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ISDN HOLDINGS LIMITED

億仕登控股有限公司

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code: 1656)

(Singapore stock code: I07.SI)

OVERSEAS REGULATORY ANNOUNCEMENT

PRESS RELEASE

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached announcement which has been published by ISDN Holdings Limited (the “**Company**”) on the website of the Singapore Exchange Securities Trading Limited on 28 February 2024.

By Order of the Board
ISDN HOLDINGS LIMITED
Teo Cher Koon
President and Managing Director

Hong Kong, 28 February 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Teo Cher Koon and Mr. Kong Deyang as executive directors of the Company; Mr. Toh Hsiang-Wen Keith as non-executive director of the Company; and Mr. Lim Siang Kai (Chairman), Mr. Soh Beng Keng and Mr. Tan Soon Liang as independent non-executive directors of the Company.



MEDIA RELEASE

ISDN continues to build business and gain market share in 2023. Sequential growth in 2H2023 points to recovery this year.

- **Overall sales** declined –7.8% yoy in FY2023. The worst of the semiconductor & electronics downcycle impacted ISDN in 1H2023, followed by sequential recovery in 2H2023 up +2.0% compared to 1H2023.
- **ISDN’s China business** (73% of revenue) grew +2.4% in FY2023 over FY2022 and +6.6% yoy on a constant currency basis. ISDN continued to gain market share in China’s industrial automation market in 2023.
- **ISDN’s Southeast Asia industrial automation business** (21% of revenue) declined –28.3% in FY2023 over FY2022. The decline was heavily concentrated in the Southeast Asia semiconductor sector, with non-semiconductor sales declining –5.9% yoy.
 - ISDN has not lost any semiconductor customers to date and expects this segment to recover along with the broad semiconductor cycle.
 - ISDN believes it has not lost market share in Southeast Asia, and should recover along with the regional industrial sector in FY2024.
- **ISDN’s hydropower business** (2% of revenue) reached historic milestones in FY2023 with all 3 initial plants now commercialised and delivering approximately S\$8m in recurring net cash income a year for the Group.
- **Earnings to shareholders** declined -66% yoy to S\$4.9m in FY2023, as ISDN sought to balance profitability in FY2023 with prudent re-investment to gain share and build capabilities to emerge more strongly from the downcycle.
 - The Board believes this is a well-supported strategy for creating long-term growth, with [clear evidence](#)¹ that companies able to invest during downturns have created significantly stronger growth during the economic recovery phase.
- **ISDN has clearly strengthened its capabilities and market position** throughout the downturn, resulting in greater capabilities and market share gains in 2023 that position the Group well for continued growth.

Singapore, 28 February 2024 – ISDN Holdings Limited (“**ISDN**” or the “**Group**”), a leading industrial automation firm in Asia, today announced its financial results for full year ended 31 December 2023 (“**FY2023**”).

Financial summary

Revenue and profitability for FY2023 were heavily impacted by the global semiconductor and electronics downcycle in 2023. However, 2H2023 saw sequential improvement in sales and ISDN continues to see stable momentum in 2024 to date:

¹ See <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/resilience-in-tmt-winning-in-downturns> for example

	S\$'000	FY2022	FY2023	YoY change
Revenue		370,779	341,766	-7.8%
Gross profit		105,888	91,134	-13.9%
Gross profit margin (%)		28.6%	26.7%	-1.9ppt
Operating expenses ^a		67,839	66,714	-1.7%
Profit before tax		32,027	18,873	-41.1%
Profit after tax		23,079	11,172	-51.6%
Profit attributable to shareholders		14,620	4,952	-66.1%

ppt percentage points

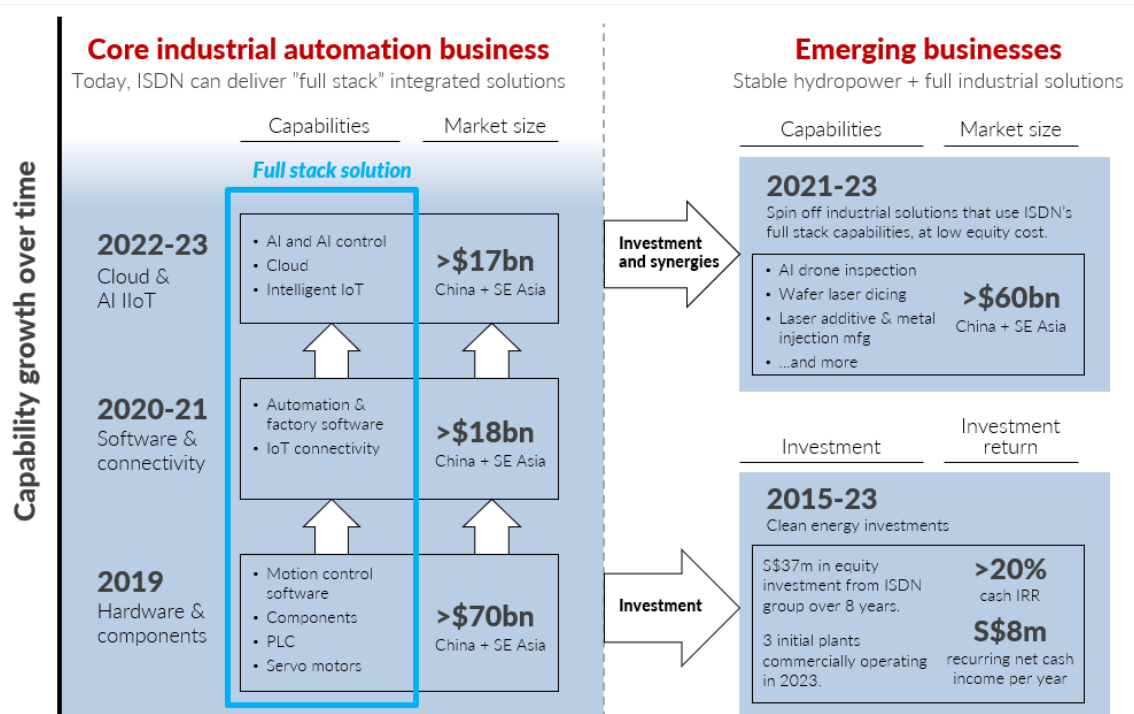
^a Operating expenses comprise distribution costs and administrative expenses

Through the downcycle, ISDN elected to maintain steady operational expenses, to ensure continued commitment to building strategic capabilities for long-term growth. As a result, management believes that the Group continued to gain market share in its core markets during FY2023 and is well-positioned to grow its competitive advantage as the cycle recovers.

The Group believes that companies maintaining long-term investment discipline through downturns have generated superior long-term returns, as demonstrated by McKinsey in a large-scale study².

Building through the downturn and recovery

Despite the cyclical headwinds ISDN faced in 2023, ISDN made excellent progress building its business during the year, reaching notable milestones across its entire business portfolio:



² See <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/resilience-in-tmt-winning-in-downturns> for example

In ISDN's **core industrial automation** business, the Group built out its capabilities further in industrial cloud, AI, and software, enabling it to offer "full stack" integrated solutions that include components, machinery, software and intelligence in a single solution for customers. The Group has already delivered several such solutions, and looks forward to sharing case studies with investors this year.

In ISDN's **clean energy business**, the Group reached full commercialisation for all 3 of its mini-hydropower plants, demonstrating a clear return on equity invested in the projects, as well as a high-quality, recurring stream of annual net cash income of approximately S\$8 million a year for the next 20 to 25 years.

In ISDN's **industrial solutions** business, the Group continued to incubate commercial solutions using ISDN's full-stack technology capabilities. Each of these solutions requires very low cash investment, and allows ISDN to realise synergies through contributing technical, sales, manufacturing, or other full stack capabilities to help realise a commercial market entry.

ISDN's progress in all three business areas throughout 2023 provides the Group with solid strategic capabilities to capitalise on the long-term growth in industrial automation in Asia. As the Group looks towards continued cyclical recovery in 2024, we believe the enlarged capabilities in industrial automation, the expanded market access with both customer- and commercial- solutions, and the proven return from our clean energy portfolio will position ISDN favourably for multi-year growth.

The Group reaffirms its confidence in the growth fundamentals for Asia's industrial automation market, as well as ISDN's competitive position in the market. The combination of advancing manufacturing needs, rising labour costs, technology innovation, and economic growth in China and Southeast Asia point clearly to continued need for industrial automation growth in the region.

Review of 2023 performance

While ISDN experienced overall sales decline in FY2023 driven by a clear global downcycle in semiconductors and electronics, it is seeing increasing signs of cyclical recovery:

- **ISDN's China industrial automation business** (73% of revenue) grew +6.6% year-on-year ("yoy") in FY2023 on a constant-currency basis, and 2.4% on an as-reported basis (given the devaluation of the RMB currency during the year). This performance represents market share gain for ISDN against the China industrial automation market which declined -2.0% in FY2023.
- **ISDN's Southeast Asia industrial automation business** (21% of revenue) experienced significant decline of 28.3% in 2023. 90.8% of this decline was concentrated in the semiconductor sector, which experienced widespread cyclical decline in Southeast Asia. ISDN has not lost any of its semiconductor customers and believes it has not lost any significant market share in Southeast Asia. Consequently the Group believes its Southeast Asia business should recover alongside the broader industrial and manufacturing sector in the region.
- **ISDN's hydropower business** (2% of revenue) reached key commercialisation milestones in FY2023 with tariff income of S\$8.8 million for the year.

Gross margin for the year declined by 1.9ppts, reflecting the impact of mix-shift from higher-margin sectors such as semiconductors and electronics which experienced industry

downturns in FY2023. The Group believes the gross margin impact is cyclical rather than structural in nature, and margins began to recover sequentially in 2H2023.

ISDN reduced operating expenses modestly by S\$1 million in FY2023. As noted above, this operating expense level reflects ISDN's confidence in investing to grow capabilities through the downturn, as the Group gained share while competitors face market weakness.

Net profit and net profit to shareholders declined significantly in FY2023, driven almost entirely by the cyclical impact to revenue and gross margin described above.

Clean energy business update

2023 was a historic year for ISDN as the Group completed commercialisation of its Anggoci and Sisira mini-hydropower plants. These milestones, coupled with the commercialisation of Lau Biang 1 on 31 December 2022 have increased the total power generation capacity for ISDN to 24.6MW from the three hydropower plants.

In FY2023, the Group recognised S\$3.1 million operating revenue and S\$3.6 million finance lease income as revenue from the three hydropower plants. A total of S\$8.8 million was billed to PT PLN (Persero) ("**PLN**") for FY2023 and received as of January 2024.

The Group continues to focus on building its renewable energy portfolio as construction works for 2 more mini-hydropower plants are already underway.

ISDN will continue to expand its clean energy portfolio and hopes to strengthen the significant and recurring profits further.

2024 outlook

While the Group remains cautious about predicting a recovery, it notes that:

- ISDN saw significant cyclical impact in 1H2023 followed by sequential improvement in growth in 2H2023, persisting through the early 2024;
- China's Manufacturing PMI crossing the benchmark of 50 points into growth territory in December 2023 and January 2024; and
- There is growing evidence in an emerging recovery for the global semiconductor sector, which tends to lead broader recovery for electronics, with the semiconductor industry association SEMI projecting a cyclical recovery in 2024³.

ISDN believes that a slowing cyclical headwind, continued demand for industrial automation in Asia, and the growth of ISDN's strategic capabilities, positions the Group well to capitalise on cyclical recovery and long-term growth in industrial automation.

³ <https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-manufacturing-industry-poised-for-2024-expansion-semi-reports>

CEO remarks

Reflecting on ISDN's strategic position and performance in FY2023, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that “despite tremendous cyclical headwinds in 2023, ISDN managed to grow both revenue and market share in its most important core market, China. Equally importantly, the Group remained steadfast in its focus on long-term growth, capitalising on a weaker economy to grow capabilities to capture more market access and share going forward.

In a difficult year, ISDN grew its advanced software and cloud capabilities, expanded its software market presence in China, delivered “full stack” hardware/software/cloud solutions to customers, made good progress developing exciting new commercial solutions, and completed commercialisation of 3 mini-hydropower plants.

All of these initiatives were accomplished despite a modest reduction in operating expenses for the year.

In the second half of 2023, we began to see early signs of recovery in manufacturing activities in China and Southeast Asia. ISDN has used the downturn to position itself more strongly than ever to be relevant to the automation needs of Asia's growing economies, and we hope to capitalise well on the coming cyclical recovery in semiconductors and electronics.

We look forward to discussing our progress at our upcoming investor briefing, and we thank our investors, customers and employees for their continued support of our growth strategy.”

— End —

About ISDN Holdings Limited

ISDN is a leading provider of industrial automation solutions throughout Asia. The Company has more than 10,000 customers, and 55 offices spanning key Asian growth markets, and has a 30-year history of innovating alongside the growing technology needs of its customers.

Today, ISDN's solutions power advanced industrial sectors including semiconductors, Industry 4.0 manufacturing, medical devices, aerospace, and clean energy. ISDN's solutions power products and manufacturing in 5G, industrial robotics, the Internet of Things (IoT/IIoT), cloud and edge computing, and Industry 4.0 intelligent manufacturing.

ISDN was founded in 1986 and has been listed on the SGX Main Board since 2005 and the Stock Exchange of Hong Kong Main Board since 2017.

For more information, please visit www.isdnholdings.com

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