

Nan Pao Resins Chemical Co Ltd (4766 TT)

Expanding Market Leadership With High-Value Adhesive Solutions

2025/3/11

QIC Research Team
research@qtumic.com
02-2325-3563

COMPANY OVERVIEW

Nan Pao is a leading chemical and materials company focusing on innovative and sustainable solutions. As the world's largest producer of adhesives for athletic footwear, it supplies top brands such as Nike and Adidas as well as emerging brands like On Running and Hoka. World-class technology accumulated over the past six decades, outstanding localized and custom-made services, and strong cash-flow which supports reinvestment in innovation and sustainability give the company advantages to outgrow the industry. In 3Q24, revenue was derived from Adhesives (74%), Coating & Construction (22%), and Other segments (4%).

KEY POINTS

Sustained Margin Improvement, Targeting Record-High Revenue in 2025: According to company guidance, Nan Pao aims to achieve another record-high revenue in 2025. In the footwear adhesives segment, R&D investments in collaboration with athleisure brands on bonding technology for new materials are yielding results, gradually contributing to revenue growth. The company is also executing its innovation-driven growth strategy, "NextGen," which focuses on leading clients in key industries. By proactively co-developing next-generation adhesive solutions, Nan Pao is making inroads into footwear, semiconductors, and woodworking. The company's emphasis on high-value, innovative products is expected to further enhance margins in 2025, strengthening its competitive positioning.

Targeting a Long-Term ROE of over 20% through Multiple Strategies: Nan Pao has set a long-term target of achieving a return on equity (ROE) of over 20%, which plays a key role in its dividend policy considerations. Backed by a strong balance sheet, the company may increase its cash dividend payout ratio for 2024 (the payout ratio in 2023 was 74%). To sustain high returns, Nan Pao aims to continuously improve operational efficiency and maintain an above-industry-average operating margin. Additionally, the company remains open to mergers and acquisitions (M&A) as part of its growth strategy, seeking opportunities to accelerate expansion and enhance shareholder value.

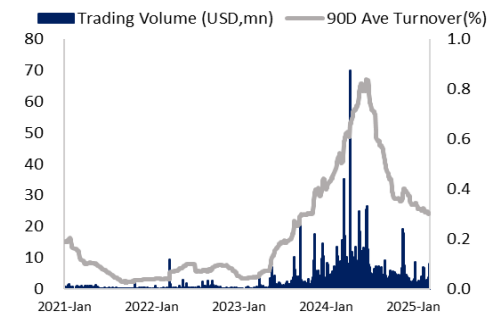
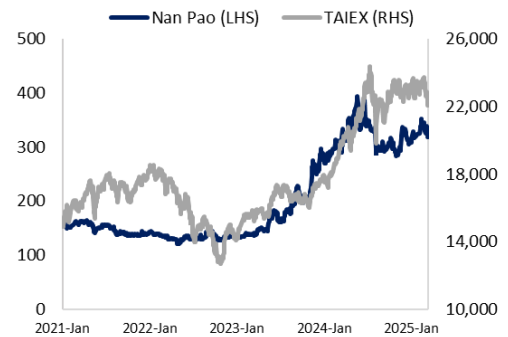
Innovative Adhesive Solutions for Semiconductor and Key Industries: Nan Pao continues to strengthen its product development strategy, introducing innovative adhesive solutions that enhance performance and production efficiency. The company is actively targeting high-growth segments such as semiconductors, electronics, woodworking, and textiles, with early success in these markets. Semiconductor, optics, and woodworking adhesives have demonstrated particularly strong performance. Notably, Nan Pao has successfully developed a UV release tape for semiconductor applications, featuring high adhesion strength and rapid UV-triggered release with no residue, significantly improving production efficiency and yield rates. This innovation has earned positive customer feedback, reinforcing Nan Pao's competitive edge in advanced adhesive solutions.

Advancing Green Products and Sustainable Solutions: Sustainability remains a key driver of Nan Pao's market share growth, leading to substantial R&D investments in eco-friendly and innovative solutions. The company has focused on solvent-free and water-based products that reduce volatile organic compounds (VOCs) during manufacturing. Currently, 75-80% of Nan Pao's footwear adhesive products are low-VOC or zero-VOC, reflecting its commitment to reducing environmental impact. Additionally, Nan Pao has developed high-performance, bio-based, and recyclable materials to further advance its sustainability initiatives. In 2023, green products contributed 67% of total revenue, underscoring the company's success in integrating sustainability with business growth.

KEY STATISTICS

Ticker:	4766 TT
Current Price:	NT\$ 318
52-Week Range:	NT\$ 283.5 - 394
Average Volume (30-Day, k shares):	304.3
Outstanding Shares (MN):	121
FINI Holding (%):	18.2
Market Cap (MN):	US\$ 1,164

PRICE PERFORMANCE



FINANCIAL SUMMARY

mn,NTD	FY21	FY22	FY23	LTM*
Revenue	17,980	22,004	20,581	22,378
Revenue YoY (%)	15.6	22.4	-6.5	8.4
Gross Margin (%)	22.8	24.0	31.5	32.8
Op. Margin (%)	5.9	8.3	14.4	15.7
Net Income	876	1,741	2,428	2,655
Net Income YoY (%)	-28.2	98.8	39.4	24.9
Net Margin (%)	4.9	7.9	11.8	11.9
EPS (NTD)	7.26	14.44	20.14	22.02
ROA (%)	3.9	6.9	10.3	10.5
ROE (%)	6.9	11.7	18.4	19.8
ROIC (%)	0.2	5.0	6.5	4.4
P/E (x)	19.5	9.2	14.0	14.4
P/B (x)	1.1	1.1	2.6	2.8
P/S (x)	1.0	0.7	1.6	1.7
EV/EBITDA (x)	13.5	7.9	9.7	11.1

* 4Q23-3Q24

Source: TEJ

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