Nan Pao

NT$372.00 - OUTPERFORM

Research provided by SinoPac

21 May 2026

Taiwan

Consumer

Reuters 4766.TW
Bloomberg 4766 TT

Priced on 21 May 2026
Taiwan Wtd @ 41,368.2

12M hi/lo NT$438.50/299.00

12M price target NT$440.00
±% potential +18%

Shares in issue 120.6m
Free float (est.) 67.2%

Market cap US$1.4bn

3M ADV US$11.1m

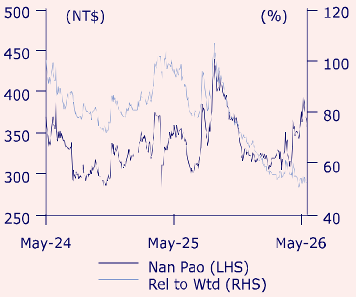
Foreign s'holding 14.0%

Major shareholders
Ting Feng Investment Co 9.2%

SinoPac analysts:
Jimmy Chou, SinoPac

Stock performance (%)

	1M	3M	12M
Absolute	1.4	11.8	1.7
Relative	(6.3)	(6.1)	(45.3)
Abs (US$)	1.1	11.4	(3.3)



Source: Bloomberg

Seeing progress

Change in earnings

Semiconductor application process developing smoothly

Nan Pao's 1Q26 results exceeded expectations on the back of a stronger product mix and robust growth in the construction and coatings segments. We see near-term margin headwinds from raw material pricing but expect a recovery in 2H26 as the company continues to enhance structural margins through product innovation and improved production efficiency. The JV of Advanced Pao Trusval Technology is progressing well, with testing and production ahead of schedule and already contributing to revenue. Following the 1Q26 results, we raise our 2026 EPS forecast by 3%, keep 2027SP EPS unchanged, and maintain our target price of NT$440. Reiterate Outperform.

1Q26 review

Nan Pao's 1Q26 GM and OPM beat our estimates by 1.1ppt/1.2ppt on a stronger product mix, better production efficiency, and tight Opex control. Revenue rose 5% YoY, driven by early shipment pull-in as clients advanced orders to hedge against material price volatility. Net profit increased 8% YoY, with EPS at NT$6.55.

2Q26 and 2026 outlook

Looking ahead to 2Q26, management expects slight YoY revenue growth despite early shipment pull-in in March and April. Near-term margin headwinds from raw material pricing are likely, but we anticipate a recovery in 2H26 as the company continues to optimise operations and product mix to offset profitability pressures. By segment, management guides low-single digit growth in adhesives amid cautious consumer sentiment, while remaining positive on construction and coatings growth.

Updates on joint venture

Nan Pao is making solid progress with its joint venture, Advanced Pao Trusval Technology, securing qualifications from world-class packaging leaders. The company has acquired one of its existing customers, allowing it to leverage mature production lines, while rapidly advancing testing and mass production capabilities. In this JV, Nan Pao acts as an upstream supplier, providing adhesive solvents for UV tape used in semiconductor backgrinding and dicing processes. The JV currently contributes 1-2% of revenue, and we expect this to rise to 4-5% by year-end.

Reiterate Outperform with unchanged TP of NT$440

After factoring in the 1Q26 results, we raise our 2026 EPS forecast by 3%, leave 2027SP EPS unchanged, and maintain our TP of NT$440. Reiterate Outperform.

Financials

Year to 31 December	24A	25A	26SP	27SP	28SP
Revenue (NT$m)	22,983	23,200	24,477	26,666	29,034
Rev forecast change (%)	-	-	*(1.0)*	*(0.1)*	*0.0*
Net profit (NT$m)	2,684	2,442	3,007	3,347	3,825
NP forecast change (%)	-	-	*2.8*	*0.5*	*(0.1)*
EPS (NT$)	22.26	20.25	24.94	27.76	31.72
SP/consensus (2) (EPS%)	-	-	104	103	100
EPS growth (% YoY)	10.5	(9.0)	23.1	11.3	14.3
PE (x)	16.7	18.4	14.9	13.4	11.7
Dividend yield (%)	5.1	4.8	5.4	6.0	6.8
ROE (%)	19.4	17.3	21.2	22.2	23.7
Net cash per share (NT$)	17.19	14.70	41.93	46.98	53.32

Source: SinoPac

Click to rate this research
Great
Solid
Meh

 For important disclosures please refer to page 3.

evalu@tor
The Global Equities Database

Financials at a glance

Year to 31 December	2024A	2025A	2026SP	(% YoY)	2027SP	2028SP
Profit & Loss (NT$m)						
Revenue	**22,983**	**23,200**	**24,477**	*5.5*	**26,666**	**29,034**
Cogs (ex-D&A)	(14,726)	(14,501)	(15,246)		(16,361)	(17,684)
Gross Profit (ex-D&A)	**8,257**	**8,700**	**9,232**	*6.1*	**10,305**	**11,351**
SG&A and other expenses	(3,930)	(4,100)	(4,209)		(4,562)	(4,937)
Op Ebitda	**4,327**	**4,600**	**5,022**	*9.2*	**5,743**	**6,414**
Depreciation/amortisation	(734)	(784)	(805)		(866)	(927)
Op Ebit	**3,593**	**3,816**	**4,217**	*10.5*	**4,877**	**5,487**
Net interest inc/(exp)	9	(10)	(20)		(20)	(20)
Other non-Op items	155	(176)	274		130	184
Profit before tax	**3,757**	**3,630**	**4,471**	*23.2*	**4,987**	**5,651**
Taxation	(970)	(985)	(1,228)		(1,396)	(1,582)
Profit after tax	**2,787**	**2,645**	**3,243**	*22.6*	**3,591**	**4,069**
Minority interest	(103)	(203)	(236)		(244)	(244)
Net profit	**2,684**	**2,442**	**3,007**	*23.1*	**3,347**	**3,825**
Adjusted profit	**2,684**	**2,442**	**3,007**	*23.1*	**3,347**	**3,825**
Cashflow (NT$m)	**2024A**	**2025A**	**2026SP**	**(% YoY)**	**2027SP**	**2028SP**
Operating profit	**3,593**	**3,816**	**4,217**	*10.5*	**4,877**	**5,487**
Depreciation/amortisation	734	784	805	*2.7*	866	927
Working capital changes	(692)	(372)	(340)		(575)	(628)
Other items	(833)	(862)	1,870		(853)	(1,244)
Net operating cashflow	**2,802**	**3,365**	**6,553**	*94.7*	**4,315**	**4,541**
Capital expenditure	(511)	(648)	(1,100)		(1,300)	(1,100)
Free cashflow	**2,291**	**2,718**	**5,453**	*100.6*	**3,015**	**3,441**
M&A/Others	(134)	(290)	0		0	0
Net investing cashflow	**(645)**	**(938)**	**(1,100)**		**(1,300)**	**(1,100)**
Increase in loans	1,941	729	0		0	0
Dividends	(1,901)	(2,417)	(2,170)		(2,406)	(2,677)
Net equity raised/other	(75)	(65)	0		0	0
Net financing cashflow	**(35)**	**(1,754)**	**(2,170)**		**(2,406)**	**(2,677)**
Incr/(decr) in net cash	2,122	674	3,282	*387.1*	609	764
Exch rate movements	213	(238)	0		0	0
Balance sheet (NT$m)	**2024A**	**2025A**	**2026SP**	**(% YoY)**	**2027SP**	**2028SP**
Cash & equivalents	6,910	7,346	10,629	*44.7*	11,238	12,002
Accounts receivable	5,522	5,408	5,706	*5.5*	6,216	6,768
Other current assets	4,474	4,772	4,925	*3.2*	5,159	5,435
Fixed assets	5,840	5,768	5,768	*0*	5,768	5,768
Investments	240	370	370	*0*	370	370
Intangible assets	0	0	0		0	0
Other non-current assets	4,280	4,068	1,519	*(62.7)*	1,519	1,519
Total assets	**27,267**	**27,732**	**28,916**	**4.3**	**30,270**	**31,862**
Short-term debt	3,103	2,710	2,710	*0*	2,710	2,710
Accounts payable	2,292	2,203	2,313	*5*	2,483	2,682
Other current liabs	2,245	2,553	2,553	*0*	2,553	2,553
Long-term debt/CBs	1,735	2,864	2,864	*0*	2,864	2,864
Provisions/other LT liabs	1,955	1,972	1,972	*0*	1,972	1,972
Shareholder funds	14,492	13,794	14,631	*6.1*	15,572	16,720
Minorities/other equity	1,445	1,636	1,872	*14.4*	2,116	2,360
Total liabs & equity	**27,267**	**27,732**	**28,916**	**4.3**	**30,271**	**31,861**
Ratio analysis	**2024A**	**2025A**	**2026SP**	**(% YoY)**	**2027SP**	**2028SP**
Revenue growth (% YoY)	11.7	0.9	5.5		8.9	8.9
Ebitda margin (%)	18.8	19.8	20.5		21.5	22.1
Ebit margin (%)	15.6	16.4	17.2		18.3	18.9
Net profit growth (%)	10.5	(9.0)	23.1		11.3	14.3
Op cashflow growth (% YoY)	(10.4)	20.1	94.7		(34.2)	5.2
Capex/sales (%)	2.2	2.8	4.5		4.9	3.8
Net debt/equity (%)	(13.0)	(11.5)	(30.6)		(32.0)	(33.7)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	19.4	17.3	21.2		22.2	23.7
ROIC (%)	17.7	18.0	21.6		26.3	28.3

Source: SinoPac

Click to rate this research
Great
Solid
Meh

Nan Pao 1Q26 Analyst Meeting Takeaways

1Q26 results

- Revenue: NT$5,836m, +5% YoY
- Gross margin: 35.1%; thanks to a better product mix and lower raw material pricing/inventory
- Operating profit: NT$1,029m, +13% YoY
- Net profit: NT$790m, +8% YoY
- EPS: NT$6.55
- Although demand remained relatively weak due to the consumer market environment, expectations of raw material price fluctuations and product price increases encouraged customers to place orders and build up inventory ahead of schedule, driving overall revenue growth compared to same period last year

2026 outlook

- Targeting record-high revenue this year
- Will continue to optimise operations and product mix to mitigate profitability impacts
- Has begun shipping to Advanced Pao Trusval, formally contributing to revenue; this contribution is expected to scale up throughout the year as product qualifications advance
- Continuing to expand R&D in electronic and semiconductor applications related to core technologies, with increased resource investment
- Long-term target for Opex ratio: below 15%

Revenue outlook

- March and April revenue reached record highs due to early shipment pull-in
- 2Q26 guidance: similar to last year, with a slight increase expected

Raw material and gross margin impacts

- Solvent costs have a direct correlation with oil price changes – accounting for about 20% of raw material Cogs
- Anticipates gross margin impacts in May-June, depending on client negotiations and price transfers. A more conservative outlook is expected for 2Q

Overall profit guidance

- Profit should be higher than last year due to structural improvements within the company, although current macro conditions still present uncertainties

Updates on Advanced Pao Trusval Technology

- Nan Pao supplies solvents for UV tape (acts as an upstream supplier)
- Advanced Pao Trusval Technology converts solvents into UV tape for back grinding and dicing applications
- Achieved additional client certifications from OSATs
- Advanced Pao Trusval Technology currently operating at full capacity, requiring overtime work. Capacity expansion is planned, though the timeline remains uncertain
- Nan Pao currently has adequate capacity

Footwear

- Currently taking a conservative outlook

Click to rate this research
Great
Solid
Meh

- Focused on product innovations, new clients, and new orders — so far increasing market share
- Rising oil prices may create raw material cost pressures, but negotiations with clients are ongoing

Capex

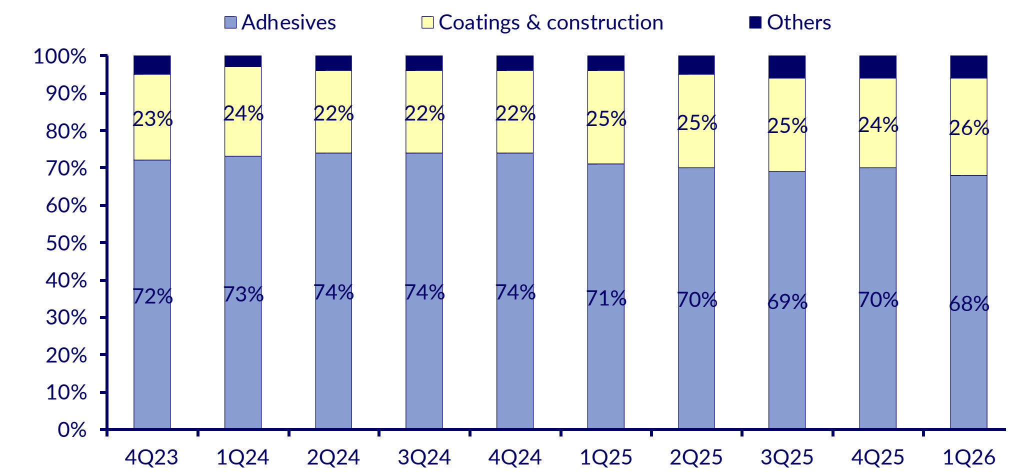
- 2026: NT$1.1-1.2bn, higher than 2025.
- Mainly for China: relocating the Anqing factory to Hefei and increasing automotive application capacity
- India capacity expansion (US$12-13m over two years), expected to be completed by year-end and contribute starting early next year for footwear adhesives

Segment outlooks

- Adhesives: consumer sentiment remains cautious; guiding low single-digit growth
- Construction: revenue mainly from Australia. Driven by rising local demand and continued market cultivation, market share is steadily expanding. Favourable tailwinds from an appreciating Australian Dollar support continuous growth targets
- Coatings: targeting opportunities in government infrastructure, AI infrastructure applications, and consumer electronics-related fields — expected to drive continued growth

Figure 1

Sales mix by product

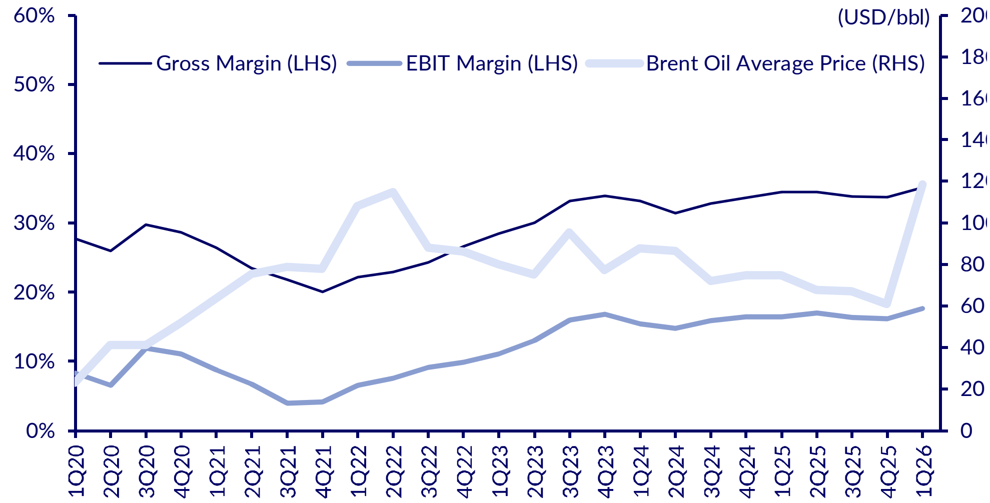


Source: SinoPac

Nan Pao is structurally improving its margins and reducing the impact of raw material prices

Figure 2

Brent oil pricing vs company margins



Source: SinoPac, Bloomberg

Figure 3

JV breakdown

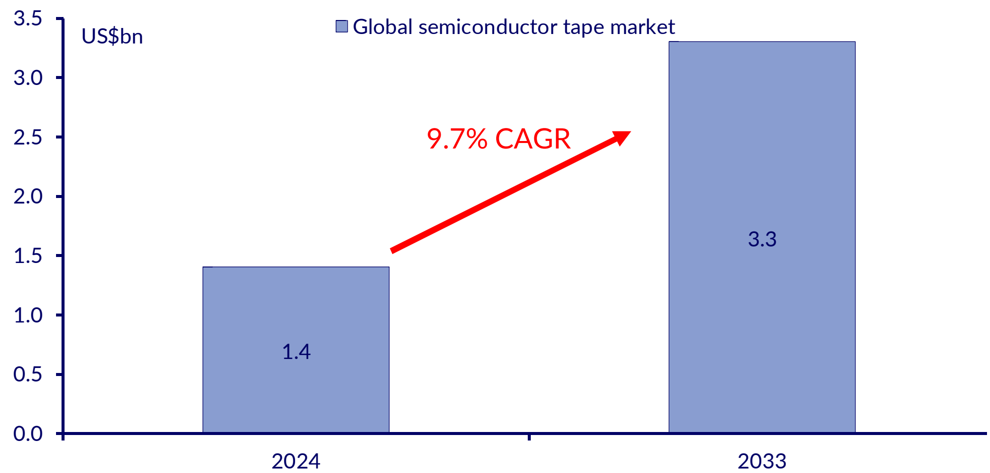
Partner	Strengths	Role in JV
Nan Pao (4766 TT)	60+ years of adhesive expertise and global scale	The Formulation Core: R&D of high-purity resin bases for UV-debonding tapes and temporary bonding adhesives
AEMC (4749 TT)	Semiconductor specialist with deep knowledge of lithography and purification	The Quality & Channel: Handles high-purity filtration, regulatory compliance, and leverages existing TSMC/OSAT relationships
Trusval (6667 TT)	Process system integrator specialising in chemical delivery and automated coating	The Equipment Integrator: Ensures the adhesives can be applied with sub-micron prevision on silicon wafers

Source: SinoPac

Expected to reach US$3.3bn, with 9.7% Cagr from 2024

Figure 4

Global semiconductor tape market size and growth



Source: SinoPac, Business Research Insights

Figure 5

UV tape segment analysis

Segment Category	Sub-Segments	Key Insights
By type	• UV Tape • Non-UV Tape	UV Tape dominates the market due to its superior adhesive properties and controlled release mechanism. • Preferred for high-precision wafer processing due to strong temporary bonding during grinding/dicing • UV irradiation enables clean removal without residue, critical for advanced semiconductor nodes • Material innovations focus on improving UV sensitivity while maintaining thermal stability
By application	• Back Grinding Tape • Dicing Tape • Hybrid Applications	Dicing Tape holds majority application share with critical role in wafer singulation. • Advanced dicing technologies require tapes with precise adhesive control to prevent chipping • Emerging ultra-thin wafer formats demand tapes with exceptional dimensional stability • Trend toward multi-functional tapes that support both grinding and dicing processes
By end user	• IDMs • Foundries • OSAT Providers	Foundries represent the most demanding segment with specialized tape requirements. • Advanced node manufacturing requires tapes compatible with extreme process conditions • Volume production drives need for consistent, high-reliability tape solutions • Customised tape formulations developed through close supplier partnerships
By technology node	• >28nm • 28nm-14nm • <14nm	<14nm segment shows strongest innovation activity in tape development. • Requires ultra-clean removal characteristics to prevent killer defects • Materials must withstand high temperatures from advanced packaging processes • Japanese suppliers lead in developing cutting-edge formulations for leading-edge nodes
By material composition	• Acrylic-based • Rubber-based • Composite Materials	Acrylic-based formulations dominate due to their balance of performance and processability. • Offer excellent UV responsiveness for controlled adhesive properties • Provide superior thermal stability during back-end processes • Ongoing R&D focuses on reducing outgassing for cleaner processing

Source: SinoPac, Intel Market Research

Figure 6

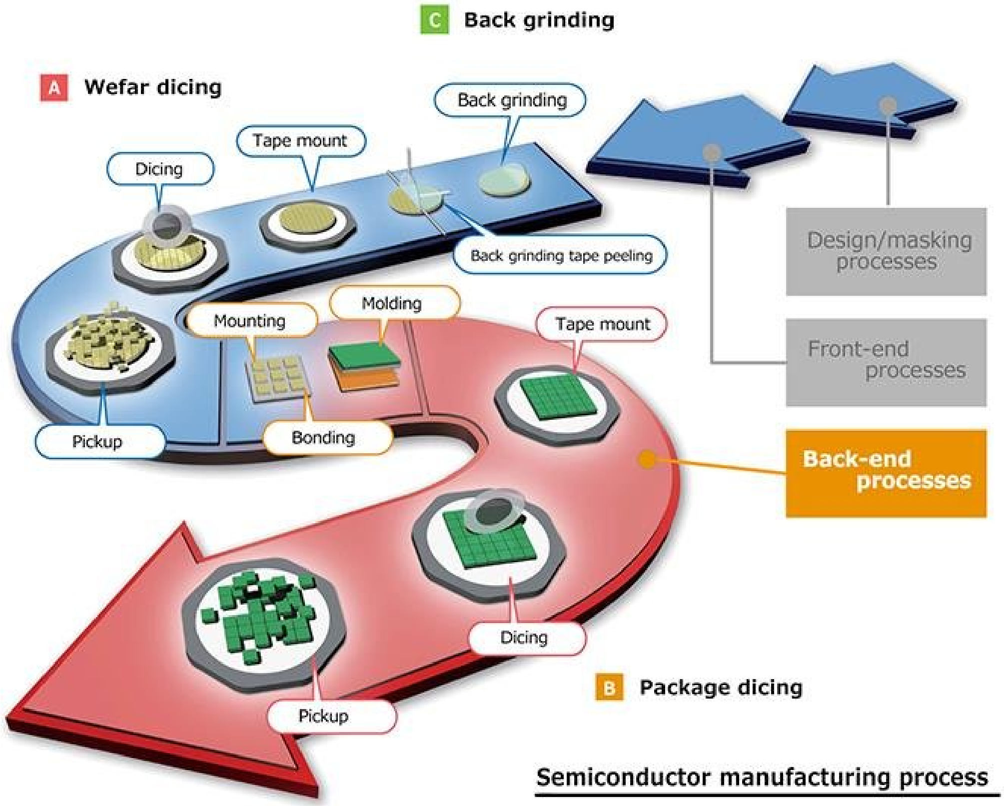
Semiconductor tape comparison

Features	Back Grinding Tape	Dicing Tape	Die Attach Film (DAF)
Application phase	Wafer thinning	Wafer dicing	Die bonding
Placement	Front (active) side	Back side	Between die and substrate
Permanence	Temporary (removed)	Temporary (removed)	Permanent
Primary goal	Protect circuitry	Prevent die fly-off	Bond chips to package
Typical material	PET/PVC with acrylic	PO/PVC with UV resin	Epoxy/acrylic resin

Source: SinoPac

Figure 7

UV tape used during semiconductor manufacturing process



Source: SinoPac, Maxell

Figure 8

P&L – quarterly

(NT$m)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26SP	3Q26SP	4Q26SP	1Q27SP	2Q27SP	3Q27SP	4Q27SP
Sales	5,554	5,805	5,910	5,930	5,836	6,056	6,253	6,332	6,300	6,629	6,800	6,937
Gross profit	1,912	2,003	2,001	2,001	2,049	2,025	2,153	2,200	2,207	2,329	2,416	2,486
Opex	1,002	1,018	1,038	1,042	1,020	1,023	1,070	1,096	1,090	1,121	1,163	1,187
Operating profit	910	985	963	959	1,029	1,001	1,083	1,103	1,117	1,208	1,253	1,299
Pretax profit	1,013	806	922	889	1,138	1,046	1,128	1,158	1,147	1,238	1,278	1,324
Tax expense	241	208	269	267	294	293	316	324	321	347	358	371
Net profit	729	554	599	560	790	692	751	773	765	831	859	892
EPS (NT$)	6.05	4.59	4.97	4.65	6.55	5.74	6.23	6.41	6.34	6.89	7.13	7.40
Growth												
Sales QoQ	(19%)	12%	7%	1%	(10%)	16%	5%	1%	(9%)	5%	2%	0%
Sales YoY	11%	0%	(3%)	(3%)	5%	4%	6%	7%	8%	9%	9%	10%
EPS YoY	3%	(18%)	(9%)	(13%)	8%	25%	25%	38%	(3%)	20%	14%	15%
Margin												
Gross margin	34.4%	34.5%	33.9%	33.7%	35.1%	33.4%	34.4%	34.7%	35.0%	35.1%	35.5%	35.8%
Opex	18.0%	17.5%	17.6%	17.6%	17.5%	16.9%	17.1%	17.3%	17.3%	16.9%	17.1%	17.1%
OP margin	16.4%	17.0%	16.3%	16.2%	17.6%	16.5%	17.3%	17.4%	17.7%	18.2%	18.4%	18.7%
Net margin	13.1%	9.5%	10.1%	9.5%	13.5%	11.4%	12.0%	12.2%	12.1%	12.5%	12.6%	12.9%

Source: SinoPac

Figure 9

P&L – annual					
(NT$m)	2024	2025	2026SP	2027SP	2028SP
Sales	22,983	23,200	24,477	26,666	29,034
Gross profit	7,522	7,916	8,427	9,439	10,424
Opex	3,930	4,100	4,209	4,562	4,937
Operating profit	3,593	3,816	4,217	4,877	5,487
Pretax profit	3,757	3,630	4,471	4,987	5,651
Tax expense	970	985	1,228	1,396	1,582
Net profit	2,684	2,442	3,007	3,347	3,825
EPS (NT$)	22.26	20.25	24.94	27.76	31.72
Growth					
Sales YoY	12%	1%	6%	9%	9%
EPS YoY	11%	(9%)	23%	11%	14%
Margin					
Gross margin	32.7%	34.1%	34.4%	35.4%	35.9%
Opex	17.1%	17.7%	17.2%	17.1%	17.0%
OP margin	15.6%	16.4%	17.2%	18.3%	18.9%
Net margin	11.7%	10.5%	12.3%	12.6%	13.2%

Source: SinoPac

Figure 10

Forecast revisions – quarterly									
	1Q26SP			2Q26SP			3Q26SP		
(NT$m)	old	new	% ch	old	new	% ch	old	new	% ch
Sales	5,836	5,836	0%	6,256	6,056	(3%)	6,288	6,253	(1%)
Gross profit	1,986	2,049	3%	2,091	2,025	(3%)	2,171	2,153	(1%)
Opex	1,027	1,020	(1%)	1,057	1,023	(3%)	1,076	1,070	(1%)
Operating profit	959	1,029	7%	1,034	1,001	(3%)	1,095	1,083	(1%)
Pretax profit	1,026	1,138	11%	1,091	1,046	(4%)	1,132	1,128	0%
Tax expense	287	294	2%	305	293	(4%)	317	316	0%
Net profit	677	790	17%	724	692	(4%)	754	751	0%
EPS (NT$)	5.62	6.55	17%	6.01	5.74	(4%)	6.25	6.23	0%
Margin									
Gross margin	34.0%	35.1%	1.1 ppt	33.4%	33.4%	0 ppt	34.5%	34.4%	-0.1 ppt
OPEX ratio	17.6%	17.5%	-0.1 ppt	16.9%	16.9%	0 ppt	17.1%	17.1%	0 ppt
Operating margin	16.4%	17.6%	1.2 ppt	16.5%	16.5%	0 ppt	17.4%	17.3%	-0.1 ppt
Tax rate	28.0%	25.9%	-2.1 ppt	28.0%	28.0%	0 ppt	28.0%	28.0%	0 ppt
Net margin	11.6%	13.5%	1.9 ppt	11.6%	11.4%	-0.1 ppt	12.0%	12.0%	0 ppt

Source: SinoPac

Figure 11

Forecast revisions – annual

	2026SP			2027SP			2028SP		
(NT$m)	old	new	% ch	old	new	% ch	old	new	% ch
Sales	24,725	24,477	(1%)	26,705	26,666	0%	29,020	29,034	0%
Gross profit	8,451	8,427	0%	9,409	9,439	0%	10,418	10,424	0%
Opex	4,246	4,209	(1%)	4,568	4,562	0%	4,934	4,937	0%
Operating profit	4,205	4,217	0%	4,841	4,877	1%	5,484	5,487	0%
Pretax profit	4,404	4,471	2%	4,968	4,987	0%	5,656	5,651	0%
Tax expense	1,233	1,228	0%	1,391	1,396	0%	1,584	1,582	0%
Net profit	2,926	3,007	3%	3,332	3,347	0%	3,827	3,825	0%
EPS (NT$)	24.26	24.94	3%	27.63	27.76	0%	31.74	31.72	0%
Margin									
Gross margin	34.2%	34.4%	0.2 ppt	35.2%	35.4%	0.2 ppt	35.9%	35.9%	0 ppt
OPEX ratio	17.2%	17.2%	0 ppt	17.1%	17.1%	0 ppt	17.0%	17.0%	0 ppt
Operating margin	17.0%	17.2%	0.2 ppt	18.1%	18.3%	0.2 ppt	18.9%	18.9%	0 ppt
Tax rate	28.0%	27.5%	-0.5 ppt	28.0%	28.0%	0 ppt	28.0%	28.0%	0 ppt
Net margin	11.8%	12.3%	0.5 ppt	12.5%	12.6%	0.1 ppt	13.2%	13.2%	0 ppt

Source: SinoPac

Figure 12

SP vs consensus – quarterly

	1Q26			2Q26			3Q26		
(NT$m)	SinoPac	Con	% Diff	SinoPac	Con	% Diff	SinoPac	Con	% Diff
Sales	5,836	5,658	3%	6,056	6,193	(2%)	6,253	6,359	(2%)
Gross profit	2,049	1,902	8%	2,025	2,069	(2%)	2,153	2,136	1%
Opex	1,020	1,012	1%	1,023	1,043	(2%)	1,070	1,057	1%
Operating profit	1,029	890	16%	1,001	1,026	(2%)	1,083	1,079	0%
Pretax profit	1,138	1,060	7%	1,046	1,015	3%	1,128	1,073	5%
Tax expense	294	315	(7%)	293	314	(7%)	316	333	(5%)
Net profit	790	745	6%	692	702	(1%)	751	740	2%
EPS (NT$)	6.55	6.18	6%	5.74	5.82	(1%)	6.23	6.13	2%
Margin									
Gross margin	35.1%	33.6%	1.5 ppt	33.4%	33.4%	0 ppt	34.4%	33.6%	0.9 ppt
Operating margin	17.6%	15.7%	1.9 ppt	16.5%	16.6%	0 ppt	17.3%	17.0%	0.4 ppt
Net margin	13.5%	13.2%	0.4 ppt	11.4%	11.3%	0.1 ppt	12.0%	11.6%	0.4 ppt

Source: SinoPac, Bloomberg

Figure 13

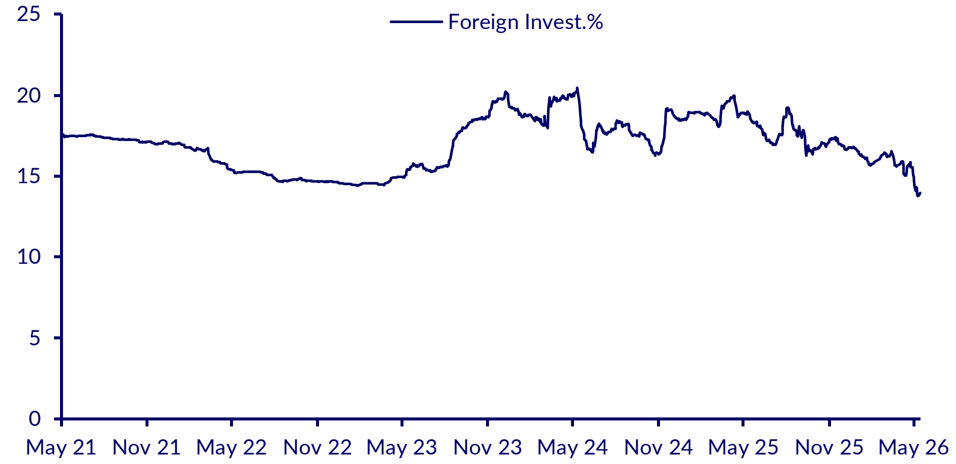
SP vs consensus – annual

	2026			2027			2028		
(NT$m)	SinoPac	Con	% Diff	SinoPac	Con	% Diff	SinoPac	Con	% Diff
Sales	24,477	24,620	(1%)	26,666	26,352	1%	29,034	29,020	0%
Gross profit	8,427	8,241	2%	9,439	9,091	4%	10,424	10,418	0%
Opex	4,209	4,180	1%	4,562	4,474	2%	4,937	4,934	0%
Operating profit	4,217	4,061	4%	4,877	4,617	6%	5,487	5,484	0%
Pretax profit	4,471	4,212	6%	4,987	4,728	5%	5,651	5,656	0%
Tax expense	1,228	1,298	(5%)	1,396	1,479	(6%)	1,582	1,829	(13%)
Net profit	3,007	2,914	3%	3,347	3,249	3%	3,825	3,827	0%
EPS (NT$)	24.94	23.86	5%	27.76	26.94	3%	31.72	31.74	0%
Margin									
Gross margin	34.4%	33.5%	1 ppt	35.4%	34.5%	0.9 ppt	35.9%	35.9%	0 ppt
Operating margin	17.2%	16.5%	0.7 ppt	18.3%	17.5%	0.8 ppt	18.9%	18.9%	0 ppt
Net margin	12.3%	11.8%	0.4 ppt	12.6%	12.3%	0.2 ppt	13.2%	13.2%	0 ppt

Source: SinoPac, Bloomberg

Foreign investors hold 14%

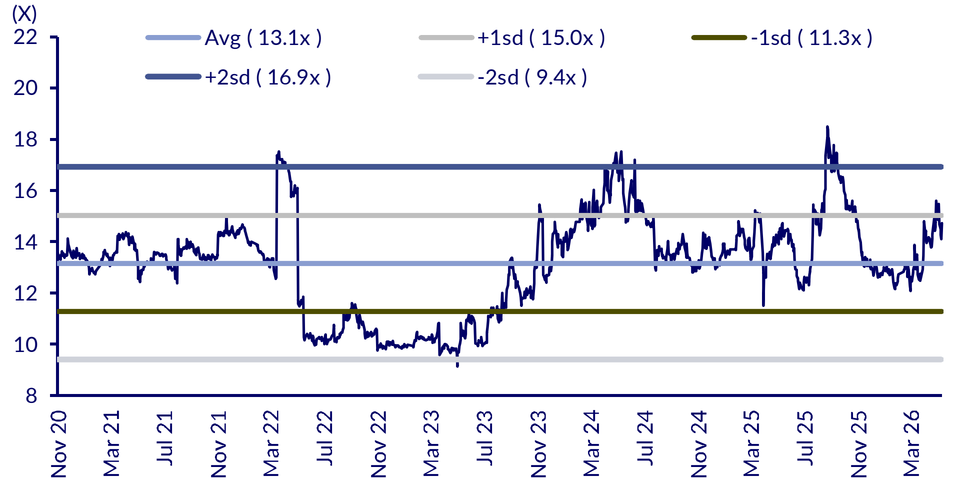
Figure 14
QFII holdings



Source: SinoPac, TEJ

The stock currently trades at 14.7x forward 12M PE

Figure 15
Consensus PE



Source: SinoPac, Bloomberg

Investment thesis

We believe Nan Pao is set to benefit from the upcoming global athletic footwear restocking cycle as one of the top suppliers of footwear adhesives. In addition, as global brands become more aware of ESG initiatives, Nan Pao will produce more ecofriendly materials, such as water-based adhesives, which should help improve overall adhesive margins. Lastly, as Nan Pao has entered into a joint venture to break into the semiconductor supply chain, we expect further margin improvements as well as historical high revenue growth.

Catalysts

1) Margins improvement driven by better product mix and water-based adhesive adoption; 2) valuation rerating triggered by deeper penetration into the CoWoS and advanced packaging supply chains; 3) successful capacity ramp-up in India to capture footwear supply chain migration; 4) a 5.5% dividend yield acts as a defensive catalyst, offering attractive downside protection and total return potential in a volatile market environment.

Valuation details

We use PE as our valuation methodology as we believe the market will primarily focus on the earnings growth outlook, which is better reflected with PE metrics. We assign a target PE multiple of 17x to the stock, which is about +2sd of its five-year average. We believe the upcoming footwear restocking cycle and increasing contribution of semiconductor adhesive tapes for the company should lead to a valuation rerating, and it should be reflected through a robust 17% earnings Cagr from 25-27SP.

Investment risks

Key risks include 1) potential margin compression from sudden spikes in raw material costs; 2) slower-than-expected semiconductor certifications; 3) macro uncertainties leading to unhealthy consumer demand and unstable inflation movements.

Detailed financials

Profit & Loss (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Revenue	**22,004**	**20,581**	**22,983**	**23,200**	**24,477**	**26,666**	**29,034**
Cogs (ex-D&A)	(16,206)	(13,436)	(14,726)	(14,501)	(15,246)	(16,361)	(17,684)
Gross Profit (ex-D&A)	**5,798**	**7,145**	**8,257**	**8,700**	**9,232**	**10,305**	**11,351**
Research & development costs	(514)	(519)	(543)	(556)	(578)	(616)	(670)
Selling & marketing expenses	(2,032)	(1,998)	(2,158)	(2,270)	(2,402)	(2,613)	(2,815)
Other SG&A	(918)	(1,008)	(1,229)	(1,274)	(1,229)	(1,333)	(1,452)
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	**2,335**	**3,619**	**4,327**	**4,600**	**5,022**	**5,743**	**6,414**
Depreciation/amortisation	(511)	(655)	(734)	(784)	(805)	(866)	(927)
Op Ebit	**1,824**	**2,964**	**3,593**	**3,816**	**4,217**	**4,877**	**5,487**
Interest income	35	71	132	139	123	123	123
Interest expense	(86)	(104)	(123)	(149)	(143)	(143)	(143)
Net interest inc/(exp)	(51)	(34)	9	(10)	(20)	(20)	(20)
Associates/investments	477	381	60	71	87	-	-
Forex/other income	72	(11)	29	(61)	(6)	-	-
Asset sales/other cash items	64	93	66	(185)	193	130	184
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	**2,385**	**3,394**	**3,757**	**3,630**	**4,471**	**4,987**	**5,651**
Taxation	(523)	(827)	(970)	(985)	(1,228)	(1,396)	(1,582)
Profit after tax	**1,863**	**2,566**	**2,787**	**2,645**	**3,243**	**3,591**	**4,069**
Preference dividends	0	0	0	0	0	0	0
Profit for period	**1,863**	**2,566**	**2,787**	**2,645**	**3,243**	**3,591**	**4,069**
Minority interest	(121)	(138)	(103)	(203)	(236)	(244)	(244)
Net profit	**1,741**	**2,428**	**2,684**	**2,442**	**3,007**	**3,347**	**3,825**
Extraordinaries/others	0	0	0	0	0	0	0
Profit avail to ordinary shares	1,741	2,428	2,684	2,442	3,007	3,347	3,825
Dividends	(761)	(1,264)	(1,901)	(2,417)	(2,170)	(2,406)	(2,677)
Retained profit	981	1,164	783	25	837	941	1,147
Adjusted profit	**1,741**	**2,428**	**2,684**	**2,442**	**3,007**	**3,347**	**3,825**
EPS (NT$)	14.4	20.1	22.3	20.3	24.9	27.8	31.7
Adj EPS [pre excep] (NT$)	14.4	20.1	22.3	20.3	24.9	27.8	31.7
Core EPS (NT$)	14.4	20.1	22.3	20.3	24.9	27.8	31.7
DPS (NT$)	10.0	15.0	19.0	18.0	20.0	22.2	25.4

Profit & loss ratios

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Growth (%)							
Revenue growth (% YoY)	22.4	(6.5)	11.7	0.9	5.5	8.9	8.9
Ebitda growth (% YoY)	53.3	55.0	19.6	6.3	9.2	14.3	11.7
Ebit growth (% YoY)	73.4	62.5	21.2	6.2	10.5	15.6	12.5
Net profit growth (%)	98.8	39.4	10.5	(9.0)	23.1	11.3	14.3
EPS growth (% YoY)	98.8	39.4	10.5	(9.0)	23.1	11.3	14.3
Adj EPS growth (% YoY)	98.8	39.4	10.5	(9.0)	23.1	11.3	14.3
DPS growth (% YoY)	66.7	50.0	26.7	(5.3)	10.8	11.3	14.3
Core EPS growth (% YoY)	98.8	39.4	10.5	(9.0)	23.1	11.3	14.3
Margins (%)							
Gross margin (%)	26.4	34.7	35.9	37.5	37.7	38.6	39.1
Ebitda margin (%)	10.6	17.6	18.8	19.8	20.5	21.5	22.1
Ebit margin (%)	8.3	14.4	15.6	16.4	17.2	18.3	18.9
Net profit margin (%)	7.9	11.8	11.7	10.5	12.3	12.6	13.2
Core profit margin	7.9	11.8	11.7	10.5	12.3	12.6	13.2
Op cashflow margin	8.7	15.2	12.2	14.5	26.8	16.2	15.6
Returns (%)							
ROE (%)	11.7	17.5	19.4	17.3	21.2	22.2	23.7
ROA (%)	5.6	9.3	10.5	10.1	10.8	11.9	12.7
ROIC (%)	8.2	14.6	17.7	18.0	21.6	26.3	28.3
ROCE (%)	11.3	21.4	26.9	27.7	33.6	41.6	44.5
Other key ratios (%)							
Effective tax rate (%)	21.9	24.4	25.8	27.1	27.5	28.0	28.0
Ebitda/net int exp (x)	45.4	107.5	-	451.7	251.9	288.0	321.6
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout (%)	69.2	74.5	85.3	88.9	80.0	80.0	80.0

Source: SinoPac

evalu@tor
The Global Equities Database

Balance sheet (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Cash & equivalents	3,996	4,575	6,910	7,346	10,629	11,238	12,002
Accounts receivable	4,879	4,751	5,522	5,408	5,706	6,216	6,768
Inventories	2,825	2,663	2,855	3,045	3,197	3,432	3,707
Other current assets	1,159	1,443	1,619	1,727	1,727	1,727	1,727
Current assets	**12,859**	**13,432**	**16,906**	**17,526**	**21,259**	**22,613**	**24,204**
Fixed assets	5,508	5,808	5,840	5,768	5,768	5,768	5,768
Investments	255	208	240	370	370	370	370
Goodwill	0	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	6,124	4,217	4,280	4,068	1,519	1,519	1,519
Total assets	**24,746**	**23,664**	**27,267**	**27,732**	**28,916**	**30,270**	**31,862**
Short term loans/OD	1,993	1,978	3,103	2,710	2,710	2,710	2,710
Accounts payable	2,659	2,177	2,292	2,203	2,313	2,483	2,682
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	0	0	0	0	0	0	0
Other current liabs	1,684	2,237	2,245	2,553	2,553	2,553	2,553
Current liabilities	**6,336**	**6,392**	**7,640**	**7,466**	**7,576**	**7,746**	**7,945**
Long-term debt/leases/other	1,224	895	1,735	2,864	2,864	2,864	2,864
Convertible bonds	0	0	0	0	0	0	0
Provisions/other LT liabs	1,542	1,830	1,955	1,972	1,972	1,972	1,972
Total liabilities	**9,102**	**9,118**	**11,330**	**12,302**	**12,412**	**12,582**	**12,781**
Share capital	1,206	1,206	1,206	1,206	1,206	1,206	1,206
Retained earnings	7,684	8,908	9,723	9,881	10,718	11,659	12,806
Reserves/others	5,662	3,064	3,563	2,708	2,708	2,708	2,708
Shareholder funds	**14,552**	**13,177**	**14,492**	**13,794**	**14,631**	**15,572**	**16,720**
Minorities/other equity	1,091	1,369	1,445	1,636	1,872	2,116	2,360
Total equity	**15,643**	**14,547**	**15,936**	**15,430**	**16,504**	**17,689**	**19,080**
Total liabs & equity	**24,746**	**23,664**	**27,267**	**27,732**	**28,916**	**30,271**	**31,861**
Total debt	3,217	2,873	4,838	5,573	5,573	5,573	5,573
Net debt	(779)	(1,701)	(2,072)	(1,773)	(5,055)	(5,664)	(6,429)
Adjusted EV	44,909	44,313	43,985	44,345	41,299	40,934	40,414
BVPS (NT$)	120.7	109.3	120.2	114.4	121.4	129.2	138.7

Balance sheet ratios

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Key ratios							
Current ratio (x)	2.0	2.1	2.2	2.3	2.8	2.9	3.0
Growth in total assets (% YoY)	(4.6)	(4.4)	15.2	1.7	4.3	4.7	5.3
Growth in capital employed (% YoY)	(14.2)	(13.6)	7.9	(1.5)	(16.2)	5.0	5.2
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	1.7	0.9	1.7	1.7	0.9	1.3	1.2
Gross debt to Ebitda (x)	1.4	0.8	1.1	1.2	1.1	1.0	0.9
Net debt/Ebitda (x)	-	-	-	-	-	-	-
Gearing							
Net debt/equity (%)	(5.0)	(11.7)	(13.0)	(11.5)	(30.6)	(32.0)	(33.7)
Gross debt/equity (%)	20.6	19.8	30.4	36.1	33.8	31.5	29.2
Interest cover (x)	21.5	29.1	30.2	26.5	30.4	35.1	39.3
Debt cover (x)	0.6	1.1	0.6	0.6	1.2	0.8	0.8
Net cash per share (NT$)	6.5	14.1	17.2	14.7	41.9	47.0	53.3
Working capital analysis							
Inventory days	63.0	71.1	65.1	70.4	71.0	70.2	70.0
Debtor days	76.8	85.4	81.6	86.0	82.9	81.6	81.6
Creditor days	57.3	62.6	52.8	53.7	51.3	50.8	50.6
Working capital/Sales (%)	20.5	21.6	23.8	23.4	23.5	23.8	24.0
Capital employed analysis							
Sales/Capital employed (%)	148.0	160.2	165.8	169.9	213.8	221.8	229.5
EV/Capital employed (%)	302.1	345.0	317.3	324.7	360.7	340.4	319.4
Working capital/Capital employed (%)	30.4	34.6	39.4	39.7	50.3	52.7	55.1
Fixed capital/Capital employed (%)	37.1	45.2	42.1	42.2	50.4	48.0	45.6
Other ratios (%)							
PB (x)	3.1	3.4	3.1	3.3	3.1	2.9	2.7
EV/Ebitda (x)	19.2	12.2	10.2	9.6	8.2	7.1	6.3
EV/OCF (x)	23.4	14.2	15.7	13.2	6.3	9.5	8.9
EV/FCF (x)	43.1	17.2	19.2	16.3	7.6	13.6	11.7
EV/Sales (x)	2.0	2.2	1.9	1.9	1.7	1.5	1.4
Capex/depreciation (%)	171.2	85.2	69.5	82.6	136.7	150.1	118.7

Source: SinoPac

evalu@tor
The Global Equities Database

Cashflow (NT$m)

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Operating profit	1,824	2,964	3,593	3,816	4,217	4,877	5,487
Operating adjustments	(83)	(536)	(908)	(1,374)	(1,210)	(1,530)	(1,662)
Depreciation/amortisation	511	655	734	784	805	866	927
Working capital changes	(114)	(171)	(692)	(372)	(340)	(575)	(628)
Interest paid / other financial expenses	-	-	-	-	-	-	-
Tax paid	-	-	-	-	-	-	-
Other non-cash operating items	(222)	217	76	512	3,081	677	418
Net operating cashflow	1,917	3,129	2,802	3,365	6,553	4,315	4,541
Capital expenditure	(874)	(558)	(511)	(648)	(1,100)	(1,300)	(1,100)
Free cashflow	1,042	2,571	2,291	2,718	5,453	3,015	3,441
Acq/inv/disposals	1,081	(234)	(134)	(290)	0	0	0
Int, invt & associate div	-	-	-	-	-	-	-
Net investing cashflow	206	(792)	(645)	(938)	(1,100)	(1,300)	(1,100)
Increase in loans	(1,113)	(475)	1,941	729	0	0	0
Dividends	(761)	(1,264)	(1,901)	(2,417)	(2,170)	(2,406)	(2,677)
Net equity raised/others	(45)	2	(75)	(65)	0	0	0
Net financing cashflow	(1,919)	(1,737)	(35)	(1,754)	(2,170)	(2,406)	(2,677)
Incr/(decr) in net cash	204	600	2,122	674	3,282	609	764
Exch rate movements	561	(22)	213	(238)	0	0	0
Opening cash	3,231	3,997	4,575	6,910	7,346	10,629	11,238
Closing cash	3,997	4,575	6,910	7,346	10,629	11,238	12,002
OCF PS (NT$)	15.9	26.0	23.2	27.9	54.3	35.8	37.7
FCF PS (NT$)	8.6	21.3	19.0	22.5	45.2	25.0	28.5

Cashflow ratio analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Growth (%)							
Op cashflow growth (% YoY)	1,298.5	63.2	(10.4)	20.1	94.7	(34.2)	5.2
FCF growth (% YoY)	-	146.7	(10.9)	18.6	100.6	(44.7)	14.1
Capex growth (%)	33.9	(36.2)	(8.4)	26.8	69.9	18.2	(15.4)
Other key ratios (%)							
Capex/sales (%)	4.0	2.7	2.2	2.8	4.5	4.9	3.8
Capex/op cashflow (%)	45.6	17.8	18.2	19.2	16.8	30.1	24.2
Operating cashflow payout ratio (%)	62.9	57.8	81.8	64.5	36.7	62.0	67.4
Cashflow payout ratio (%)	39.7	40.4	67.9	71.8	33.1	55.8	59.0
Free cashflow payout ratio (%)	73.0	49.2	83.0	88.9	39.8	79.8	77.8

DuPont analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Ebit margin (%)	8.3	14.4	15.6	16.4	17.2	18.3	18.9
Asset turnover (x)	0.9	0.9	0.9	0.8	0.9	0.9	0.9
Interest burden (x)	1.3	1.1	1.0	1.0	1.1	1.0	1.0
Tax burden (x)	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Return on assets (%)	5.6	9.3	10.5	10.1	10.8	11.9	12.7
Leverage (x)	1.6	1.6	1.7	1.8	1.8	1.7	1.7
ROE (%)	11.7	17.5	19.4	17.3	21.2	22.2	23.7

EVA® analysis

Year to 31 December	2022A	2023A	2024A	2025A	2026SP	2027SP	2028SP
Ebit adj for tax	1,425	2,242	2,665	2,781	3,059	3,511	3,951
Average invested capital	17,328	15,310	15,024	15,420	14,155	13,338	13,940
ROIC (%)	8.2	14.6	17.7	18.0	21.6	26.3	28.3
Cost of equity (%)	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Cost of debt (adj for tax)	3.1	3.0	3.0	2.9	2.9	2.9	2.9
Weighted average cost of capital (%)	5.8	5.8	5.8	5.8	5.8	5.8	5.8
EVA/IC (%)	2.4	8.8	12.0	12.3	15.9	20.6	22.6
EVA (NT$m)	414	1,354	1,797	1,892	2,244	2,744	3,149

Source: SinoPac

Research subscriptions
To change your report distribution requirements, please contact your CLSA sales representative or email us at cib@clsa.com. You can also fine-tune your Research Alert email preferences at https://www.clsa.com/member/tools/email_alert/.

Click to rate this research
Great
Solid
Meh

Companies mentioned

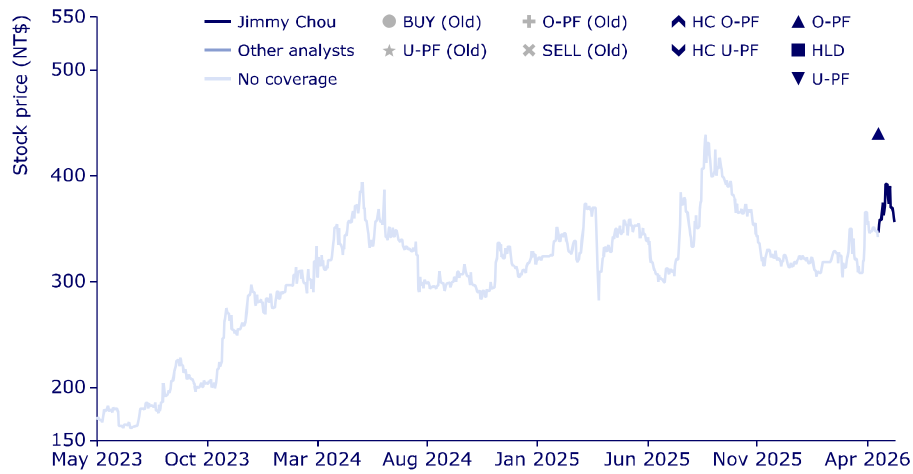
Nan Pao (4766 TT - NT$372.00 - OUTPERFORM)
Advanced Pao Trusval (N-R)
AEMC (N-R)
Maxell (N-R)
Trusval (N-R)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

Recommendation history of Nan Pao Resins Chemical 4766 TT



Date	Rec	Target	Date	Rec	Target
28 Apr 2026	O-PF	440.00			

Note: At 6pm (HKT) on 28 June 2024, we changed our ratings to Outperform (O-PF), Hold (HLD) and Underperform (U-PF); and on 16 December 2024, we added the ratings: High-Conviction Outperform (HC O-PF) and High-Conviction Underperform (HC U-PF). Please see Key to CLSA/SinoPac investment rankings below for details. Source: CLSA, SinoPac

This research report is prepared for and distributed by CLSA pursuant to a research products agreement between CLSA Limited and SinoPac Securities Investment Service Corporation (SinoPac). SinoPac has confirmed to CLSA Limited that the opinions expressed are based on information it believes to be fair, accurate and complete and obtained through reliable public or other non-confidential sources at the time made.

CLSA in this research report refers to CLSA Limited, CLSA Americas, LLC, CLSA Australia Pty Ltd, CLSA India Private Limited, PT CLSA Sekuritas Indonesia (a securities company licensed and supervised by Financial Services Authority (Otoritas Jasa Keuangan)), CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA Philippines, Inc, CLSA Singapore Pte Ltd, CLSA Securities (Thailand) Limited, CLSA (UK), CLSA Europe B.V. and/or their respective affiliates (collectively, CLSA).

The analyst(s) 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 CLSA 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.

Any opinions or estimates herein reflect the judgment of the analyst(s) at the date of this report and are subject to change at any time without notice. This report has been distributed by CLSA employing appropriate expertise, and in the belief that it is impartial, independent, clear, fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by CLSA nor SinoPac. Therefore, except for any obligation under applicable rules neither CLSA nor SinoPac guarantees its accuracy. Additional and supporting information is available upon request.

This report is for information purposes only and it does not constitute or contain, and should not be considered as an offer or invitation to sell, or any solicitation or invitation of any offer to subscribe for or purchase any securities in any jurisdiction and recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this report, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including legal or tax advice. Investments involve risks, and investors should exercise prudence and their own judgement in making investment decisions. The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Investments that are denominated in foreign currencies may fluctuate in value as a result of exposure to movements of exchange rate. Past performance is not necessarily a guide to future performance or liquidity. CLSA and/or SinoPac do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or SinoPac accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents.

SinoPac may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of SinoPac. Meanwhile, CLSA maintains independence and integrity of its Research department, by having its Corporate Finance, Sales Trading, Asset Management and Research business lines distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA's Corporate Finance department, CLSA's Sales and Trading business or Asset Management business. Accordingly, neither the Corporate Finance department, the Sales and Trading department nor the Asset Management department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management. CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading, Asset Management and Research activities. Some examples of these controls include: the use of information barriers and other controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance, Asset Management, and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Subject to any applicable laws and regulations at any given time, CLSA, SinoPac, their respective affiliates or officers, directors or employees may have used the information contained herein before or after publication and may have positions in, or may from time to time purchase or sell or have an interest or a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided corporate finance/capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, you should be aware that CLSA and/or SinoPac and/or their respective affiliates, officers, directors or employees may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA only. Unless specified otherwise, CLSA and SinoPac did not receive any compensation or other benefits from the subject company, covered in this report, or from any third party. For CITICS disclosure about specific companies mentioned herein, please access: https://www.clsa.com/member/research_disclosures_citics/. For SinoPac disclosure about specific companies mentioned herein, please access: https://www.clsa.com/member/research_disclosures_sinopac/. If investors have any difficulty accessing this website, please contact webadmin@clsa.com/login.enquiry@clsa.com. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

Neither analysts nor their household members or associates may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report.. The analyst/s also state/s and confirm/s that he/she/they has/have not been subject to any outside influence in connection with this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest. For full disclosure of interest for all companies covered in this report, please refer to http://www.clsa.com/member/research_disclosures/ and https://www.clsa.com/member/research_disclosures_sinopac/ for details.

Key to CLSA/SinoPac investment rankings: From 16 December 2024: High-Conviction Outperform (HC O-PF): Strong conviction that a top-quartile stock (by expected return in analyst's coverage) will outperform and total stock return (TSR) expected to exceed or be equal to 10%; Outperform (O-PF): TSR expected to exceed or be equal to 10%; Hold (HLD): TSR expected to be below 10% but more than or equal to negative 10%; Underperform (U-PF): TSR expected to be below negative 10%; High-Conviction Underperform (HC U-PF): Strong conviction that a bottom-quartile stock (by expected return in analyst's coverage) will underperform and total stock return expected to be below negative 10%. TSR is up/downside to 12-month target price plus dividend. From 6pm (HK time) on 28 June 2024 and up to 16 December 2024: Outperform (O-PF): TSR expected to exceed or be equal to 10%; Hold (HLD): TSR expected to be below 10% but more than or equal to negative 10%; Underperform (U-PF): TSR expected to be below negative 10%. Up to 6pm (HK time) on 28 June 2024: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF (aka ACCUMULATE): Total expected return below 20% but exceeding market return; U-PF (aka REDUCE): Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmarked the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

For purposes of regulatory disclosure only, our High-Conviction Outperform and Outperform ratings fall into a buy rating category; our Hold rating falls into a hold rating category; and our High-Conviction Underperform and Underperform ratings fall into a sell rating category.

For a history of the recommendation, price targets and disclosure information for companies mentioned in this report please write to: CLSA Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong. EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA estimates, "CS" for CITIC Securities estimates and "SP" stands for SinoPac estimates, unless otherwise noted in the source.

Charts and tables sourced to CLSA or SinoPac in this report may include data extracted from CLSA or SinoPac's automated databases, which derive their original data from a range of sources. These can include: companies; analyst estimates/calculations; local exchanges and/or third-party data or market pricing providers such as Bloomberg, FactSet or IBES. Additional information on data sources for specific charts or tables can be obtained by contacting the publishing analysts.

This report is subject to and incorporates the terms and conditions of use set out on the www.clsa.com website (https://www.clsa.com/disclaimer.html and https://www.clsa.com/terms-and-conditions-of use/) and the references to "publication/communication" or "Publications" thereof shall include this report. Neither this report nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA. This report has been produced for private circulation to professional, institutional and/or wholesale clients only, and may not be distributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or SinoPac to any additional registration or licensing requirement within such jurisdiction. The information and statistical data (for private or public companies) herein have been obtained from sources CLSA and/or SinoPac believe to be reliable. Such information has not been independently verified by CLSA and/or SinoPac. CLSA and/or SinoPac together with their respective directors, officers, employees and other representatives (Representatives) make no representation or warranty as to the fairness, adequacy, accuracy, completeness or correctness of the contents of this research, including views and company information. None of the CLSA, SinoPac and their respective Representatives undertake any obligation to update the information contained herein. None of CLSA, SinoPac and their respective Representatives shall be liable for any damages, losses, or other consequences arising from the use or reliance on the information herein.

The replication of any third party views in this report should not be treated necessarily as an indication that CLSA and/or SinoPac agrees with or concurs with such views. None of CLSA and/or SinoPac, their respective affiliates and their respective directors, officers, employees, advisers and representatives makes any representation or warranty, express or implied, as to and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such data or information contained herein or any statement made in this report. Any opinions or estimates herein reflect the judgment of the analyst(s) at the date of this report and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or SinoPac. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

You should make your own independent evaluation of the relevance, adequacy, and correctness of information contained in this report and conduct such investigations as you deem necessary, including making inquiries with the company and obtaining independent financial or investment advice before making critical decisions. You shall not use or rely on the contents of the information herein for any purpose. You shall apply caution when using this report at your own risk. You shall assume full responsibility for any interpretations, decisions, or actions taken based on the information provided and assume all risks associated with the use of this report, and releases CLSA, SinoPac, their respective affiliates and Representatives from any liability arising from such use. You shall be solely responsible for any losses incurred.

Please be aware that artificial intelligence (AI) may be utilized in connection with research, analysis and reporting activities and such use may range from superficial (e.g., auxiliary data processing) to material (e.g., primary analysis or inclusion of AI-generated content contained herein). This report contained herein may contain AI generated content and may contain inaccuracies, omissions, misstatement, or misinterpretations due to AI's inherent limitations. CLSA and/or SinoPac together with their respective Representatives may or may not have reviewed, edited, or approved such research report contained herein.

The report contained herein is strictly prohibited from being used, in whole or in part, for the purpose of training AI system, including but not limited to machine learning models or any other AI related development, whether for commercial, public or broad use or distribution purposes, unless with the prior written consent of CLSA. The report provided herein is intended solely for informational purposes and is not designed or authorized for integration with or use within any AI tools or systems by the report user. The report user shall not, under any circumstances, incorporate, feed, or utilize the content of the report directly or indirectly into any AI applications, models or algorithms. By accessing information herein, you agree to abide by these restrictions and CLSA reserves the right to enforce these terms and pursue remedies for unauthorized use.

Any disputes related to this report shall be governed by the laws of Hong Kong and to the non-exclusive jurisdiction of the courts of Hong Kong in connection with any suite, action or proceeding arising out of or in connection with this material. In the event any of the provisions in these General Disclaimer shall be held to be unenforceable, that provision shall be enforced to the maximum extent permissible to reflect the intention underlying the unenforceable term, and the remainder of these General Disclaimer shall be unimpaired.

This research report is prepared and distributed for and on behalf of CLSA (for research compiled by non-US analyst(s)) in the United States by CLSA Americas, LLC (to its customers); in Australia by CLSA Australia Pty Ltd (ABN 53 139 992 331/AFSL License No: 350159); in Hong Kong by CLSA Limited (Incorporated in Hong Kong with limited liability); in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050; CIN: U67120MH1994PTC083118; SEBI Registration No: INZ000001735 as Stock Broker, INM000010619 as Merchant Banker and INH00000113 as Research Analyst; in Indonesia by PT CLSA Sekuritas Indonesia (a securities company licensed and supervised by Financial Services Authority (Otoritas Jasa Keuangan)); in Japan by CLSA Securities Japan Co. Ltd.; in Korea by CLSA Securities Korea Ltd.; in Malaysia by CLSA Securities Malaysia Sdn. Bhd.; in the Philippines by CLSA Philippines Inc; in Singapore by CLSA Singapore Pte Ltd and solely to persons who qualify as an "Institutional Investor", "Accredited Investor" or "Expert Investor" MDDI (P) 035/11/2025; in Thailand by CLSA Securities (Thailand) Limited; and in the European Economic Area ('EEA") by CLSA Europe BV and in the United Kingdom by CLSA (UK).

China Hong Kong: This research report is distributed by CLSA Limited. This research report is distributed in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder) and may not be distributed to retail investors. Recipients should contact Matthew Overy, Tel: +852 2600 8315 of CLSA Limited in respect of any matters arising from, or in connection with, the analysis or report.

Australia: This report has been prepared for and on behalf of CLSA pursuant to a research products agreement between CLSA Limited and SinoPac. SinoPac does not hold an Australian financial services license and relies on licensing relief as a Foreign Financial Services Provider, limited to distribution to Australian "wholesale" investors only. If you are an Australian investor, you represent and continue to represent on an ongoing basis, that you are a wholesale investor and if you cease being a wholesale investor, please contact us immediately. CLSA Australia Pty Limited has not been involved in the preparation of this document. Therefore, recommendations of SinoPac in this document should not be regarded as recommendations of CLSA Australia Pty Limited. CLSA Australia Pty Limited does not take any responsibility for, and to the maximum extent permitted by law disclaims any liability for, the content of this document.

CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by the Australian Securities and Investments Commission ("ASIC") and is a Market Participant of ASX Limited and Cboe Australia Pty Ltd. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party without the prior written consent of CAPL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. CAPL's research coverage universe spans listed securities across the ASX All Ordinaries index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CAPL seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No.INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking services and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com. Registration granted by SEBI and certification from NISM in no way guarantee performance of CLSA India Private Limited or provide any assurance of returns to investors. Compliance officer & Grievance officer: Neeta Sanghavi, Tel: 22 6650 5050. Email address of Compliance officer and Grievance cell: compliance-india@clsa.com.

Singapore: This report is distributed in Singapore by CLSA Singapore Pte Ltd to institutional investors, accredited investors or expert investors (each as defined under the Financial Advisers Regulations) only. Singapore recipients should contact CLSA Singapore Pte Ltd, 80 Raffles Place, #18-01, UOB Plaza 1, Singapore 048624, Tel: +65 6416 7888, in respect of any matters arising from, or in connection with, the analysis or report. By virtue of your status as an institutional investor, accredited investor or expert investor, CLSA Singapore Pte Ltd is exempted from complying with certain requirements under the Financial Advisers Act 2001, the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder (as disclosed in Part C of the Securities Dealing Services – Singapore Annex of the CLSA terms of business), in respect of any financial advisory services that CLSA Singapore Pte Ltd may provide to you. MDDI (P) 035/11/2025.

United States of America: This research report has been prepared for and on behalf of CLSA pursuant to a research products agreement between CLSA Limited and SinoPac. Where any section is compiled by non-US analyst(s), it is distributed into the United States in one of two ways: 1) by CLSA Americas, LLC, as third party research, or 2) by CLSA (except CLSA Americas, LLC) solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas, LLC. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas, LLC. For Trades, information or any other forms of transactions or communications that are routed or processed outside the CLSA group's system, CLSA Americas, LLC is not acting as 15a-6 Agent and such activity should not be considered the liability of CLSA Americas, LLC or any other members of CLSA group.

Canada: This research report has been prepared for and on behalf of CLSA pursuant to a research products agreement between CLSA Limited and SinoPac. The delivery of this research report to any person in Canada shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion contained herein.

The United Kingdom: This document is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The document is disseminated in the UK by CLSA (UK) and directed at persons having professional experience in matters relating to investments, as defined in the relevant applicable local regulations. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. CLSA (UK) is authorised and regulated by the Financial Conduct Authority.

The European Economic Area ('EEA"): Research is distributed by CLSA Europe BV, authorised and regulated by the Netherlands Authority for Financial Markets.

Malaysia: This publication is distributed by CLSA Securities Malaysia Sdn Bhd (CLSA Malaysia) and is intended solely for persons with sufficient knowledge and experience in investment. The information contained herein pertains exclusively to those with such expertise, and any investment decisions based on it should only be undertaken by such persons. If a person lacks knowledge, experience, or qualifications in investment matters, please refrain from relying on this document. Malaysia recipients should contact CLSA Securities Malaysia Sdn Bhd, Suite 21-01, Level 21, Menara Generali, 27 Jalan Sultan Ismail, 50250 Kuala Lumpur, Tel: +603 20567888, in respect of any matters arising from, or in connection with, the analysis or report.

CLSA Malaysia's research coverage universe spans listed securities across the FBM KLCI Index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CLSA Malaysia seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

Korea: This research report has been prepared for informational purposes only; it does not constitute an offer or a solicitation of an offer to buy or sell any securities or other financial instruments. The information and data contained in this report have been obtained from sources we consider reliable; however, we make no representation that the information provided in this report is accurate or complete, and it should not be relied on as such. The recipient of this report should use his/her independent judgment regarding the sale or purchase of any securities or financial instruments mentioned herein. We disclaim any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for our clients only.

For all other jurisdiction-specific disclaimers please refer to https://www.clsa.com/disclaimer.html . The analysts/contributors to this report may be employed by any relevant CLSA entity or SinoPac, which is different from the entity that distributes the report in the respective jurisdictions.

Investment in the securities market is subject to market risks. Read all the related documents carefully before investing.