LITCHFIELD HILLS RESEARCH

FST Corp.

NASDAQ - KBSX

October 30, 2026

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New KBS Products and OEM Wins Position FST for Stronger Growth

- FST reported stronger third-quarter results, with even more encouraging news and management commentary on new products, OEM wins, and future growth. We reiterate our Buy rating and $4 price target.
- New TOUR V-X and TOUR V-X Lite shafts expand KBS's premium steel lineup, while TOUR ASCEND offers further product opportunities. The new shafts should contribute to growth in 4Q and 2027.
- TaylorMade expanded its use of KBS shafts across its Spider Tour, Spider ZT Max and Hi-Toe 5 product lines. Premium branded placements should increase selling prices, margins, and consumer recognition.
- European expansion opens a major new market, with approximately 3,000 golf retail locations in the United Kingdom alone. FST's new sales operation should support additional distribution and revenue growth in 2027.
- We forecast fourth-quarter revenue of $13.9 million, up 5%, and 2027 revenue of $60.4 million, up 12%. New products, additional OEM placements, and international expansion should support higher sales and profitability.

Rating	Buy
Target Price	$4.00
Ticker Symbol	KBSX
Market	NASDAQ
Stock Price	$1.44
52 wk High	$1.79
52 wk Low	$0.81
Shares Outstanding:	44.8 M
Public Market Float:	27.2 M
Avg. Daily Volume	18,838
Market Capitalization:	$64.5 M
Institutional Holdings:	4.2%
Dividend Yield:	0.0%

Earnings Per Share

FYE - December	**2024**	**2025**	**2026E**	**2027E**
1Q - March		($0.06)	$0.04 A	$0.02
2Q - June		($0.07)	($0.02) A	$0.01
3Q - September		($0.02)	$0.01 A	$0.01
4Q - December		($0.01)	$0.00	$0.02
Year	**($0.09)**	**($0.16)**	**$0.03**	**$0.06**
Revenue ($mm)	**36.5**	**48.0**	**53.9**	**60.4**
EV/Rev	2.4X	1.8X	1.6X	1.4X
EBITDA ($mm)	**(0.2)**	**2.2**	**5.3**	**7.3**
EV/EBITDA		38.6X	16.3X	11.9X

Risks/Valuation

- Golf Market Weakness or Share Loss Could Pressure Growth: FST already dominates steel shafts, so sustaining double-digit growth increasingly depends on continued golf participation growth and successful expansion in the competitive graphite shaft market.
- Any escalation in cross-Strait tensions could disrupt supply chains, customer demand, investor sentiment, and global trade conditions.

Company description: FST Corp., through its KBS Shafts business, is a premium sporting goods company focused primarily on high-end golf club shafts. The company currently dominates the steel shaft category while expanding into graphite and carbon fiber products. Management is also positioning the business beyond equipment and toward a broader golf lifestyle brand through KBS Golf Experience retail and social locations as well as the annual KBS Open tournament in Taiwan, initiatives designed to strengthen customer engagement, expand brand visibility, and support premium brand positioning and valuation multiples over time.

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New KBS Products and OEM Wins Position FST for Stronger Growth

FST reported third-quarter revenue of $12.8 million and net income of $291,000, or $0.01 per share, compared with a net loss of $716,000 last year. More importantly, the company continues to make progress with the initiatives we have highlighted in our previous research, including new shaft introductions, growing OEM relationships, European expansion, and efforts to establish KBS as a premium golf lifestyle brand. During the quarter, FST introduced an important new family of steel shafts, while TaylorMade expanded its use of KBS products across several of its most recognizable club lines. We believe these developments should support growth during the seasonally stronger fourth quarter and into 2027. We reiterate our Buy rating and $4 price target.

New TOUR V-X Family Extends KBS's Position in Premium Steel

The September 24 introduction of the KBS TOUR V-X family marks an important addition to the company's premium steel shaft lineup. As discussed in our August report, FST has been developing three products: TOUR V-X, TOUR V-X Lite, and TOUR ASCEND. The first two have now been officially launched, while TOUR ASCEND represents another potential product introduction.

TOUR V-X is designed for competitive golfers seeking greater stability, lower launch, and reduced spin. Available in weights ranging from 105 to 130 grams, the shaft features a firm butt section, responsive midsection, and stable tip designed to reduce unwanted movement during the swing. TOUR V-X Lite extends these characteristics into the lightweight steel category, with weights ranging from 90 to 102 grams. The lighter design targets golfers seeking additional clubhead speed while maintaining the control and consistency associated with premium steel shafts.

Both products use a new design intended to maximize shaft strength relative to weight. In company testing, the TOUR V-X family achieved strength-to-weight ratios as much as 20% higher than many existing KBS steel shafts. The products should allow club fitters to address a broader range of golfers, particularly those seeking lighter equipment without sacrificing performance. Management expects meaningful revenue contributions from the new family as retailers and OEMs begin incorporating the shafts into their offerings.

TOUR ASCEND, which we discussed in August, takes a different approach to improving performance. The proposed design changes shaft characteristics throughout an iron set, helping golfers launch long irons higher while maintaining lower, more controlled trajectories with short irons. The concept should provide another way to differentiate KBS products from conventional offerings based primarily on weight and flex. A formal commercial launch has not yet been announced.

The new steel products complement the company's expanding graphite lineup, including TG Black, PGW, MAX HL and other recently introduced shafts. Graphite remains an attractive market for FST because KBS has established substantial brand recognition in steel shafts while Fujikura, Mitsubishi Chemical and other manufacturers retain significant positions in premium graphite. Fujikura's Ventus line, in particular, enjoys considerable professional tour exposure and commands premium prices. We believe the growing KBS graphite lineup should allow FST to compete for a larger share of this market while leveraging its established relationships with club fitters, retailers and OEM customers.

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TaylorMade Expands Its Commitment to KBS

TaylorMade's growing use of KBS shafts remains one of the clearest examples of the company's successful brand-building efforts. In August, TaylorMade selected KBS shafts as standard equipment across its new Spider Tour and Spider ZT Max putter families. All four Spider Tour models use the KBS CT Putter 120 Stepless Black, while the three Spider ZT Max configurations use KBS steel and custom graphite shafts.

TaylorMade also selected the KBS Hi-Rev 2.0 as the stock steel shaft for its new Hi-Toe 5 wedge family. The program covers the stock steel configurations of the wedge lineup, extending KBS's exposure into another recognizable TaylorMade product franchise.

As we discussed in August, the Spider program is particularly attractive because FST previously supplied lower-priced, unbranded shafts for the franchise. Converting these programs to premium KBS-branded products should increase average selling prices and gross profit without requiring additional club unit sales. This is one of the most compelling economic benefits of management's efforts to establish KBS as a premium brand.

The expanded TaylorMade relationship also provides substantial marketing exposure. Spider putters and Hi-Toe wedges are sold through major golf retailers and used by professional and amateur golfers worldwide. Each club equipped with a KBS shaft introduces the brand to additional consumers, potentially generating aftermarket demand as golfers seek replacement or upgraded shafts.

We believe OEMs increasingly recognize the value of identifying KBS as a premium component of their finished clubs. This should help FST secure additional stock-shaft programs while allowing the company to increase the value of existing relationships. Management specifically identified new OEM programs as an important growth initiative for the fourth quarter and early 2027. We expect additional announcements as club manufacturers finalize their upcoming product lines.

European Expansion Opens Another Major Golf Market

FST continues developing its first dedicated European sales operation in Wokingham, England. We discussed this initiative extensively in our August report, noting that Europe represents a large market where KBS has historically relied heavily on distributors rather than a direct sales organization. The company initially hired one dedicated salesperson to strengthen relationships with existing KBS retailers and establish new accounts. Its location at the Full Swing Golf facility provides access to simulators, fitting equipment, and demonstration areas, allowing FST to showcase products directly to retailers and potential customers.

The United Kingdom has approximately 3,100 golf courses, many with their own professional shops, in addition to independent golf retailers. FST has initially identified more than 500 retail shops for direct engagement. Management plans to expand its sales coverage throughout the United Kingdom and eventually into Ireland and continental Europe. The European business should benefit from the expanding KBS product lineup, particularly graphite shafts and the newly introduced TOUR V-X family. We expect new customer relationships and greater local support for existing accounts to generate incremental revenue during 2027.

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Third-Quarter Operating Performance Improves

FST reported third-quarter gross profit of $6.24 million, compared with $4.92 million last year, with gross margin increasing to 48.8% from 39.2%. The quarter included a $770,000 refund of tariffs previously paid on imported products, recorded as a reduction in cost of sales. Excluding this nonrecurring benefit, gross margin was approximately 42.7%, still an improvement of 350 basis points from last year. Operating expenses increased to $6.21 million from $5.87 million, reflecting additional marketing expenditures associated with new product introductions and the KBS Open. Selling expenses increased 17%, while R&D spending rose 38% to $473,000. General and administrative expenses declined 10%, partially offsetting these investments.

Reported operating income was $31,000, compared with an operating loss of $947,000 last year. Excluding the tariff refund, the operating loss was approximately $739,000, an improvement of $208,000. Reported net income also benefited from a $718,000 noncash gain associated with the fair value of warrant liabilities, substantially reversing a similar charge recorded in the preceding quarter.

Management continues to emphasize production efficiency, inventory management, logistics, and control of discretionary operating expenses. These initiatives should support improved profitability as revenue increases. FST has annual production capacity exceeding 14 million shafts, providing substantial room for additional sales without proportionate investment in manufacturing infrastructure. Automation and better production scheduling should further improve efficiency and reduce the need for expensive expedited freight shipments.

As of September 30, FST had $6.1 million in cash and approximately $29.9 million in bank borrowings. During the quarter, the company also repurchased 66,577 shares for approximately $70,000 under its $3 million share repurchase authorization. Approximately $2.93 million remains available under the program.

Fourth-Quarter OEM Shipments Should Support Renewed Growth

We forecast fourth-quarter revenue of approximately $13.9 million, representing 5% year-over-year growth and 8% sequential growth. The forecast reflects the seasonal increase in OEM shipments as golf equipment manufacturers prepare for the 2027 season, along with contributions from recently announced TaylorMade programs and new KBS products.

The fourth quarter traditionally marks the beginning of a stronger OEM shipping period, with additional volume extending into the first quarter as manufacturers and retailers prepare inventory for the spring golf season. The TOUR V-X family should benefit from its first full quarter of commercial availability, while the growing graphite portfolio provides another opportunity for incremental sales.

Management also expects additional revenue from European expansion and further growth in domestic and export markets. We believe these initiatives, combined with continued cost controls, should support improved operating performance as revenue increases. Our 2026 revenue estimate is approximately $53.9 million, representing 12% growth from 2025.

The second annual KBS Open, scheduled for January 21–24, 2027, should provide another opportunity to promote the brand. As discussed in our previous research, participating golfers are required to use KBS

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shafts, allowing the company to demonstrate its products under actual competitive conditions. A larger tournament, increased prize money, and greater international participation should increase KBS exposure across Asian golf markets.

New Products and Brand Development Support Our $4 Target

We continue to believe FST is building an increasingly valuable premium golf brand around its established shaft manufacturing business. The company's strong position in steel shafts provides a foundation for expansion into graphite, while additional OEM placements, international distribution and continued product innovation should support higher sales and margins.

The growing relationship with TaylorMade demonstrates the value of management's strategy. Greater KBS brand recognition encourages OEMs to specify premium KBS shafts, increasing average selling prices and exposing the brand to additional golfers. Those placements should support aftermarket demand and further strengthen the company's competitive position.

We expect the new TOUR V-X family, continued graphite expansion, additional OEM programs and growing European distribution to provide multiple sources of revenue growth in 2027. Combined with manufacturing improvements and operating expense controls, these initiatives should support higher profitability and an increasingly valuable KBS brand. We reiterate our Buy rating and $4 price target.

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FST Income Forecast

Fiscal years ended December 31	2025 1Q	2Q	3Q	4Q	YEAR	2026E 1QA	2QA	3QA	4Q	YEAR	2027E 1Q	2Q	3Q	4Q	YEAR
Total Revenue	**10,967,595**	**11,225,837**	**12,554,939**	**13,220,371**	**47,968,742**	**14,646,354**	**12,552,012**	**12,804,404**	**13,881,390**	**53,884,160**	**16,403,916**	**14,058,253**	**14,340,932**	**15,547,156**	**60,350,259**
Year-over-year growth	20.9%	28.1%	47.2%	30.4%	31.4%	33.5%	11.8%	2.0%	5.0%	12.3%	12.0%	12.0%	12.0%	12.0%	12.0%
Sequential growth	8.1%	2.4%	11.8%	5.3%		10.8%	-14.3%	2.0%	8.4%		18.2%	-14.3%	2.0%	8.4%	
Cost of Sales	5,917,599	6,060,698	7,631,555	7,725,031	27,334,883	7,089,883	6,539,950	6,561,676	7,218,323	27,409,832	8,530,037	7,310,292	7,457,285	8,084,521	31,382,135
As a percent of revenue	54.0%	54.0%	60.8%	58.4%	57.0%	48.4%	52.1%	51.2%	52.0%	50.9%	52.0%	52.0%	52.0%	52.0%	52.0%
Gross Profit	**5,049,996**	**5,165,139**	**4,923,384**	**5,495,340**	**20,633,859**	**7,556,471**	**6,012,062**	**6,242,728**	**6,663,067**	**26,474,328**	**7,873,880**	**6,747,962**	**6,883,648**	**7,462,635**	**28,968,124**
Gross margin	46.0%	46.0%	39.2%	41.6%	43.0%	51.6%	47.9%	48.8%	48.0%	49.1%	48.0%	48.0%	48.0%	48.0%	48.0%
Selling expenses	3,079,111	3,153,777	2,851,623	3,312,809	12,397,320	2,867,913	3,166,484	3,342,295	3,470,347	12,847,039	3,772,901	3,233,398	3,298,414	3,575,846	13,880,560
As a percent of revenue	28.1%	28.1%	22.7%	25.1%	25.8%	19.6%	25.2%	26.1%	25.0%	23.8%	23.0%	23.0%	23.0%	23.0%	23.0%
General and administrative expenses	2,376,814	2,434,307	2,675,791	2,707,125	10,194,037	2,116,984	2,170,587	2,396,525	2,359,836	9,043,932	2,460,587	2,108,738	2,151,140	2,332,073	9,052,539
As a percent of revenue	21.7%	21.7%	21.3%	20.5%	21.3%	14.5%	17.3%	18.7%	17.0%	16.8%	15.0%	15.0%	15.0%	15.0%	15.0%
Research and development expenses	345,784	354,589	342,679	397,640	1,440,692	393,372	415,092	472,503	512,245	1,793,212	410,098	351,456	358,523	388,679	1,508,756
As a percent of revenue	3.2%	3.2%	2.7%	3.0%	3.0%	2.7%	3.3%	3.7%	3.7%	3.3%	2.5%	2.5%	2.5%	2.5%	2.5%
Total Operating expenses	**5,801,709**	**5,942,673**	**5,870,093**	**6,417,574**	**24,032,049**	**5,378,269**	**5,752,163**	**6,211,323**	**6,342,429**	**23,684,184**	**6,643,586**	**5,693,593**	**5,808,078**	**6,296,598**	**24,441,855**
As a percent of revenue	52.9%	52.9%	46.8%	48.5%	50.1%	36.7%	45.8%	48.5%	45.7%	44.0%	40.5%	40.5%	40.5%	40.5%	40.5%
Operating Income	**(751,713)**	**(777,534)**	**(946,709)**	**(922,234)**	**(3,398,190)**	**2,178,202**	**259,899**	**31,405**	**320,638**	**2,790,144**	**1,230,294**	**1,054,369**	**1,075,570**	**1,166,037**	**4,526,269**
Operating Margin	-6.9%	-6.9%	-7.5%	-7.0%	-7.1%	14.9%	2.1%	0.2%	2.3%	5.2%	7.5%	7.5%	7.5%	7.5%	7.5%
Other (Income)/Expenses															
Interest (expense) income, net	(198,831)	(203,660)	(231,789)	(211,121)	(845,401)	(226,416)	(218,175)	(249,254)	(250,000)	(943,845)	(250,000)	(250,000)	(250,000)	(250,000)	(1,000,000)
Foreign exchange (loss) gain	(1,094,513)	(1,121,140)	705,508	657,962	(852,183)	394,072	(115,615)	34,818	-	313,275	-	-	-	-	-
Other income	139,528	142,877	(20,033)	99,726	362,098	39,100	25,951	27,122	-	92,173	-	-	-	-	-
Unrealized loss on change	(931,085)	(953,739)	-	-	(1,884,824)	-	(715,861)	718,102	-	2,241	-	-	-	-	-
Total Other (Income)/Expenses	(2,084,901)	(2,135,662)	453,686	546,567	(3,220,310)	206,756	(1,023,700)	530,788	(250,000)	(536,156)	(250,000)	(250,000)	(250,000)	(250,000)	(1,000,000)
Pretax Income	(2,836,614)	(2,913,196)	(493,023)	(375,667)	(6,618,500)	2,384,958	(763,801)	562,193	70,638	2,253,988	980,294	804,369	825,570	916,037	3,526,269
Taxes	38,151	39,085	222,933	244,887	545,056	507,390	282,578	271,192	14,128	1,075,288	196,059	160,874	165,114	183,207	705,254
Tax rate	-1.3%	-1.3%	-45.2%	-65.2%	-8.2%	21.3%	-37.0%	48.2%	20.0%	47.7%	20.0%	20.0%	20.0%	20.0%	20.0%
Non-controlling interest			(43,184)	(4,095)	(47,279)	12,392	3,566	182	12,000	28,140	12,000	12,000	12,000	12,000	48,000
Net income	**(2,874,765)**	**(2,952,281)**	**(672,772)**	**(616,459)**	**(7,116,277)**	**1,865,176**	**(1,049,945)**	**290,819**	**44,510**	**1,150,560**	**772,235**	**631,495**	**648,456**	**720,829**	**2,773,016**
Net income margin	-26.2%		-5.4%	-4.7%	-14.8%	12.7%	-8.4%	2.3%	0.3%	2.1%	4.7%	4.5%	4.5%	4.6%	4.6%
Diluted shares outstanding	44,477,649	44,766,003	44,766,003	44,766,003	44,766,003	44,766,003	44,766,003	44,989,549	45,039,549	44,890,276	45,089,549	45,139,549	45,189,549	45,239,549	45,164,549
Seq change						-	-	223,546	50,000		50,000	50,000	50,000	50,000	
EPS diluted - continuing	**($0.06)**	**($0.07)**	**($0.02)**	**($0.01)**	**($0.16)**	**$0.04**	**($0.02)**	**$0.01**	**$0.00**	**$0.03**	**$0.02**	**$0.01**	**$0.01**	**$0.02**	**$0.06**
Adjusted EBITDA															
Operating Income	(751,713)	(777,534)	(946,709)	(922,234)	(3,398,190)	2,178,202	259,899	31,405	320,638	2,790,144	1,230,294	1,054,369	1,075,570	1,166,037	4,526,269
Addback:															
Depreciation and amortization	550,000	560,000	570,000	320,000	2,000,000	520,000	520,000	520,000	520,000	2,080,000	530,000	540,000	550,000	550,000	2,170,000
Stock-based compensation	270,000	280,000	290,000	360,000	1,200,000	100,000	110,000	110,000	120,000	440,000	130,000	140,000	150,000	160,000	580,000
Non-recurring					2,442,410										
Adjusted EBITDA	**68,287**	**62,466**	**(86,709)**	**(242,234)**	**2,244,220**	**2,798,202**	**889,899**	**661,405**	**960,638**	**5,310,144**	**1,890,294**	**1,734,369**	**1,775,570**	**1,876,037**	**7,276,269**
EBITDA Margin	0.6%	0.6%	-0.7%	-1.8%	4.7%	19.1%	7.1%	5.2%	6.9%	9.9%	11.5%	12.3%	12.4%	12.1%	12.1%

Source: Company reports and Litchfield Hills Research

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Total return is defined as price appreciation plus dividend yield.

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