

Singapore

April 20, 2022 - 1:24 PM

ADD (no change)

Consensus ratings*: Buy 6 Hold 3 Sell 0

Current price:	S\$2.76
Target price:	S\$3.50
Previous target:	S\$3.50
Up/downside:	26.8%
CGS-CIMB / Consensus:	-0.3%
Reuters:	NANO.SI
Bloomberg:	NANO SP
Market cap:	US\$1,327m
	S\$1,815m
Average daily turnover:	US\$4.31m
	S\$5.84m
Current shares o/s	659.7m
Free float:	45.4%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	80.9	99.0	114.5
Core EPS (S\$)	0.12	0.15	0.17
Core EPS Growth	29.9%	22.4%	15.6%
FD Core P/E (x)	22.51	18.39	15.91
Recurring ROE	17.6%	18.8%	18.8%
P/BV (x)	3.71	3.23	2.80
DPS (S\$)	0.031	0.038	0.043
Dividend Yield	1.11%	1.36%	1.57%



Price performance	1M	3M	12M
Absolute (%)	9.1	-9.8	-46.9
Relative (%)	9.8	-10.5	-49.9

Major shareholders	% held
Pearl Yard Holdings	38.6
Venezio Investments	7.3

Analyst(s)

William TNG, CFA
 T (65) 6210 8676
 E william.tng@cgs-cimb.com

Nanofilm Technologies Int'l Ltd

Confident of growing in FY22F

- In its 1Q22 business update, Nanofilm reported that revenue increased 27% yoy supported by growth in all its business units.
- While acknowledging the challenging operating environment, the group guided that it remained confident of growth in FY22F.
- We reiterate our Add call as Nanofilm enters the typically stronger second-half.

1Q22 business update

- Nanofilm provided its 1Q22 business update yesterday (19 Apr 2022). No financials were disclosed in this update.
- 1Q22 revenue increased 27% yoy. In 1Q22, the Advanced Materials Business Unit (AMBU) accounted for 81% of group revenue. The 3C (computer, communication and consumer electronics) segment was 63% of revenue. Nanofilm guided that order visibility for the 3C segment is strong as the group enters the typically stronger second-half of the year.
- The Nanofabrication Business Unit (NFBU) contributed 6% of 1Q22 revenue.
- The Industrial Equipment Business Unit (IEBU) accounted for 14% of 1Q22 revenue.
- Sydhrogen is expected to generate some revenue in 2H22F.

Nanofilm positive on FY22F outlook

- Nanofilm remains positive and confident of FY22F.
- To address inflationary cost pressures, Nanofilm is installing solar panels at its factory to reduce electricity cost. It also plans to increase automation to offset wage pressure and labour availability. Raw materials form only a small part of its cost of goods sold.
- On the Covid-19 situation in China, Nanofilm's production has not been disrupted thus far and while logistics is challenging, it is flowing still. However, should the situation be prolonged, its operations could be affected.

Reiterate Add

- We reiterate our Add call with a TP of S\$3.50 on Nanofilm.
- Our FY21-24F EPS CAGR is 22.54%. At a P/E multiple of 22.54x, the implied P/E-to-growth (PEG) ratio is 1.00x. Although Nanofilm is optimistic on its FY22F outlook, we apply a 10.0% discount to this PEG ratio to factor in earnings risks from disruptions related to the Covid-19 pandemic and possible negative impact on consumer demand arising from inflation.
- This results in a P/E of 20.29x and we ascribe a 15% premium to this multiple (for its potential growth prospects and proprietary technology) and value the company at 23.33x FY23F forecast EPS.
- Re-rating catalysts include new order wins from customers and market share gains.
- Downside risks are high customer concentration, persistent component shortages and increase in Covid-19 cases.

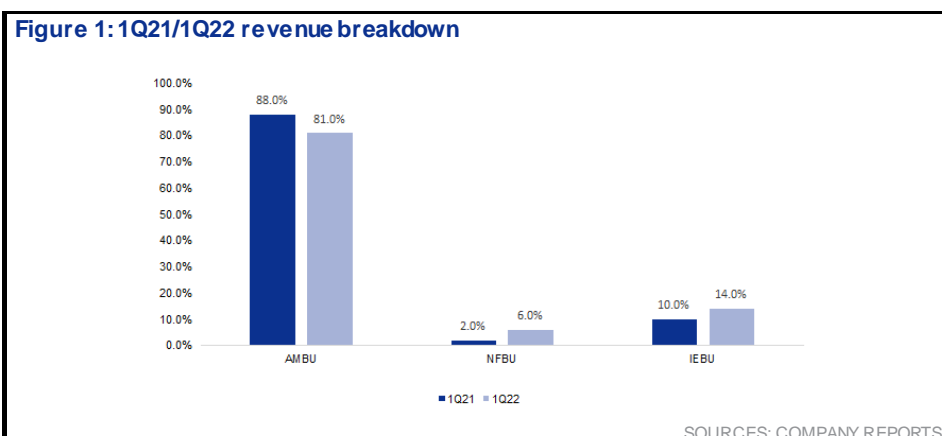


Figure 2: Peers comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)	Dividend Yield (%)
						CY22F	CY23F		CY22F	CY22F	CY22F
Materion Corp	MTRN US	NR	86.75	NA	1,774	17.4	15.0	na	2.22	14.0%	na
Entegris Inc	ENTG US	NR	116.6	NA	15,839	27.9	25.0	19.1%	7.07	23.1%	0.3%
Rogers Corp	ROG US	NR	273.7	NA	5,147	20.4	12.0	65.3%	na	na	na
3M Co	MMM US	NR	150.1	NA	85,433	14.5	13.6	4.6%	5.10	38.0%	4.0%
PPG Industries Inc	PPG US	NR	129.6	NA	30,614	18.0	14.6	17.7%	4.38	25.5%	1.9%
CMC Materials Inc	CCMP US	NR	180.1	NA	5,145	24.1	22.6	255.5%	na	23.4%	1.1%
Element Solutions Inc	ESI US	NR	20.94	NA	5,197	13.5	11.7	33.5%	1.95	14.1%	1.5%
EMS-Chemie Holding AG	EMSN SW	NR	860.5	NA	21,161	33.3	29.1	10.0%	10.91	33.1%	2.6%
OC Oerlikon Corp AG	OERL SW	NR	6.98	NA	2,492	12.2	11.2	8.6%	1.54	13.1%	5.7%
Tosoh Corp	4042 JP	NR	1,775	NA	4,501	6.1	6.0	-35.5%	0.76	13.1%	4.4%
Nanofilm Technologies Int'l Ltd	NANO SP	ADD	2.76	3.50	1,327	22.5	18.4	22.5%	3.71	17.7%	1.1%
Simple average excluding Nanofilm						18.7	16.1	42.1%	4.2	21.9%	2.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS
NOTE: FORECASTS FOR NOT RATED COMPANIES ARE BLOOMBERG CONSENSUS ESTIMATES
DATA AS AT 20 APR. 2022

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	255.2	302.3	361.3	416.9
Gross Profit	130.7	188.5	224.3	257.7
Operating EBITDA	95.1	122.4	148.0	169.9
Depreciation And Amortisation	(25.5)	(29.8)	(34.6)	(38.8)
Operating EBIT	69.6	92.6	113.4	131.1
Financial Income/(Expense)	0.3	0.3	0.3	0.3
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	69.9	92.9	113.7	131.4
Exceptional Items				
Pre-tax Profit	69.9	92.9	113.7	131.4
Taxation	(7.3)	(11.6)	(14.2)	(16.4)
Exceptional Income - post-tax				
Profit After Tax	62.5	81.3	99.4	115.0
Minority Interests	(0.3)	(0.4)	(0.5)	(0.5)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	62.2	80.9	99.0	114.5
Recurring Net Profit	62.2	80.9	99.0	114.5
Fully Diluted Recurring Net Profit	62.2	80.9	99.0	114.5

Balance Sheet

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	176.6	191.6	213.4	260.9
Total Debtors	106.8	132.5	158.4	182.8
Inventories	17.4	21.6	25.9	29.8
Total Other Current Assets	27.9	27.9	27.9	27.9
Total Current Assets	328.7	373.6	425.5	501.4
Fixed Assets	290.2	321.8	360.7	386.3
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	9.9	8.7	7.5	6.3
Total Other Non-Current Assets	14.8	15.9	15.6	15.3
Total Non-current Assets	314.8	346.4	383.8	407.9
Short-term Debt		2.1	2.1	2.1
Current Portion of Long-Term Debt	2.1			
Total Creditors	60.5	74.5	89.1	102.8
Other Current Liabilities	11.5	11.5	11.5	11.5
Total Current Liabilities	74.1	88.1	102.7	116.4
Total Long-term Debt	79.3	26.2	26.2	26.2
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	15.3	69.7	69.7	69.7
Total Non-current Liabilities	94.6	95.9	95.9	95.9
Total Provisions	1.3	0.0	0.0	0.0
Total Liabilities	169.9	184.0	198.5	212.2
Shareholders' Equity	429.6	490.3	564.5	650.4
Minority Interests	45.4	45.8	46.2	46.7
Total Equity	475.0	536.0	610.7	697.1

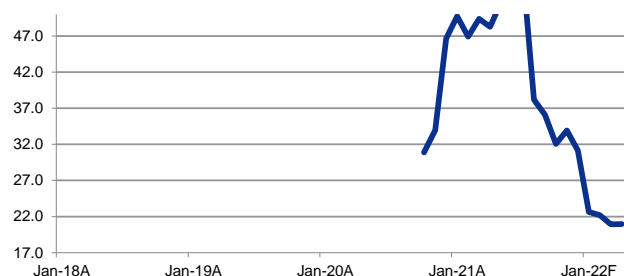
Cash Flow

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	95.12	122.44	147.99	169.92
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(16.00)	(15.90)	(15.54)	(14.65)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	1.56			
Other Operating Cashflow				
Net Interest (Paid)/Received	0.63	0.30	0.30	0.30
Tax Paid	(8.11)	(11.61)	(14.21)	(16.42)
Cashflow From Operations	73.20	95.22	118.54	139.15
Capex	(115.31)	(60.00)	(72.00)	(63.00)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	(4.50)	0.00	0.00	0.00
Cash Flow From Investing	(119.81)	(60.00)	(72.00)	(63.00)
Debt Raised/(repaid)	(12.53)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased		0.00	0.00	0.00
Dividends Paid	(6.59)	(20.22)	(24.75)	(28.62)
Preferred Dividends				
Other Financing Cashflow	(2.24)	0.00	0.00	0.00
Cash Flow From Financing	(21.35)	(20.22)	(24.75)	(28.62)
Total Cash Generated	(67.96)	14.99	21.79	47.54
Free Cashflow To Equity	(59.14)	35.22	46.54	76.15
Free Cashflow To Firm	(46.26)	35.92	47.24	76.85

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	13.0%	22.5%	19.5%	15.4%
Operating EBITDA Growth	5.0%	28.7%	20.9%	14.8%
Operating EBITDA Margin	38.6%	40.5%	41.0%	40.8%
Net Cash Per Share (S\$)	0.14	0.25	0.28	0.35
BVPS (S\$)	0.65	0.74	0.86	0.99
Gross Interest Cover	98.8	132.3	161.9	187.3
Effective Tax Rate	10.5%	12.5%	12.5%	12.5%
Net Dividend Payout Ratio	21.2%	25.0%	25.0%	25.0%
Accounts Receivables Days	149.8	144.5	146.9	149.7
Inventory Days	48.58	62.57	63.28	64.03
Accounts Payables Days	157.7	216.6	218.0	220.6
ROIC (%)	27.3%	23.5%	25.6%	26.5%
ROCE (%)	13.6%	16.7%	19.0%	19.4%
Return On Average Assets	10.4%	11.9%	13.0%	13.3%

12-mth Fwd FD P/E (x) - Nanofilm Technologies Int'l Ltd



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Advanced Materials (% yoy)	6.5%	27.0%	22.7%	17.5%
Industrial Equipment (% yoy)	81.3%	5.0%	4.0%	3.0%
Nanofabrication (% yoy)	-30.7%	12.0%	12.0%	12.0%

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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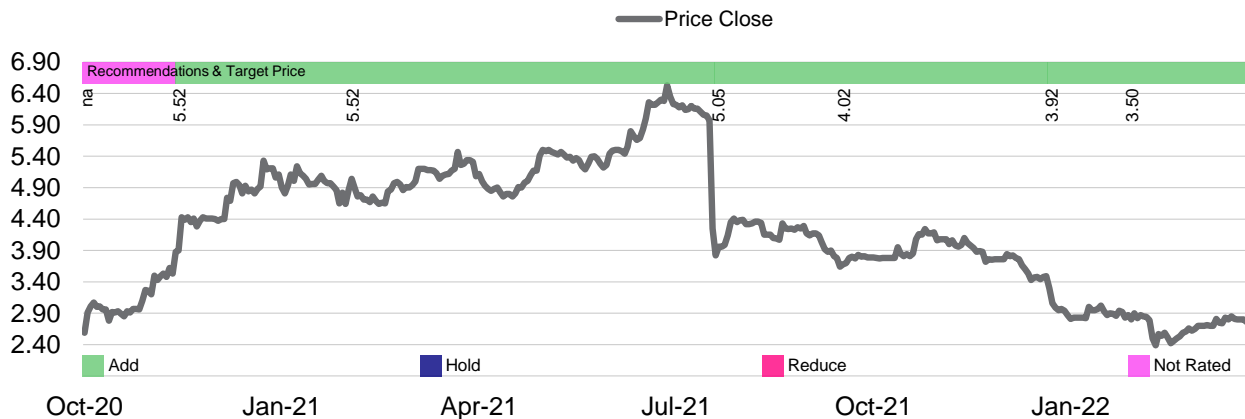
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)

Nanofilm Technologies Int'l Ltd (NANO SP)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SV** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.