



# Infinity Development Hldgs Co Ltd (IDH SP/ZBA.SI)

## Stickier than any adhesive

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- Business model stickier than any adhesive.** Infinity supplies consumable adhesives, primers and hardeners embedded in footwear production lines. Products must pass a **dual-approval process by both global brands and OEMs**, creating long qualification cycles, high switching costs and entrenched supplier mandates once approved.
- Structurally defensive, but FY26 faces margin pressure.** As an upstream input supplier, Infinity is relatively insulated from direct consumer-facing tariffs and exhibits indirect exposure to end-demand volatility. However, the ongoing Middle East conflict has raised petrochemical, freight and broader manufacturing costs across Asia, implying near-term margin compression even as customer stickiness supports demand resilience.
- ASEAN manufacturing rotation tailwind.** Capacity is already positioned where the industry is moving. Vietnam is the core hub, while Indonesia is undergoing a step-change expansion (from 4 to 13 production lines), aligning Infinity with structural footwear production shifts out of China.
- Fortress balance sheet provides optionality.** Net cash of **HK\$288.5mn** (~35% of total assets) and no structural debt underpin downside protection and provide flexibility for organic expansion, R&D or selective M&A despite a more volatile cost environment.
- India market has more potential growth.** Management views India as an emerging footwear manufacturing hub within customer supply chains; while currently ~1% of revenue and with no manufacturing investments announced, it represents a potential option for future footprint expansion as customer demand visibility scales.

### Financials & Key Operating Statistics

YE Sep (HKD 'mn)	2024	2025	2026F	2027F	2028F
Revenue	736.3	835.2	869.4	917.9	977.0
Net Profit	100.4	122.2	88.3	109.5	127.3
EPS (cents)	35.7	43.4	27.9	34.6	40.2
EPS growth (%)	199.6	21.7	(35.7)	23.9	16.3
DPS (HKD cents)	18.0	20.5	14.1	17.5	20.3
Div Yield (Y%)	12.3	8.4	5.6	6.9	8.0
Net Profit Margin (%)	13.6	14.6	10.2	11.9	13.0
Net Gearing (x)	7.4	1.2	1.5	1.6	1.7
Price P/B (x)	0.7	1.1	1.2	1.1	1.0
ROE (%)	17.2	19.4	13.1	14.8	15.7

Source: Company data, KGI Research

**Company Background.** Infinity Development Holdings Company Limited is a Hong Kong- and Singapore-listed B2B specialty chemical manufacturer supplying adhesives, primers and hardeners used in footwear manufacturing. The Group serves international footwear OEMs and brand-linked factories across Asia, operating manufacturing facilities in Vietnam, China and Indonesia. Its products are qualified during the shoe design phase and repeatedly ordered during mass production, resulting in replenishment-driven demand and long customer relationships.

Outperform - Initiation		Performance (Absolute)	
Price as of 2 Apr 26 (SGD)	0.40	1 Month (%)	-2.5
12M TP (\$)	0.62	3 Month (%)	0.2
Previous TP (\$)	-	12 Month (%)	N/A
Upside, incl div (%)	63.1%		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	125		
Issued Shares (mn)	317		
Vol - 3M Daily avg (mn)	0.1		
Val - 3M Daily avg (\$mn)	0.1		
Free Float (%)	33.5%		
Major Shareholders		Previous Recommendations	
leong Un	66.5%		

**FY25 Snapshot.** For the full-year, revenue and net profit were HK\$835mn and HK\$122mn respectively. The company's revenue has remained stable across cycles, reflecting production-linked demand rather than discretionary retail. Majority of Infinity's revenue (88%) comes from ASEAN, with 59% Vietnam, 15% Indonesia, 12% Bangladesh, 1% India. The remaining 12% comes from China. Its balance sheet proves stable with net cash of HK\$288.5mn and cash ~35% of total assets; with only lease-related liabilities outstanding. For FY25, the company declared total dividends amounting to HK\$0.205 per share, an increase from the HK\$0.18 per share in FY24.

**Structural industry tailwinds, though near-term macro conditions have softened.** The global footwear market is projected to grow from US\$495bn in 2025 to approximately US\$790bn by 2032, driven by emerging market consumption, sportswear penetration and lifestyle shifts. Rising labour costs, tariffs and supply-chain diversification continue to shift production from China into Vietnam and Indonesia, benefiting regionally embedded suppliers such as Infinity. Still, the ongoing Middle East conflict has raised near-term energy, freight and input costs, which may moderate factory activity across Asia even as the longer-term relocation trend remains intact.

**Valuation & Action:** Based on our discounted cash flow (DCF) valuation, we initiate coverage on Infinity Development Holdings with an **OUTPERFORM** rating and a target price of **S\$0.62**. Our DCF-based valuation utilises employs a WACC of 8.03% and a blended terminal value approach, derived based on a 1.5% terminal growth rate and a forward P/E multiple of 4.3x, reflecting a conservative risk assessment amid heightened macro uncertainty and near-term cost pressure across Asia.

**Key Risks:** Customer concentration, OEM footwear production cyclicality, volatile raw material costs, currency and macroeconomic risks and Indonesia expansion execution.

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## Company Background

Infinity Development Holdings Limited (“Infinity” or the “Group”) is a Hong Kong-listed B2B specialty chemical manufacturer engaged in the production and sale of adhesives, primers, hardeners and vulcanized shoe adhesive products to international footwear manufacturers. The Group is listed both on the Main Board of the Stock Exchange of Hong Kong as well as the Singapore Stock Exchange. As of FY25, its revenue is HK\$835mn. Infinity operates primarily under three manufacturing facilities located in the People’s Republic of China, Vietnam, and Indonesia, supporting regional customers across Asia.

**Figure 1: List of subsidiaries**

No.	Name of subsidiaries	Principal operations (Region)	Principal activities	Ownership
1	Keen Castle Limited	BVI	Investment holding	100%
2	PT. Zhong Bu Adhesive Indonesia	Indonesia	Manufacture, processing and sale of adhesive products	100%
3	Zhong Bu Adhesive (Vietnam) Co., Ltd.	Vietnam	Processing of adhesive products	100%
4	Zhuhai Centresin	PRC	Manufacture and sale of adhesive products	100%
5	Iao Son Hong Paint Company Limited	Macau	Administrative support & sale of adhesive products	100%
6	Huu Tin Hang Company Limited	Vietnam	Sale of adhesive products	100%
7	Zhong Bu (Centresin) Adhesive & Chemical Co., Ltd.	Macau	Administrative support	100%
8	PT Zhongbu Resins Indonesia	Indonesia	Manufacture and sale of adhesive products (plant under construction)	100%
9	Zhong Bu Singapore	Singapore	Investment holding & administrative support	100%

Source: Company

From a product and technology standpoint, Infinity positions itself as an environmentally oriented industrial chemical supplier with in-house R&D capabilities complemented by collaboration with internationally recognized chemical corporations from Germany and Japan, as well as expert partners from Japan, Taiwan and Hong Kong.

### Core Operating Segment:

- **Adhesives:** The glue used to assemble shoes, tested and approved during shoe design and then repeatedly ordered in batches by factories during mass production.
- **Primers:** Prepares shoe materials so the glue bonds properly and consistently during manufacturing.
- **Hardeners:** Control how fast and how strong the glue sets, and Infinity is the only supplier in Asia that makes its own hardeners in-house. They also sell these hardeners to other glue manufacturers who do not have the capabilities to produce their own.

Infinity adopts a lean, export-oriented manufacturing model, and has maintained longstanding relationships with major footwear brands and OEM manufacturers across Asia. With global footwear supply chains continuing to shift toward Southeast Asia, and manufacturers requiring increasingly specialized and environmentally compliant adhesive products, the Group’s regional manufacturing footprint and R&D partnerships position it to benefit from ongoing industry consolidation and higher entry barriers. Furthermore, Infinity’s customers, the manufacturers, supply to a diverse range of brands, which reduces Infinity’s concentration risk.

### Geographical Segments (sorted by % of total revenue):

- **Vietnam (59%):** The Group’s largest revenue market, reflecting the heavy skew for shoe manufacturing in Vietnam, cemented even further by global shift towards ASEAN.
- **Indonesia (15%):** A fast-growing market supported by rising footwear manufacturing activity as customers expand production capacity in Indonesia.
- **PRC (China) (12%):** Revenue generated from supplying footwear manufacturers in China, reflecting continued but moderating production activity.
- **Bangladesh (12%):** A material revenue contributor, supported by established footwear manufacturing operations serving international brands.
- **India (1%):** A small and early-stage market

## Investment Thesis

**Business model stickier than any adhesive.** Defensible moat reinforced by a dual-approval qualification process and structurally mitigated customer concentration risk.

Infinity's core products, adhesives, primers and hardeners, are consumables embedded within standardized footwear production lines. The stickiness of the Group's revenue base extends beyond consumable characteristics alone and is reinforced by a lengthy, dual-approval qualification process. For a supplier to be approved, adhesive formulations must typically undergo separate validation by both the global footwear brand and the OEM manufacturer, covering bonding performance, durability, production compatibility, and increasing environmental and occupational safety standards.

This dual-approval requirement creates a high procedural barrier to entry. Qualification timelines are long, resource-intensive, and involve repeated testing across different shoe models, materials and production conditions. Once a formulation is approved and adopted at scale, neither the brand nor the OEM has strong economic incentives to re-initiate the qualification process, given the operational disruption, re-testing costs, and risk of production delays associated with switching suppliers. As a result, incumbent suppliers such as Infinity benefit from structurally high switching costs that go beyond pricing considerations.

From the supplier perspective, this dynamic further entrenches incumbency. Competing chemical suppliers face a poor risk-reward trade-off when attempting to displace an already-approved product, as substantial R&D, testing and customer engagement costs must be incurred with uncertain probability of mandate conversion. This discourages aggressive competitive entry once a supplier has secured approval, reinforcing Infinity's defensible positioning within OEM production lines.

While the Group's largest customer accounted for approximately 20% of total revenue in FY25 and the top five customers represented ~45% of revenue, this concentration reflects entrenched supplier mandates across large OEM manufacturing groups rather than dependence on a single product or brand. Importantly, these OEMs typically operate across multiple factories and serve multiple global brands, further diversifying demand at the program level. Combined with Infinity's presence across key footwear production hubs in Vietnam, Indonesia and China, the Group benefits from replenishment-driven, production-linked demand rather than lumpy, project-based sales, supporting earnings stability across cycles.

**Defensive earnings profile supported by supplier stickiness, though FY26 faces temporary margin pressure.** Infinity's position as an upstream consumables supplier within the footwear manufacturing value chain continues to provide the Group with greater resilience than downstream footwear brands. Adhesives, primers and hardeners account for a small proportion of footwear bill-of-materials but are critical to product integrity, durability and compliance. This structural asymmetry reduces customers' willingness to substitute suppliers or aggressively negotiate pricing, even during periods of cost inflation.

This resilience is also reflected in Infinity's recent financial performance. Revenue increased from HK\$736.3mn in FY24 to HK\$835.2mn in FY25, while net profit rose from HK\$100.4mn to HK\$122.2mn. Over the same period, net margin improved from 13.6% to 14.6%, indicating that profitability was sustained even without aggressive volume-led expansion.

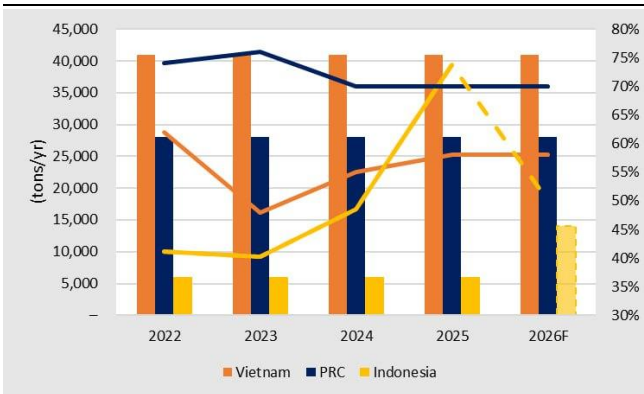
However, the near-term macro environment has become more challenging than previously expected. Factory activity in March slowed in Indonesia and Vietnam, two of Infinity's key operating geographies, as surging fuel costs and uncertainty resulting from the Iran war weighed on manufacturing conditions; Indonesia's PMI fell to 50.1 from 53.8, while Vietnam's slowed to 51.2 from 54.3. This suggests that while Infinity's business model remains structurally defensive, FY26 is more likely to be characterized by margin compression and moderate production growth, rather than a clean continuation of FY25's cost normalization.

We therefore view FY25 margin performance as a strong reference point for earnings quality, though not necessarily the most appropriate near-term run rate given renewed pressure from energy-linked raw material and freight costs.

Beyond operating resilience, Infinity’s fortress balance sheet materially strengthens its ability to navigate cyclical volatility and pursue growth opportunistically. As at FY25, the Group held net cash of approximately HK\$288.5mn, with cash accounting for around 35% of total assets, and no meaningful structural debt beyond lease liabilities. This provides substantial financial flexibility to absorb temporary cash flow fluctuations, internally fund the Indonesian expansion, and pursue incremental growth opportunities without balance sheet strain.

The combination of stable recurring demand, limited direct tariff exposure, cost pass-through capability and excess liquidity provides Infinity with significant capital mobility. Management retains the option to deploy internal cash resources toward capacity expansion, product development or strategic investments, while preserving the ability to take on incremental debt should attractive opportunities arise. While the ongoing Middle East conflict may weigh modestly on near-term margins and factory activity through higher input, energy and freight costs, Infinity’s sticky, replenishment-driven business model and strong balance sheet should help cushion the impact. We therefore continue to view the Group as a relatively low-risk industrial compounder within the global footwear supply chain.

Figure 2: Productive and utilization capacity 2022-2026F



Source: Company, KGI Research

Figure 3: Previous (1H25) vs current production facilities (FY26F)

Previous:

Country	Products	Production Lines	Productive Capacity (tons/year)
Vietnam	Adhesives, Primers & Hardeners	20	41,000
PRC		25	28,000
Indonesia	Adhesives & Primers	4	6,000

Current:

Country	Products	Production Lines	Productive Capacity (tons/year)
Vietnam	Adhesives	20	41,000
PRC	Primers	25	28,000
Indonesia	Hardeners	13 (expected)	14,000

Source: Company, KGI Research

**Strategic capacity expansion into ASEAN hubs.** Infinity’s manufacturing footprint and forward capacity planning demonstrate that the Group is not merely responding to the footwear industry’s gradual rotation from China into Southeast Asia but is already structurally positioned to benefit from it. As of FY26, Infinity operates production facilities across Vietnam, the PRC and Indonesia, with a clear and deliberate shift in incremental capacity toward ASEAN markets where global footwear production continues to expand.

Vietnam remains the Group’s largest production base for adhesives, operating 20 production lines with annual capacity of approximately 41,000 tons, reflecting its entrenched role as a core hub for global footwear manufacturing. The PRC facility, primarily focused on primers, operates 25 production lines with productive capacity of approximately 28,000 tons, supporting both legacy customers and specialized formulations.

Indonesia, while historically a smaller production base, has emerged as the Group’s primary ASEAN expansion platform. Prior to the new factory development, the Indonesia facility operated only four production lines with approximately 6,000 tons of annual capacity. Following the completion of the new plant, Indonesia is expected to operate 13 production lines with productive capacity of approximately 14,000 tons per year, representing a step-change increase in scale and strategic importance within the Group’s manufacturing network.

The new Indonesia facility is being financed entirely through internally generated funds, underscoring both balance sheet strength and management’s disciplined approach to expansion. Trial production commenced in 4Q25, enabling a phased, low-risk ramp-up aligned with customer demand rather than speculative capacity build-out. As the new facility

ramps, the legacy factory with limited capacity is being gradually decommissioned. The Indonesia expansion meaningfully strengthens Infinity's ASEAN manufacturing footprint, allowing the Group to support customer volume growth in the region while maintaining a disciplined and sequenced approach to capital deployment. This additional capacity enhances Infinity's ability to support OEM customers that are operating across ASEAN, improving delivery lead times, reducing logistics costs, and strengthening customer integration as production volumes scale.

From a strategic perspective, this ASEAN-weighted capacity expansion provides Infinity with operational flexibility as footwear manufacturing continues to migrate out of China. Rather than requiring abrupt restructuring or plant closures, the Group is positioned to gradually rebalance production toward Vietnam and Indonesia when appropriate, allowing the PRC facility to be optimised or rebalanced in relative mix over time depending on customer requirements, cost considerations and regulatory developments. This measured approach mitigates geopolitical and cost-related risks while preserving continuity for long-standing customers.

Overall, Infinity's ASEAN-centric capacity profile, supported by a visible and internally funded Indonesian expansion, places the Group at the centre of long-term footwear manufacturing relocation trends. As global brands deepen sourcing exposure to Southeast Asia for cost, diversification and ESG-driven reasons, Infinity's existing footprint and near-term capacity ramp provide a tangible competitive advantage.

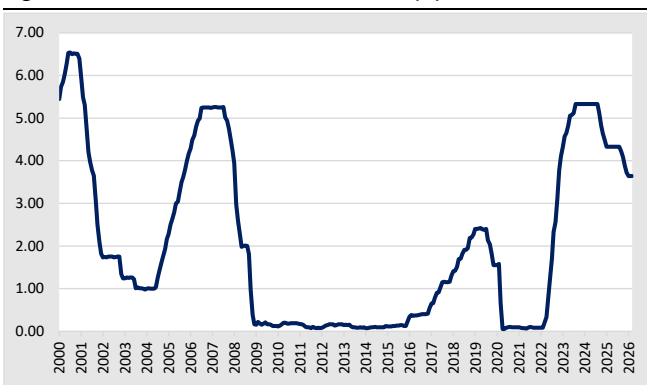
## Macroeconomic Outlook

**Resilient pre-conflict global growth baseline, though the outlook has since softened.** In its January 2026 update, the IMF projected global GDP growth of 3.3% in 2026 and 3.2% in 2027, broadly in line with the estimated 3.3% outturn in 2025, while global headline inflation was expected to ease from 4.1% in 2025 to 3.8% in 2026 and 3.4% in 2027. This suggested a broadly supportive macro backdrop prior to the escalation in the Middle East conflict, with softer financial conditions and easing inflation helping to support manufacturing activity and discretionary demand. However, these projections were published before the conflict intensified and therefore do not reflect the subsequent deterioration in energy costs, freight conditions and Asian factory sentiment. The IMF had already flagged geopolitical escalation, supply-chain disruption and higher commodity prices as downside risks, and these risks have now partly materialized.

**Dovish interest rate environment.** As of March 2026, the Fed maintained the target range for the federal funds rate at 3.5%-3.75%, down from 4.5%-4.75% in January 2025, while signalling that any further easing would remain data dependent. Although Infinity is effectively debt free, a softer global rate backdrop remains modestly supportive, as it helps ease financing conditions across Asia and preserves optionality should the Group choose to fund future expansion more actively.

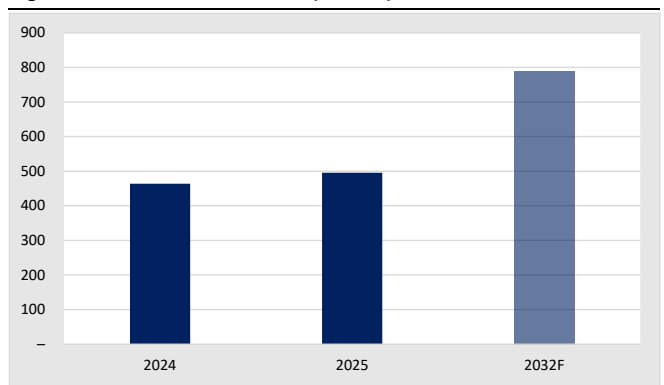
**Middle East energy shock raises near-term pressure on Asian factory activity and imported cost structures.** The Strait of Hormuz handles roughly 25% of global seaborne oil trade and about one-fifth of global LNG trade, while Asia buys about 80% of the oil shipped through Hormuz, underscoring the region’s exposure to imported energy shocks. This is directly relevant for Infinity, given that 88% of FY25 revenue is generated in ASEAN and Asia, including 59% from Vietnam, 15% from Indonesia, 12% from Bangladesh, 1% from India and 12% from China. The main transmission mechanism is not direct tariff exposure, but rather higher petrochemical feedstock costs, elevated freight costs and softer near-term factory purchasing activity. Factory activity in March slowed in Indonesia and Vietnam, two of Infinity’s key operating geographies, with Indonesia’s PMI falling to 50.1 from 53.8 and Vietnam’s slowing to 51.2 from 54.3.

Figure 4: Effective US Fed Funds Interest Rate (%) – current 3.64%



Source: Bloomberg

Figure 5: Global footwear market (US\$ 'bn)



Source: Fortune Business Insights

**Long-term footwear demand remains supportive, though near-term production growth may moderate.** The global footwear market is projected to grow from US\$495.5bn in 2025 to US\$789.5bn by 2032, implying a CAGR of 6.9%. For Infinity, adhesive demand remains linked more to production volumes than to footwear ASPs, which supports structural demand resilience. However, in the near term, higher energy and freight costs may moderate factory utilization and reorder timing across import-dependent Asian manufacturing markets. As such, Infinity’s outlook should remain structurally resilient but tactically slower in FY26, with medium-term recovery still supported by continued production migration into Southeast Asia.

**Tariffs on the footwear industry remain elevated.** U.S. import duties on footwear remain structurally high, with many categories subject to mid-single digit to around 20% MFN tariffs

and selected constructions facing duties of up to 37.5%. Since these tariffs are levied on finished footwear rather than intermediate inputs, Infinity’s direct exposure remains limited. However, tariff pressure on footwear brands and OEMs may still create near-term volume headwinds for adhesive demand. The current energy shock adds a second layer of pressure, as higher oil- and LNG-linked costs raise both manufacturing and logistics costs across the same Asian footwear clusters that Infinity serves.

**Figure 6: U.S. Tariffs on global footwear (excluding certain countries only)**

Footwear category (illustrative)	Key classification features under HTS Chapter 64	Typical base MFN tariff rate
Athletic shoes	Rubber/plastic soles; textile or synthetic uppers; tariff varies by structure and unit value	~6% – 20%
Textile uppers (selected constructions)	Textile uppers with specific structural features (e.g. foxing band)	~10.5% (multiple tiers)
High-tariff textile footwear	Textile uppers + rubber/plastic soles; specific functional or structural criteria	37.5%
Leather-upper footwear	Leather uppers; differentiated by ankle coverage and unit value	~8.5% – 20%
Children’s footwear	Detailed subheading rules; often classified into higher tariff bands	20% – 37.5%+

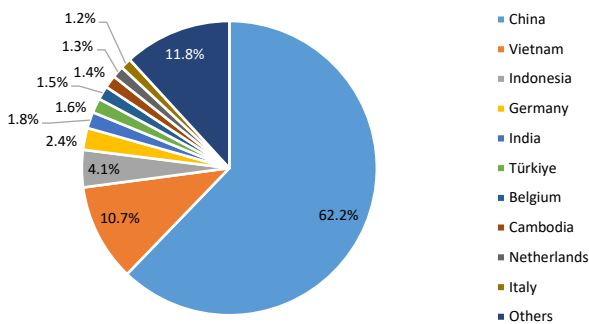
Source: U.S. International Trade Commission

## Industry Outlook

**Asia’s footwear manufacturing base continues to anchor industry demand.** Asia produced approximately 88% of global footwear output in 2024, with China (62%), Vietnam (11%) and Indonesia (4%) forming the core manufacturing cluster. Asia produced approximately 88% of global footwear output in 2024, with China (62%), Vietnam (11%) and Indonesia (4%) forming the core manufacturing cluster.

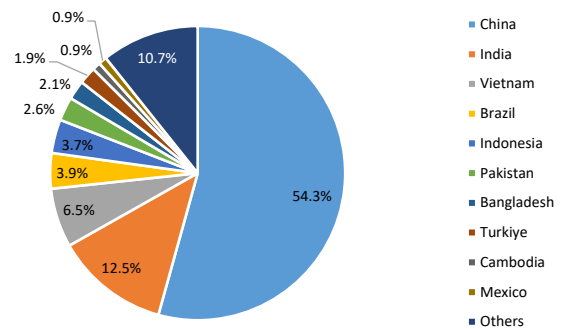
**Production continues to shift gradually toward Southeast Asia.** While China remains the world’s largest footwear manufacturing base, its dominance has been gradually eroding as global brands diversify sourcing toward Southeast Asia. According to the World Footwear Yearbook, China’s share of global footwear exports declined to approximately 62.2% in 2024 from 73.1% in 2011, signalling a continued loss of global share. In contrast, Vietnam and Indonesia have steadily gained export share. Vietnam’s share of global footwear exports rose to approximately 10.7% in 2024 from 2.0% in 2011, while Indonesia’s reached around 4.1%, more than double its 1.6% share in 2011. Together, Southeast Asian producers have captured an increasing portion of incremental global footwear output. This shift has been driven by rising labor costs in China, tariff exposure, supply-chain diversification efforts, and favourable trade and investment policies in Vietnam and Indonesia. Vietnam has notably overtaken China as the main source of sneakers sold to major global brands such as Nike, Adidas and Brooks, reinforcing that this is a structural relocation trend rather than a short-term cyclical adjustment.

**Figure 7: Global Footwear Export Landscape (By Country)**



Source: World Footwear Yearbook 2025

**Figure 8: Global Footwear Production (By Country)**



Source: World Footwear Yearbook 2025

**Near-term industry activity may soften, but relocation trend remains intact.** While the structural shift toward Vietnam and Indonesia remains intact, the pace of near-term activity may moderate as regional manufacturers absorb higher imported energy and freight costs. This is already visible in March manufacturing surveys, where Indonesia’s PMI fell to 50.1 from 53.8 and Vietnam’s slowed to 51.2 from 54.3 amid rising fuel costs and uncertainty linked to the Iran war. We therefore view the conflict as a timing and margin headwind, rather than a reversal of the longer-term relocation trend.

**Essential upstream component of the footwear value chain.** While adhesives represent only a small portion of per-unit footwear cost, they remain critical for performance, durability and safety. Demand is therefore primarily volume-driven, growing broadly in line with footwear production rather than end-market pricing. With the majority of global footwear OEMs and production facilities located in Asia, adhesive consumption is also structurally concentrated in the region, as suppliers tend to co-locate near footwear clusters to optimize logistics, cost efficiency and production responsiveness. In the current environment, higher energy, freight and petrochemical costs may temporarily dampen factory utilization and reorder timing, implying more moderate short-term demand growth even as Infinity’s upstream positioning remains more resilient than downstream footwear brands.

**High barriers to entry support an oligopolistic market structure.** The footwear adhesive market exhibits oligopolistic characteristics, driven by stringent brand and OEM approval requirements, high switching costs and entrenched supplier relationships. Adhesive formulations vary across different shoe components, with each model typically requiring

multiple adhesives for distinct materials and functions.

When a new shoe model is introduced, production lines undergo lengthy validation trials using products from multiple suppliers before brands and OEMs jointly approve a formulation for mass production. Once qualified, adhesives become embedded within standardized manufacturing processes, making customers reluctant to switch due to re-certification costs, operational risks and potential quality disruptions. From a supplier perspective, proprietary formulations, accumulated technical know-how and regulatory compliance requirements create substantial monetary, R&D and time barriers for new entrants. As a result, long-term supply positions remain concentrated among a limited number of established players.

**New release pipeline for 2026 remains supportive, though macro conditions may delay full conversion into production volumes.** The 2026 footwear release calendar remains crowded with both model refreshes and brand-new introductions across major global manufacturers. Industry data suggests that 2026 will be particularly active for high-volume franchises such as the Asics Nimbus 28, New Balance 1080 V15 and Brooks Glycerin 23. A key driver of this trend is the shift toward more comprehensive “top-to-bottom” redesigns, where brands increasingly replace both upper and sole components rather than limiting changes to minor aesthetic updates. This evolution in component architecture, from revamped synthetic textiles to advanced high-performance midsole foams, creates a direct tailwind for adhesive producers, as manufacturers require a broader range of bonding formulations tailored to new material interfaces. While the current energy and cost backdrop may soften the speed at which release activity fully translates into factory output, the technical complexity of the 2026 pipeline remains supportive for formulation demand.

**ESG and regulatory upgrades increase technical requirements, favouring compliant and R&D-capable adhesive suppliers.** Global footwear brands and Asian manufacturing hubs are tightening VOC, chemical safety and environmental compliance standards, accelerating the shift toward water-based and low-emission adhesive systems. This trend introduces higher qualification requirements and lengthier testing cycles for materials suppliers. Infinity’s focus on environmentally oriented adhesive development and collaborations with international chemical companies strengthens its ability to meet brand validation and compliance needs. As regulatory thresholds rise, suppliers lacking R&D, compliance documentation or global certifications are likely to lose share, benefiting established players such as Infinity.

## Valuations and peer comparison

Based on our discounted cash flow (DCF) valuation, we initiate coverage on Infinity Development Holdings with an **OUTPERFORM** rating and a target price of **S\$0.62**, implying approximately 58.0% upside from the current share price of S\$0.395. Our valuation employs a WACC of 8.03% and a blended terminal value approach, combining both a Gordon Growth Model (GGM), with a terminal growth rate of 1.5% and a forward P/E multiple of 4.3x, to better reflect Infinity's entrenched positioning within the global footwear adhesive supply chain and its exposure to structurally growing footwear production in Asia. Although the ongoing Middle East conflict has increased near-term pressure on Asian manufacturers through higher oil, LNG and freight costs, we do not believe it changes Infinity's structural role within the footwear adhesive value chain. Instead, the primary impact is likely to be temporary margin compression and more moderate near-term production growth, rather than any erosion of the Group's embedded customer relationships or regional strategic relevance.

**Figure 9: DCF Valuation**

DCF Valuation All Amounts Denominated in HKD'000 unless otherwise stated Year ended 30 Sep	Projected				
	2026	2027	2028	2029	2030
EBIT	108,022	133,868	155,679	173,167	187,014
Tax Rate	18.0%	18.0%	18.0%	18.0%	18.0%
EBIT (1-T)	88,578	109,772	127,657	141,997	153,352
(+) D&A	15,807	16,825	17,747	18,535	19,244
(-) Change in NWC	(18,314)	(5,480)	(13,596)	(12,971)	(12,706)
(-) Capex	(35,834)	(17,343)	(18,460)	(19,611)	(20,805)
<b>Free Cash Flow</b>	<b>50,237</b>	<b>103,773</b>	<b>113,348</b>	<b>127,949</b>	<b>139,084</b>
Free Cash Flow to Firm	50,237	103,773	113,348	127,949	139,084
Terminal Value					732,921
<b>Total FCF to be Discounted</b>	<b>50,237</b>	<b>103,773</b>	<b>113,348</b>	<b>127,949</b>	<b>872,005</b>
<b>PV of Free Cash Flow</b>	<b>48,320</b>	<b>92,398</b>	<b>93,405</b>	<b>97,605</b>	<b>615,782</b>
<b>Enterprise Value</b>	<b>947,509</b>				
(-) Debt	(7,556)				
(+) Cash	296,029				
<b>Equity Value</b>	<b>1,235,982</b>				
Diluted Shares Outstanding ('000)	316,776				
Fair Value / Share (HKD)*	3.902				
HKD/SGD rate	0.160				
<b>Fair Value / Share (SGD)*</b>	<b>0.624</b>				
Current Share Price (SGD)	0.395				
Upside / (Downside)	58.0%				

\* Assuming full dilution from 35,100,000 shares issued on 3 December 2025.

Source: KGI Research

We continue to expect Infinity to benefit from the structural migration of footwear manufacturing toward Southeast and South Asia, particularly Vietnam, Indonesia and India. Vietnam remains the Group's largest revenue market at 59% of FY25 revenue, while Indonesia contributed 15% and is undergoing a step-change expansion from 4 production lines previously to 13 expected production lines following completion of the new plant, with total productive capacity rising to 14,000 tons per year. However, we now frame this tailwind as medium-term rather than immediately margin-accretive, given that regional factory activity has already shown signs of slowing under the current energy shock. In our view, DCF remains the most appropriate valuation methodology for Infinity, as it better captures the Group's medium-term earnings power, sticky customer relationships and operating leverage as new capacity ramps up.

From a peer comparison perspective, the listed peer set should be viewed as a valuation cross-check rather than the primary valuation anchor. While the peer table provides a useful market reference point, direct comparison remains imperfect because most listed names operate broader specialty chemical or industrial materials portfolios across construction, packaging, automotive or general manufacturing end-markets. By contrast, Infinity is a pure-play footwear adhesive specialist whose earnings are more tightly linked to footwear OEM production cycles, replenishment demand and embedded customer relationships.

**Figure 10: Peer Comparison**

Bloomberg Ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (\$ m)	Dividend Yield (%)		Net Gearing (%)	P/E (x)		P/B (x)		YTD Price Performance (%)	1YR Price Performance (%)	1YR Total Returns (%)
				FY25	FY26F		12M	Forward	FY25	FY26F			
IDH SP	INFINITY DEVELOPMENT HOLDING	SGD 0.40	125	-	-	-45.3	N/A	N/A	-	-	-4.8	1.3	N/A
640 HK	INFINITY DEVELOPMENT HOLDING	HKD 2.54	132	16.8	-	-45.3	3.8	N/A	1.1	-	-0.8	30.9	42.8
<b>Footwear Adhesive Global Peers</b>													
4766 TT	NAN PAO RESINS CHEMICAL CO L	TWD 308.00	1,495	5.7	6.1	-10.7	15.2	12.8	2.7	-	-1.1	-6.6	-1.7
HENKEL HB	HENKEL AG & CO KGAA VOR-PREF	HUF 24700.00	40,303	-	3.3	1.3	N/A	11.7	-	1.2	-1.8	-3.3	-6.7
FUL US	H.B. FULLER CO.	USD 60.51	4,243	1.6	1.6	98.2	14.1	12.8	1.6	1.5	1.8	14.2	16.6
AKE FP	ARKEMA	EUR 58.10	6,551	6.9	6.2	33.7	69.4	13.0	0.7	0.6	1.4	4.4	2.2
EMN US	EASTMAN CHEMICAL CO	USD 75.07	11,047	5.2	4.5	72.8	15.4	12.7	1.2	1.4	17.6	13.6	4.8
JUBCLPL IN	JUBILANT AGRIC AND CONSUMER P	INR 1720.60	361	0.0	-	22.3	29.2	17.7	5.9	8.3	-23.3	51.0	51.0
<b>Average</b>			<b>10,667</b>	<b>3.9</b>	<b>4.3</b>	<b>36.3</b>	<b>28.7</b>	<b>13.5</b>	<b>2.4</b>	<b>2.6</b>	<b>(0.7)</b>	<b>4.0</b>	<b>7.2</b>
<b>Median</b>			<b>5,397</b>	<b>5.2</b>	<b>4.5</b>	<b>28.0</b>	<b>15.4</b>	<b>12.8</b>	<b>1.6</b>	<b>1.4</b>	<b>(0.2)</b>	<b>(4.5)</b>	<b>0.6</b>

Source: Bloomberg, KGI Research

Among the listed peers, management has identified Nan Pao as the closest operationally comparable company, given its footwear adhesive focus and embedded OEM relationships. However, Nan Pao operates at a materially larger scale with broader geographic and end-market exposure, limiting direct comparability. More broadly, Infinity remains smaller in absolute scale than most listed chemical peers, but we view this as a strategic feature rather than a weakness. Its narrower business focus allows investors to gain more direct exposure to footwear adhesive demand, whereas most peers are diluted by diversified earnings streams that respond to different industry cycles, pricing dynamics and macro drivers. As such, conventional peer multiples may understate Infinity's intrinsic value, particularly given its higher revenue visibility, lower earnings volatility and stronger alignment with footwear OEM production cycles.

This distinction is especially relevant in the current environment. The ongoing Middle East conflict and related energy shock may affect diversified chemical names and footwear-exposed suppliers differently, depending on end-market mix, feedstock exposure and regional manufacturing concentration. As a result, simple multiple comparison across the peer set may not fully capture Infinity's specialty positioning or medium-term earnings power.

Importantly, Infinity maintains a conservative balance sheet, with a gearing ratio of approximately 1.2% in FY25 and minimal reliance on debt financing. This financial flexibility allows the Group to fund capacity expansion internally, withstand cyclical demand fluctuations and pursue incremental growth opportunities without balance-sheet strain. Given the limited availability of directly comparable listed peers with similar business focus and geographic exposure, we view DCF as the most appropriate valuation methodology for Infinity. In our view, the current market valuation does not fully reflect Infinity's defensible market position and medium-term earnings power, even after incorporating a more conservative discount rate and a more tempered near-term operating outlook.

Most of Infinity's closest operational competitors are privately held, reinforcing the difficulty of constructing a clean listed peer set and further limiting the usefulness of relative valuation as a primary methodology. Key private competitors include Great Eastern Resins Industrial Co. Ltd. (Taiwan), Chemical Technology Pty Ltd. (Australia), Artecola Quimica (Brazil), KECK Chimie (France), KANSAI HELIOS Kemostik (Slovenia), No-tape Industrial (Japan), Milspeed International Ltd (TecnoGi S.p.A. Group) (Italy), Gurbaksish Group (India) and Point Adhesive (India). The prevalence of private operators further supports our view that DCF, rather than relative valuation, better captures Infinity's long-term earnings power and specialty positioning within the footwear adhesive market.

## Key Risks

**Cyclicality in OEM footwear production.** Infinity's volumes are tied directly to footwear OEM factory utilization, which remains sensitive to export orders, global sportswear demand and brand inventory cycles. A downturn in consumer spending, weaker sell-through at major footwear brands, or renewed inventory correction could reduce replenishment orders and slow factory activity, weighing on adhesive demand. As Infinity's products are ultimately linked to production volumes rather than retail pricing, weaker OEM output would directly pressure revenue growth.

**Customer concentration.** The Group's largest customer contributed approximately 21%-27% of annual revenue over FY20-FY24 and remained at 20% in FY25, highlighting continued customer concentration. While this partly reflects entrenched supplier relationships, it also means that any change in procurement strategy, production allocation, supplier qualification status or factory footprint by a major customer could materially affect revenue and earnings. Given Infinity's concentrated exposure to large OEM groups, the financial impact of customer loss or reduced wallet share could be meaningful.

**Raw material cost volatility.** Infinity is exposed to volatility in chemical raw materials, many of which are linked to petroleum-derived feedstocks, energy costs and broader global supply conditions. This creates risk of gross margin compression when input cost inflation rises faster than customer repricing. The ongoing Middle East conflict has increased the immediacy of this risk, as higher oil- and gas-linked costs are already feeding through into Asian manufacturing input costs and freight rates. While the Group may retain some pass-through ability over time, timing mismatches between cost inflation and customer price adjustments could weigh on near-term profitability.

**Regulatory & ESG compliance.** Tightening VOC, worker safety and chemical substance regulations increase compliance complexity, operating requirements and R&D intensity for adhesive manufacturers. Failure to meet evolving brand-led or regulatory standards could delay customer onboarding, limit market access, or increase compliance-related costs. As customers place greater emphasis on environmental and workplace standards, regulatory non-compliance could also weaken Infinity's competitive positioning within approved supplier lists.

**Execution risk in Indonesia expansion.** Execution risk remains around the ramp-up of Infinity's new Indonesia facility. Delays in construction, licensing, equipment commissioning or customer qualification could postpone expected cost benefits, delay order capture and reduce the pace at which new capacity translates into earnings. More broadly, operating across multiple manufacturing jurisdictions also introduces staffing, logistics and regulatory execution risks, which may affect utilization, margins and working capital efficiency during the ramp-up period.

**FX & Macroeconomic exposure.** Infinity's cost and revenue base spans USD, RMB, VND and IDR, exposing earnings to currency fluctuations and broader macroeconomic volatility. Weak macro conditions, imported inflation or softer manufacturing activity in emerging Asia could pressure downstream purchasing activity, factory utilization and operating costs. The ongoing Middle East conflict adds a second-order macro risk through higher imported energy costs and slower regional factory sentiment. As the Group does not currently employ FX- or rates-related hedging, earnings may remain exposed to short- to medium-term volatility in both currencies and energy-linked costs.

## Financial Summary

FYE 30 Sep					
<b>INCOME STATEMENT (HKD' 000)</b>					
	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
<b>Revenues</b>	<b>736,338</b>	<b>835,153</b>	<b>869,413</b>	<b>917,891</b>	<b>977,004</b>
Cost of sales	(458,898)	(518,319)	(572,074)	(590,204)	(615,513)
<b>Gross profit</b>	<b>277,440</b>	<b>316,834</b>	<b>297,339</b>	<b>327,687</b>	<b>361,491</b>
Other income	12,758	10,436	12,964	13,687	14,568
Changes in fair value of investment properties	(800)	(300)	–	–	–
Other gains and losses, net	(4,777)	5,714	–	–	–
Allowances for trade, bills and other receivables	(5,000)	(3,000)	(3,043)	(2,754)	(2,443)
Selling and distribution costs	(52,282)	(54,675)	(59,324)	(62,632)	(66,666)
Administrative expenses	(103,667)	(124,336)	(139,914)	(142,119)	(151,272)
<b>Profit from operations</b>	<b>123,672</b>	<b>150,673</b>	<b>108,022</b>	<b>133,868</b>	<b>155,679</b>
Finance costs	(2,587)	(1,387)	(324)	(389)	(442)
Share of profits of associates	731	(269)	–	–	–
<b>Profit before income tax</b>	<b>121,816</b>	<b>149,017</b>	<b>107,699</b>	<b>133,480</b>	<b>155,237</b>
Income tax expense	(21,405)	(26,824)	(19,386)	(24,026)	(27,943)
<b>Profit</b>	<b>100,411</b>	<b>122,193</b>	<b>88,313</b>	<b>109,453</b>	<b>127,294</b>
<b>BALANCE SHEET (HKD' 000)</b>					
	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
Cash and cash balances	321,885	296,029	301,966	357,656	413,154
Other current assets	321,187	328,431	339,667	355,688	375,653
<b>Total current assets</b>	<b>643,072</b>	<b>624,460</b>	<b>641,633</b>	<b>713,344</b>	<b>788,808</b>
Property, plant and equipment	84,300	157,989	182,550	188,473	195,356
Other non-current assets	92,057	63,697	64,857	65,554	65,937
<b>Total non-current assets</b>	<b>176,357</b>	<b>221,686</b>	<b>247,407</b>	<b>254,027</b>	<b>261,293</b>
<b>Total assets</b>	<b>819,429</b>	<b>846,146</b>	<b>889,040</b>	<b>967,371</b>	<b>1,050,101</b>
Trade, bills and other payables	152,023	163,119	159,893	170,434	176,804
Other current liabilities	73,109	43,240	44,165	44,984	45,655
<b>Total current liabilities</b>	<b>225,132</b>	<b>206,359</b>	<b>204,058</b>	<b>215,418</b>	<b>222,458</b>
Lease liabilities	2,732	4,414	6,040	7,256	8,252
Other non-current liabilities	8,002	7,105	7,105	7,105	7,105
<b>Total non-current liabilities</b>	<b>10,734</b>	<b>11,519</b>	<b>13,145</b>	<b>14,361</b>	<b>15,357</b>
<b>Total liabilities</b>	<b>235,866</b>	<b>217,878</b>	<b>217,204</b>	<b>229,779</b>	<b>237,815</b>
Share capital	5,634	5,634	6,336	6,336	6,336
Share premium	123,757	123,757	123,757	123,757	123,757
Retained earnings	472,033	535,074	577,940	643,697	718,389
Other reserves	(17,861)	(36,197)	(36,197)	(36,197)	(36,197)
<b>Total equity</b>	<b>583,563</b>	<b>628,268</b>	<b>671,836</b>	<b>737,593</b>	<b>812,285</b>
<b>Total liabilities and equity</b>	<b>819,429</b>	<b>846,146</b>	<b>889,040</b>	<b>967,371</b>	<b>1,050,101</b>
<b>CASH FLOW STATEMENT (HKD' 000)</b>					
	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
<b>Profit before tax</b>	<b>121,816</b>	<b>149,017</b>	<b>107,699</b>	<b>133,480</b>	<b>155,237</b>
Adjustments	12,258	23,967	15,807	16,825	17,747
<b>Operating cash flows before WC changes</b>	<b>134,074</b>	<b>172,984</b>	<b>123,505</b>	<b>150,304</b>	<b>172,985</b>
Change in working capital	(21,271)	(14,931)	(18,314)	(5,480)	(13,596)
Income tax paid	(15,265)	(19,592)	(19,386)	(24,026)	(27,943)
Interest on lease liabilities	(165)	(205)	(320)	(428)	(514)
<b>Cash flows from operations</b>	<b>97,373</b>	<b>138,256</b>	<b>85,486</b>	<b>120,370</b>	<b>130,932</b>
Capital expenditure	(11,729)	(61,690)	(35,834)	(17,343)	(18,460)
Others	(23,424)	(14,623)	3,852	–	–
<b>Cash flows from investing</b>	<b>(35,153)</b>	<b>(76,313)</b>	<b>(31,982)</b>	<b>(17,343)</b>	<b>(18,460)</b>
Interest paid	(2,538)	(1,182)	–	–	–
Dividend paid	(43,378)	(59,152)	(45,447)	(43,697)	(52,602)
Other financing cashflow	(49,329)	(41,971)	(2,120)	(3,640)	(4,372)
<b>Cash flows from financing</b>	<b>(95,245)</b>	<b>(102,305)</b>	<b>(47,567)</b>	<b>(47,337)</b>	<b>(56,974)</b>
<b>Net increase/(decrease) in cash</b>	<b>(33,025)</b>	<b>(40,362)</b>	<b>5,937</b>	<b>55,690</b>	<b>55,498</b>
Effect of FX changes	8,226	(12,016)	–	–	–
Beginning Cash	331,380	306,581	254,203	260,140	315,830
<b>Ending cash</b>	<b>306,581</b>	<b>254,203</b>	<b>260,140</b>	<b>315,830</b>	<b>371,328</b>
<b>KEY RATIOS</b>					
	<b>2024</b>	<b>2025</b>	<b>2026F</b>	<b>2027F</b>	<b>2028F</b>
DPS (HKD cents)	18.0	20.5	14.1	17.5	20.3
Dividend yield (%)	12.3	8.4	5.6	6.9	8.0
NAV per share (HKD cents)	103.6	111.5	212.1	232.8	256.4
Price/NAV (x) (HKD cents)	0.7	1.1	1.2	1.1	1.0
<b>Profitability</b>					
EBITDA Margin (%)	19.0	19.9	14.2	16.4	17.8
Net Margin (%)	13.6	14.6	10.2	11.9	13.0
ROE (%)	17.2	19.4	13.1	14.8	15.7
ROA (%)	12.3	14.4	9.9	11.3	12.1
<b>Financial Structure</b>					
Interest Coverage Ratio (x)	48.1	108.4	333.8	344.4	352.1
Gearing Ratio (x)	7.4	1.2	1.5	1.6	1.7

## Appendix – Site Visit (Vietnam)

In January 2026, we visited their factory in Ho Chi Minh, Vietnam, which mainly manufactures adhesives under the brand Zhong Bu and Hardener under the Guarandure® Hardener Series. Its production process is largely automated and temperature controlled, ensuring consistent quality and minimal human intervention, across different adhesive and hardener formulas.

**Figure 11: Machinery (automated)**



Source: Company

**Figure 12: Machinery (automated)**



Source: Company

**Figure 13: Factory staff on the hardener production line**



Source: Company

**Figure 14: New batch of adhesive completed**



Source: Company

**Figure 15: R&D lab**

Source: Company

**Figure 16: Variety of hardeners**

Source: Company

**Figure 17: Overview of inventory**

Source: Company

**Figure 18: Variety of adhesives in inventory**

Source: Company

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	<b>Neutral (N)</b>	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
	<b>Underperform (U)</b>	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
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