

COMPANY RESULTS

Nanofilm Technologies International (NANO SP)

1Q25: Revenue In Line But Gross Margin Misses Expectations

Nanofilm's 1Q25 revenue of S\$44m (+12% yoy) met our expectation, forming 19% of our full-year estimate. However, gross margin fell 6ppt yoy, missing our expectation of gross margin remaining flat yoy. Revenue growth was driven by the AMBU and NFBU segments. While Nanofilm's direct exposure to the US' tariffs is limited, the impact may be felt indirectly. Although Nanofilm's revenue recovery is on track, it may take some time to achieve meaningful earnings. Maintain SELL with a lower target price of S\$0.46.

1Q25 RESULTS

Year to 31 Dec (S\$m)	1Q25	yoy % chg
Total revenue	44	+12
- AMBU	39	+11
- NFBU	3	+49
- IEBU	2	(24)
Gross margin	27%	(6ppt)

Source: Nanofilm, UOB Kay Hian

RESULTS

- **Revenue in line with our expectation but gross margin missed expectation.** Nanofilm Technologies International (Nanofilm) reported 1Q25 revenue of S\$44m (+12% yoy), in line with our expectation, forming 19% of our full-year estimate. However, gross profit margin was weaker than expected vs our expectation of gross profit margin remaining flat yoy, recording a 6ppt yoy decline to 27% in 1Q25 mainly due to softer contribution from the industrial equipment business unit (IEBU), which is a higher-margin segment.
- **AMBU and NFBU delivered growth, while IEBU declined yoy.** Nanofilm's largest segment, the advanced material business unit (AMBU), recorded an 11% yoy revenue growth and contributed 89% of revenue in 1Q25. Within AMBU, 3C grew 6% yoy, automotive grew 15% yoy and other Industrial segments, with contribution from newly acquired EuropCoating Group, grew 34% yoy. The nanofabrication business unit (NFBU) grew 49% yoy, while IEBU fell 24% yoy due to the timing of the equipment deliveries.
- **Limited exposure to direct impact of US tariffs but impact may be felt indirectly; diversified exposure expected to provide some resilience.** As the implementation of the US tariffs are still in the early stages, Nanofilm is closely monitoring its potential impact. While the global operating environment remains complex and uncertain, Nanofilm's resilience to these risks is underpinned by its diversified industry exposure and geographic presence, involvement in high-growth sectors, and minimal direct US trade. In addition, Nanofilm expects its Singapore-based operations to offer optionality for future exports.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	177	204	232	262	296
EBITDA	37	50	47	53	58
Operating profit	3	10	17	20	24
Net profit (rep./act.)	3	8	13	16	18
Net profit (adj.)	3	8	13	16	18
EPS (S\$ cent)	0.5	1.2	2.0	2.4	2.8
PE (x)	111.5	45.4	27.1	22.3	19.2
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	9.0	6.7	7.1	6.4	5.8
Dividend yield (%)	0.2	0.4	0.7	0.9	1.0
Net margin (%)	1.8	3.8	5.6	6.0	6.2
Net debt/(cash) to equity (%)	(19.2)	(6.5)	(14.3)	(11.1)	(8.7)
Interest cover (x)	n.a.	116.6	77.4	86.6	94.7
ROE (%)	0.8	2.0	3.3	3.9	4.4
Consensus net profit (S\$m)	-	-	19	27	27
UOBKH/Consensus (x)	-	-	0.70	0.58	0.68

Source: Nanofilm, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	S\$0.54
Target Price	S\$0.46
Upside	-14.8%
(Previous TP)	S\$0.50)

COMPANY DESCRIPTION

Nanofilm Technologies International Pte Ltd manufactures industrial machinery. The company specialises in batch and load-lock systems, as well as materials with special surface properties and nano-engineering capabilities.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	NANO SP
Shares issued (m):	651.7
Market cap (S\$m):	351.9
Market cap (US\$m):	269.4
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

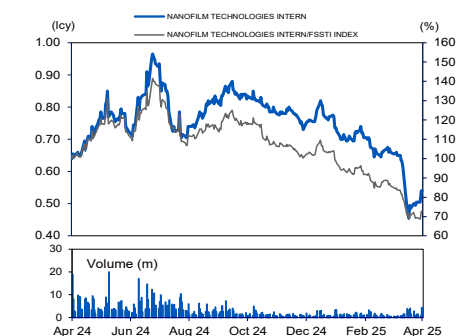
52-week high/low			S\$0.995/S\$0.445	
1mth	3mth	6mth	1yr	YTD
(18.2)	(30.3)	(35.7)	(10.0)	(28.5)

Major Shareholders

	%
Dr Shi Xu	51.8
Temasek Holdings	7.3

FY25 NAV/Share (S\$)	0.61
FY25 Net Cash/Share (S\$)	0.09

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Focusing on three core execution priorities.** Nanofilm's priorities are: a) operationalising Nanofilm's global footprint to enhance customer proximity, supply chain resilience, and commercial agility in key markets, b) strengthening technology differentiation through scalable, high-efficiency platforms that enhance the various business units' productivity and unlock third-party opportunities, and c) advancing sustainability-led innovation through new energy applications, reinforcing Nanofilm's role and leadership in the transition to cleaner technologies.

EARNINGS REVISION/RISK

- We maintain our earnings estimates.

VALUATION/RECOMMENDATION

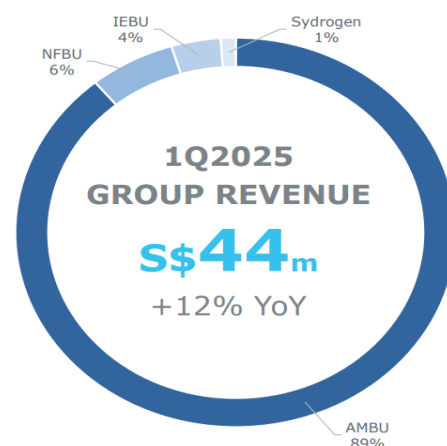
- **Maintain SELL with an 8% lower target price of S\$0.46 (S\$0.50 previously).** We value Nanofilm based on 23x 2025 EPS (25x previously), pegged to an unchanged 0.5SD below its long-term forward mean. The reduction in our PE peg multiple is to reflect the lower PE band of Nanofilm as the stock is still going through a multiple derating process. At current price, Nanofilm is trading at 27x 2025F PE, notably higher compared with its global peers' average of 19x and Singapore peers' average of 15x 2025x PE.

- While Nanofilm's revenue points to a recovery, we think that notable earnings recovery will take some time due to elevated costs from multiple new locations and higher staff count. In addition, the potential impact of the US tariffs on Nanofilm's future earnings could cast uncertainties on the stock.

SHARE PRICE CATALYST

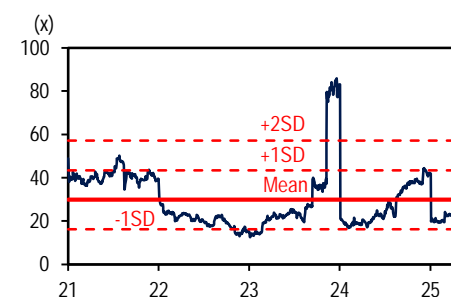
- Better-than-expected ramp-up of the nanofabrication business.
- New applications in the advanced material segment.

REVENUE BREAKDOWN (1Q25)



Source: Nanofilm

PE BAND CHART



Source: Bloomberg, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Price @ 22 Apr 25 (lcy)	Market Cap (US\$m)	PE			3-yr EPS CAGR (%)	P/B 2025 (x)	Yield 2025 (%)	ROE 2025 (%)	Net Gearing (%)
				2024 (x)	2025 (x)	2026 (x)					
Global Peers											
3M Co	MMM US	126.09	68,003	16.6	16.3	15.0	n.a.	15.4	2.4	98.0	151.1
PPG Industries	PPG US	99.4	22,561	20.8	12.7	11.7	16.5	3.1	2.8	25.6	72.3
EMS-Chemie	EMSN SW	568	16,399	28.8	27.8	25.7	4.2	7.0	3.2	26.1	(27.4)
OC Oerlikon	OERL SW	3,242	1,360	16.2	10.7	7.8	61.1	1.0	6.4	8.3	97.4
Rogers Corp	ROG US	54.05	1,001	38.6	23.6	15.0	5.8	n.a.	n.a.	n.a.	(10.8)
Red Avenue	603650 CH	32.3	2,646	37.6	29.8	24.8	24.3	4.9	1.9	15.4	100.4
Bodycote	BOY LN	477.8	1,149	44.2	10.1	9.0	5.7	1.3	4.9	12.4	19.7
Average				29.0	18.7	15.6		5.5	3.6	31.0	57.5
Singapore Peers											
Venture Corp	VMS SP	10.95	2,411	13.0	12.7	12.0	(0.6)	1.1	6.8	8.6	(44.4)
AEM	AEM SP	1.15	276	31.3	15.6	14.3	n.a.	0.7	1.6	4.6	10.3
Frencken	FRKN SP	1.01	330	11.6	10.8	10.2	9.1	0.9	2.8	8.9	(5.9)
UMS	UMSH SP	1.04	566	18.1	15.1	13.3	(4.3)	1.7	5.0	11.5	(15.6)
Aztech Global	AZTECH SP	0.55	325	6.0	21.2	19.2	(39.6)	1.3	2.4	6.0	(81.1)
Average				16.0	15.1	13.8		1.2	3.7	7.9	(27.3)
Nanofilm Tech	NANO SP	0.54	269	45.4	27.1	22.3	71.5	0.9	0.7	3.3	(1.1)

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	204.3	232.2	262.2	296.4
EBITDA	50.1	47.3	52.9	57.8
Deprec. & amort.	39.7	30.5	32.4	34.2
EBIT	10.4	16.8	20.5	23.7
Total other non-operating income	(0.2)	0.0	0.0	0.0
Associate contributions	(0.1)	0.0	0.0	0.0
Net interest income/(expense)	(0.4)	(0.6)	(0.6)	(0.6)
Pre-tax profit	9.6	16.2	19.9	23.1
Tax	(2.1)	(3.6)	(4.4)	(5.1)
Minorities	0.2	0.3	0.3	0.3
Net profit	7.7	13.0	15.8	18.3
Net profit (adj.)	7.7	13.0	15.8	18.3

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	304.5	324.1	341.7	357.5
Other LT assets	73.5	73.5	73.5	73.5
Cash/ST investment	110.2	142.0	130.6	121.9
Other current assets	146.9	132.9	147.7	164.6
Total assets	635.1	672.5	693.5	717.5
ST debt	8.2	8.2	8.2	8.2
Other current liabilities	48.2	75.5	84.2	93.8
LT debt	76.7	76.7	76.7	76.7
Other LT liabilities	72.0	72.0	72.0	72.0
Shareholders' equity	387.9	398.2	410.9	425.5
Minority interest	42.1	41.8	41.5	41.2
Total liabilities & equity	635.1	672.5	693.5	717.5

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	21.2	85.0	42.3	45.5
Pre-tax profit	9.6	16.2	19.9	23.1
Tax	(2.1)	(3.6)	(4.4)	(5.1)
Deprec. & amort.	39.7	30.5	32.4	34.2
Associates	(0.1)	0.0	0.0	0.0
Working capital changes	(26.9)	41.3	(6.2)	(7.2)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	0.9	0.6	0.6	0.6
Investing	(59.1)	(49.5)	(49.5)	(49.5)
Capex (growth)	(34.9)	(50.0)	(50.0)	(50.0)
Investment	(9.2)	0.0	0.0	0.0
Proceeds from sale of assets	0.2	0.0	0.0	0.0
Others	(15.2)	0.5	0.5	0.5
Financing	(7.5)	(6.4)	(7.0)	(7.5)
Dividend payments	(4.3)	(2.6)	(3.2)	(3.7)
Proceeds from borrowings	9.4	0.0	0.0	0.0
Loan repayment	(12.6)	0.0	0.0	0.0
Others/interest paid	0.0	(3.8)	(3.8)	(3.8)
Net cash inflow (outflow)	(45.3)	29.1	(14.1)	(11.4)
Beginning cash & cash equivalent	155.2	111.4	141.7	128.8
Changes due to forex impact	0.3	0.0	0.0	0.0
Ending cash & cash equivalent	110.2	140.5	127.6	117.4

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	24.5	20.4	20.2	19.5
Pre-tax margin	4.7	7.0	7.6	7.8
Net margin	3.8	5.6	6.0	6.2
ROA	1.2	2.0	2.3	2.6
ROE	2.0	3.3	3.9	4.4
Growth				
Turnover	15.4	13.7	12.9	13.0
EBITDA	34.0	(5.7)	11.8	9.4
Pre-tax profit	206.9	68.3	22.4	16.1
Net profit	147.0	67.4	21.8	15.8
Net profit (adj.)	147.0	67.4	21.8	15.8
EPS	145.3	67.4	21.8	15.8
Leverage				
Debt to total capital	16.5	16.2	15.8	15.4
Debt to equity	21.9	21.3	20.7	20.0
Net debt/(cash) to equity	(6.5)	(14.3)	(11.1)	(8.7)
Interest cover (x)	116.6	77.4	86.6	94.7

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