

Singapore

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ADD (no change)

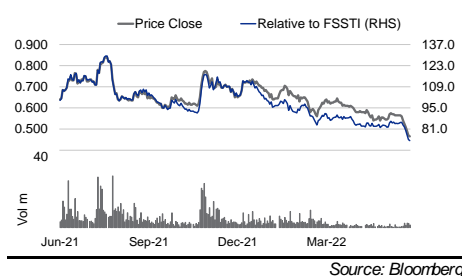
Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	S\$0.465
Target price:	S\$0.70
Previous target:	S\$0.70
Up/downside:	50.5%
CGS-CIMB / Consensus:	0.0%
Reuters:	ISDN.SI
Bloomberg:	ISDN SP
Market cap:	US\$147.0m
	S\$204.0m
Average daily turnover:	US\$0.51m
	S\$0.70m
Current shares o/s	435.3m
Free float:	54.2%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	26.33	30.35	33.07
Core EPS (S\$)	0.060	0.069	0.075
Core EPS Growth	3.3%	15.2%	9.0%
FD Core P/E (x)	7.75	6.72	6.17
Recurring ROE	12.7%	13.3%	13.1%
P/BV (x)	0.94	0.85	0.77
DPS (S\$)	0.015	0.017	0.019
Dividend Yield	3.23%	3.72%	4.05%



Price performance	1M	3M	12M
Absolute (%)	-16.2	-23.8	-26.8
Relative (%)	-11.7	-16.8	-25.3

Major shareholders	% held
Teo Cher Koon	32.2
NTCP SPV VI	8.6

Analyst(s)

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ISDN Holdings Ltd

China reopening beneficiary

- We hosted ISDN for a post-1Q22 business update call on Monday, 20 June 2022. The 1Q22 update was released on 10 June 2022.
- Management believes the worst of the Covid-19 lockdowns in China is over.
- Reiterate Add and TP of S\$0.70 as business activity resumes with the lifting of the Covid-19 lockdowns in China.

Key highlights from post-results call

- ISDN has 3 mini-hydropower projects in Indonesia. Of these, Sisira and Angocci (according to ISDN) have been in operation since Sep 21. However, ISDN has not been able to bill the customer for the electricity supplied from these power plants as there are certain permits required that are still outstanding, which the company is working to resolve.
- Management guided that its third plant (Lau Biang) does not face the permits issue affecting Sisira and Angocci. However, Lau Biang's construction progress has been delayed by China's recent Covid-19 lockdown. We think possible issues include delivery delays for equipment required for the operation of the mini-hydropower plant as a result of China's recent port lockdowns. ISDN hopes that construction of the Lau Biang plant can be completed by end Sep-22.
- With its strength in the hardware part of industrial automation (via its product partners), ISDN is now looking to increase its efforts on the software side of the automation process via offering cloud solutions that provide a comprehensive view of the data that its customers are able to collect through their automation efforts. Reflecting this commitment, ISDN appointed Mr. Tay Geok Kee as its Group Chief Technology Officer on 1 Jan 2022. Mr. Tay brings over 30 years of industrial automation experience to ISDN, including building automation and software cloud solutions for some of the largest industrial companies in Asia.
- ISDN noted that some customers who had urgent orders to fulfill in 1Q22 had to turn to alternative products during the recent lockdown in China. However, customer inquiries have returned as the lockdown situation improves.

Reiterate Add

- We reiterate our Add call on ISDN and TP of S\$0.70. This is based on a 10.1x P/E multiple (1 s.d. above the Jan 17 to May 22 forward P/E multiple) on our FY23F EPS forecast.
- Potential re-rating catalysts include earlier profit contribution from its hydropower segment.
- Downside risks include a prolonged Covid-19 outbreak, leading to travel restrictions that could affect ISDN's ability to service its customers.

Figure 1: Mini-hydropower project update

Sisira 4.6MW
operating since 3Q 2021.
commercialisation soon.

Angocci 10MW
operating since 3Q 2021.
commercialisation soon.

Lau Biang 10MW
mid-phase, good momentum
strong progress expected in 2022

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap	P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
			(lcl curr)	(lcl curr)	(US\$ m)	CY22F	CY23F	CAGR (%)	CY22F	CY23F	CY22F	CY22F
ISDN Holdings Ltd	ISDN SP	Add	0.47	0.70	147	7.7	6.7	7.7%	0.94	0.85	12.9%	3.2%
AEM Holdings Ltd	AEM SP	Add	4.05	6.85	902	10.6	9.2	11.9%	2.55	2.11	26.9%	2.4%
Aztech Global Ltd	AZTECH SP	Add	0.80	1.59	442	6.8	6.0	10.7%	1.81	1.58	28.7%	7.4%
Frencken Group Ltd	FRKN SP	Add	1.07	1.77	329	7.7	6.7	6.7%	1.09	0.98	15.0%	3.9%
Grand Venture Technology Ltd	GVTL SP	Add	0.77	1.29	187	11.5	7.8	22.4%	2.11	1.73	20.0%	1.7%
Nanofilm Technologies Int'l Ltd	NANO SP	Add	2.34	3.50	1,110	19.1	15.6	21.8%	3.15	2.73	17.7%	1.3%
UMS Holdings Ltd	UMSH SP	Add	1.09	1.63	524	10.0	9.7	13.3%	2.30	2.03	24.9%	4.6%
Vicplas International Ltd	VPS SP	Add	0.20	0.28	74	8.9	8.0	na	1.22	1.09	14.5%	2.8%
Venture Corporation	VMS SP	Add	16.81	23.32	3,526	13.6	12.6	9.0%	1.71	1.61	12.9%	4.5%
Simple average excluding ISDN						11.0	9.4	13.7%	1.99	1.73	20.1%	3.6%
Simple average excluding ISDN & Nanofilm						9.9	8.6	18.3%	1.83	1.59	20.4%	3.9%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	440.1	428.8	466.2	503.1
Gross Profit	125.2	122.6	133.7	143.6
Operating EBITDA	48.7	48.4	55.8	61.8
Depreciation And Amortisation	(4.8)	(5.1)	(5.4)	(5.8)
Operating EBIT	43.9	43.3	50.3	56.1
Financial Income/(Expense)	(1.1)	(1.6)	(1.6)	(1.8)
Pretax Income/(Loss) from Assoc.	1.1	0.7	0.5	0.5
Non-Operating Income/(Expense)	8.6	4.8	5.0	5.0
Profit Before Tax (pre-EI)	52.5	47.2	54.2	59.8
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	52.5	47.2	54.2	59.8
Taxation	(13.4)	(12.1)	(13.9)	(15.3)
Exceptional Income - post-tax				
Profit After Tax	39.1	35.1	40.3	44.5
Minority Interests	(13.6)	(8.8)	(10.0)	(11.4)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	25.5	26.3	30.3	33.1
Recurring Net Profit	25.5	26.3	30.3	33.1
Fully Diluted Recurring Net Profit	25.5	26.3	30.3	33.1

Balance Sheet

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	61.7	91.2	115.5	143.5
Total Debtors	118.5	122.2	132.8	143.3
Inventories	77.5	77.6	84.3	91.1
Total Other Current Assets	0.0	0.0	0.0	0.0
Total Current Assets	257.7	291.0	332.6	377.9
Fixed Assets	67.7	67.6	67.1	66.4
Total Investments	5.3	6.0	6.5	7.0
Intangible Assets	12.2	12.2	12.2	12.2
Total Other Non-Current Assets	72.3	72.3	72.3	72.3
Total Non-current Assets	157.5	158.1	158.2	157.9
Short-term Debt	27.4	27.4	27.4	27.4
Current Portion of Long-Term Debt				
Total Creditors	96.9	102.2	111.1	119.9
Other Current Liabilities	25.9	25.9	25.9	25.9
Total Current Liabilities	150.2	155.5	164.4	173.2
Total Long-term Debt	12.8	12.8	12.8	12.8
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	5.3	5.3	5.3	5.3
Total Non-current Liabilities	18.1	18.1	18.1	18.1
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	168.3	173.6	182.5	191.3
Shareholders' Equity	197.1	216.9	239.6	264.4
Minority Interests	49.8	58.6	68.6	80.0
Total Equity	247.0	275.5	308.3	344.5

Cash Flow

(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	48.65	48.42	55.77	61.85
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(28.76)	1.97	(8.11)	(8.20)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	2.80	2.60	2.70	2.70
Net Interest (Paid)/Received	(1.08)	(1.60)	(1.60)	(1.80)
Tax Paid	(12.85)	(12.09)	(13.88)	(15.30)
Cashflow From Operations	8.77	39.30	34.89	39.24
Capex	(6.84)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	5.35	0.00	0.00	0.00
Cash Flow From Investing	(1.49)	(5.00)	(5.00)	(5.00)
Debt Raised/(repaid)	6.47	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(10.33)	(6.58)	(7.59)	(8.27)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	4.83	0.00	0.00	0.00
Cash Flow From Financing	0.97	(6.58)	(7.59)	(8.27)
Total Cash Generated	8.24	27.72	22.30	25.97
Free Cashflow To Equity	13.75	34.30	29.89	34.24
Free Cashflow To Firm	8.75	36.30	31.89	36.34

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	21.6%	(2.6%)	8.7%	7.9%
Operating EBITDA Growth	26.0%	(0.5%)	15.2%	10.9%
Operating EBITDA Margin	11.1%	11.3%	12.0%	12.3%
Net Cash Per Share (S\$)	0.05	0.12	0.17	0.24
BVPS (S\$)	0.45	0.49	0.55	0.60
Gross Interest Cover	29.72	21.65	25.16	26.70
Effective Tax Rate	25.6%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	5.69%	5.70%	5.70%	5.70%
Accounts Receivables Days	91.8	102.4	99.8	100.5
Inventory Days	77.14	92.47	88.83	89.26
Accounts Payables Days	105.0	118.7	117.1	117.6
ROIC (%)	23.5%	19.2%	22.5%	24.2%
ROCE (%)	16.5%	14.5%	15.3%	15.4%
Return On Average Assets	10.4%	8.5%	8.9%	9.0%

12-mth Fwd FD P/E (x) - ISDN Holdings Ltd



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Motion control rev growth (%)	28.3%	-3.0%	10.0%	10.0%
Gross profit margin (%)	27.4%	27.4%	27.5%	27.4%

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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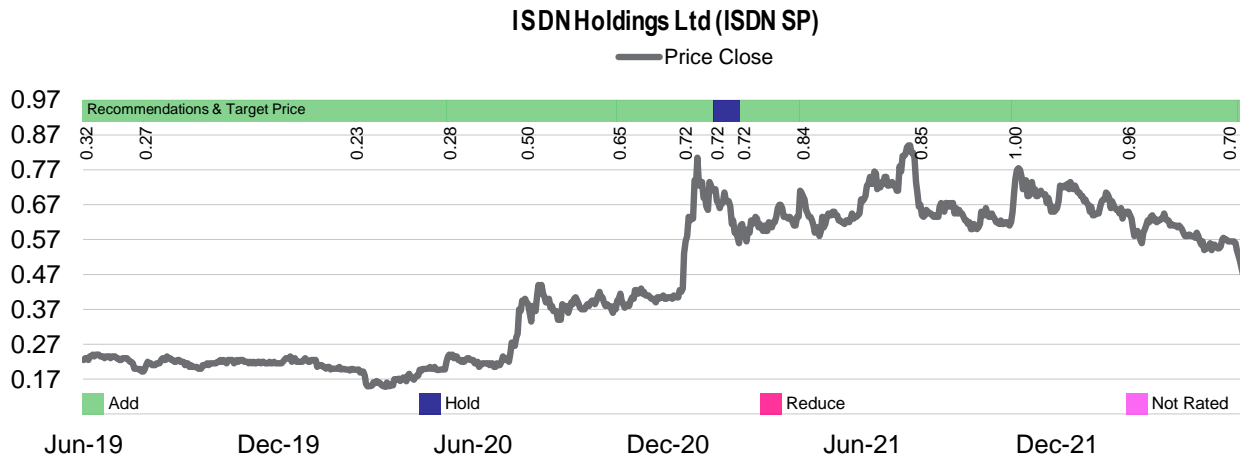
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SV** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.