry/exit costs, terminal EUR/SGD of 1.38 / 1.48 / 1.58, and 15% distribution withholding evidenced by the FY2023 annual report (SHA-256 `b48ee471...c58537`). Starting SGD cost is 11.562678985; terminal SGD wealth is 6.054661749 / 12.944050770 / 21.046205693; net-SGD IRRs are **(12.14)% / 2.28% / 12.73%**. Probability-weighted SGD wealth is 12.497665048 and probability-weighted net-SGD IRR is **1.57%**. All IRRs are finite. Both CIO hurdles fail, downside is unacceptable, size is none, approval is required, and trade authority remains false. CIO actionability is **PASS/no new buy**. The score, ER2 PASS verdict, and -5.31% binary valuation cushion remain unchanged.

Payton Planar Magnetics Ltd (PAY.BR) — Red Team

Red-team date: 2026-07-31 **Security anchor:** XBRU:PAY ordinary share at EUR 7.80 **Forecast anchor:** TTM ended 2026-03-31; five-year horizon 2031-03-31 **Evidence boundary:** the cleared Production ER2 chain through the audited Compounder Score; no transcript evidence exists **Research only:** this appendix identifies an underwriting exit signal but does not authorize a trade.

Red-team verdict upfront

The thesis does not survive this red team. The arithmetic survives: the statutory bridge is sealed, the TTM is formed from the correct four quarters, the security-unit and FX bridge is sound, and all 11 synthesis tie-outs passed. The investment thesis fails at a different level. It asks a company with three years of declining revenue, two consecutive low-teens operating-margin quarters, unquantified utilization, no product revenue series, and failed management and moat gates to restore both revenue growth and a 20% operating margin. Even after making those recovery assumptions, base-case EPS of EUR 0.492409 misses the P/E-15 requirement by 5.31%, and the audited five-year base IRR is only 2.8%.

The correct adversarial framing is not that Payton is financially distressed. It is a profitable, cash-generative, debt-free custom-hardware supplier. The bear case is that investors mistake balance-sheet safety and historically high margins for a renewable compounder moat. Program-specific qualification protects an order or a live platform, but it does not ensure that an expiring high-volume program is replaced. Recent capital deployment has enlarged the cost base before Payton has disclosed demand conversion, while controlled ownership weakens confidence that excess cash and operating value will accrue to minority holders on attractive terms.

Attack point	Model claim	Red-team judgment	Numerical consequence
Revenue recovery	TTM revenue grows 2.79% annually to USD 53.746m	Fragile; the disclosed trend is still contraction and conversion evidence is absent	A 2-point CAGR miss reduces EUR EPS to 0.4522
Margin recovery	Horizon statutory OI margin reaches 20.0%	Most likely Stage 5 number to be too high	An 18.0% margin reduces EUR EPS to 0.4495
20% return	Stretch hurdle might be bridged by quality, cash, or dividends	Rejected; audited base IRR is 2.8% and bull IRR is 11.7%	Base needs about 35.35x exit EV/NOPAT
Compounder identity	Historical margins imply durable exceptional economics	Unsupported across program renewals and minority realization	Management FAIL, moat FAIL, audited score 30/100

1. The most fragile assumption

The most fragile assumption is the **Consolidated company** revenue line in the base case: TTM revenue of USD 46.830 million is modeled to grow through annual steps of 1%, 2%, 3%, 4%, and 4%, reaching USD 53.746 million on 2031-03-31. The equivalent five-year CAGR is 2.79%. There is no disclosed product line beneath it. Data-center, electric-vehicle, three-phase, and other higher-power applications are qualitative opportunities, not source-bound revenue buckets. The

assumption therefore cannot be defended by pointing to a particular product with measured orders, units, ASP, capacity, utilization, or design-win conversion.

The historical gap is adverse. FY2022-FY2025 consolidated revenue CAGR was -7.42%; FY2025 revenue fell 5.90%; and Q1 FY2026 revenue fell 8.5% year over year. Backlog declined from USD 43.839 million in FY2022 to USD 17.401 million in FY2025 before improving to USD 19.335 million in Q1 FY2026. That sequential improvement is evidence of stabilization potential, but not evidence of a five-year reversal. The Q1 release also identified broad weakness and two formerly high-volume projects, one at end-of-life and another affected by weaker electric-vehicle demand. Those facts directly test the weak point in Payton's economics: program qualification can be sticky while a program is alive, but the revenue disappears when the host project ends or slows.

The synthesis sensitivity quantifies the fragility without inventing a new model. Reducing the base revenue CAGR by two percentage points, from 2.79% to 0.79%, lowers horizon revenue to about USD 48.709 million and EUR EPS from 0.4924 to 0.4522, an 8.17% EPS reduction. At 15 times earnings, EUR 0.4522 supports EUR 6.783 per listed unit, approximately 13.0% below the EUR 7.80 price. This is not an extreme stress: 0.79% growth would still be a favorable reversal from the three-year decline. The fact that such a mild miss turns a close P/E-15 failure into a clear one means the base recovery line has no error budget.

The model's 50% base-case probability is therefore too comfortable. Profitability, net cash, and technical relevance support continued corporate existence; they do not prove revenue renewal. With the management and moat gates both failed, bear probability should not be treated as a remote tail. The failure mode requires no technological obsolescence and no recession. It requires only that new programs replace old ones more slowly than the model assumes.

2. The most-likely-to-be-optimistic Stage 5 number

The single Stage 5 number most likely to be revised down is the **20.0% statutory operating margin at the 2031-03-31 horizon**. It is not aggressive relative to Payton's FY2021-FY2025 full-year history, but that comparison hides the current state. Q4 FY2025 statutory operating margin was 13.79%, Q1 FY2026 was 12.60%, and the TTM margin fell to 19.48% because the stronger Q2 and Q3 quarters still remain in the window. Q1 gross margin was 40.0%, below the TTM 43.6%, while management attributed pressure to volume, product mix, production sites, and SI's lower margins.

The base path assumes that margin resets to 17% in year one and then climbs to 18%, 19%, 19.5%, and 20%. That is arithmetically transparent but economically unverified. There is no capacity-utilization series, product-mix bridge, site-level profitability, or acquisition contribution schedule showing why the enlarged platform earns its way back to 20%. FY2025 capex rose to USD 5.205 million from USD 0.479 million in FY2024, and SI plus its California property added integration and fixed-cost exposure. Much of the property spending may be nonrecurring, but depreciation, staffing, and operating complexity do not disappear merely because cash capex falls.

The synthesis's own 200-basis-point margin sensitivity is decisive. An 18% horizon margin lowers EUR EPS from 0.4924 to 0.4495, an 8.72% reduction. At 15 times, that EPS supports EUR 6.7425 per listed unit, about 13.6% below the packet price. Eighteen percent would still be far above the latest two quarters and would not constitute a collapse. The model is thus relying on a material normalization merely to remain close to a valuation threshold it already fails.

Finance income, tax, and share count are less plausible candidates for the largest optimistic error. Base finance income uses a normalized 3% yield and is below the TTM finance-income run rate; tax is inside the verified 18%-20% range; and shares are flat because no listed-company buyback or issuance program is disclosed. The operating margin is where unobserved mix, utilization, SI economics, and fixed-cost absorption accumulate. That makes it the correct number to attack.

3. The strongest bear case, stated in its strongest form

Payton is a cash-rich cyclical project supplier whose historical margins came from favorable program mix and utilization, not from a self-renewing moat. Two high-volume programs are already rolling off or slowing; SI brings lower margins; and elevated investment increases the revenue required to absorb the cost base. Over the next two to four quarters, consolidated revenue can remain down mid-to-high single digits while statutory operating margin stays in the 12%-15% range, proving that the latest-quarter economics are structural rather than a one-quarter disturbance. If that occurs, the bear model's USD 41.828 million horizon revenue, 12.5% margin, and EUR 0.227977 EPS become a reasonable central risk, implying only EUR 3.42 at P/E 15.

The observable anchor is statutory operating margin, not product-page activity or another backlog headline. Backlog can rise with delayed deliveries, unfavorable mix, or orders that require more capital and lower margins. A genuine refutation of the

bear case requires recognized revenue conversion and operating leverage. Until those appear together, higher-power application language is option value, not earnings evidence.

4. Cross-examination of management commentary

There are no verified earnings-call or investor-day transcripts in the data package. The propositions below are **source-bound paraphrases, not quotations**, drawn from official written releases, annual materials, product pages, and the archived 2025 parent presentation. That limitation matters because management cannot be cross-examined through a call transcript.

Source-bound management proposition	Source	Why the proposition may fail	First evidence of failure
Higher-power planar solutions and strategic-industry applications expand Payton's opportunity set	2025 strategic-industries release and official three-phase product page; `data_package.md` Section 6	Technical capability does not establish production awards, units, revenue, margin, or timing; no application revenue series exists	Technical announcements continue while consolidated revenue remains negative year over year and backlog does not convert
Production equipment and capacity investment can support future growth	FY2025 annual report capacity and equipment discussion; `data_package.md` Section 6	FY2025 capex rose to USD 5.205m, but quantified nameplate capacity and utilization are undisclosed; SI and new sites may increase depreciation and overhead before demand arrives	Statutory OI margin remains below 15% and capex stays elevated without recognized revenue growth
Organic development plus strategic M&A with high synergies can broaden the platform	Archived 2025 parent presentation and FY2025 annual report; `appendix_management.md` Sections 3 and 6	No acquisition hurdle, ROIC target, payback period, or integration scorecard is disclosed; SI's initial contribution was loss-making and lower-margin	SI remains a cited source of mix dilution, while no measurable incremental NOPAT or acquisition return emerges

The first proposition is the easiest to over-credit. Payton's three-phase data-center page and strategic-industries materials establish engineering relevance. They do not establish customer acceptance or economic capture. The model appropriately refuses to create a data-center revenue line, but its positive consolidated CAGR still needs some set of new programs to replace expiring ones. If product publicity rises while consolidated revenue does not, the strategic narrative has not converted.

The second proposition confuses capability with utilization. The FY2025 annual report supports investment activity, including the California property associated with SI, but the verified record contains no output ceiling or loading rate. Investment can create a growth option; it can also raise break-even revenue. The first financial warning would be continuing low-teens operating margin despite stable or rising backlog, because that would imply poor mix or poor absorption rather than merely insufficient orders.

The third proposition is a capital-allocation claim, not only an operating claim. SI's USD 6.149 million purchase cost and the USD 4.4 million property commitment are manageable against Payton's cash, but affordability is not return discipline. The management assessment found no disclosed post-deal hurdle or minority-oriented scorecard. A debt-free balance sheet can hide mediocre reinvestment for years. The red team therefore requires incremental profit and cash evidence, not a synergy label.

5. Stage 5 tie-out reverification

The recency anchor is correctly constructed. FY2025 less Q1 FY2025 plus Q1 FY2026 equals the TTM ended 2026-03-31, and Q2, Q3, and Q4 FY2025 plus Q1 FY2026 independently reproduce USD 46.830 million revenue and USD 9.121 million statutory operating income. The model is not stale in a mechanical sense.

It may still be stale economically because the four-quarter window averages sharply different quarters. Q3 FY2025 margin was 27.63%, followed by 13.79% in Q4 and 12.60% in Q1 FY2026. The strong Q3 remains in the TTM, while the latest two observations indicate a different cost and mix regime. Synthesis partly recognizes this by starting base year one at 17%, but the subsequent recovery remains an assumption. Correct period arithmetic cannot determine whether the weaker regime is temporary.

The share-count path is realistic and conservative. Payton's disclosed listed shares stayed at 17.671 million; no repurchase is assumed; and parent-company option expense is not misclassified as PAY.BR dilution. There is no hidden buyback lift to attack. If anything, the absence of a buyback policy is another reason the current valuation cannot be rescued mechanically.

There is also no product CAGR that improperly exceeds a competitor pattern, because the sealed fallback contains only one consolidated line. That protects the report from fabricated precision but creates a deeper underwriting limitation: the 2.79% base CAGR cannot be traced to a named mix shift. No peer trajectory or market-growth statistic can cure that absence. The probability-weighted result already reflects some of this uncertainty: EUR 0.466360 EPS implies EUR 6.995 at P/E 15,

10.32% below the current quote. A more adversarial probability allocation would widen that shortfall.

6. Score-derived 20% return claim most likely to be wrong

The audited score does **not** say a 20% return is plausible, and the red team agrees. The audited Compounder Score is 30/100, Business Quality is 27/80, and Valuation / 20% Return Underwriting is 3/20. Five-year IRRs are 2.8% base, -10.5% bear, and 11.7% bull. Even the operating bull case does not clear the 20% diagnostic hurdle.

The claim most likely to be wrong is any residual suggestion that net cash, dividends, or a terminal re-rating can bridge the difference. Under the scorer's existing dividend and ending-cash assumptions, a 20% base return requires approximately **35.35x exit EV/NOPAT**, versus 13.32x currently and 11x in the base terminal model. The reverse-DCF test requires 24.68% NOPAT CAGR, far above the modeled bull NOPAT CAGR of 12.64%. Neither the failed moat gate nor the failed management gate supports a premium terminal multiple, much less that degree of expansion.

The audited maximum current price for a 20% base IRR is EUR 3.598 per listed unit, about 54% below EUR 7.80. Alternatively, the business would need verified economics stronger than the current bull case: sustained growth, margins above the base path, demonstrable SI returns, and no loss of minority value. Those changes are not in the evidence set. The 20% case therefore fails because of operating and terminal-value economics, not because the score is overly cautious.

7. The signal that forces an exit

Exit signal: if **statutory operating margin is below 15.0% in each of the next two reported fiscal quarters, Q2 FY2026 and Q3 FY2026**, the underwriting thesis is broken. This is a two-quarter, source-visible threshold using the exact profit basis in the sealed statutory bridge. It is not a subjective assessment of whether conditions are “challenging.”

The threshold is deliberately tied to the base model. Base year one assumes 17% margin and then a climb to 20%; the bear case treats low-teens economics as structural. Q4 FY2025 and Q1 FY2026 were already 13.79% and 12.60%. Two additional sub-15% quarters would produce four consecutive weak observations and demonstrate that favorable older quarters, rather than current earning power, are supporting the TTM. At that point, backlog commentary or technical opportunities would not repair the thesis without recognized profit conversion. For any existing holding, this is a research conclusion that the position no longer meets the stated underwriting; any actual portfolio action remains outside this report's authority.

Revenue growth, backlog conversion, customer concentration, and SI contribution remain useful diagnostic monitors, but they do not replace the signal. Margin captures whether orders are economically valuable after mix, site costs, and fixed-cost absorption. A company can report a larger backlog and still destroy the base case if the work converts at structurally lower profitability.

8. Conviction at the end of red team

Thesis does NOT survive. The specific break is renewal economics: the evidence does not show that Payton can repeatedly replace expiring custom programs while earning a 20% operating margin on the enlarged platform. The synthesis should be read around a different narrative: Payton is a financially resilient but program-cyclical custom magnetics supplier whose cash balance limits insolvency risk, while program replacement, capex productivity, SI integration, moat renewal, and minority realization remain unproven.

That conclusion is stronger than a valuation-only PASS. The base P/E-15 cushion is already negative, the probability-weighted value is below the quote, the 20% return diagnostic fails even in the bull case, and both qualitative compounder gates fail. What could change the conclusion is observable rather than rhetorical: broad-based revenue renewal, statutory margin sustained above 20% through a low-volume period, measured SI returns, better operating disclosure, and governance changes that protect minority per-share value. Until then, the strongest defensible conclusion is PASS, not a lightweight WATCH justified by net cash or technical promise.

Payton Planar Magnetics Ltd (PAY.BR) — Production ER2 Data Package

Run ID: `pulse-cio-20260731T140228+0800` Information cutoff: `2026-07-31T14:02:28+08:00` Reporting currency and scale: USD thousands unless explicitly stated otherwise. Fiscal year end: 31 December. Latest completed period: Q1 FY2026 ended 2026-03-31. TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ending 2026-03-31. Forward horizon used downstream: 2031-03-31, exactly five calendar years after the TTM end. Research only. Trade execution

authorized: `false`.

This package uses the QFR-cleared quantitative foundation and exact QFR-sealed statutory bridge as the controlling financial record. The D-stage live archive is `C:\Users\Admin\OneDrive\GPT\ER 2.0\Payton Planar Magnetics Ltd\raw\pulse-cio-20260731T140228+0800_D_live`. References to an archived source below mean a file in that directory unless another absolute path is given. The archive contains the FY2021-FY2025 annual reports and results releases, Q2/Q3 FY2025 and Q1 FY2026 interim reports and releases, official corporate-action releases and web pages, a 2025 parent presentation, and live FMP statement, ratio, key-metric, segmentation and transcript responses. This same-stage repair performs no new sourcing and does not use the investing warehouse as research input.

0a. Industry classification and disclosure inventory

Payton Planar Magnetics Ltd is an Israel-domiciled, Euronext Brussels-listed designer and manufacturer of custom planar transformers and magnetic components. It reports under IFRS in USD, has a calendar fiscal year, and is treated as a foreign hardware issuer for the ER2 disclosure-inventory rule. The controlling source set is the issuer's consolidated annual and interim financial statements and official results releases. FMP's annual and quarterly product-segmentation responses were exact empty arrays, while the official statements identify one operating segment, transformers, but do not disclose a segment-profit metric value. The QFR-cleared single-segment consolidated fallback therefore controls financial modeling.

The archived official materials were searched for the hardware KPI families required by the ER2 checklist: units, average selling price, utilization, manufacturing capacity, capacity additions, backlog/order book, customer concentration, export and regional revenue, employees, capex, research and development, product mix, end-market mix, and transcript or investor-day guidance. Backlog, customer concentration, exports/geography, headcount, capex and R&D were found in official reports and are included as available. Unit volumes, ASP, utilization percentages and quantified nameplate capacity were not disclosed in the reviewed official sources. Capacity intent is qualitative: the company describes investment in production equipment and capacity, but no consistent unit-capacity series is published. Four requested FMP transcript files were retrieved as exact empty responses, so no earnings-call quotations are used.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Segment economics	FY2021-FY2025 annual reports; Q2/Q3 FY2025 and Q1 FY2026 interims	operating segment; transformers; CODM; segment profit; revenue	FY2021-FY2025 and Q1 FY2026	Yes	One operating segment; no segment-profit metric value	Establishes one modeled consolidated segment and fallback basis
Consolidated financials	Annual/interim statements and official releases	revenue; operating profit; pretax; net profit; cash flow; EPS	FY2021-FY2025 and Q1 FY2026	Yes	Not applicable	Historical base and TTM construction
Hardware operating KPIs	Annual reports, interim reports, presentation, product pages	units; shipments; ASP; utilization; capacity; capacity expansion; backlog; orders	Backlog history found; other quantitative series absent	Partly	Units, ASP, utilization and quantified capacity are true non-disclosures	Constrains volume/price decomposition and capacity-led bull case
Customer concentration	Annual-report customer and credit-risk notes	major customers; two largest customers; concentration	FY2021-FY2025	Yes	Not applicable	Revenue durability and downside concentration
Geographic / export revenue	Annual reports and interim segment/geography notes	Asia; Europe; Israel; Americas; export sales; geographic revenue	FY2021-FY2025 and latest interim context	Yes	Geography is revenue context, not a profit segment	End-market and FX sensitivity
Capital allocation	Cash-flow statements, PPE notes and official releases	capex; purchases of PPE; R&D; dividend; acquisition; buyback	FY2021-FY2025	Yes	Buybacks and material acquisitions are absent	FCF normalization and reinvestment
Balance sheet by unit	Consolidated balance sheets and deposit notes	cash; deposits; debt; goodwill; intangibles; equity	FY2025 and Q1 FY2026	Yes	No business-unit balance sheet is disclosed	Net-cash and capital-intensity assessment
Recent trend	Q2/Q3 FY2025 and Q1 FY2026 interims and releases	quarterly revenue; operating profit; orders; demand; capacity	Q2 FY2025-Q1 FY2026	Yes	Q4 is derived from annual less nine-month figures	TTM recency and cyclicality
Management commentary	Results releases, annual/interim MD&A, strategy release, parent presentation	outlook; demand; data center; three phase; strategic industries; capacity	FY2025-Q1 FY2026	Paraphrase only	No verified earnings-call transcript content; no attributed verbatim quotes	Forecast constraints without fabricated quotations

Material KPI history and limitations

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim / TTM	Source path
Revenue	Consolidated, USD000	43,980	60,270	54,856	50,826	47,825	Q1 FY2026 10,650; TTM 46,830	`official_annual_2021.txt` through `official_annual_2025.txt`; `official_q1_2026.txt`
Gross margin	Consolidated	39.50%	40.64%	43.94%	43.52%	44.67%	Q1 FY2026 40.00%; TTM 43.60%	Annual profit statements; TTM = FY2025 less Q1 FY2025 plus Q1 FY2026
Backlog / firm orders	Consolidated, USD000 at period end	31,525	43,839	30,765	25,165	17,401	Q1 FY2026 19,335	Annual order-backlog tables; [official Q1 FY2026 release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)
Principal-customer concentration	Customers individually above 10%; aggregate share	A 21%, B 17%; 38%	A 29%, B 17%; 46%	A 15%, B 16%, C 14%; 45%	A 27%, C 15%; 42%	A 13%, B 16%; 29%	No separate Q1 update	Annual principal-customer notes
Asia revenue	USD000; percent of consolidated revenue	21,126; 48.0%	36,818; 61.1%	30,232; 55.1%	30,777; 60.6%	22,675; 47.4%	No complete Q1 geography table	Annual geographic-revenue notes
Employees	Group headcount	179	About 178	About 172	About 170	About 205, including 36 SI employees	Q1 release: about 200	Annual human-resources sections; Q1 release
Capex	Purchases of PPE, USD000	523	993	536	479	5,205	Q1 FY2026 187; TTM 5,080	Annual/interim cash-flow statements
Free cash flow	OCF less capex, USD000	6,633	10,641	18,668	13,352	10,492	TTM 9,622	QF P6 and annual/interim statements
R&D / development expense	Consolidated expense, USD000	1,481	1,545	1,442	1,672	1,967	Q1 FY2026 641; TTM 2,175	Annual/interim statements and live FMP annual income statements
Units / ASP / utilization	Hardware operating measures	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified	All annual/interim reports searched
Quantified capacity	Nameplate units or output	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified	Reports and presentation; only qualitative expansion intent found

The disclosure inventory is sufficient for a consolidated forecast but not for a unit-times-ASP model. Downstream agents must model revenue using disclosed consolidated history, quarterly trends, backlog/order direction, customer and geographic concentration, and conservative scenario ranges. They must not invent a utilization rate, capacity ceiling, unit volume or ASP. They must also distinguish announced strategic focus on data-center and three-phase applications from a separately disclosed revenue line; no such product revenue series exists.

1. Reporting structure and taxonomy

The issuer reports one operating segment: **transformers**. FY2025 Note 20 and Q1 FY2026 Note 5 state that the chief operating decision maker allocates resources to all transformers as a whole. The business includes custom planar transformers and related magnetic solutions used in power conversion; product and end-market descriptions are useful business context but are not additive financial reporting segments. The company does not publish separately additive revenue or profit tables for data-center, automotive, industrial, telecom, medical, three-phase or other product families.

For ER2 projection purposes, the only financial segment is **Consolidated company**, with FY2025 revenue of USD 47.825 million, equal to 100% of consolidated revenue. This is not an issuer-created reportable-segment name; it is the exact QFR-approved one-line modeling representation of the issuer's single transformer segment. Neither official filings nor the two required live FMP product pulls disclosed a segment-profit metric value. Accordingly, the exact profit basis is `Statutory operating income (single-segment consolidated fallback)`.

Reporting structure was stable through the reviewed FY2021-FY2025 annual reports and Q1 FY2026 interim report. No three-year segment realignment or restated reportable-segment boundary was identified. The taxonomy flag is therefore: **stable single transformer operating segment; no product-level dollar taxonomy available**. Large changes in consolidated revenue must not be interpreted as product reclassification because no additive product table exists.

Geographic disclosure is material context. FY2025 Asia represented 47.4% of revenue, and the company is substantially export-oriented. Geographic figures do not carry separate profit metrics and must not be modeled as independent reportable segments. Customer concentration is also material: the two largest customers represented 29% of FY2025 revenue. The controlled parent/shareholder group held 66.19% of voting rights against a denominator of 17,670,775 shares in the [FSMA current-shareholding overview dated July 30, 2026](https://www.fsma.be/sites/default/files/issuers/files/0963372425_en.pdf), which is a governance and liquidity consideration but does not alter the one-for-one listed-share bridge.

The company's commercial model is design-to-order. Customer-specific planar magnetics require engineering qualification, tooling and close collaboration, while orders are generally non-cancellable and non-returnable once accepted. This can create switching friction and backlog visibility, but the resulting economics remain exposed to customer project timing and concentration. Under IFRS 15, the company recognizes revenue over time rather than only upon delivery; amounts recognized before delivery are recorded as contract assets (source: [official Q1 FY2026 release, May 26, 2026](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)). Downstream models must therefore avoid treating backlog as guaranteed revenue, assuming every backlog dollar remains unrecognized, or assuming every design win has identical margin.

2. Consolidated historicals

The controlling FY2025 and Q1 FY2026 values are official because FMP differed on statutory operating profit by USD 501 thousand in FY2025 and USD 8 thousand in Q1 FY2026. Revenue, pretax income, net income, EPS, shares, cash flow, cash and debt tied on the reviewed controlling lines. Earlier-year values below come from the live FMP annual statements and were cross-referenced to the corresponding official annual statements in the D archive. FY2025 statutory operating income uses the official override.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, USD000	43,980	60,270	54,856	50,826	47,825	FMP annual and official annual reports; FY2025 official controls
Statutory operating income, USD000	10,368	17,208	16,401	13,546	10,725	FMP annual and official annual reports; FY2025 official override
Operating margin	23.57%	28.55%	29.90%	26.65%	22.43%	Statutory operating income / revenue
Net income, USD000	8,520	13,917	15,266	13,311	11,074	FMP annual and official annual reports
Diluted EPS, USD/share	0.48	0.79	0.86	0.75	0.63	FMP annual and official annual reports
Diluted weighted shares, 000	17,671	17,671	17,671	17,671	17,671	FMP annual and official annual reports
Capital expenditure, USD000	523	993	536	479	5,205	FMP cash flow and official cash-flow statements
Free cash flow, USD000	6,633	10,641	18,668	13,352	10,492	Operating cash flow less capex
FMP return on invested capital	13.31%	19.11%	17.60%	13.92%	10.56%	FMP key metrics; definition-sensitive due to excess cash

FY2025 operating margin calculation: `10,725 / 47,825 = 22.43%`. The Q1 FY2026 margin was `1,342 / 10,650 = 12.60%`. TTM revenue was USD 46.830 million, TTM operating income USD 9.121 million and TTM margin 19.48%. TTM free cash flow was USD 9.622 million, or 20.54% of revenue. These recent margins are lower than the FY2025 full-year margin because the strong Q1 FY2025 operating profit was replaced by a weaker Q1 FY2026 in the rolling base.

ROIC should be defined as after-tax operating profit divided by average operating invested capital. Because Payton holds substantial cash and short-term deposits and has no debt, FMP's generic invested-capital field may produce a volatile or economically unintuitive percentage depending on whether excess cash is netted. Downstream underwriting should show its numerator and denominator explicitly and retain both an unadjusted reported-balance-sheet view and an operating-capital

view excluding excess cash. It must not claim a precise sustainable ROIC solely from a vendor ratio.

For FY2025, the statutory effective tax rate is `2,471 / 13,545 = 18.24%`. Applying that rate to statutory operating income gives NOPAT of approximately `10,725 × (1 - 18.24%) = 8,769` USD000. Dividing by FMP's FY2025 invested-capital field of USD 82.757 million gives an unadjusted year-end-capital ROIC of approximately 10.60%, close to FMP's published 10.56%. This is the required explicit vendor-basis calculation. A separate operating-capital ROIC excluding excess cash can be economically informative but must be labeled as an analyst adjustment and should use average, not merely year-end, operating capital.

The cash-flow profile is strong but FY2025 capex is not representative of the preceding four years. Capex rose from USD 0.479 million in FY2024 to USD 5.205 million in FY2025. The model must distinguish maintenance expenditure from a possible capacity-investment cycle. It should not assume that FY2025 capex permanently repeats, yet it also cannot revert instantly to the FY2021-FY2024 average without testing the investment program and capacity commentary. TTM capex of USD 5.080 million confirms that the annual spike remains in the rolling base.

3. Segment historicals

Consolidated company

Consolidated company	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, USD000	43,980	60,270	54,856	50,826	47,825	Annual statements; one transformer operating segment
YoY	Not shown	37.04%	-8.98%	-7.35%	-5.90%	Calculated from official/FMP-tied revenue
Statutory operating income (single-segment consolidated fallback), USD000	10,368	17,208	16,401	13,546	10,725	Annual statements; fallback label is not issuer-disclosed segment profit
Margin on exact metric	23.57%	28.55%	29.90%	26.65%	22.43%	Statutory OI / consolidated revenue

This is exactly one financial-projection segment. It is an ER2 modeling fallback because neither official filings nor FMP disclosed a segment-profit metric value. It must never be described as issuer-disclosed segment operating income. Disclosed product, geography, customer and end-market information remains non-profit projection context.

The TTM modeled line is revenue USD 46.830 million and statutory operating income USD 9.121 million. Both equal the consolidated total. The quarterly cross-check supplied by QF uses Q2/Q3/Q4 FY2025 revenue of USD 11.364 million, USD 13.225 million and USD 11.591 million plus Q1 FY2026 revenue of USD 10.650 million. The corresponding statutory operating-profit values are USD 2.527 million, USD 3.654 million, USD 1.598 million and USD 1.342 million. The sums reproduce TTM revenue and operating income with zero residual.

3a. Historical statutory-profit bridge and forecast-driver ledger

Exact common segment-profit basis: `Statutory operating income (single-segment consolidated fallback)`. **Reporting currency and scale:** USD thousands. **Sealed packet SHA-256:** `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9`.

Fallback eligibility is supported by official FY2025 Note 20 and Q1 FY2026 Note 5 (`PAYTON_FY2025_ANNUAL`, `PAYTON_Q1FY2026_INTERIM`) and the exact empty FMP annual and quarterly product-segmentation responses (`FMP_PRODUCT_ANNUAL_EMPTY`, `FMP_PRODUCT_QUARTER_EMPTY`). Corporate/unallocated and operating-bridge arrays are empty in the sealed packet; no zero-value placeholder rows are added.

FY2025 bridge

Bridge line	Classification	Value, USD000	Source ID	Running subtotal, USD000
Consolidated company	segment profit	10,725	PAYTON_FY2025_ANNUAL	10,725
Consolidated segment profit metric	subtotal	10,725	PAYTON_FY2025_ANNUAL	10,725
Statutory operating income	statutory subtotal	10,725	PAYTON_FY2025_ANNUAL	10,725
Finance income	other non-operating	2,877	PAYTON_FY2025_ANNUAL	13,602

Bridge line	Classification	Value, USD000	Source ID	Running subtotal, USD000
Finance expenses	interest	-35	PAYTON_FY2025_ANNUAL	13,567
Share of loss of equity accounted investee	other non-operating	-22	PAYTON_FY2025_ANNUAL	13,545
Pretax income	statutory subtotal	13,545	PAYTON_FY2025_ANNUAL	13,545
Taxes on income	tax	-2,471	PAYTON_FY2025_ANNUAL	11,074
Net income	statutory subtotal	11,074	PAYTON_FY2025_ANNUAL	11,074

TTM ended 2026-03-31 bridge

Bridge line	Classification	Value, USD000	Source ID	Running subtotal, USD000
Consolidated company	segment profit	9,121	PAYTON_Q1FY2026_INTERIM	9,121
Consolidated segment profit metric	subtotal	9,121	PAYTON_Q1FY2026_INTERIM	9,121
Statutory operating income	statutory subtotal	9,121	PAYTON_Q1FY2026_INTERIM	9,121
Finance income	other non-operating	2,820	TTM_RECONCILIATION	11,941
Finance expenses	interest	-148	TTM_RECONCILIATION	11,793
Share of loss of equity accounted investee	other non-operating	-46	TTM_RECONCILIATION	11,747
Pretax income	statutory subtotal	11,747	TTM_RECONCILIATION	11,747
Taxes on income	tax	-2,185	TTM_RECONCILIATION	9,562
Net income	statutory subtotal	9,562	TTM_RECONCILIATION	9,562

All five sealed residuals are zero in both periods: segment sum, corporate bridge, statutory operating income, pretax income and net income. Allowed tolerances are USD 6.7725 thousand for FY2025 and USD 5.8735 thousand for TTM; actual residuals are zero.

Forecast-driver ledger

Historical bridge line	FY2025 value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
Consolidated company statutory operating income	10,725	9,121	Independently forecast revenue and statutory operating margin	Consolidated history; Q1 margin compression; backlog/customer/geography evidence	Bear uses lower revenue and structurally lower margin; base normalizes below FY2025 peak; bull requires demand and capacity evidence
Finance income	2,877	2,820	Cash/deposit balance times scenario yield	Cash plus deposits of 59,291 at Q1 FY2026; official statements	Bear lower yield/balance; base normalized yield; bull no unsupported windfall
Finance expenses	-35	-148	Interest-rate/debt and other finance-cost schedule	No borrowings but nonzero finance expense in sealed history	Bear preserves elevated TTM cost; base normalized recent cost; bull cannot set zero without cessation evidence
Share of loss of equity accounted investee	-22	-46	Separately forecast investee result	Sealed statutory bridge	Bear larger loss; base recent normalized loss; bull at most zero absent positive evidence
Taxes on income	-2,471	-2,185	Effective-tax-rate schedule on pretax income	FY2025 18.24%; TTM 18.60%	Bear higher normalized rate; base 18%-20%; bull no tax benefit without evidence

Corporate/unallocated items: none in the sealed bridge. Operating bridge adjustments: none in the sealed bridge. Downstream synthesis may forecast only the lines above and may not create a plug, reclassify finance income as operating, combine finance expense and investee results into an unidentified “other” line, or treat the fallback as an issuer-disclosed segment metric.

`STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`

4. Product and sub-segment historicals

No product or sub-product is separately disclosed in dollars. FMP's live annual and quarterly product-segmentation responses were exact empty arrays; the issuer's annual and interim statements provide one transformer operating segment only. The finest reliable dollar breakdown is consolidated company revenue. The product table therefore records business descriptions and disclosure status without inventing revenue.

Segment	Product / application	What it is	Dollar disclosure?	Last three years revenue and source
Consolidated company	Custom planar transformers	Customer-specific low-profile magnetic components for power conversion	No	True non-disclosure after FY2023-FY2025 annual reports, Q1 FY2026 interim and FMP product endpoints
Consolidated company	Three-phase planar transformers	Planar magnetic solution for high-power, including data-center-oriented applications	No	True non-disclosure; official product page and strategy release provide description only
Consolidated company	Data-center applications	End-market/application exposure for power systems	No	True non-disclosure; not a reportable product revenue line
Consolidated company	Industrial and other applications	Custom magnetics serving varied power-electronics uses	No	True non-disclosure; official reports do not provide additive dollar rows

No product-only YoY growth rates were disclosed in the verified materials. Consequently, there are no back-solved product revenue figures and no product-row arithmetic tie-outs. Downstream segment work must not infer product mix from website prominence or strategy announcements. The only additive revenue history is consolidated revenue.

Segment	Product	Disclosure method	Last four quarters YoY growth	Source
Consolidated company	All product/application families	Qualitative descriptions only	Not disclosed by product	Official annual/interim reports and product pages in D archive

Product-level economics remain a material modeling limitation. The correct response is a broad consolidated scenario range, not analyst-created revenue buckets. Data-center exposure may be discussed as a potential demand driver, but neither its current revenue share nor its margin is disclosed. Three-phase capability may expand addressable demand, but no units, capacity, order value or revenue ramp is published.

5. Most recent quarterly trend

Company FY ends 12-31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering 2026-01-01 through 2026-03-31, reported May 26, 2026 through the [official Q1 FY2026 results release](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf) and independently listed by [Euronext regulated news](https://live.euronext.com/en/products/equities/company-news/2026-05-26-pr-q1-2026); archived copies are `official_q1_2026.txt` *and* `official_q1_press_2026.txt`*.*

The four-quarter table below is the complete TTM window. Because there is one modeled segment, every row is consolidated company revenue and statutory operating income. Margin is calculated from the cited values. Q2, Q3 and Q4 FY2025 values come from the FY2025 annual quarterly table; Q1 FY2026 comes from the official interim statement.

Quarter	Revenue, USD000	YoY	Statutory operating margin	Source
Q2 FY2025	11,364	-28.4% calculated versus Q2 FY2024 revenue of 15,878	22.24%	FY2025 and FY2024 annual-report quarterly tables; `official_q2_2025.txt`
Q3 FY2025	13,225	+4.2% calculated versus Q3 FY2024 revenue of 12,695	27.63%	FY2025 and FY2024 annual-report quarterly tables; `official_q3_2025.txt`
Q4 FY2025	11,591	+20.6% calculated versus Q4 FY2024 revenue of 9,611	13.79%	FY2025 and FY2024 annual-report quarterly tables
Q1 FY2026	10,650	-8.5% calculated versus 11,645; company reports -9% rounded	12.60%	[Official Q1 FY2026 release, May 26, 2026](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf)

Quarterly margin arithmetic uses statutory operating income of 2,527, 3,654, 1,598 and 1,342 respectively. The TTM sums are revenue 46,830 and statutory operating income 9,121. Q1 FY2026 revenue was 8.5% below Q1 FY2025, while operating income was 54.4% lower than Q1 FY2025's USD 2.946 million. This is a meaningful recent deceleration and margin reset. It should have more weight than the FY2025 full-year margin in near-term scenarios.

The quarterly shape also shows that FY2025 was not uniform: Q3 margin was exceptionally strong, followed by markedly lower Q4 and Q1 FY2026 margins. Without product or utilization disclosure, the exact drivers cannot be decomposed into mix, volume, price or temporary costs. Downstream base and bull cases therefore require explicit margin normalization logic; simply extending the FY2025 average would ignore the two latest quarters.

6. Management commentary on forward growth

Evidence status

The four archived FMP transcript queries for Q2, Q3 and Q4 FY2025 and Q1 FY2026 were empty. No issuer earnings-call transcript or investor-day transcript was available in the verified D archive. Therefore this section contains **no verbatim earnings-call quotations, no attributed speaker quotations and no fabricated paraphrases presented as quotes**. It uses source-bound summaries of official written releases, annual/interim MD&A, product pages and the archived 2025 parent presentation. Speaker attribution is omitted unless the source itself provides it.

Consolidated company — source-bound written commentary

- **FY2025 annual report and results release:** management's written discussion describes transformer activity and the company's custom design-to-order model. Modeling implication: customer qualification and non-cancellable/non-returnable accepted orders can support switching friction and visibility, but they do not eliminate project timing or concentration risk.
- **Q1 FY2026 interim report and [live results release dated May 26, 2026](https://www.paytongroup.com/webfiles/tfm/pr310326.pdf):** revenue was USD 10.650 million, down 9% on the company's rounded basis; operating income was USD 1.342 million, producing a 12.60% operating margin. The release attributes the revenue decline to broad weakness and two formerly high-volume projects, and the gross-margin decline to volume, SI's lower margins, product mix and production sites. Modeling implication: the TTM base should be the starting point, and FY2025 peak quarterly profitability should not be extrapolated without evidence.
- **2025 strategic-industries release:** the company highlights strategic industry opportunities and higher-power planar solutions. Modeling implication: these are addressable-market statements, not quantified orders or revenue guidance.
- **Official three-phase data-center product page:** the company presents three-phase planar transformer capability for high-power applications. Modeling implication: the technology can be an option in a bull case, but its revenue contribution, unit economics and adoption schedule are true non-disclosures.
- **2025 parent presentation:** the presentation provides business and strategy context for planar magnetics and targeted markets. Modeling implication: use it to frame qualitative demand drivers only; do not transform presentation claims into a product-revenue forecast without financial disclosure.
- **Capacity and equipment discussion in FY2025 materials:** the large FY2025 capex increase is consistent with investment activity. Modeling implication: bull scenarios must connect capacity investment to actual demand evidence, while base/bear scenarios must include depreciation and execution risk.
- **Order/backlog disclosures in annual reports:** order-book information is a material hardware KPI. Modeling implication: backlog supports visibility only to the extent that delivery schedules, customer acceptance and concentration are understood; it is not equivalent to revenue.
- **Dividend and corporate-action releases in 2026:** the board continued to address capital returns while also considering and then terminating a merger/delisting path. Modeling implication: cash allocation and governance require separate treatment from operating forecasts.

Guidance discipline

No formal consolidated revenue, operating-margin or EPS guidance was identified in the verified archive. No management target for data-center revenue, capacity utilization, unit shipments, ASP or five-year growth was disclosed. The correct

downstream constraint is therefore:

Forecast item	Management anchor available?	Permitted modeling use
Consolidated revenue	Historical and recent results only	Scenario growth from TTM with conservative ranges
Statutory operating margin	Historical and recent results only	Explicit normalization from 19.48% TTM and 12.60% latest quarter
Data-center revenue	No quantified target	Qualitative bull-case catalyst only
Units / ASP / utilization	No	Do not model as disclosed drivers
Capacity	Qualitative investment context	Use capex and execution milestones; no nameplate figure
Capital returns	Official dividend releases	Include disclosed dividends; do not infer buyback policy

The absence of transcripts and formal guidance is itself a material evidence limitation. It reduces the confidence of any narrow forecast range. A downstream agent may state that management appears to be pursuing higher-power and strategic applications, but it may not quote a person, attach an unverified call date, or describe an aspiration as contracted demand.

7. Capital allocation history

The company has historically generated substantial operating cash flow and maintained a debt-free balance sheet. Capital spending was modest through FY2024 and rose sharply in FY2025. Dividends are a recurring capital-return mechanism; FY2025 cash dividends were USD 5.301 million. The verified statement data shows no material common-stock repurchase program. FY2025 did include the non-recurring acquisition of SI Manufacturing and its operating real estate; this must remain in capital-allocation history even though it should not be modeled as a recurring annual use.

Year	Capex, USD000	Capex / revenue	R&D, USD000	R&D / revenue	Buybacks	Dividends, USD000	M&A	Source
FY2021	523	1.19%	1,481	3.37%	0 disclosed	7,422	0 material disclosed	FY2021 annual report and FMP annual statements
FY2022	993	1.65%	1,545	2.56%	0 disclosed	8,023	0 material disclosed	FY2022 annual report and FMP annual statements
FY2023	536	0.98%	1,442	2.63%	0 disclosed	8,482	0 material disclosed	FY2023 annual report and FMP annual statements
FY2024	479	0.94%	1,672	3.29%	0 disclosed	10,072	0 material disclosed	FY2024 annual report and FMP annual statements
FY2025	5,205	10.88%	1,967	4.11%	0 disclosed	5,301	SI purchase cost 6,149; net acquisition cash outflow 5,239; separate real-estate purchase 4,400	FY2025 annual report Note 1C and cash-flow statement

The FY2025 capex step-up is the key allocation issue. It consumed nearly half of operating cash flow but FCF remained USD 10.492 million. Note 1C reports SI total purchase cost of USD 6.149 million and acquisition-date net cash outflow of USD 5.239 million, plus USD 4.400 million paid for the operating real estate; the real-estate purchase is represented within FY2025 PPE/capex cash flows and must not be double-counted in total cash uses. From the October 1, 2025 acquisition date, SI contributed USD 1.397 million of consolidated revenue and reduced consolidated net profit by USD 0.164 million. The TTM profile through Q1 FY2026 was OCF USD 14.702 million, capex USD 5.080 million and FCF USD 9.622 million. A reasonable model should consider a multi-year elevated investment phase and a normalized phase, with explicit evidence required before assuming either a permanent USD 5 million annual run rate or an immediate return to sub-USD 1 million spending.

Dividend policy also interacts with the cash balance. The company can fund ordinary investment and distributions from internal resources at current scale, but no capital-allocation statement guarantees future dividends. The 2026 dividend releases should be used for the exact declared amount and timing in any near-term model. Do not infer a buyback merely because the shares may appear inexpensive.

8. Balance-sheet snapshot

FY2025 ended with cash of USD 30.315 million and short-term deposits of USD 27.933 million, or USD 58.248 million combined. At Q1 FY2026, cash was USD 38.413 million and short-term deposits USD 20.878 million, or USD 59.291 million combined. There were no borrowings at either date. The large liquidity pool is economically material both to finance income and valuation, but excess cash should not be confused with operating capital.

Item	FY2025, USD000	Q1 FY2026, USD000	Source
Cash and equivalents	30,315	38,413	Official balance sheets
Short-term bank deposits / investments	27,933	20,878	Official balance sheets and deposit notes
Cash plus short deposits	58,248	59,291	Calculated sum
Total debt	0	0	Official balance sheets and QF tie-out
Net debt / cash	-58,248	-59,291	Debt less cash and short deposits
Net debt / EBITDA	Net cash; ratio not meaningful	Net cash; ratio not meaningful	Calculated; do not report as leveraged multiple
Goodwill plus intangibles	3,901	Not separately updated here	FY2025 annual report and FMP balance statement
Tangible book value	81,287	Not separately updated here	FY2025 equity 85,188 less goodwill/intangibles 3,901

The finance-income bridge line is large because of this liquidity: USD 2.877 million in FY2025 and USD 2.820 million on a TTM basis. Finance income is below operating income and must be forecast from cash/deposit balances and scenario yields, not capitalized as an operating-margin advantage. The latest quarter also shows finance expenses of USD 0.144 million despite no debt, reinforcing that the separate finance-expense line cannot be set mechanically to zero.

The balance sheet reduces solvency risk and supports investment capacity, but it creates allocation risk. Controlled ownership, the attempted merger/delisting path and dividend decisions influence how minority shareholders realize the value of excess cash. Downstream valuation should show operating business value and net cash separately and should not assume the cash is immediately distributable without tax, working-capital, governance and strategic constraints.

9. Recent corporate actions

- **2025 strategic-industries communication:** the company highlighted its positioning in strategic and high-power applications. Source: `official_pr_si_strategy_2025.txt`. This is qualitative market positioning, not revenue guidance.
- **2025 related strategic transaction close communication:** an official release was archived as `official_pr_si_close_2025.txt`. Any downstream use must preserve the release's exact described scope and must not infer acquisition economics that are not disclosed.
- **2026 proposed merger/delisting process:** official releases described a proposed merger and provided shareholder information. Sources: `official_pr_merger_proposed_2026.txt` and `official_pr_merger_info_2026.txt`. The process is relevant to governance, listing liquidity and minority treatment.
- **2026 merger termination:** the company subsequently announced that the proposed merger process was terminated. Source: `official_pr_merger_terminated_2026.txt`. Downstream work must treat delisting as abandoned, not completed.
- **2026 dividend communications:** official dividend and dividend-update releases were archived as `official_pr_dividend_2026.txt` and `official_pr_dividend_update_2026.txt`. Use exact declared terms from those releases; this package does not convert them into a permanent payout commitment.
- **Share count:** the listed ordinary-share count was 17,670,775 and diluted weighted shares were 17.671 million at disclosed precision. No intervening split, depositary ratio or share-class conversion applies.
- **Management and related-party context:** controlled ownership is 66.19% in the [FSMA current-shareholding overview dated July 30, 2026](https://www.fsma.be/sites/default/files/issuers/files/0963372425_en.pdf); family and related-party roles identified in official materials are governance-monitoring items. No unsupported accusation is inferred from those facts.

No material debt issuance, equity issuance, common-stock buyback, large acquisition, CEO/CFO transition, major legal settlement or regulatory penalty was identified in the verified last-12-month archive. Absence from this package means not identified in the cited source set, not a blanket representation that no immaterial event occurred.

10. Open data gaps and downstream constraints

Gap	Classification	Sources and search terms checked	Required downstream treatment
Product revenue by data center, three phase or application	True non-disclosure	FY2023-FY2025 annual reports; Q2/Q3 FY2025 and Q1 FY2026 interims; product pages; FMP annual/quarterly product endpoints; terms product, application, data center, three phase, revenue	Use one consolidated revenue line; do not back-solve
Segment-profit metric value	Not applicable under validated fallback	FY2025 Note 20; Q1 FY2026 Note 5; both FMP product endpoints; terms segment result, segment profit, operating segment	Preserve exact single-segment statutory-OI fallback
Unit shipments	True non-disclosure	Annual/interim reports and presentation; terms units, shipments, quantity, volume	Do not create a unit model
Average selling price	True non-disclosure	Same source set; terms ASP, average selling price, price per unit	Use consolidated revenue scenarios only
Capacity and utilization quantities	True non-disclosure	Annual reports, interim reports, strategy release, presentation, product pages; terms capacity, nameplate, utilization, production line	Treat expansion qualitatively; no capacity ceiling or utilization rate
Product gross margin / operating margin	True non-disclosure	Annual/interim financial notes; terms product margin, segment margin, gross margin by product	Forecast only consolidated statutory operating margin
Earnings-call transcripts	True non-disclosure / empty endpoint	Four FMP transcript queries for Q2-Q4 FY2025 and Q1 FY2026 returned empty; issuer archive contained no transcript	No verbatim call quotes or speaker attribution
Formal revenue or margin guidance	True non-disclosure	Results releases, interims, annual report and presentation; terms outlook, guidance, revenue target, margin target	Use broad conservative scenarios and disclose low confidence
Geographic profit	True non-disclosure	Segment/geography notes; terms geography, non-current assets, profit by region	Geography is revenue context only
Customer-level revenue identities and margins	True non-disclosure	Major-customer and credit-risk notes	Model concentration risk without naming or margin invention
Backlog conversion timing and cancellation economics	Partly disclosed / constrained	Order and revenue-recognition discussions; terms backlog, orders, non-cancellable, delivery	Apply conservative conversion ranges; do not treat backlog as cash
Q1 FY2026 goodwill, intangibles and tangible book	Not applicable to required FY-1 snapshot	Section 8 requires FY-1; FY2025 exact values are supplied	Do not infer a Q1 change

The material gaps are genuine granularity limits, not evidence that the consolidated statements are unreliable. They constrain unsupported conclusions: the model cannot credibly separate volume, price, utilization, data-center mix or product margin. They do **not** invalidate the historical statutory bridge, which is complete, sealed and zero-residual.

Source precedence and integrity

- Official FY2025 and Q1 FY2026 statements control statutory operating profit.
- The FY2025 official value is USD 10.725 million versus FMP USD 11.226 million; the USD 0.501 million difference reflects an official other-expense line that FMP omitted or misclassified.
- The Q1 FY2026 official value is USD 1.342 million versus FMP USD 1.334 million; the USD 0.008 million difference reflects an official other-income line.
- Pretax income and net income tie to FMP in both periods.
- The exact QFR-sealed bridge SHA-256 is `eec46900b34d3c03421e454a1defbfcddd5c369799c3fb58e13e6ac52f4a87f9`.

- The quote packet SHA-256 is `16f7a249aff61a11c57402f5058f82b0eaadfedf7beaa55a2d727b34c9b27677`; the quote packet is not modified by D.
- All statutory-bridge residuals are zero and `unresolved_items` is empty.
- This data package does not authorize a trade, portfolio action, ranking, sizing or message.

Forecast handoff

The downstream consolidated-company appendix should start from TTM revenue USD 46.830 million and TTM statutory operating income USD 9.121 million, not FY2025. It should model exactly one financial segment. A bear case should reflect recent revenue decline, two-quarter margin compression, customer concentration and uncertain capacity utilization. A base case should normalize revenue and margins from the TTM level, explicitly separate finance income and tax, and retain elevated capex until evidence supports normalization. A bull case may recognize data-center/high-power opportunity only through a bounded consolidated growth range, with no invented product revenue or utilization figure.

The management and moat appendices should treat custom engineering, qualification and accepted-order terms as potential switching friction, while testing customer concentration, controlled ownership, cyclicality and disclosure limitations. The synthesis must carry finance income, finance expense, investee result and tax as separately forecast bridge lines. It must not fold net cash yield into operating margin, invent corporate adjustments, or create an “other” plug.

The valid conclusion from this data package is constrained but forecast-ready: Payton is a profitable, cash-generative, debt-free single-segment planar-magnetics manufacturer with recent margin pressure, concentrated customers, substantial liquidity and potentially attractive application growth, but without the product, unit, ASP, utilization or quantified-capacity disclosure needed for a fine-grained operating model.