Company Update

Nanofilm Technologies International Ltd

Singapore | Materials

Lai Gene Lih, CFA
Equity Research

Delivering on margin expansion

Rating	**BUY** (as at 29 October 2026)
Last Close	SGD 0.84
Fair Value	SGD 1.35

- 9M26 EBITDA of c.SGD54m (+c.26% YoY) was in line with our expectations, as strong margin expansion offset softer-than-expected Advanced Materials – Consumer (AMC) revenue
- Consequently, we cut FY26-28E revenue by 6%; FY26-28E PATMI are unchanged as we adjust margin assumptions upwards
- Maintain fair value (FV) of SGD1.35, based on FY27E price-to-earnings (P/E). Reiterate BUY

Investment thesis

We see Nanofilm (NTI) as a compelling operating leverage story entering its payoff phase. Following a sustained period of heavy investments, the quality and breadth of growth is improving across existing and new customer accounts. Beyond continued expansion within its core consumer domains, NTI continues to strengthen its proposition in highly attractive end-markets such as semiconductor tools, data centre and co-packaged optics (CPO). As we see this to be a multi-year earnings expansion story, execution should be evaluated based on the broader horizon of NTI's progress in establishing a definitive foothold across these diversified domains. As progress may be non-linear, episodic share price pullbacks should be viewed as opportunities to BUY dips.

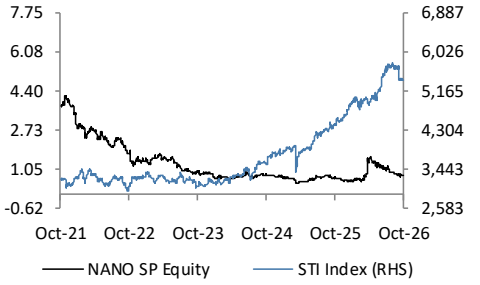
Investment summary

- **9M26 EBITDA in line –** 9M26 revenue of SGD187m (+4% YoY; 67% of our previous FY26E forecast) missed our expectations. Notwithstanding, EBITDA of c.SGD54m (+c.26% YoY) was in line (forming 74% of our previous FY26E). 3Q26 revenue grew 2% YoY to SGD74m, as strong growth in the Industrial Equipment Business Unit (IEBU, +66% YoY) on AI printed circuit board (PCB) drill bit coating equipment and the Nanofabrication Business Unit (NFBU, +120% YoY) on micro-lens array (MLA) sensor demand was partly offset by AMC (-19% YoY) on substrate changes at the

Security information

Ticker	NANO SP EQUITY
Market Cap (SGD b)	0.52
Daily turnover (SGD m)	8.09
Free Float	48.1%
Shares Outstanding (m)	648.84
Top Shareholder	PEARL YARD HOLDINGS 39.1%

Price performance chart



Financial summary

SGD m	FY25	FY26E	FY27E
Revenue	244.6	262.2	288.6
Gross Profit	88.4	107.5	122.7
PATMI	11.8	20.8	28.6
EPS (S cents)	1.80	3.18	4.36
DPS (S cents)	1.20	1.59	2.18

Key ratios

	FY25	FY26E	FY27E
Revenue growth (%)	19.7	7.2	10.1
Gross profit margin (%)	36.2	41.0	42.5
Net profit margin (%)	4.8	7.9	9.9
P/E (x)	46.3	26.3	19.1

Source: Bloomberg, Company, OCBC Group Research

key customer and the flagship ramp-up being delayed to late 3Q26.

- **Margins improve despite softer topline** – 3Q26 gross margin rose 5ppt YoY to 45%, while EBITDA margin rose 5ppt YoY to 32%, which management attributes to automation and operational optimisation. For 9M26, gross and EBITDA margins were 41% and 29% respectively, both up 5ppt YoY.
- **Transitory AMC softness; other segments buoyant –** Management expects AMC smartphone contributions to soften temporarily, partly cushioned by the flagship programme, which is now at full capacity. Engineering development on new substrates for a major component has commenced, targeting mass production in 2027, when the Advanced Materials Business Unit (AMBU) is expected to return to YoY growth, although the programme has yet to be secured. Elsewhere, rising AI demand should drive further IEBU orders for PCB drill bit coating equipment, while NFBU has clear revenue visibility on its key smartwatch MLA programme into 1H27. NFBU is looking to harvest across other brands and technology platforms, first from smartphones and watches, followed by automotive and smart eyewear.
- **Maintain BUY with FV of SGD1.35 (31x FY27E) –** Following the softer AMC topline, we cut FY26-28E revenue forecasts by 6%. However, we keep FY26-28E PATMI unchanged as we raise our margin assumptions to reflect stronger operating leverage. Consequently, our FV estimate is unchanged at SGD1.35, still pegged to 31x FY27E P/E, or 1 standard deviation (s.d.) above its mean forward P/E since initial public offering (IPO).

Potential catalysts

- Stronger than expected growth from existing customer, as well as the broadening of consumer coating within both existing core customer and to new Chinese and Korean customers
- Larger than expected contributions from exciting new end markets / applications, such as in semiconductor tools and co-packaged optics
- Improvement in business sentiment encourages customers to resume capital expenditures
- Stronger than expected operating leverage on the back of robust revenue growth

Investment risks

- Growth risk from supply chain shortages during upcycles and downside from soft end-markets during downcycles
- High customer concentration. Key customer historically accounted for c.50-60% of revenue
- Failure to convert R&D into future sources of revenue
- Failure to defend proprietary intellectual property rights and / or possible emergence of competing suppliers

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
NANOFILM TECHNOLOGIES INTERN (NANO SP Equity)	26.0	17.9	1.2	1.1	7.3	5.9	2.0	2.6	4.5	6.3
ENTEGRIS INC (ENTG US Equity)	40.4	31.3	5.5	4.9	26.5	21.6	0.3	0.3	14.2	15.9
FRONTKEN CORP BHD (FRCB MK Equity)	45.4	38.7	5.5	5.0	28.3	23.4	0.8	0.9	14.2	13.8
SUNNY OPTICAL TECH (2382 HK Equity)	14.7	12.5	1.9	1.7	7.7	6.4	1.6	1.6	13.0	13.7
ULVAC INC (6728 JP Equity)	17.8	15.1	1.5	1.4	7.4	6.7	2.0	2.3	8.9	9.9

Source: Bloomberg

Price/earnings chart (x)



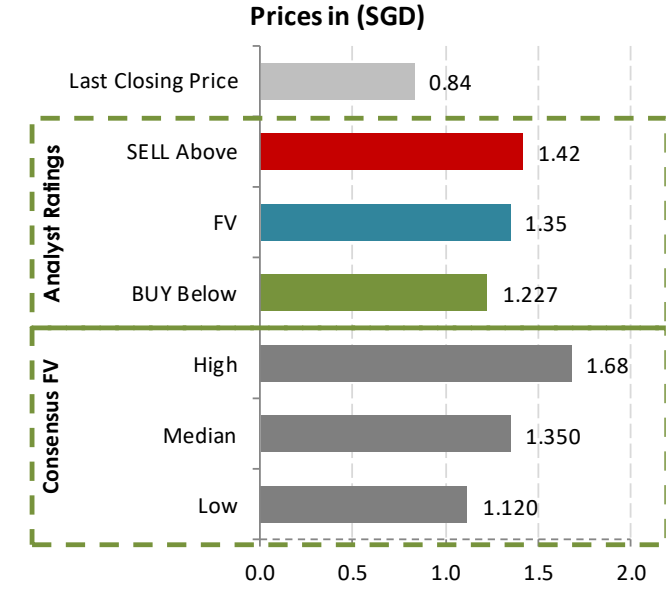
Source: Bloomberg

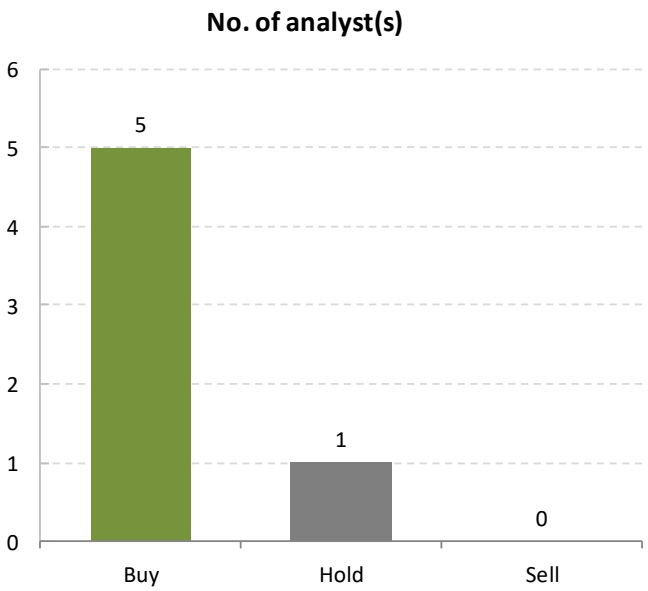
Price/book chart (x)



Source: Bloomberg

Analyst ratings vs street ratings





Source: Bloomberg, OCBC Group Research

Company overview (as of 3 March 2026)

Company description

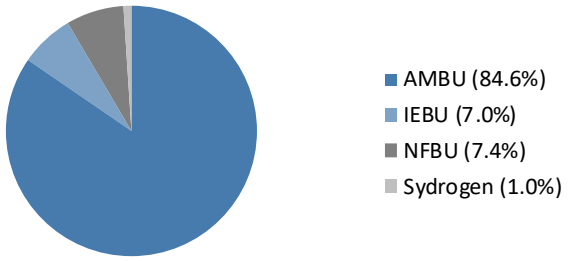
Nanofilm Technologies International Limited (Nanofilm) is a leading provider of nanotechnology solutions, leveraging its proprietary technologies, core competencies in R&D, engineering, and production to provide technology-based solutions across a wide range of industries. Nanofilm's solutions serve as key catalysts enabling customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner.

Nanofilm offers surface solutions based on vacuum deposition, including using its patented filtered cathodic vacuum arc (FCVA) technology. Nanofilm's nanotechnology-based solutions are utilised in a wide range of industries such as computer, communications and consumer electronics (3C); automotive; precision engineering; printing and imaging; and new technology.

Listed on the Mainboard of the Singapore Exchange (SGX) on 30 Oct 2020, Nanofilm is a constituent of the FTSE ST All-Share Index, FTSE ST China Index, FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index, MSCI ACWI Small Cap Index, MSCI Singapore Small Cap Index, and the MSCI World Small Cap Index.

FY25 revenue breakdown

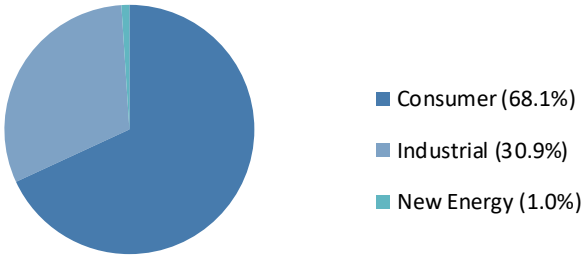
By business unit



Source: Company

FY25 revenue breakdown

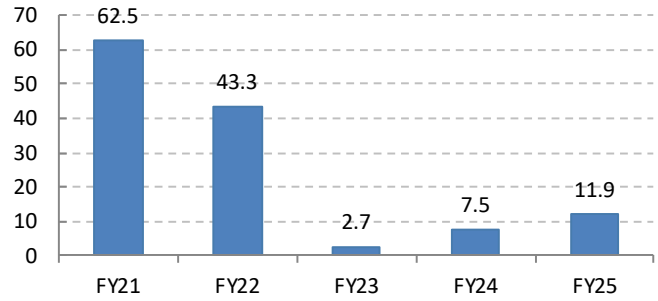
By end market



Source: Company

Profit after tax

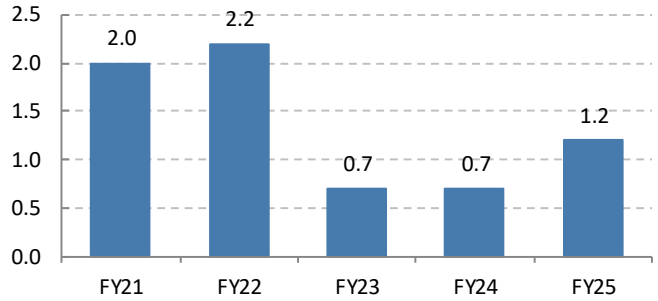
SGD m



Source: Company

Dividend per share

S cents



Source: Company

Company financials

Income statement Year Ended 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Revenue	204.3	244.6	262.2	288.6
Cost of sales	-128.4	-156.1	-154.7	-166.0
Gross profit	75.9	88.4	107.5	122.7
Adj. EBITDA	51.8	62.8	76.4	87.9
EBIT	10.4	14.7	32.5	43.0
Net finance costs	-0.4	-1.3	-1.9	-2.0
Profit before tax	9.6	13.2	30.6	41.0
Profit after tax	7.5	11.9	25.4	34.0
PATMI	7.7	11.8	20.8	28.6
Non-controlling interests	-0.2	0.1	4.5	5.4

Balance sheet As at 31 Dec (SGD m)	FY24	FY25	FY26E	FY27E
Property, plant and equipment	304.5	306.3	313.5	323.9
Total non-current assets	378.0	392.4	400.8	413.7
Cash	110.2	84.6	74.7	68.6
Total current assets	257.1	248.3	248.7	259.5
Total assets	635.1	640.7	649.5	673.2
Current liabilities ex-debt	44.8	60.9	54.7	58.7
Borrowings	105.7	108.1	108.1	108.1
Total liabilities	205.1	170.9	164.8	168.7
Total equity ex-NCI	387.9	437.7	448.1	462.4
Total equity and liabilities	635.1	640.7	649.5	673.2

Key rates & ratios	FY24	FY25	FY26E	FY27E
Revenue growth (%)	15.4	19.7	7.2	10.1
Gross profit margin (%)	37.1	36.2	41.0	42.5
EBITDA margin (%)	25.4	25.7	29.1	30.4
Net income margin (%)	3.8	4.8	7.9	9.9
EPS - Basic (S cents)	1.18	1.80	3.18	4.36
EPS - Diluted (S cents)	1.18	1.80	3.17	4.35
DPS (S cents)	0.66	1.20	1.59	2.18
Dividend yield (%)	0.8	1.4	1.9	2.6
ROE (%)	2.0	2.9	4.7	6.3
ROA (%)	1.2	1.9	3.9	5.1

Source: Company, OCBC Group Research

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