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Nanofilm Technologies International Ltd (SGX: MZH)

FY2025 Results Update | 26 March 2026		**Rating:**	**HOLD**
Analyst : Jaimes Chao		**Last Close:**	**S$0.580**
+65 6011 1700 | research@tickrs.com.sg		**Target Price:**	**S$0.650**

Earnings Growth Resumes, But Re-rating Deferred

FY2025 confirms operational momentum; elevated depreciation and one-off costs temper near-term earnings; dividend surprise signals management confidence in the recovery trajectory.

Executive Summary

Nanofilm Technologies International Ltd (NTI) has delivered a solid operational performance in FY2025, with revenue climbing 19.7% year-on-year to S$244.6 million and adjusted EBITDA growing 21.3% to S$62.8 million — both modestly ahead of our initiation estimates. However, net profit attributable to shareholders (PATMI) of S$11.8 million, while a 52.4% YoY improvement, translates to a diluted EPS of 1.80 Singapore cents, falling short of our December 2025 initiation estimate of 2.60 cents per share. The shortfall is primarily attributable to an S$3.1 million write-off and loss on disposal of property, plant and equipment arising from planned workshop closures, elevated depreciation of S$31.9 million reflecting prior-cycle capex, and higher-than-anticipated staff costs associated with new product introductions.

The standout positive surprise in FY2025 is the dividend. The Board has proposed a final dividend of 0.87 Singapore cents per share, bringing the full-year distribution to 1.20 cents — an 81.8% YoY increase from FY2024's 0.66 cents. This decisive uplift in shareholder returns signals that management views the earnings recovery as durable and is confident that the concluded major capex cycle will translate into materially stronger free cash flow from FY2026 onwards. At the current price of S$0.580, NTI offers a dividend yield of approximately 2.1%, its highest in three years.

We downgrade our rating from **BUY** to **HOLD** and revise our 12-month target price to **S$0.65** (from S$0.75), reflecting the EPS miss and a more cautious near-term earnings trajectory whilst acknowledging the intact structural growth thesis. The valuation remains undemanding at 0.86x price-to-book and 6.1x EV/EBITDA — a discount to the peer median — and the forward dividend yield provides partial downside support. Catalysts for re-rating to BUY include consistent EPS delivery, Sydrogen commercialisation traction, and further dividend progression.

Key Metrics Table

Stock Information

Metric	Value
Share Price (25 Mar 2026)	S$0.580
Market Capitalisation	S$378 million
Enterprise Value	S$385.8 million (market cap + net debt S$7.8m)
52-Week Range	S$0.445 – S$0.850
Shares Outstanding	652.2 million
Free Float	312.5 million (47.9%)
Average Daily Volume (3-mth)	~4.94 million shares
SGX Sector	Materials / Specialty Coatings

Valuation Multiples

Metric	Value
P/E (FY2025A, trailing)	32.2x
P/E (FY2026E, forward)	~25x
P/B (FY2025A)	0.86x
EV/EBITDA (FY2025A)	6.1x
Dividend Yield (FY2025A)	2.07%
Target Dividend Yield (FY2026E)	~2.3%

Profitability Metrics

Metric	FY2025A
ROE	2.9%
ROA	1.9%
Net Margin (PATMI)	4.8%
EBITDA Margin (Adjusted)	25.7%
Gross Margin	36.2%

Balance Sheet Strength (31 Dec 2025)

Metric	Value
Total Cash	S$84.6 million
Total Debt (Bank Loans)	S$92.4 million
Net Debt	S$7.8 million
Equity (Attributable)	S$437.7 million
Debt / Equity	0.21x
Current Ratio	3.38x
NAV per Share	67.11 cents

Target Price vs Current

Metric	Value
Target Price (12-month)	S$0.65
Current Price	S$0.580
Upside to Target	+12.1%
Previous Target Price	S$0.75
Previous Rating	BUY

Business Overview

Nanofilm Technologies International (SGX: MZH) is a Singapore-incorporated, deep-technology company specialising in nano-scale coatings, precision fabrication, and emerging clean energy components. Founded in 1999 as a Nanyang Technological University (NTU) spin-off by Executive Chairman Dr. Shi Xu, the company listed on SGX Mainboard in October 2020 and has since evolved from a consumer-electronics coating specialist into a diversified advanced-materials platform with manufacturing facilities in Singapore, China, Vietnam, India, Japan, and Germany.

NTI operates across four reportable business units. The **Advanced Materials BU (AMBU)** is the core engine, generating S$206.9 million in FY2025 revenue (84.6% of group total) through proprietary vacuum coating technology serving 3C electronics, automotive, and industrial customers. The **Industrial Equipment BU (IEBU)** designs and manufactures customised coating equipment and automation systems, contributing S$17.0 million (6.9%). The **Nanofabrication BU (NFBU)** produces nano-precision optical and sensor components, generating S$18.2 million (7.4%). The **Sydrogen BU** provides diamond-coated bipolar plates for hydrogen fuel cells; at S$2.5 million revenue (1.0%), it remains commercially nascent but strategically significant, with NTI having increased its stake to 76.7% from 65% in 2025 after acquiring 16.3 million preference shares from Venezio Investments (Temasek) for S$5 million.

Key strategic developments in FY2025 include the acquisition of EC Europ Coating GmbH and MC Europ Coating GmbH in February 2025, consolidated into Nanofilm AM Germany GmbH (NAMG), deepening European industrial and automotive exposure. The group also advanced its China Plus One strategy, commissioning new production capacity in Vietnam and expanding factory-in-factory operations across southern China.

Financial Highlights and Results Analysis

Revenue: Broad-Based Growth at 19.7% YoY

NTI's group revenue for FY2025 reached **S$244.6 million**, a 19.7% increase from S$204.3 million in FY2024, exceeding the consensus estimate of approximately S$233 million formed after the FY2024 results. The growth was broad-based, with AMBU (+20.2% to S$206.9 million) benefiting from a sustained recovery in 3C consumer demand, robust automotive sub-segment performance, and first meaningful contributions from the European operations. IEBU delivered the strongest segment growth at +50.2% to S$17.0 million, driven by equipment deliveries for next-generation mold coaters and the successful commissioning of a solar closed-space-sublimation (CSS) inline system. NFBU was broadly stable at S$18.2 million (+0.7% YoY), with micro-lens array (MLA) market share gains largely offsetting softness in one legacy programme. Sydrogen contracted 9.8% to S$2.5 million due to deferred customer orders during the production ramp-up phase; notably, 2H2025 Sydrogen revenue of S$1.1 million was down 48.5% YoY, indicating near-term commercial traction remains elusive despite strategic progress.

Geographically, China remained dominant at S$182.6 million (74.7% of revenue), growing 18.1% YoY. Europe accelerated to S$11.1 million (4.5%) from S$5.0 million in FY2024, reflecting a full-year contribution from AxynTeC and a partial contribution from the EuroCoating Group acquired in February 2025. Singapore revenues grew 16.1% to S$41.2 million.

Margins: Gross Margin Narrows Slightly; EBITDA Margin Expands

Gross profit reached **S$88.4 million** (+16.6% YoY), with the gross margin edging down to **36.2%** from 37.1% in FY2024, primarily due to higher interim manpower costs associated with new product introductions (NPIs) and a heavier contribution from IEBU, which carries structurally lower margins. Notably, the second half of FY2025 saw gross margins recover strongly to **38.9%** from 32.6% in 1H2025, as NPI projects stabilised, indicating that the margin pressure is transient.

Adjusted EBITDA grew 21.3% YoY to **S$62.8 million**, with the adjusted EBITDA margin improving to **25.7%** from 25.4%. AMBU contributed S$54.4 million to segment EBITDA (+34.3% YoY), with AMBU EBITDA margin expanding by approximately 280 basis points to 26.3% from 23.5% — a positive structural signal. NFBU delivered S$7.1 million (-10.1%), IEBU S$2.9 million (-41.6%, affected by higher cost of sales despite a 50.2% revenue increase), and Sydrogen remained an EBITDA loss of S$1.5 million.

Earnings: EPS Misses Estimate on One-Offs and Elevated D&A

PATMI came in at **S$11.8 million**, a 52.4% YoY improvement, translating to a basic EPS of **1.80 Singapore cents** compared to 1.18 cents in FY2024. The earnings recovery is real but was dampened by three specific factors. First, write-offs and losses on disposal of property, plant and equipment totalled **S$3.1 million** (versus S$76,000 in FY2024), arising from the planned closure of workshops in Singapore and China as part of an operational consolidation programme intended to generate ongoing cost savings. Second, depreciation rose S$1.8 million to **S$31.9 million**, reflecting the commissioning of assets from the prior capex cycle. Third, research, development, and engineering expenses rose 22.0% to S$18.3 million, reflecting expanded NTI-NTU Corporate Lab activities. Excluding the S$3.1 million one-off write-off and applying an approximate tax adjustment, underlying EPS is approximately **2.27 Singapore cents** — a more representative measure of run-rate profitability.

Cash Flow and Capex

Operating cash flow improved substantially to **S$48.6 million** in FY2025, up from S$21.2 million in FY2024 (+129% YoY), primarily reflecting the improvement in underlying profitability and normalisation of working capital after an inventory drawdown period. Capex on property, plant and equipment was S$46.9 million and intangible additions (development costs, patents) were S$16.2 million, for a total investment outlay of S$63.1 million. Free cash flow, defined as operating cash flow less PPE capex, was a modest positive **S$1.8 million** — the first positive FCF since the major capex expansion cycle began, and a key validation of management's assertion that the investment phase is concluding. Crucially, management has confirmed that the major capex cycle is now largely complete, and the group does not anticipate significant capital expenditure in the near term. This positions FY2026 and beyond for a meaningful step-up in free cash flow generation as revenue growth flows through with reduced investment drag.

Dividends

NTI declared a full-year dividend of **1.20 Singapore cents per share** for FY2025 — comprising an interim dividend of 0.33 cents (paid September 2025) and a proposed final dividend of 0.87 cents (payable 20 May 2026, subject to AGM approval on 29 April 2026). This represents an 81.8% increase from FY2024's total distribution of 0.66 cents and is the highest dividend in absolute terms since FY2022. The payout ratio on reported PATMI is approximately 66%, consistent with the group's historical approach of maintaining dividends whilst prioritising reinvestment. At a share price of S$0.580, the forward dividend yield is approximately **2.1%**, providing an income underpinning that is increasingly meaningful for yield-sensitive SGX investors.

Investment Thesis

1. Operational Recovery is Real and Accelerating

The FY2025 results confirm that NTI's recovery from its FY2023 trough is well-established, not merely cyclical. Revenue has returned to, and exceeded, pre-downturn levels, with the FY2025 top-line surpassing the FY2022 figure of S$237.4 million. EBITDA has more than recovered, rising to S$62.8 million versus S$39.4 million in FY2023. The 2H2025 exit run-rate is particularly encouraging: second-half revenue of S$137.4 million (+13.0% YoY) and adjusted EBITDA of S$38.4 million (+9.4% YoY) establish a healthy baseline for FY2026.

2. Capex Inflection Supports Free Cash Flow Inflection

The most important strategic development embedded in the FY2025 results is the management commentary that the major capex cycle is complete. FY2025 marks the first year of positive free cash flow (S$1.8 million) since the expansion cycle began — a pivotal inflection point. With PPE additions expected to normalise below S$35 million in FY2026 (from a peak of S$47.8 million in FY2025), free cash flow generation should increase substantially — potentially to S$15–20 million — enabling accelerated dividend growth and optionality for targeted M&A or share buybacks. This FCF inflection is the primary lever for re-rating.

3. Diversification Provides Multiple Growth Vectors

NTI has structurally de-risked its earnings base since 2021. The consumer-electronics cycle, whilst still the dominant driver, is now complemented by automotive and industrial growth (a segment growing 25.8% YoY to S$75.5 million in FY2025), European operations contributing an incremental S$6.1 million in FY2025, and a nascent but expanding Sydrogen hydrogen venture. The NFBU is targeting double-digit growth in FY2026 through new programmes in 3C health sensing, flash lenses, smart eyewear, and AI data centre applications.

4. Sydrogen Optionality is Not Reflected in Current Valuation

Sydrogen achieved top-three market share in China's fuel cell bipolar plate coating market in 2025, completed ACFC certification tests (with first product certification expected in April 2026), and progressed a pipeline-to-power project with Singapore's City Energy. However, near-term commercial traction has been slower than anticipated: FY2025 Sydrogen revenue declined 9.8% YoY, with 2H2025 revenue of S$1.1 million down 48.5% YoY as customer orders were deferred during the production ramp-up phase. China's 14th Five-Year Plan designates hydrogen as a strategic sector, and adoption incentives for fuel cell vehicles and non-automotive hydrogen applications are accelerating — but commercial inflection remains a 2026–2027 story rather than an immediate catalyst. At the current price, the market appears to ascribe minimal value to Sydrogen, which is likely appropriate given near-term uncertainties but potentially conservative over a multi-year horizon. NTI's increased ownership stake (76.7%) ensures the group captures a larger proportion of future Sydrogen economics should commercialisation accelerate.

5. Valuation Provides Floor at 0.86x Book

NTI currently trades at **0.86x price-to-book value**, a significant discount to its historical trading range and to regional technology manufacturing peers. The net tangible asset (NTA) underpins the stock at approximately 53–60 cents per share after adjusting for intangibles (S$65.3 million), providing a meaningful valuation floor. The combination of a recovering earnings trajectory, dividend yield of 2.1%, and asset backing at current prices creates an asymmetric risk-reward profile over a 12-month horizon.

Valuation and Peer Comparison

Methodology

We derive our revised 12-month target price of **S$0.65** using a blended valuation: 50% weight to a forward P/E multiple and 50% weight to an EV/EBITDA multiple, cross-checked with a DCF.

PE Approach: We apply **28x FY2026E P/E** to our FY2026E EPS estimate of 2.30 Singapore cents, yielding a value of **S$0.644**. Our FY2026E EPS reflects approximately 28% growth over FY2025A, driven by revenue growth of approximately 9–10% (to S$266–270 million), operating leverage, and the absence of the S$3.1 million one-off write-off. The 28x multiple is a modest discount to the initiation multiple of 29x, reflecting the near-term earnings uncertainty, but remains in line with the -1 standard deviation of NTI's 4-year historical average and consistent with post-results consensus broker estimates.

EV/EBITDA Approach: We apply **7.0x FY2025A EV/EBITDA** (broadly consistent with our initiation and peer medians), yielding an enterprise value of approximately S$440 million. Deducting net debt of S$7.8 million and dividing by 652.2 million shares implies an equity value of **S$0.66 per share**.

Blended TP: (S$0.644 + S$0.660) / 2 = **S$0.65**

DCF Cross-Check: Using WACC of 10% (risk-free rate 3.0%, beta 1.4, ERP 6.5%), terminal growth of 3%, and a normalised FCF trajectory starting at S$15 million in FY2026 rising to S$25 million by FY2030, our DCF yields a base-case equity value of approximately S$0.63–0.68, consistent with the blended TP.

Peer Comparison

Company	Ticker	Mkt Cap	Revenue FY2025	Net Profit FY2025	EPS (cts)	Trailing P/E	EV/ EBITDA	P/B
Nanofilm	**MZH**	**S$378m**	**S$244.6m**	**S$11.8m**	**1.80**	**32.2x**	**6.1x**	**0.86x**
UMS Integration	558	~S$700m	S$251.1m	S$41.6m	5.85	~17x	~8x	~2.5x
AEM Holdings	AWX	~S$500m	S$399.3m	S$17.1m	—	~29x	~10x	~1.5x
Frencken Group	E28	~S$920m	S$865.1m	S$39.1m	9.15	~24x	~7x	~1.8x

Key observations: NTI's trailing P/E of 32.2x appears elevated relative to peers, but this reflects trough earnings. On an EV/EBITDA basis — a more relevant metric given the earnings normalisation cycle — NTI trades at a **discount to peers** at 6.1x versus a peer average of approximately 8x. At our TP of S$0.65, NTI would trade at approximately 28x FY2026E P/E and 7.0x EV/EBITDA, in line with the peer median and justified by NTI's superior revenue growth trajectory (+20% in FY2025 versus single-digit growth across all three peers) and its differentiated technology platform.

Scenario Analysis

Scenario	Share Price	Key Assumptions
Bull Case	S$0.80–0.85	FY2026E EPS 2.80c+; Sydrogen commercial breakthrough; re-rating to 30x forward
Base Case (TP)	**S$0.65**	FY2026E EPS ~2.30c; revenue growth ~10%; steady dividend progression
Bear Case	S$0.45–0.50	Electronics cycle reversal; Sydrogen delays; EPS flat at 1.80c

The downside scenario of S$0.45 implies a price-to-book of approximately **0.67x**, near the 52-week low of S$0.445. At that level, the stock would trade at approximately 0.79x net tangible asset value (NTA per share of approximately S$0.571, after stripping S$65.3 million of intangibles from S$437.7 million attributable equity), implying a meaningful discount to tangible asset backing. This provides a partial downside floor, consistent with our prior analysis.

Catalysts and Risks

Near-Term Catalysts

Catalyst	Potential Impact
1H2026 earnings beat (August 2026)	Confirmation of EPS recovery trajectory; likely to trigger analyst upgrades given low base
Sydrogen ACFC certification and commercial orders (April 2026+)	Would validate clean energy thesis; potentially transformative for segment revenue
Towngas Pipeline-to-Power project commissioning (March 2026)	Singapore anchor reference; unlocks follow-on commercial pipeline
New customer wins in AMBU automotive or European segments	Validates diversification strategy; China Plus One narrative
Further dividend increase or special distribution	Signals FCF confidence; attracts yield-oriented institutional investors
NFBU health-sensing and AR/VR programme ramp	New growth vector for previously flat segment

Key Risks

Risk	Mitigant
Consumer electronics cycle reversal	Automotive, industrial, and clean energy segments provide diversification buffer
China slowdown or RMB depreciation	Multi-geography manufacturing; ASEAN and European operations hedge concentration
Customer concentration and order lumpiness	Continued AMBU customer broadening; IEBU delivery schedule remains inherently uneven
Sydrogen commercialisation delay	Battery technology remains the dominant EV drivetrain; hydrogen adoption timelines are uncertain
Higher-than-expected capex or acquisition activity	Management commentary explicitly signals capex moderation; no dilutive equity raise anticipated
Macro volatility (trade tariffs, geopolitical escalation)	China Plus One strategy positions NTI to benefit from supply chain diversification trends

Risk	Mitigant
FX translation loss	S$6.7 million translation loss in FY2025 from USD/SGD movement reduced total comprehensive income attributable to shareholders to S$5.1 million versus PATMI of S$11.8 million; a persistent drag in a strong SGD environment

Dividend and Balance Sheet Commentary

NTI's FY2025 dividend increase to 1.20 cents per share is a pivotal signal. It is the first material increase in dividend since the FY2021 peak and moves the yield from a nominal 0.5–0.8% to a more investable 2.1% at current prices. The declared payout ratio is approximately 66% of PATMI — disciplined, but leaving room for further progression as earnings normalise. Management has explicitly cited "strong financial performance, healthy cash flow generation, and confidence in the strength, resilience, and long-term growth of the business" as the rationale for the increase. Importantly, the final dividend of 0.87 cents is payable on 20 May 2026, subject to shareholder approval at the AGM on 29 April 2026; record and ex-dividend dates will be confirmed by the company in due course.

The balance sheet remains conservative. Total bank debt of S$92.4 million yields a debt-to-equity ratio of **0.21x**, and net debt is a modest S$7.8 million. EBITDA interest coverage has improved materially to approximately **23.6x** (adjusted EBITDA of S$62.8 million divided by finance expenses of S$2.7 million), up from the approximately 16x cited at initiation based on 1H2025 data. The NTI-NTU Corporate Lab, a five-year S$66 million R&D collaboration with NTU supported by Singapore's National Research Foundation, provides a capital-efficient innovation pipeline without requiring additional on-balance-sheet capex. The remaining S$10 million obligation for the second tranche of Sydrogen preference shares (due by November 2026) is fully manageable within the existing cash balance of S$84.6 million.

The current ratio of **3.38x** reflects ample short-term liquidity, and the decline in cash from S$110.2 million to S$84.6 million is fully explained by the Sydrogen acquisition tranche (S$5 million), European acquisition (S$5.3 million), and elevated capex — all strategic deployments rather than operational deterioration.

ESG and Strategic Commentary

NTI's sustainability credentials are embedded in its core business model rather than overlaid as compliance. The group's vacuum coating processes produce no liquid effluent and consume minimal raw material compared to traditional wet-plating alternatives, a factor that is increasingly a customer qualification requirement across automotive and industrial segments.

The **NTI-NTU Corporate Lab** (S$66 million, five years, co-funded with Singapore's National Research Foundation) focuses on four ESG-relevant research areas: green coating equipment, advanced materials for medical implants, nano-fabrication for sensing applications, and hydrogen energy materials. The **Sydrogen** venture provides direct exposure to the hydrogen economy via proprietary diamond-coated bipolar plates that extend fuel cell durability and reduce system cost. China's designation of hydrogen as a strategic sector in its latest five-year plan provides a policy tailwind for Sydrogen's addressable market.

The governance structure is appropriate for NTI's stage and scale. The Board maintains a majority of independent directors, and Temasek's historical investment in Sydrogen provided an additional governance signal, albeit Venezio's stakes are now being acquired by NTI. There are no known controversies regarding environmental compliance, labour practices, or related-party conduct. Share awards under the RSP 2021 align management incentives with long-term shareholder value creation.

Subsequent Events (Post-31 December 2025)

Several corporate developments have occurred since year-end that investors should note:

- **6 January 2026:** Nanofilm Vacuum Coating (Shanghai) Co., Ltd. (NVC) obtained a RMB50 million two-year term loan from China Construction Bank for working capital purposes — routine treasury management.
- **5 February 2026:** NTI entered a shareholders' agreement to establish a joint venture in Dongguan, China, Dongguan Najin Technology Co., Ltd (Chinese registered name: 东莞纳金科技有限公司); NTI's registered capital interest is 30.8%, and NVC will provide a RMB2.0 million convertible loan to the JV. This extends NTI's southern China manufacturing footprint.
- **Corporate Simplification:** Nanofilm Ventures Pte. Ltd. was struck off (effective 10 January 2026); Nanofilm Technologies Europe B.V. was liquidated and deregistered (3 February 2026) following the NAMG merger; Miller Technologies Pte. Ltd. striking-off application is pending.

These developments are operationally neutral to modestly positive (Dongguan JV) and do not alter our investment thesis.

Forecast Review: Hits, Misses, and Misjudgements

A transparent assessment of what TFS got right, wrong, and partially right in our Initiation of Coverage (4 December 2025). Intellectual honesty in forecasting is not a courtesy — it is a discipline.

Prior Forecast Record

Metric	Initiation (Dec 2025)	FY2025 Actual	Verdict
Full-year revenue	~S$230–240M implied (FY2025E)	S$244.6M (+19.7%)	✅ Beat

Metric	Initiation (Dec 2025)	FY2025 Actual	Verdict
FY2025E PATMI	>S$15M (>100% YoY growth)	S$11.8M (+52.4%)	❌ Miss (-21%)
FY2025E EPS	2.60¢	1.80¢	❌ Miss (-31%)
Adjusted EBITDA	~S$60M (implied by 8x EV/EBITDA)	S$62.8M (+21.3%)	✅ Beat
EBITDA Margin	Expected improvement from 25.4%	25.7%	✅ Correct
Gross Margin	Expected to normalise higher in 2H	36.2% FY (38.9% in 2H)	⚠ Direction correct; FY level below FY2024's 37.1%
Dividend (DPS)	0.66¢ (maintained)	1.20¢ (+81.8% YoY)	⚠ Positive surprise, unmodelled
Sydrogen revenue	Expected ramp-up; "+101% YoY in 1H2025" cited as momentum	S$2.5M (-9.8% YoY)	❌ Miss; 2H2025 revenue fell 48.5% YoY
AMBU segment	Recovery confirmed; auto + 3C drivers	S$206.9M (+20.2%)	✅ Correct
IEBU segment	"Inherently lumpy"; normalisation expected	S$17.0M (+50.2%)	✅ Correct; timing-driven surge materialised
NFBU segment	Steady growth expected; "typically 2H-weighted"	S$18.2M (+0.7%)	⚠ Flat, not growth
Balance sheet	Net cash ~S$7.5M	Net debt S$7.8M	❌ Miss; cash drawn down by capex and acquisitions
Rating	BUY	—	Downgraded to HOLD
Target Price	S$0.75	Revised to S$0.65	❌ Requires reset

Hits

1. Revenue trajectory: substantially correct. The initiation's central thesis was that NTI's recovery was accelerating, with revenue growth broadening across segments. FY2025 revenue of S$244.6 million exceeded our implied estimates and surpassed the FY2022 pre-downturn peak of S$237.4 million. The top-line call was vindicated.

2. AMBU as the structural growth engine. Our initiation identified AMBU as the core earnings driver, benefiting from recovering 3C demand, expanding automotive applications, and growing Chinese OEM diversification. AMBU delivered +20.2% YoY growth to S$206.9 million, confirming the thesis. The segment's EBITDA margin expanded approximately 280 basis points to 26.3%, reinforcing the operating leverage narrative.

3. EBITDA recovery and margin expansion. We forecast improving operating leverage as expansion costs normalised. Adjusted EBITDA grew 21.3% to S$62.8 million with the margin expanding to 25.7% — modestly ahead of our expectations and consistent with the structural margin improvement thesis.

4. Diversification as a de-risking strategy. The initiation argued that NTI had structurally de-risked its business by diversifying across end-markets and geographies. FY2025 confirmed this: Europe contributed S$11.1 million (from S$5.0 million), automotive and industrial revenue grew 25.8% to S$75.5 million, and the customer base broadened further through new Chinese OEM wins and the EuroCoating acquisition.

5. Global footprint as competitive advantage. Our initiation highlighted new facilities in Vietnam, India, and Germany as growth catalysts. FY2025 saw first meaningful European revenue contributions and continued expansion of China Plus One capacity, validating the geographic diversification thesis.

Misses and Misjudgements

1. EPS forecast: the most consequential miss. Our initiation estimated FY2025E EPS of 2.60 cents; the actual was 1.80 cents, a -31% miss. The 0.80-cents per-share gap was the primary driver of both the TP downgrade and the rating change. We overestimated the speed at which revenue growth would translate to bottom-line recovery, underweighting the drag from elevated depreciation, one-off write-offs, and higher staff costs associated with new product introductions.

2. PATMI forecast: structurally too optimistic. We forecast PATMI exceeding S$15 million; the actual of S$11.8 million fell S$3.2 million short. Three factors combined: (i) the S$3.1 million write-off on property, plant and equipment from workshop closures (unforeseeable at initiation); (ii) depreciation of S$31.9 million — S$1.8 million above FY2024 — reflecting the tail end of the capex cycle; and (iii) research and development expenses rising 22.0% to S$18.3 million. Each was individually modest; together they produced a material earnings miss.

3. Sydrogen: the most misjudged growth driver. The initiation cited Sydrogen's +101% YoY revenue growth in 1H2025 as evidence of accelerating traction and positioned the hydrogen venture as a key near-term catalyst. FY2025 Sydrogen revenue actually declined 9.8% to S$2.5 million, with 2H2025 revenue falling 48.5% YoY as customer orders were deferred during the production ramp-up phase. We extrapolated first-half momentum without adequately weighing the risks of order lumpiness and commercialisation delays inherent in an early-stage hydrogen business. The lesson: percentage growth rates on a tiny base are unreliable indicators of trajectory.

4. Balance sheet: net cash assumption proved incorrect. The initiation cited net cash of approximately S$7.5 million (based on 1H2025 data). By year-end, NTI had swung to a net debt position of S$7.8 million as cash was drawn down by the EuroCoating acquisition (S$5.3 million), continued capex investment (S$46.9 million on PPE), and intangible additions (S$16.2 million). While the swing was modest in absolute terms, it represents an analytical oversight — particularly for a company where the balance sheet was cited as a key investment thesis pillar.

5. NFBU growth: overstated. The initiation described NFBU as delivering "steady growth" and being "typically 2H-weighted." FY2025 NFBU revenue was essentially flat at S$18.2 million (+0.7%), with segment EBITDA declining 10.1%. The implicit assumption that optical component demand would accelerate did not materialise.

What the Results Revealed That We Had Not Modelled

The dividend surprise. The 81.8% increase in DPS to 1.20 cents was unmodelled — our initiation maintained the FY2024 level of 0.66 cents. The dividend uplift is the clearest signal that management views the earnings recovery as durable and the capex cycle as concluded. For FY2026, we now model DPS of approximately 1.40 cents, reflecting a gradual payout increase in line with earnings growth.

The PPE write-off and workshop consolidation programme. The S$3.1 million write-off on disposal of plant assets arising from planned workshop closures in Singapore and China was not flagged in advance and could not have been reasonably anticipated at initiation. However, this type of operational restructuring charge is common in the late stages of a capex cycle, and we should have included a provision for asset rationalisation in our earnings model.

The 2H2025 gross margin recovery. Second-half gross margin of 38.9% (versus 32.6% in 1H2025) was a positive development that our initiation directionally anticipated but underweighted in magnitude. The sharp improvement confirms that first-half margin pressure from new product introductions was indeed transient, supporting the margin expansion thesis for FY2026.

Forward Forecasting Improvements

In response to this forecast cycle, TFS commits to the following refinements in future NTI coverage: (i) explicit depreciation modelling as a distinct line item, tracking PPE additions on a 5–10 year average useful life basis rather than extrapolating from recent trends; (ii) Sydrogen revenue modelled with a binary scenario framework (base case: flat-to-modest-decline; upside case: order breakthrough) rather than trend extrapolation; (iii) capex-to-FCF bridge presented quarterly to track the expected inflection; and (iv) balance sheet position modelled dynamically to capture acquisition-related cash outflows and drawdowns on credit facilities.

The purpose of this section is accountability, not self-exculpation. The structural thesis on NTI's diversification and recovery trajectory was correct; the near-term earnings model was not. Both facts belong in the record.

Sources: NTI FY2025 Full-Year Results Announcement; NTI FY2025 News Release; NTI FY2025 Results Deck; TFS Initiation of Coverage (4 Dec 2025).

Recommendation

HOLD | Target Price: S$0.65 | Implied Upside: +12.1%

We downgrade NTI from BUY to HOLD and revise our 12-month target price from S$0.75 to S$0.65. The FY2025 results confirm the structural recovery thesis: revenue exceeded our estimates, EBITDA grew 21%, and the decisive dividend increase validates management's FCF confidence. However, the PATMI shortfall versus our initiation EPS estimate of 2.60 cents — attributable to elevated depreciation, higher R&D spend, and the S$3.1 million workshop write-off — warrants a recalibration of near-term earnings expectations.

At S$0.65, NTI would trade at approximately 28x FY2026E earnings and 7.0x EV/EBITDA, representing a fair discount to pre-downturn multiples and broadly in line with precision engineering peers. The stock's 0.86x price-to-book, 2.1% dividend yield, and tangible asset backing provide multiple layers of downside support. The path to re-upgrading to BUY runs through consistent EPS delivery against FY2026 expectations, Sydrogen's first material commercial orders, and confirmation that the capex cycle reduction is translating into the projected FCF improvement.

Nanofilm remains a compelling advanced materials platform — diversified, technologically differentiated, financially sound, and strategically positioned across multiple secular growth themes including automotive electrification, clean energy, and precision optics. The re-rating story is not over; it is simply proceeding at a measured pace, one earnings cycle at a time.

Appendix:

Financial Summaries

Income Statement Summary (S$'000)

Metric	FY2022A	FY2023A	FY2024A	FY2025A	FY2026E
Revenue	237,406	177,018	204,269	244,567	~268,000
YoY Growth	—	-25.4%	+15.4%	+19.7%	~+9.6%
Gross Profit	111,391	65,565	75,866	88,430	~98,000
Gross Margin	46.9%	37.0%	37.1%	36.2%	~36.5%
Adjusted EBITDA	80,502	39,403	51,806	62,829	~70,000
EBITDA Margin	33.9%	22.3%	25.4%	25.7%	~26.1%
PBT	46,116	3,143	9,645	13,240	~18,000
PAT	43,285	2,694	7,535	11,920	~15,400
PATMI	43,809	3,135	7,744	11,803	~15,000
PATMI Margin	18.5%	1.8%	3.8%	4.8%	~5.6%
EPS (basic, cents)	6.65	0.48	1.18	1.80	~2.30
DPS (cents)	2.10	0.66	0.66	1.20	~1.40E

FY2026E estimates are Tickrs Financial Singapore's internal projections. FY2022–FY2025 are company-reported figures.

Balance Sheet Summary (S$'000)

Metric	31 Dec 2024	31 Dec 2025
Cash and Bank Balances	110,207	84,550
Trade Receivables (net)	95,661	110,044
Total Current Assets	257,080	248,332
PPE (net)	304,515	306,300
Intangible Assets	53,013	65,301

Metric	31 Dec 2024	31 Dec 2025
Total Assets	635,093	640,722
Total Current Liabilities	56,414	73,394
Bank Loans (Total)	84,957	92,426
Total Equity (Group)	429,950	469,810
Equity (Attributable)	387,860	437,704
NAV per Share (cents)	59.52	67.11

Cash Flow Summary (S$'000)

Metric	FY2024	FY2025
Operating Cash Flow	21,224	48,636
Capex (PPE)	(34,879)	(46,877)
Intangible Additions	(15,228)	(16,242)
Acquisitions	(9,210)	(5,252)
Dividends Paid	(4,297)	(4,301)
Free Cash Flow (Op - PPE capex)	(13,655)	1,759
Closing Cash	110,207	84,550

Segmental Revenue Breakdown (S$'000)

Segment	FY2023A	FY2024A	FY2025A	YoY%
Advanced Materials (AMBU)	141,544	172,140	206,924	+20.2%
Industrial Equipment (IEBU)	18,372	11,290	16,961	+50.2%
Nanofabrication (NFBU)	16,049	18,042	18,160	+0.7%
Sydrogen	1,053	2,797	2,522	-9.8%
Total	**177,018**	**204,269**	**244,567**	**+19.7%**

Valuation Footnotes

Target price of S$0.65 based on a blended 50/50 approach: (i) 28x FY2026E EPS of 2.30 Singapore cents, yielding S$0.644; and (ii) 7.0x FY2025A Adjusted EBITDA of S$62.829 million, implying enterprise value of S$439.8 million, less net debt of S$7.8 million, divided by 652.2 million shares, yielding S$0.660 per share. DCF cross-check uses WACC of 10% (Ke ~11%, based on risk-free rate 3.0%, beta 1.4, ERP 6.5%), terminal growth of 3.0%, and normalised free cash flow trajectory of S$15 million in FY2026 growing at 12–15% per annum, yielding base-case equity value of S$0.63–0.68. FY2026E revenue estimate of S$268–270 million draws on post-results consensus broker estimates. Shares outstanding: 652.2 million (excludes 11.2 million treasury shares). All figures in Singapore dollars unless otherwise stated.

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