

Singapore

**ADD** (no change)

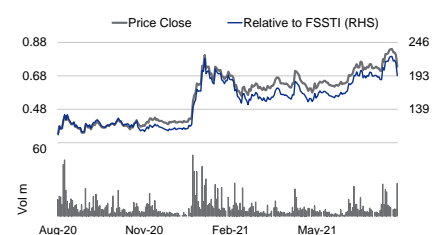
Consensus ratings\*: Buy 2 Hold 0 Sell 0

|                         |            |
|-------------------------|------------|
| Current price:          | S\$0.735   |
| Target price:           | S\$0.85    |
| Previous target:        | S\$0.844   |
| Up/downside:            | 15.6%      |
| CGS-CIMB / Consensus:   | 0.7%       |
| Reuters:                | ISDN.SI    |
| Bloomberg:              | ISDN SP    |
| Market cap:             | US\$235.8m |
|                         | S\$320.0m  |
| Average daily turnover: | US\$3.57m  |
|                         | S\$4.81m   |
| Current shares o/s:     | 435.3m     |
| Free float:             | 54.4%      |

\*Source: Bloomberg

**Key changes in this note**

➤ FY21F-23F core EPS raised by 0.1-0.2%.



Source: Bloomberg

| Price performance | 1M  | 3M   | 12M  |
|-------------------|-----|------|------|
| Absolute (%)      | 0   | 21.5 | 90.9 |
| Relative (%)      | 0.1 | 20.1 | 69   |

**Major shareholders**

|                   | % held |
|-------------------|--------|
| Teo Cher Koon     | 32.0   |
| NTCP SPV VI       | 8.5    |
| Braun Karl Walter | 4.6    |

**Analyst(s)**



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# ISDN Holdings Ltd

## Industrial automation is here to stay

- ISDN's 1H21 core net profit was in line with our expectation at 50% of our FY21F net profit forecast.
- ISDN hopes that two out of its three mini-hydro power plants in Indonesia would be operational by end-2021.
- We reiterate our Add call on ISDN given the continuing demand for industrial automation solutions. Our TP rises slightly to S\$0.85.

### Slight headwinds in 2Q21

1H21 revenue was better than expected at 57% of our full-year forecast. 1H21 revenue rose 29.9% yoy to S\$217.2m. This continued to be mainly driven by its core Industrial Automation (IA) business (97.9% of 1H21 revenue; up 44.5% yoy). Despite the 44.5% yoy increase in revenue, gross profit margin improved marginally by 0.1% pt to 27.2% in 1H21 for the IA business vs. 27.1% in 1H20. 1H21 core net profit was in line at 50% of our FY21F forecast. We note that 2Q21 core net profit fell 5.7% yoy and grew 0.3% qoq. Key drags on 1H21 profit performance were a) 27.4%/22.2% yoy increases in distribution costs and administrative expenses, b) increase in tax rate to 25.6% in 1H21 vs. 22.6% in 1H20, and c) higher minority interest of S\$7.2m vs. S\$3.3m in 1H20. The increases in distribution cost and administrative expenses were mainly due to higher sales commissions, resumption of business travel in China and the absence of Covid-19 government related support. We think that the higher tax rate is attributable to the higher revenue contribution from China, ISDN's key market which accounted for 73.9% of 1H21 revenue (1H20:59.9%). ISDN's China operations are taxed at 25%. We also note that the renewable energy business suffered an operating loss of S\$1.8m vs. S\$0.7m operating profit in 1H20.

### Automation demand remains strong

ISDN is optimistic on its prospects as it sees businesses worldwide as increasingly reliant on technology and automation to operate in a volatile environment. It believes industrial automation demand will remain strong due to the ageing workforce as well as Covid-19 induced labour mobility/availability issues. In its key China market, the government continues to promote the advancement of industrial automation as a vital part of its long-term economic growth plan. For its renewable energy business, management hopes that two out of its three mini-hydro power plants can be operational by end-2021.

### Reiterate Add

We make slight changes to our FY21-23 EPS forecasts to reflect revenue mix changes, normalisation of operating expenses, higher tax rates and minority interests. At 12.6x Singapore tech sector's current CY22 average P/E (previously 12.5x), our TP is raised slightly to S\$0.85 (previously S\$0.844). Potential re-rating catalyst is earlier profit contribution from its hydropower segment. Downside risk is the prolonged Covid-19 outbreak.

### Financial Summary

|                                | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (S\$m)                 | 291.0   | 361.9   | 426.0   | 460.1   | 493.5   |
| Net Profit (S\$m)              | 6.59    | 15.14   | 24.55   | 29.40   | 31.13   |
| Core EPS (S\$)                 | 0.017   | 0.049   | 0.056   | 0.068   | 0.072   |
| Core EPS Growth                | (37%)   | 180%    | 15%     | 20%     | 6%      |
| FD Core P/E (x)                | 40.43   | 14.95   | 13.04   | 10.88   | 10.28   |
| Price To Sales (x)             | 1.09    | 0.88    | 0.75    | 0.70    | 0.65    |
| DPS (S\$)                      | 0.004   | 0.008   | 0.015   | 0.018   | 0.019   |
| Dividend Yield                 | 0.54%   | 1.09%   | 1.99%   | 2.39%   | 2.53%   |
| EV/EBITDA (x)                  | 12.67   | 8.68    | 6.59    | 5.76    | 5.09    |
| P/FCFE (x)                     | 19.02   | 11.77   | 26.22   | 10.21   | 9.17    |
| Net Gearing                    | (16.4%) | (12.3%) | (13.1%) | (20.0%) | (26.3%) |
| P/BV (x)                       | 2.06    | 1.88    | 1.70    | 1.52    | 1.37    |
| ROE                            | 5.0%    | 13.1%   | 13.7%   | 14.8%   | 14.1%   |
| % Change In Core EPS Estimates |         |         | 0.199%  | 0.054%  | 0.066%  |
| CGS-CIMB/Consensus EPS (x)     |         |         | 1.01    | 1.01    | 1.01    |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

| FYE Dec (\$\$ m)   | 1HFY21  | 1HFY20  | yoy % chg | Prev<br>FY21F | Comments  |
|--------------------|---------|---------|-----------|---------------|---|
| Revenue            | 217.2   | 167.2   | 29.9      | 383.2         | 1H20 revenue above our expectations at 57% of full-year forecast driven by continued strong demand in its industrial automation business. |
| Operating costs    | (188.7) | (148.4) | 27.2      | (370.8)       |   |
| EBITDA             | 28.5    | 18.8    | 51.3      | 12.3          |   |
| EBITDA margin (%)  | 13.1    | 11.3    | 16.5      | 47.3          | Benefitted from higher sales.   |
| Depn & amort.      | (2.3)   | (1.9)   | 19.4      | (4.4)         |   |
| EBIT               | 26.2    | 16.9    | 54.9      | 42.9          |   |
| Interest income    | 0.2     | 0.2     | (9.9)     | 0.4           |   |
| Interest expense   | (0.7)   | (1.0)   | (29.6)    | (2.0)         | Lower interest rate for bank borrowings.  |
| Associate          | 0.4     | 0.5     | (22.5)    | 0.7           |   |
| Exceptionals       | 0.0     | 0.0     | na        | 0.0           |   |
| Pretax profit      | 26.1    | 16.6    | 56.7      | 42.0          |   |
| Tax                | (6.7)   | (3.8)   | 78.0      | (9.5)         |   |
| Tax rate (%)       | 25.6    | 22.6    | 13.6      | 22.6          | Higher than expected tax rate.  |
| Minority interests | 7.2     | 3.3     | 118.2     | 8.0           |   |
| Net profit         | 12.2    | 9.6     | 27.1      | 24.5          | 1H21 net profit in line 50% of full-year forecast. 2Q21 net profit fell 5.7% yoy, +0.3% qoq.  |
| Core net profit    | 12.2    | 9.6     | 27.1      | 24.5          |   |
| EPS (cts)          | 2.8     | 2.2     | 25.1      | 5.6           |   |
| Core EPS (cts)     | 2.8     | 2.2     | 25.1      | 5.6           |   |
| WAIC (m)           | 435.3   | 429.6   | 1.3       | 435.3         | Increased due to scrip dividend   |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Earnings revisions**

| (\$\$ m)                | Old    |        |        | New    |        |        | % chg             |       |       |
|-------------------------|--------|--------|--------|--------|--------|--------|-------------------|-------|-------|
|                         | FY21F  | FY22F  | FY23F  | FY21F  | FY22F  | FY23F  | FY21F             | FY22F | FY23F |
| Revenue                 | 383.2  | 402.4  | 418.4  | 426.0  | 460.1  | 493.5  | 11.2              | 14.3  | 17.9  |
| Gross profit            | 98.5   | 107.0  | 111.3  | 114.2  | 122.4  | 130.3  | 15.9              | 14.3  | 17.0  |
| Operating expenses      | (63.2) | (65.0) | (66.5) | (71.3) | (75.1) | (79.2) | 12.8              | 15.6  | 19.1  |
| Operating profit        | 39.7   | 46.8   | 49.9   | 47.3   | 52.1   | 56.2   | 19.2              | 11.2  | 12.6  |
| Net profit              | 24.5   | 29.4   | 31.1   | 24.5   | 29.4   | 31.1   | 0.2               | 0.1   | 0.1   |
|                         |        |        |        |        |        |        | percentage points |       |       |
| Gross profit margin (%) | 25.7   | 26.6   | 26.6   | 26.8   | 26.6   | 26.4   | 1.1               | 0.0   | (0.2) |
| Net profit margin (%)   | 6.4    | 7.3    | 7.4    | 5.8    | 6.4    | 6.3    | (0.6)             | (0.9) | (1.1) |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: 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 (%) |
|---|------------------|--------|------------------|-------------------------|---------------------|-------------|-------------|-------------|---------------------|-------------|-------------|-------------------|--------------------|
|   |                  |        |                  |                         |                     | CY21F       | CY22F       | CY23F       |                     | CY21F       | CY22F       |                   |                    |
| ISDN Holdings Ltd                                   | ISDN SP          | Add    | 0.74             | 0.85                    | 236                 | 13.0        | 10.9        | 10.3        | 13.9%               | 1.70        | 1.52        | 13.9%             | 2.0%               |
| AEM Holdings Ltd                                    | AEM SP           | Add    | 4.06             | 4.61                    | 844                 | 13.0        | 11.8        | 12.4        | -2.9%               | 3.93        | 3.17        | 35.3%             | 1.8%               |
| Aztech Global Ltd                                   | AZTECH SP        | Add    | 1.17             | 1.82                    | 667                 | 11.0        | 9.6         | 8.5         | 15.7%               | 3.18        | 2.58        | 50.9%             | 2.4%               |
| Frencken Group Ltd                                  | FRKN SP          | Add    | 2.23             | 2.34                    | 702                 | 15.7        | 14.6        | 13.8        | 12.9%               | 2.48        | 2.18        | 17.0%             | 1.3%               |
| Fu Yu Corp Ltd                                      | FUYU SP          | Add    | 0.32             | 0.35                    | 178                 | 12.5        | 11.7        | 10.8        | 10.9%               | 1.34        | 1.28        | 11.0%             | 5.0%               |
| Grand Venture Technology Ltd                        | GVTL SP          | Add    | 1.21             | 1.41                    | 273                 | 18.2        | 13.3        | 10.7        | 73.0%               | 5.95        | 4.38        | 41.7%             | 1.0%               |
| Nanofilm Technologies Int'l Ltd                     | NANO SP          | Add    | 5.97             | 5.52                    | 2,911               | 46.5        | 38.2        | 32.3        | 22.1%               | 7.89        | 6.83        | 18.4%             | 19.2%              |
| UMS Holdings Ltd                                    | UMSH SP          | Add    | 1.75             | 1.97                    | 688                 | 14.1        | 12.8        | 12.4        | 18.8%               | 3.27        | 2.86        | 25.0%             | 3.4%               |
| Valuetronics Holdings Ltd                           | VALUE SP         | Reduce | 0.58             | 0.50                    | 185                 | 10.2        | 11.1        | 10.0        | -8.2%               | 1.04        | 0.99        | 10.4%             | 4.9%               |
| Venture Corporation                                 | VMS SP           | Add    | 19.50            | 21.32                   | 4,174               | 18.3        | 15.8        | 14.6        | 10.0%               | 2.11        | 2.01        | 11.8%             | 3.8%               |
| <b>Simple average excluding ISDN</b>                |                  |        |                  |                         |                     | <b>17.7</b> | <b>15.4</b> | <b>13.9</b> | <b>16.9%</b>        | <b>3.47</b> | <b>2.92</b> | <b>24.6%</b>      | <b>4.8%</b>        |
| <b>Simple average excluding ISDN &amp; Nanofilm</b> |                  |        |                  |                         |                     | <b>14.1</b> | <b>12.6</b> | <b>11.7</b> | <b>16.3%</b>        | <b>2.91</b> | <b>2.43</b> | <b>25.4%</b>      | <b>3.0%</b>        |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG



## ESG in a nutshell

ISDN focuses on the motion control industry and provides the full spectrum of integrated precision engineering services from conceptualisation, design and development to prototyping, production, sales and marketing and after-sales engineering support. The group is also involved in mini-hydropower projects in Indonesia. Through its role in industrial automation, ISDN aims to help drive efficiency to save energy and reduce the environmental impact of a multitude of industries.

### Keep your eye on

The group's mini-hydropower plant project in Indonesia helps offset carbon emissions and mitigate climate change. The mini-hydropower plants target the remote and rural areas in Indonesia, generating clean energy and job opportunities.

### Implications

ISDN's mini-hydropower plants face delays due to the Covid-19 pandemic. Management aims to turn on the plants by end-2021. Mini-hydropower earnings represent upside earnings risk as we have not factored them into our projections.

### ESG highlights

At end-FY20, ISDN had 82 subsidiaries and 74 sales offices in Asia. ISDN has an established whistle-blowing policy which allows the whistleblower direct access to their superiors, any of the group's managing director and president, or the chairman of the audit committee.

### Implications

The large number of subsidiaries in various geographies could pose operational risk. In 2018, ISDN's Beijing subsidiary was served a writ of summons alleging that its ex-employee had borrowed monies for which the Beijing subsidiary has acted as a guarantor. Ineffective risk control could pose financial and reputational risks to ISDN.

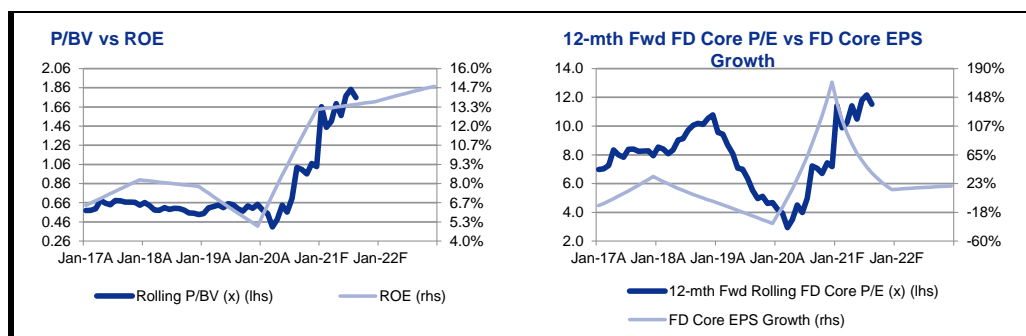
### Trends

Rising wage costs and increasing competition for talent is a key trend to watch out for. ISDN's employees are its most valuable assets as they understand customer requirements and are able to offer value-added solutions.

### Implications

ISDN provides equal opportunities for employees with regards to recruitment, training and development, job advancement, and remuneration and benefits. The group does not discriminate on the basis of gender, ethnicity, religion, colour, age, marital status, family status, pregnancy or any other discrimination prohibited by applicable laws. In addition to the basic wage package, ISDN also provides benefits and welfare such as severance pay, mandatory/central provident fund, employment compensation insurance, medical insurance, unlimited times doctor visit reimbursement, annual leave, sick leave, additional remuneration and benefits to reward and recognise performing employees such as performance-based bonus, commissions and variable annual bonuses. Based on the different job duties of employees, local travelling (parking and petrol inclusive) allowance, mobile phone allowance, overseas travelling and meals allowance, and overtime taxi claim are included in the total remuneration and benefits package for employees.

Our forecasts assume that ISDN's staff attrition rate will not deviate from past norms given its competitive wage benefits.

**BY THE NUMBERS**

**Profit & Loss**

| (\$m)                                     | Dec-19A      | Dec-20A      | Dec-21F      | Dec-22F      | Dec-23F      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total Net Revenues</b>                 | <b>291.0</b> | <b>361.9</b> | <b>426.0</b> | <b>460.1</b> | <b>493.5</b> |
| <b>Gross Profit</b>                       | <b>77.4</b>  | <b>99.7</b>  | <b>118.6</b> | <b>127.1</b> | <b>135.4</b> |
| <b>Operating EBITDA</b>                   | <b>25.9</b>  | <b>38.6</b>  | <b>51.7</b>  | <b>56.8</b>  | <b>61.3</b>  |
| Depreciation And Amortisation             | (3.8)        | (4.1)        | (4.4)        | (4.8)        | (5.1)        |
| <b>Operating EBIT</b>                     | <b>22.1</b>  | <b>34.5</b>  | <b>47.3</b>  | <b>52.1</b>  | <b>56.2</b>  |
| Financial Income/(Expense)                | (1.8)        | (1.4)        | (1.6)        | (1.6)        | (1.6)        |
| Pretax Income/(Loss) from Assoc.          | (0.1)        | 1.0          | 0.7          | 0.7          | 0.5          |
| Non-Operating Income/(Expense)            | 0.0          | 4.0          | 3.2          | 3.0          | 3.0          |
| <b>Profit Before Tax (pre-EI)</b>         | <b>20.2</b>  | <b>38.1</b>  | <b>49.6</b>  | <b>54.2</b>  | <b>58.1</b>  |
| Exceptional Items                         | (0.4)        | (6.1)        | 0.0          | 0.0          | 0.0          |
| <b>Pre-tax Profit</b>                     | <b>19.7</b>  | <b>32.0</b>  | <b>49.6</b>  | <b>54.2</b>  | <b>58.1</b>  |
| Taxation                                  | (6.0)        | (9.5)        | (12.7)       | (13.9)       | (14.9)       |
| Exceptional Income - post-tax             |              |              |              |              |              |
| <b>Profit After Tax</b>                   | <b>13.7</b>  | <b>22.5</b>  | <b>36.9</b>  | <b>40.3</b>  | <b>43.2</b>  |
| Minority Interests                        | (7.1)        | (7.4)        | (12.4)       | (10.9)       | (12.1)       |
| Preferred Dividends                       |              |              |              |              |              |
| FX Gain/(Loss) - post tax                 |              |              |              |              |              |
| Other Adjustments - post-tax              |              |              |              |              |              |
| <b>Net Profit</b>                         | <b>6.6</b>   | <b>15.1</b>  | <b>24.5</b>  | <b>29.4</b>  | <b>31.1</b>  |
| Recurring Net Profit                      | 7.5          | 21.3         | 24.5         | 29.4         | 31.1         |
| <b>Fully Diluted Recurring Net Profit</b> | <b>7.5</b>   | <b>21.3</b>  | <b>24.5</b>  | <b>29.4</b>  | <b>31.1</b>  |

**Cash Flow**

| (\$m)                            | Dec-19A       | Dec-20A       | Dec-21F       | Dec-22F       | Dec-23F       |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>EBITDA</b>                    | <b>25.95</b>  | <b>38.62</b>  | <b>51.71</b>  | <b>56.85</b>  | <b>61.29</b>  |
| Cash Flow from Inv. & Assoc.     |               |               |               |               |               |
| Change In Working Capital        | (1.40)        | 23.44         | (23.01)       | (7.64)        | (7.61)        |
| (Incr)/Decr in Total Provisions  |               |               |               |               |               |
| Other Non-Cash (Income)/Expense  |               |               |               |               |               |
| Other Operating Cashflow         | (0.45)        | (21.86)       | 2.80          | 2.60          | 2.70          |
| Net Interest (Paid)/Received     | (1.80)        | (1.43)        | (1.60)        | (1.60)        | (1.60)        |
| Tax Paid                         | (6.00)        | (8.19)        | (12.70)       | (13.87)       | (14.87)       |
| <b>Cashflow From Operations</b>  | <b>16.31</b>  | <b>30.58</b>  | <b>17.20</b>  | <b>36.33</b>  | <b>39.91</b>  |
| Capex                            | (2.62)        | (10.51)       | (5.00)        | (5.00)        | (5.00)        |
| Disposals Of FAs/subsidiaries    | 4.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Acq. Of Subsidiaries/investments |               |               |               |               |               |
| Other Investing Cashflow         | (1.77)        | 4.42          | 0.00          | 0.00          | 0.00          |
| <b>Cash Flow From Investing</b>  | <b>(0.39)</b> | <b>(6.09)</b> | <b>(5.00)</b> | <b>(5.00)</b> | <b>(5.00)</b> |
| Debt Raised/(repaid)             | 0.00          | 2.51          | 0.00          | 0.00          | 0.00          |
| Proceeds From Issue Of Shares    | 5.40          | 0.00          | 0.00          | 0.00          | 0.00          |
| Shares Repurchased               |               | 0.00          | 0.00          | 0.00          | 0.00          |
| Dividends Paid                   | (2.76)        | (5.74)        | (6.38)        | (7.64)        | (8.09)        |
| Preferred Dividends              |               | 0.00          | 0.00          | 0.00          | 0.00          |
| Other Financing Cashflow         | 0.00          | (0.32)        | 0.00          | 0.00          | 0.00          |
| <b>Cash Flow From Financing</b>  | <b>2.63</b>   | <b>(3.56)</b> | <b>(6.38)</b> | <b>(7.64)</b> | <b>(8.09)</b> |
| Total Cash Generated             | 18.56         | 20.94         | 5.82          | 23.69         | 26.82         |
| <b>Free Cashflow To Equity</b>   | <b>15.92</b>  | <b>27.00</b>  | <b>12.20</b>  | <b>31.33</b>  | <b>34.91</b>  |
| <b>Free Cashflow To Firm</b>     | <b>18.03</b>  | <b>26.23</b>  | <b>14.20</b>  | <b>33.33</b>  | <b>36.91</b>  |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

| (\$m)                                | Dec-19A      | Dec-20A      | Dec-21F      | Dec-22F      | Dec-23F      |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents           | 60.9         | 58.5         | 64.3         | 88.0         | 114.8        |
| Total Debtors                        | 92.5         | 103.0        | 121.4        | 131.1        | 140.6        |
| Inventories                          | 53.2         | 55.6         | 77.7         | 84.2         | 90.6         |
| Total Other Current Assets           | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total Current Assets</b>          | <b>206.6</b> | <b>217.0</b> | <b>263.4</b> | <b>303.3</b> | <b>346.0</b> |
| Fixed Assets                         | 38.1         | 61.6         | 62.2         | 62.4         | 62.3         |
| Total Investments                    | 0.0          | 5.8          | 6.5          | 7.2          | 7.7          |
| Intangible Assets                    | 13.5         | 12.2         | 12.2         | 12.2         | 12.2         |
| Total Other Non-Current Assets       | 38.6         | 61.4         | 61.4         | 61.4         | 61.4         |
| <b>Total Non-current Assets</b>      | <b>90.2</b>  | <b>141.0</b> | <b>142.2</b> | <b>143.2</b> | <b>143.6</b> |
| Short-term Debt                      | 16.4         | 22.1         | 22.1         | 22.1         | 22.1         |
| Current Portion of Long-Term Debt    |              |              |              |              |              |
| Total Creditors                      | 66.3         | 84.4         | 101.5        | 109.7        | 117.6        |
| Other Current Liabilities            | 2.4          | 22.6         | 22.6         | 22.6         | 22.6         |
| <b>Total Current Liabilities</b>     | <b>85.1</b>  | <b>129.1</b> | <b>146.3</b> | <b>154.4</b> | <b>162.3</b> |
| Total Long-term Debt                 | 11.8         | 9.6          | 9.6          | 9.6          | 9.6          |
| Hybrid Debt - Debt Component         |              |              |              |              |              |
| Total Other Non-Current Liabilities  | 0.2          | 1.7          | 1.7          | 1.7          | 1.7          |
| <b>Total Non-current Liabilities</b> | <b>12.1</b>  | <b>11.3</b>  | <b>11.3</b>  | <b>11.3</b>  | <b>11.3</b>  |
| Total Provisions                     | 0.7          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total Liabilities</b>             | <b>97.8</b>  | <b>140.4</b> | <b>157.5</b> | <b>165.7</b> | <b>173.6</b> |
| Shareholders' Equity                 | 153.4        | 170.0        | 188.2        | 209.9        | 233.0        |
| Minority Interests                   | 45.6         | 47.6         | 60.0         | 70.9         | 83.0         |
| <b>Total Equity</b>                  | <b>199.0</b> | <b>217.6</b> | <b>248.1</b> | <b>280.8</b> | <b>315.9</b> |

### Key Ratios

|                           | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth            | (3.6%)  | 24.4%   | 17.7%   | 8.0%    | 7.3%    |
| Operating EBITDA Growth   | (1.4%)  | 48.8%   | 33.9%   | 9.9%    | 7.8%    |
| Operating EBITDA Margin   | 8.9%    | 10.7%   | 12.1%   | 12.4%   | 12.4%   |
| Net Cash Per Share (\$)   | 0.08    | 0.06    | 0.07    | 0.13    | 0.19    |
| BVPS (\$)                 | 0.36    | 0.39    | 0.43    | 0.48    | 0.54    |
| Gross Interest Cover      | 10.49   | 19.90   | 23.65   | 26.05   | 28.10   |
| Effective Tax Rate        | 30.4%   | 29.7%   | 25.6%   | 25.6%   | 25.6%   |
| Net Dividend Payout Ratio | 24.4%   | 10.1%   | 10.5%   | 10.2%   | 11.0%   |
| Accounts Receivables Days | 118.4   | 98.8    | 96.1    | 100.1   | 100.5   |
| Inventory Days            | 92.66   | 75.96   | 79.16   | 88.76   | 89.05   |
| Accounts Payables Days    | 115.9   | 105.2   | 110.4   | 115.8   | 115.8   |
| ROIC (%)                  | 13.0%   | 20.6%   | 25.3%   | 24.7%   | 25.7%   |
| ROCE (%)                  | 10.2%   | 14.6%   | 18.0%   | 17.7%   | 17.1%   |
| Return On Average Assets  | 5.5%    | 9.2%    | 10.1%   | 9.8%    | 9.6%    |

### Key Drivers

|                               | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|-------------------------------|---------|---------|---------|---------|---------|
| Motion control rev growth (%) | -6.7%   | 20.2%   | 25.0%   | 9.0%    | 8.0%    |
| Gross profit margin (%)       | 26.6%   | 26.4%   | 26.8%   | 26.6%   | 26.4%   |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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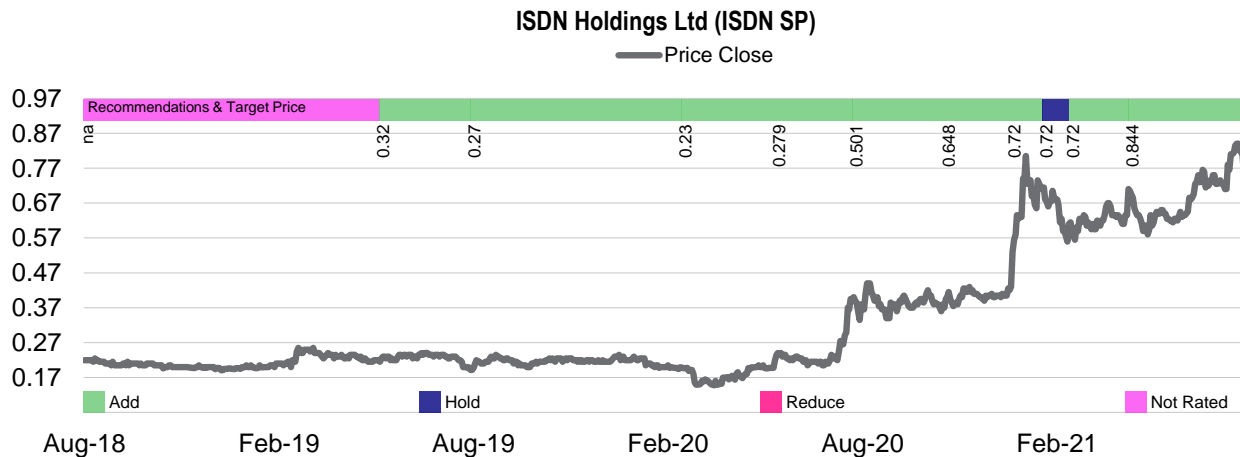
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| Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2021 |                         |                                |
|--|-------------------------|--------------------------------|
| 623 companies under coverage for quarter ended on 30 June 2021                                 |                         |                                |
|  | Rating Distribution (%) | Investment Banking clients (%) |
| Add  | 72.1%                   | 1.1%                           |
| Hold   | 19.3%                   | 0.0%                           |
| Reduce   | 8.7%                    | 0.0%                           |

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 2020, Anti-Corruption 2020**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, 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** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **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** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **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** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – 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 2020 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

| Recommendation Framework   |  |
|--|--|
| <b>Stock Ratings</b>   | 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> |  |
| <b>Sector Ratings</b>  | 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.   |
| <b>Country Ratings</b>   | 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. |