

COMPANY RESULTS

Nanofilm Technologies International (NANO SP)

1Q22: Revenue In Line; Positive Outlook Despite Macro Challenges

Nanofilm's 1Q22 revenue growth of 27% yoy was largely in line with our estimate of 30% yoy growth for 2022. AMBU, the largest segment, contributed 81% of revenue in 1Q22, with 3C products contributing 63%. Nanofilm highlighted that the market has returned to operating in a normalised cycle with the easing of supply chain disruptions. Despite several macro challenges, Nanofilm is positive and confident of 2022. Maintain HOLD and target price of S\$2.72 (23x 2022F PE).

1Q22 RESULTS

Year to 31 Dec (S\$m)	1Q22	1Q21	yoy % chg
Revenue	-	-	27.0
Advanced materials business units (AMBU)	81% of revenue	88% of revenue	-7ppt
Industrial equipment business units (IEBU)	14% of revenue	10% of revenue	+4ppt
Nanofabrication business units (NFBU)	6% of revenue	2% of revenue	+4ppt

Source: Nanofilm, UOB Kay Hian

RESULTS

- In-line results with healthy yoy revenue growth.** Nanofilm Technologies International (Nanofilm) reported 1Q22 revenue growth of 27% yoy, largely in line with our 30% yoy growth estimate for 2022.
- All BUs performing well and gaining traction.** The largest segment, Advanced Materials Business Unit (AMBU) contributed 81% of revenue in 1Q22, with 3C products contributing 63%. The growth is driven by communications and wearables as well as accessories, as the market returned to operating in a normalised cycle with the easing of supply chain disruptions. The other segments also grew mainly from the automobile segment. Nanofilm is also seeing positive developments including fuel injection system, battery connectors and other car parts. In addition, the precision engineering and printing & imaging segments recorded growth in demand from the printing imaging, precision engineering tooling and biomedical testing components. On the other hand, Sydrogen's production line has been qualified and on track for pilot production and maiden revenue contribution in 2H22. Also, it has commenced pilot production of coating services.
- Nanofilm is positive and confident of 2022.** Despite several macro challenges, Nanofilm is positive and confident of 2022. Due to the COVID-19 situation in Shanghai, the flow of logistics and labour have been affected, but Nanofilm continues its operations in a closed-loop manufacturing arrangement. If the situation is prolonged, there may be impact on Nanofilm's operations. On the other hand, Nanofilm is controlling the impact of inflationary pressures via solar panel installation and increase of automation to reduce direct labour dependency.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	218	247	320	404	487
EBITDA	92	94	141	167	186
Operating profit	73	68	94	117	140
Net profit (rep./act.)	58	62	78	97	116
Net profit (adj.)	58	62	78	97	116
EPS (S\$ cent)	10.6	9.4	11.8	14.6	17.6
PE (x)	26.3	29.7	23.6	19.1	15.9
P/B (x)	4.3	4.3	3.8	3.2	2.8
EV/EBITDA (x)	18.6	18.2	12.2	10.3	9.2
Dividend yield (%)	0.6	0.7	0.8	1.0	1.3
Net margin (%)	26.4	25.2	24.4	23.9	23.9
Net debt/(cash) to equity (%)	(43.5)	(34.5)	(35.2)	(45.7)	(54.2)
Interest cover (x)	87.9	n.a.	n.a.	n.a.	n.a.
ROE (%)	20.9	14.5	17.0	18.2	18.9
Consensus net profit	-	-	79	92	105
UOBKH/Consensus (x)	-	-	0.99	1.05	1.11

Source: Nanofilm, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$2.80
Target Price	S\$2.72
Upside	-2.9%

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):	657.7
Market cap (S\$m):	1,841.5
Market cap (US\$m):	1,349.1
3-mth avg daily t'over (US\$m):	4.4

Price Performance (%)

52-week high/low S\$6.53/S\$2.39

1mth	3mth	6mth	1yr	YTD
10.7	(6.4)	(25.7)	(48.8)	(26.7)

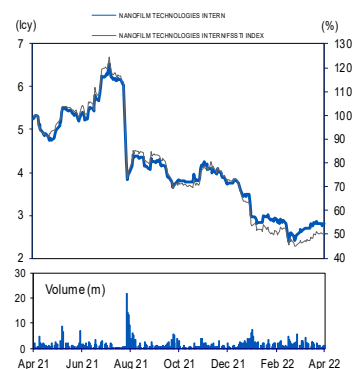
Major Shareholders

Major Shareholders	%
Dr Shi Xu	44.3
Temasek Holdings	7.2

FY22 NAV/Share (S\$) 0.75

FY22 Net Cash/Share (S\$) 0.26

PRICE CHART



Source: Bloomberg

ANALYST(S)

John Cheong
+65 6590 6623
johncheong@uobkayhian.com

STOCK IMPACT

- **Focus on operational excellence.** Nanofilm aims to focus on operational excellence to increase its productivity and efficiency in order to mitigate inflationary pressures. To drive its operational excellence, Nanofilm has embraced Industry 4.0 by adopting a disciplined approach to upgrade its facilities into Smart Factories with investments in automation and digitalisation systems to reduce labour requirements.
- **R&D efforts in new exciting areas are intensifying with pathways to commercialisation.** These areas cover multiple transformational fields in: a) new classes of advanced materials through greener and sustainable composites, b) engineered optics for virtual reality and augmented reality to revolutionise the manner in which a person interacts with the world, and c) hydrogen fuel cell technologies and components to enable decarbonisation energy transition through hydrogen.
- In its first year of operation, Sydrogen recognised a net loss of S\$1m in FY21 related to operating expenses incurred in building its business fundamentals. Sydrogen will continue to establish its foundation for technology and production capacity, and is on track to recognise initial revenue in an automobile project in 2HFY22.

EARNINGS REVISION/RISK

- We maintain our earnings forecasts.
- Our earnings estimates indicate yoy earnings growth of 23%/23% for 2022/23.

VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of S\$2.72.** We value Nanofilm based on an unchanged PEG of 1.0x (growth based on three-year EPS CAGR of 23% from 2021-24).
- Our target PE multiple of 23x 2022F PE is at a slight discount vs Nanofilm's peers' 25x 2022F PE.

SHARE PRICE CATALYST

- Better-than-expected ramp-up of the nanofabrication business.
- New application in the advanced material segment such as automobile (bi-polar plate electrodes in fuel cells) and fast-moving consumer goods.

PEER COMPARISON

Company	Ticker	Price @ 20 Apr 22 (1cy)	Market Cap (US\$m)	PE 2021 (x)	PE 2022 (x)	PE 2023 (x)	3-yr EPS CAGR (%)	P/B 2022 (x)	Yield 2022 (%)	ROE 2022 (%)	Net Gearing (%)	Net Margin 2021 (%)
3M Co	MMM US	150.1	85,433	14.7	14.5	13.6	5.3	5.1	4.0	38.0	89.6	16.5
PPG Industries	PPG US	129.64	30,614	21.4	18.0	14.6	25.7	4.4	1.9	25.5	99.7	9.0
EMS-Chemie	EMSN SW	860.5	21,157	36.6	33.3	29.1	16.8	10.9	2.6	33.1	(5.0)	24.4
CMC Materials	CCMP US	180.05	5,145	n.a.	23.9	22.0	18.7	n.a.	1.0	23.2	80.6	17.0
OC Oerlikon	OERL SW	6.975	2,491	14.0	12.2	11.2	78.3	1.5	5.7	13.1	23.2	6.7
Rogers Corp	ROG US	273.73	5,147	47.4	20.4	12.0	104.2	n.a.	n.a.	n.a.	(2.2)	10.4
Red Avenue	603650 CH	29.95	2,792	54.5	31.1	21.7	25.4	5.7	1.3	17.7	53.1	16.6
Bodycote	BOY LN	630	1,571	20.2	14.4	12.5	531.6	1.7	3.4	12.3	17.1	12.0
Average				29.8	21.0	17.1		4.9	2.8	23.3	44.5	14.1
Singapore Peers												
Venture Corp	VMS SP	17.00	3,620	15.8	14.5	13.4	7.3	1.7	4.7	12.3	(29.2)	10.1
AEM	AEM SP	4.89	1,108	15.4	12.3	10.8	8.5	3.0	2.0	27.5	(33.5)	16.7
Frencken	FRKN SP	1.54	482	11.2	9.8	8.1	23.8	1.5	3.1	16.7	(18.0)	7.8
UMS	UMSH SP	1.21	591	15.2	13.0	12.9	19.7	2.6	4.1	21.3	(6.4)	22.8
Aztech Global	AZTECH SP	0.945	534	9.5	8.1	6.5	17.5	2.1	5.6	28.2	18.3	11.5
Average				13.4	11.5	10.3		2.2	3.9	21.2	(13.8)	13.8
Nanofilm Tech	NANO SP	2.80	1,349	29.7	23.6	19.1	11.2	3.8	0.8	17.0	(27.5)	24.4

Source: Bloomberg, UOB Kay Hian

REVENUE PERFORMANCE SUMMARY (1Q22)



Source: Nanofilm, UOB Kay Hian

BUSINESS UNITS (BU) SUMMARY(1Q22)

<p>AMBU</p> <ul style="list-style-type: none"> • Mainly driven by Wearables & Accessories, Communication sub-segments, and Automotive segment • Approx. 81% of Group's YTD revenue¹
<p>NFBU</p> <ul style="list-style-type: none"> • Driven by mass production products, including the MLA project and a Fresnel lens project • Approx. 6% of Group's YTD revenue¹
<p>IEBU</p> <ul style="list-style-type: none"> • Group revenue strategy to address opportunities through equipment sales in selective markets • Approx. 14% of Group's YTD revenue¹
<p>Sydrogen</p> <ul style="list-style-type: none"> • Plant qualified, on track for pilot production and maiden revenue contribution in 2H2022 • Commenced pilot production of coating services

Source: Nanofilm, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	246.7	319.8	404.3	486.6
EBITDA	94.1	140.6	166.9	185.6
Deprec. & amort.	25.8	46.4	50.2	45.4
EBIT	68.3	94.1	116.7	140.2
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	1.3	0.0	0.0	0.0
Net interest income/(expense)	0.3	0.4	0.2	0.2
Pre-tax profit	69.9	94.5	116.9	140.4
Tax	(7.3)	(16.1)	(20.1)	(23.9)
Minorities	(0.3)	(0.3)	(0.3)	(0.3)
Net profit	62.2	78.1	96.5	116.2
Net profit (adj.)	62.2	78.1	96.5	116.2

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	290.2	313.8	283.6	258.2
Other LT assets	26.0	26.0	26.0	26.0
Cash/ST investment	176.6	201.5	288.6	387.2
Other current assets	152.1	181.8	222.5	262.1
Total assets	644.9	723.1	820.7	933.5
ST debt	2.1	2.1	2.1	2.1
Other current liabilities	72.0	87.4	107.4	127.0
LT debt	26.2	26.2	26.2	26.2
Other LT liabilities	69.7	69.7	69.7	69.7
Shareholders' equity	429.6	492.1	569.3	662.3
Minority interest	45.4	45.7	46.0	46.3
Total liabilities & equity	644.9	723.1	820.7	933.5

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	73.2	110.2	126.2	141.6
Pre-tax profit	69.9	94.5	116.9	140.4
Tax	(7.3)	(16.1)	(20.1)	(23.9)
Deprec. & amort.	25.8	46.4	50.2	45.4
Associates	1.3	0.0	0.0	0.0
Working capital changes	(16.0)	(14.3)	(20.6)	(20.1)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(0.5)	(0.4)	(0.2)	(0.2)
Investing	(119.8)	(69.5)	(19.5)	(19.5)
Capex (growth)	(104.9)	(70.0)	(20.0)	(20.0)
Investments	(4.5)	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	(10.6)	0.5	0.5	0.5
Financing	(4.9)	(16.4)	(20.1)	(24.1)
Dividend payments	(6.6)	(15.6)	(19.3)	(23.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	49.0	0.0	0.0	0.0
Loan repayment	(64.2)	0.0	0.0	0.0
Others/interest paid	16.9	(0.7)	(0.8)	(0.8)
Net cash inflow (outflow)	(51.5)	24.3	86.6	98.0
Beginning cash & cash equivalent	226.9	177.1	201.9	289.0
Changes due to forex impact	1.2	0.0	0.0	0.0
Ending cash & cash equivalent	176.6	201.4	288.5	387.1

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	38.1	44.0	41.3	38.1
Pre-tax margin	28.3	29.6	28.9	28.8
Net margin	25.2	24.4	23.9	23.9
ROA	10.4	11.4	12.5	13.2
ROE	14.5	17.0	18.2	18.9
Growth				
Turnover	13.0	29.6	26.4	20.4
EBITDA	2.1	49.4	18.7	11.2
Pre-tax profit	(0.6)	35.3	23.7	20.0
Net profit	8.0	25.6	23.5	20.4
Net profit (adj.)	8.0	25.6	23.5	20.4
EPS	(11.4)	25.7	23.5	20.4
Leverage				
Debt to total capital	5.6	5.0	4.4	3.8
Debt to equity	6.6	5.7	5.0	4.3
Net debt/(cash) to equity	(34.5)	(35.2)	(45.7)	(54.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W