

Singapore

ADD (no change)

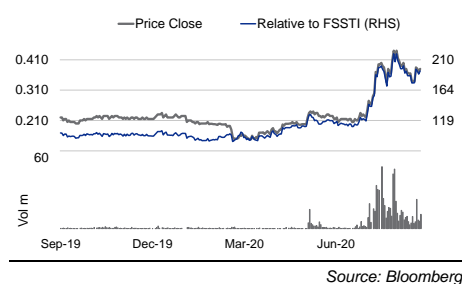
Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.38
Target price:	S\$0.501
Previous target:	S\$0.501
Up/downside:	31.8%
CGS-CIMB / Consensus:	3.2%
Reuters:	ISDN.SI
Bloomberg:	ISDN SP
Market cap:	US\$121.8m
	S\$165.4m
Average daily turnover:	US\$2.67m
	S\$3.65m
Current shares o/s:	429.6m
Free float:	54.2%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Price performance	1M	3M	12M
Absolute (%)	0	65.2	68.9
Relative (%)	2.6	71.5	90

Major shareholders

	% held
Teo Cher Koon	31.7
NTCP SPV VI	8.9
Braun Karl Walter	4.7

Analyst(s)

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ISDN Holdings Ltd

NDR takeaways

- We held a non-deal roadshow (NDR) with ISDN Holdings Ltd (ISDN) on 18 Sep 2020.
- Questions centred on its core Industrial Automation (IA), disinfectant, and the renewable energy businesses.
- Reiterate Add with TP of S\$0.501. We believe ISDN is on track for yoy net profit growth in FY20F.

Industrial automation solutions will remain its core business

Management commented that ISDN will remain focused on its core IA business. This business segment has now evolved to become a complete solution provider capable of meeting customers' hardware and software requirements. The group is also capable of offering complete Industrial 4.0 solutions to manufacturers. Management noted opportunities in China for semiconductor-related production as the country accelerates efforts to build up its own semiconductor supply chain, and also in Vietnam as companies relocate production there given the US tariffs on China-made products. ISDN reported a 1H20 net profit margin of 7.7% and management hopes that in the coming years, this can improve to 10.0% as the group offers better solutions and increase the software content (higher margin) offered in such solutions.

Disinfectant business has potential

ISDN has a 51% stake in a joint venture with a German company, ERST GmbH (Unlisted) which specialises in disinfectant products. ISDN recently completed a 3-day trial with public bus transportation company SMRT (Unlisted) to deploy ERSTOTIZER, a functional surface coating that acts as a durable protective shield against resistant germs and the coronavirus on 130 public buses in Singapore. ERSTOTIZER is a water-based, inodorous, colourless, and scratch-resistant disinfectant which makes it environmentally friendly and safe for use in public spaces. In an effort to increase the awareness of this product, the joint venture has also made it available for purchase online by consumers.

Renewable energy will face delays

Management previously cited the risk of delays in the commissioning of its mini-hydro power plants due to Covid-19 in Indonesia. On 14 Sep 2020, Indonesia announced a second partial lock-down to combat rising Covid-19 cases. This will delay the commencement of ISDN's mini-hydro power plants in Indonesia to 1Q21-1H21F, in our view.

Reiterate Add

Reiterate our Add rating and target price of S\$0.501. Our valuation basis remains at CY21F P/E of 10x (c.58% discount to its global peers). Potential re-rating catalysts for the stock could come from stronger-than-expected sales orders for its mainstay IA, and profit contribution from its hydropower segment. Downside risks are order delays, cost overruns in its hydropower business, and a prolonged Covid-19 outbreak.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (S\$m)	302.0	291.0	334.6	346.1	359.5
Net Profit (S\$m)	10.95	7.03	18.73	21.52	23.19
Core EPS (S\$)	0.028	0.016	0.044	0.050	0.054
Core EPS Growth	(2%)	(41%)	166%	15%	8%
FD Core P/E (x)	13.70	22.27	8.71	7.59	7.04
Price To Sales (x)	0.50	0.56	0.49	0.47	0.45
DPS (S\$)	0.007	0.004	0.011	0.013	0.014
Dividend Yield	1.84%	1.05%	2.98%	3.43%	3.69%
EV/EBITDA (x)	6.65	6.79	5.75	4.73	4.07
P/FCFE (x)	13.53	9.57	20.74	6.75	6.33
Net Gearing	(7.5%)	(16.4%)	(6.9%)	(14.4%)	(20.8%)
P/BV (x)	1.04	1.06	0.98	0.89	0.82
ROE	7.8%	4.7%	11.7%	12.3%	12.1%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.12	1.19	1.20

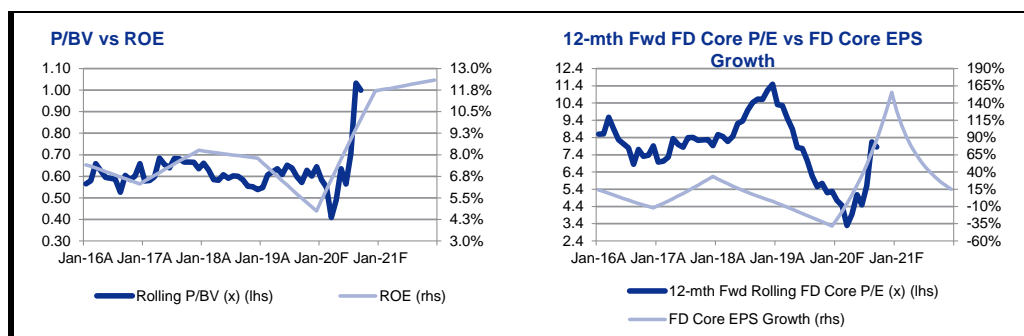
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY20F	CY21F	CY22F		CY20F	CY21F	CY20F	CY20F
ISDN Holdings Ltd	ISDN SP	Add	0.37	0.50	118	8.5	7.4	6.9	47.0%	0.95	0.87	11.8%	3.1%
Motion Control peers													
Allied Motion Technologies Inc	AMOT US	NR	40.31	na	393	32.5	23.3	na	na	na	na	na	na
Altra Industrial Motion Corp	AIMC US	NR	39.77	na	2,571	18.0	14.9	13.3	23.1%	1.38	1.27	7.8%	1.1%
Hiwin Technologies Corp	2049 TT	NR	300.0	na	3,205	47.6	26.6	21.6	54.2%	3.71	3.28	7.6%	0.7%
Omron Corp	6645 JP	NR	8,100	na	16,008	22.2	36.1	30.0	-10.7%	2.98	2.85	8.8%	1.0%
Teco Electric and Machinery Co	1504 TT	NR	30.65	na	2,104	18.2	18.0	18.0	1.5%	1.06	1.03	5.6%	3.3%
Simple average						27.7	23.8	20.7	17.0%	2.28	2.10	7.5%	1.5%

Note: All forecasts for Not rated companies are Bloomberg consensus estimates

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG (AS AT 18 SEP 2020)

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	302.0	291.0	334.6	346.1	359.5
Gross Profit	80.5	77.4	87.7	93.2	98.6
Operating EBITDA	26.3	25.9	33.7	38.0	40.6
Depreciation And Amortisation	(2.2)	(3.8)	(4.0)	(4.2)	(4.4)
Operating EBIT	24.1	22.1	29.7	33.8	36.1
Financial Income/(Expense)	(0.8)	(1.8)	(1.6)	(1.6)	(1.6)
Pretax Income/(Loss) from Assoc.	0.4	(0.1)	0.7	0.7	0.7
Non-Operating Income/(Expense)	0.0	0.0	3.2	3.2	3.0
Profit Before Tax (pre-EI)	23.7	20.2	32.0	36.1	38.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	23.7	20.2	32.0	36.1	38.2
Taxation	(7.1)	(6.0)	(7.2)	(8.2)	(8.6)
Exceptional Income - post-tax					
Profit After Tax	16.6	14.2	24.7	27.9	29.6
Minority Interests	(5.6)	(7.1)	(6.0)	(6.4)	(6.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10.9	7.0	18.7	21.5	23.2
Recurring Net Profit	10.9	7.0	18.7	21.5	23.2
Fully Diluted Recurring Net Profit	10.9	7.0	18.7	21.5	23.2

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	26.31	25.95	33.69	38.00	40.57
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(17.51)	(1.40)	(15.86)	(3.22)	(3.99)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2.56	0.00	1.44	1.75	2.05
Net Interest (Paid)/Received	(0.78)	(1.80)	(1.60)	(1.60)	(1.60)
Tax Paid	(5.71)	(6.00)	(7.22)	(8.15)	(8.64)
Cashflow From Operations	4.87	16.75	10.45	26.78	28.39
Capex	(2.60)	(2.62)	(3.00)	(3.00)	(3.00)
Disposals Of FAs/subsidiaries	0.88	4.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4.39)	(1.77)	0.40	0.40	0.40
Cash Flow From Investing	(6.11)	(0.39)	(2.60)	(2.60)	(2.60)
Debt Raised/(repaid)	12.32	0.00	0.02	0.00	0.00
Proceeds From Issue Of Shares	0.00	5.40	0.00	0.00	0.00
Shares Repurchased			0.00	0.00	0.00
Dividends Paid	(2.29)	(2.76)	(4.87)	(5.59)	(6.03)
Preferred Dividends			0.00	0.00	0.00
Other Financing Cashflow	(8.03)	0.00	0.00	0.00	0.00
Cash Flow From Financing	2.01	2.63	(4.85)	(5.59)	(6.03)
Total Cash Generated	0.77	19.00	3.00	18.59	19.76
Free Cashflow To Equity	11.08	16.37	7.87	24.18	25.79
Free Cashflow To Firm	(0.21)	18.48	9.85	26.18	27.79

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	41.9	60.9	42.3	62.0	82.3
Total Debtors	96.2	92.5	128.3	132.7	137.9
Inventories	55.2	53.2	62.6	64.1	66.1
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	193.3	206.6	233.2	258.8	286.3
Fixed Assets	39.3	38.1	42.9	41.7	40.3
Total Investments	0.0	0.0	6.3	7.0	7.7
Intangible Assets	13.5	13.5	12.2	12.2	12.2
Total Other Non-Current Assets	37.0	38.6	37.1	37.1	37.1
Total Non-current Assets	89.8	90.2	98.6	98.0	97.3
Short-term Debt	16.4	16.4	20.2	20.2	20.2
Current Portion of Long-Term Debt					
Total Creditors	69.4	66.3	79.7	82.5	85.7
Other Current Liabilities	2.4	2.4	4.3	4.3	4.3
Total Current Liabilities	88.2	85.1	104.2	107.0	110.2
Total Long-term Debt	11.8	11.8	7.1	7.1	7.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.2	0.2	2.0	2.0	2.0
Total Non-current Liabilities	12.1	12.1	9.1	9.1	9.1
Total Provisions	0.7	0.7	0.0	0.0	0.0
Total Liabilities	100.9	97.8	113.3	116.1	119.3
Shareholders' Equity	143.8	153.4	166.6	182.5	199.7
Minority Interests	38.5	45.6	51.8	58.2	64.6
Total Equity	182.2	199.0	218.4	240.8	264.3

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	3.4%	(3.6%)	15.0%	3.4%	3.9%
Operating EBITDA Growth	16.0%	(1.4%)	29.8%	12.8%	6.8%
Operating EBITDA Margin	8.7%	8.9%	10.1%	11.0%	11.3%
Net Cash Per Share (S\$)	0.03	0.08	0.03	0.08	0.13
BVPS (S\$)	0.36	0.36	0.39	0.42	0.46
Gross Interest Cover	23.30	10.49	14.83	16.88	18.07
Effective Tax Rate	30.0%	29.7%	22.6%	22.6%	22.6%
Net Dividend Payout Ratio	25.2%	24.4%	11.5%	12.0%	13.0%
Accounts Receivables Days	112.0	118.4	120.8	137.7	137.4
Inventory Days	86.69	92.66	85.83	91.41	91.12
Accounts Payables Days	113.8	115.9	108.2	117.1	117.7
ROIC (%)	18.8%	13.0%	17.7%	17.0%	18.0%
ROCE (%)	12.9%	10.2%	12.7%	13.3%	13.1%
Return On Average Assets	6.68%	5.51%	8.38%	8.57%	8.43%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP Change (% , Main Product)	N/A	N/A	N/A	N/A	N/A
Unit sales growth (% , main prod)	5.6%	-4.8%	2.4%	6.2%	5.9%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod)	19.6%	19.3%	19.4%	19.6%	19.7%
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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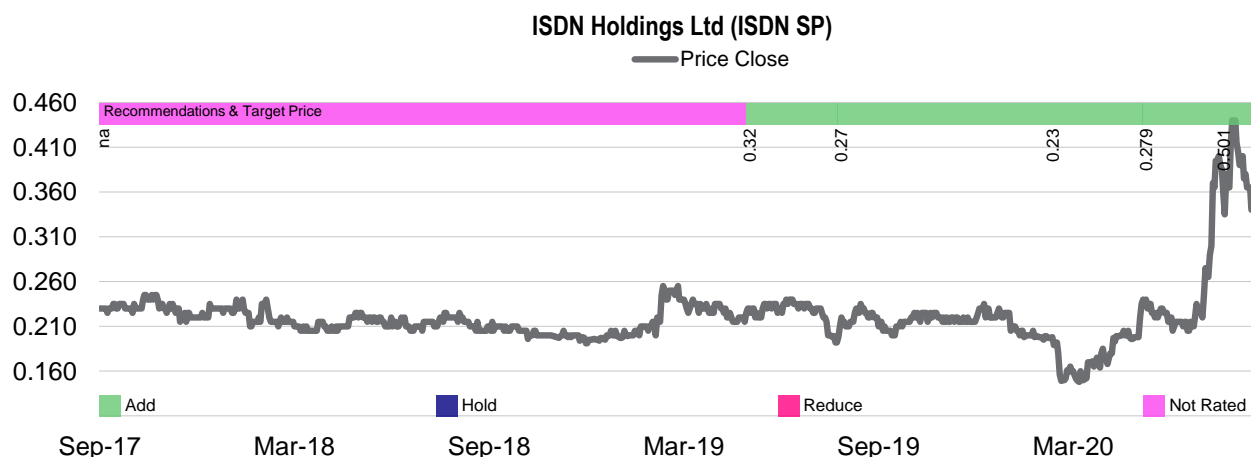
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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

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 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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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.

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.

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- 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.

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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.

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