

Nanofilm Technologies International (NANO SP)

3Q26: Margin Expansion Cushions Softer AMBU Revenue

Highlights

- 3Q26 revenue grew 2% yoy to S\$74m, bringing 9M26 revenue to S\$187m (+4% yoy), or 68% of our full-year forecast, which we deem in line given a delayed production ramp-up which will see fulfilment in 4Q26.
- Gross and EBITDA margins each rose 5ppt yoy to 45% and 32% respectively. Strong NFBU and IEBU growth offset weaker AMBU sales.
- The flagship coating programme is now at full capacity, supporting 4Q26. Maintain BUY with a 27% lower target price of S\$1.09 (24x 2027F EPS).

3Q26 / 9M26 Results

Year to 31 Dec (\$m)	3Q26	yoy chg	9M26	yoy chg
Revenue (\$m)	74	2%	187	4%
- AMBU (Advanced Material Business Unit)	55	-13%	153	1%
- IEBU (Industrial Equipment Business Unit)	7	66%	13	4%
- NFBU (Nanofabrication Business Unit)	12	120%	21	63%
Gross margin (%)	45	5ppt	41	5ppt
EBITDA margin (%)	32	5ppt	29	5ppt

Source: Nanofilm

Analysis

- Margins improved despite modest revenue growth.** Nanofilm Technologies International (Nanofilm) reported a 3Q26 revenue of S\$74m (+2% yoy). Gross and EBITDA margins rose 5ppt yoy to 45% and 32% respectively, supported by automation and operational optimisation. For 9M26, revenue rose 4% yoy to S\$187m, while gross and EBITDA margins improved to 41% and 29%. Management indicated improved profitability, although PATMI was not disclosed.
- AMBU weakness partly offset by industrial growth; expect catching up in 4Q26.** AMBU accounted for 82% of 9M26 revenue. The consumer subsegment's revenue fell 19% yoy to S\$39m in 3Q26 amid smartphone substrate changes and a supply-chain-related delay in a flagship programme ramp-up until late-3Q26. The industrial subsegment's revenue grew 8% yoy to S\$16m, driven by Europe. The flagship functional coating project has now reached full capacity, supporting a stronger contribution in 4Q26.

Key Financials

Year to 31 Dec (\$m)	2024	2025	2026F	2027F	2028F
Net turnover	204	245	275	311	350
EBITDA	50	62	57	71	81
Operating profit	10	18	27	39	47
Net profit (rep./act.)	8	12	20	30	36
Net profit (adj.)	8	12	20	30	36
EPS (\$ cent)	1.2	1.8	3.1	4.5	5.5
PE (x)	68.1	44.7	26.0	17.7	14.7
P/B (x)	1.4	1.2	1.2	1.1	1.0
EV/EBITDA (x)	10.7	8.7	9.4	7.5	6.6
Dividend yield (%)	0.8	1.5	0.8	1.1	1.4
Net margin (%)	3.8	4.8	7.3	9.5	10.2
Net debt/(cash) to equity (%)	(6.5)	1.8	(3.8)	(2.7)	(3.1)
Interest cover (x)	116.8	49.2	45.6	56.8	64.4
ROE (%)	2.0	2.9	4.5	6.4	7.3
Consensus net profit (\$m)	-	-	20	29	38
UOBKH/Consensus (x)	-	-	0.99	1.02	0.94

Source: Nanofilm, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S\$0.805
Target Price	S\$1.090
Upside	35.4%
Previous TP	S\$1.680

Stock Data

Sector	Materials
Bloomberg ticker	NANO SP
Shares issued (m)	648.8
Market cap (\$m)	522.3
Market cap (US\$m)	407.8
3-mth avg t'over (US\$m)	3.2

Price Performance (%)

52-week high/low			S\$1.68/S\$0.530	
1mth	3mth	6mth	1yr	YTD
(5.8)	(23.3)	(44.5)	12.6	37.6

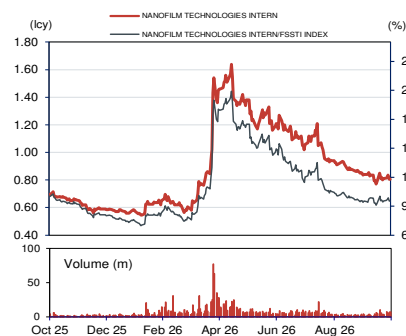
Major Shareholders (%)

Dr Shi Xu	44.86
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Balance Sheet Metrics

FY26 NAV/Share (\$)	0.70
FY26 Net Cash/ Share (\$)	0.03

Price Chart



Source: Bloomberg

Company Description

Nanofilm Technologies International provides nanotechnology solutions. The company specialises in advanced materials and nanoproducts. Nanofilm Technologies International serves customers in Asia.

- **NFBU and IEBU delivered strong growth.** NFBU revenue surged 120% yoy to S\$12m in 3Q26, driven by micro lens array sensor demand for a new smartwatch series, for which Nanofilm is a key supplier. IEBU revenue grew 66% yoy to S\$7m on deliveries of AI PCB drill bit coating equipment. Rising AI demand provides opportunities for further equipment orders, while NFBU is building on its smartphone and smartwatch capabilities.
- **New projects support recovery, with execution risks.** Nanofilm has started engineering development on new substrates for a major customer component, targeting mass production in 2027. Industrial opportunities span semiconductor, PCB micro-tools, medical and life science applications. Sydrogen revenue fell 7% yoy to S\$0.3m as non-coating production delays affected deliveries to a Chinese automotive OEM. Yield and capacity improvements remain priorities; titanium electrode coating deliveries to an industrial customer have started in 4Q26.

Valuation/Recommendation

- **Maintain BUY with a 27% lower target price of S\$1.09.** We reduce our valuation peg to 24x 2027 EPS based on 0.5SD below PE mean, down from 37x, or 0.5SD above the long-term forward PE mean previously. This is to reflect the general sector derating in the small-mid-cap space. Margin improvement, the completed flagship ramp-up and new substrate development support the recovery outlook. Stronger programme execution and additional equipment orders could provide upside to earnings.

Earnings Revision/Risk

- **We maintain our financial estimates.** 9M26 revenue met 68% of our 2026 forecast of S\$275.5m, implying about S\$89m in 4Q26, or a 20% growth qoq. Key risks are a slower Consumer recovery, delayed equipment orders and continued Sydrogen production issues.

Share Price Catalyst

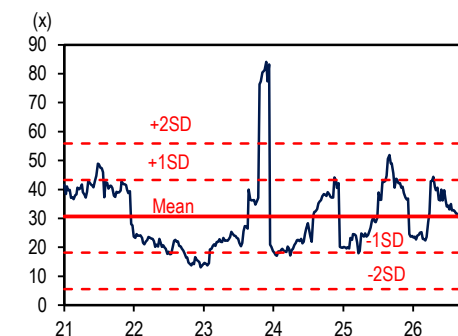
- A stronger 4Q26 programme contribution and successful commercialisation of new substrate coatings in 2027.

Peer Comparison

Company	Ticker	Price @	Market Cap	PE			3-yr EPS CAGR	P/B	Yield	ROE	Net Gearing
		29 Oct 26 (lcy)		2025 (x)	2026 (x)	2027 (x)					
3M Co	MMM US	172.80	89,291	28.6	18.9	17.4	9.5	21.8	1.8	88.9	203.4
PPG Industries	PPG US	118.44	26,329	17.0	14.8	13.7	21.9	3.1	2.4	20.9	68.3
EMS-Chemie	EMSN SW	839.00	23,708	42.0	38.9	36.3	5.5	10.2	2.3	26.5	(35.7)
OC Oerlikon	OERL SW	5.60	2,299	n.a.	11.1	19.1	13.6	1.6	3.2	33.8	62.0
Rogers Corp	ROG US	140.79	2,505	n.a.	34.7	29.9	49.8	n.a.	n.a.	n.a.	(17.6)
Red Avenue	603650 CH	44.59	4,902	47.4	39.5	31.4	18.2	6.1	1.4	15.5	8.9
Bodycote	BOY LN	916.00	2,075	29.5	18.4	16.4	73.1	5.0	2.6	11.0	31.1
Average				32.9	25.2	23.5		8.0	2.3	32.7	45.8
AEM	AEM SP	8.15	2,030	150.9	29.7	26.0	104.1	4.7	0.8	16.7	(10.4)
Aztech Global	AZTECH SP	0.38	229	7.3	14.7	10.0	(25.2)	1.2	5.3	7.5	(20.5)
Frencken	FRKN SP	2.12	784	23.1	20.1	18.6	9.4	1.8	1.5	9.1	(1.0)
UMS	UMSH SP	2.18	1,602	37.3	26.9	23.0	27.4	4.2	2.3	16.2	(6.3)
VAL	VALUE SP	0.96	306	20.2	15.1	13.9	0.7	1.6	6.6	10.8	(82.6)
Venture Corp	VMS SP	15.15	3,397	19.2	17.8	17.0	1.7	1.5	5.3	8.7	(40.7)
Average				43.0	20.7	18.1		2.5	3.6	11.5	(26.9)
Nanofilm Tech	NANO SP	0.805	408	44.7	26.0	17.7	56.7	1.2	0.8	4.5	3.1

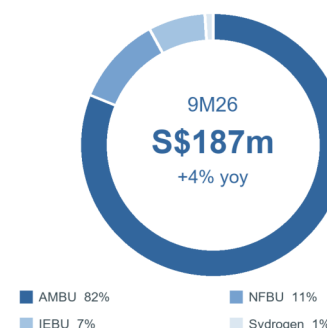
Source: Bloomberg, UOB Kay Hian

Long-Term Forward PE Band



Source: UOB Kay Hian, 14 Aug 26

9M26 Revenue



Source: Nanofilm. Mix totals 101% due to rounding.

Profit & loss

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Net turnover	244.6	275.5	310.5	350.2
EBITDA	61.9	57.4	71.4	81.0
Deprec. & amort.	44.0	30.6	32.6	34.3
EBIT	17.9	26.8	38.8	46.7
Total other non-operating income	(3.3)	0.0	0.0	(0.0)
Associate contributions	(0.1)	0.0	0.0	0.0
Net interest income/(expense)	(1.3)	(1.3)	(1.3)	(1.3)
Pre-tax profit	13.2	25.5	37.6	45.4
Tax	(1.3)	(5.6)	(8.3)	(10.0)
Minorities	(0.1)	0.3	0.3	0.3
Net profit	11.8	20.2	29.6	35.7
Net profit (adj.)	11.8	20.2	29.6	35.7

Cash flow

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Operating	48.6	80.2	53.1	60.9
Pre-tax profit	13.2	25.5	37.6	45.4
Tax	(1.3)	(5.6)	(8.3)	(10.0)
Deprec. & amort.	44.0	30.6	32.6	34.3
Associates	(0.1)	0.0	0.0	0.0
Working capital changes	(8.7)	28.5	(10.0)	(10.1)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	1.5	1.3	1.3	1.3
Investing	(67.8)	(49.8)	(49.8)	(49.8)
Capex (growth)	(46.9)	(50.0)	(50.0)	(50.0)
Investment	(5.3)	0.0	0.0	0.0
Proceeds from sale of assets	0.6	0.0	0.0	0.0
Others	(16.2)	0.2	0.2	0.2
Financing	(6.2)	(6.7)	(8.6)	(9.8)
Dividend payments	(4.3)	(4.0)	(5.9)	(7.1)
Proceeds from borrowings	18.4	0.0	0.0	0.0
Loan repayment	(15.3)	0.0	0.0	0.0
Others/interest paid	(5.0)	(2.7)	(2.7)	(2.7)
Net cash inflow (outflow)	(25.3)	23.7	(5.3)	1.3
Beginning cash & cash equivalent	110.2	85.7	110.7	106.6
Changes due to forex impact	(0.3)	0.0	0.0	0.0
Ending cash & cash equivalent	84.5	109.5	105.4	107.9

Balance Sheet

Year to 31 Dec (\$m)	2025	2026F	2027F	2028F
Fixed assets	306.3	325.7	343.1	358.8
Other LT assets	86.1	86.1	86.1	86.1
Cash/ST investment	84.6	109.5	105.4	107.9
Other current assets	163.8	157.1	174.4	194.0
Total assets	640.7	678.3	709.0	746.8
ST debt	10.7	10.7	10.7	10.7
Other current liabilities	62.7	84.5	91.8	101.3
LT debt	81.8	81.8	81.8	81.8
Other LT liabilities	15.7	15.7	15.7	15.7
Shareholders' equity	437.7	453.9	477.6	506.1
Minority interest	32.1	31.8	31.5	31.2
Total liabilities & equity	640.7	678.3	709.0	746.8

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.3	20.8	23.0	23.1
Pre-tax margin	5.4	9.3	12.1	13.0
Net margin	4.8	7.3	9.5	10.2
ROA	1.9	3.1	4.3	4.9
ROE	2.9	4.5	6.4	7.3
Growth				
Turnover	19.7	12.6	12.7	12.8
EBITDA	23.2	(7.2)	24.4	13.4
Pre-tax profit	37.3	92.6	47.4	20.8
Net profit	52.4	71.1	46.7	20.6
Net profit (adj.)	52.4	71.1	46.7	20.6
EPS	52.4	71.8	46.7	20.6
Leverage				
Debt to total capital	16.4	16.0	15.4	14.7
Debt to equity	21.1	20.4	19.4	18.3
Net debt/(cash) to equity	1.8	(3.8)	(2.7)	(3.1)
Interest cover (x)	49.2	45.6	56.8	64.4

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