

Singapore

**Overweight** (no change)

**Highlighted Companies**

**AEM Holdings Ltd**  
**ADD, TP S\$4.63, S\$3.57 close**  
 AEM offers application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and artificial intelligence markets.

**ISDN Holdings Ltd**  
**ADD, TP S\$0.501, S\$0.37 close**  
 ISDN offers customised engineering solutions for industrial sectors such as robotics, factory automation, and semiconductor industries. ISDN also has investments in mini-hydropower plants.

**Summary Valuation Metrics**

P/E (x)	Dec-20F	Dec-21F	Dec-22F
AEM Holdings Ltd	9.86	9.18	9.61
ISDN Holdings Ltd	8.48	7.39	6.85
P/BV (x)	Dec-20F	Dec-21F	Dec-22F
AEM Holdings Ltd	4.69	3.39	2.68
ISDN Holdings Ltd	0.95	0.87	0.80
Dividend Yield	Dec-20F	Dec-21F	Dec-22F
AEM Holdings Ltd	2.53%	2.72%	2.60%
ISDN Holdings Ltd	3.06%	3.52%	3.79%

# Semiconductor

## Global semiconductor sales grew in Aug

- According to SIA, global semiconductor sales grew 4.9% yoy in Aug 2020.
- We believe the seventh consecutive month of yoy global semiconductor revenue growth is due to demand related to 5G applications.
- Our key picks for semiconductor exposure are AEM and ISDN.

### Global semiconductor sales grew 4.9% yoy in Aug

On 5 Oct, the Semiconductor Industry Association (SIA) announced that global sales of semiconductors hit US\$36.2bn in Aug 2020, 4.9% higher yoy (Aug 2019 sales were US\$34.5bn) and 3.6% higher than Jul 2020 revenue of US\$35.0bn. Aug's 4.9% yoy growth in global semiconductor sales is the seventh consecutive month of yoy growth for the industry as secular demand trends insulated the industry from the ongoing global macroeconomic headwinds. Sales in the Americas stood out in Aug, up nearly 24% yoy.

### AEM (Add, TP S\$4.63)

We remain positive on AEM with an Add call and TP of S\$4.63, based on an unchanged Gordon-Growth derived P/BV multiple of 6.09x. Recent key corporate developments at AEM include: a) appointment of industry veteran Samer Kabbani as its Chief Technology Officer (CTO) on 25 Aug 2020 (Kabbani's experience includes stints at Advantest, Astronics Test Systems and Delta Design Systems. In addition, Kabbani also holds more than 20 registered patents to his credit. In our view, AEM's competitiveness in the system level test market segment will be further strengthened with the new CTO on board); and b) on 10 Sep 2020, AEM raised its FY20F revenue guidance to S\$480m-S\$500m from S\$460m-S\$480m previously. Re-rating catalysts for AEM include better-than-expected profit margin. Downside risks are delivery delays due to lockdowns/movement restriction extensions and loss of competitiveness for its key customer.

### ISDN (Add, TP S\$0.501)

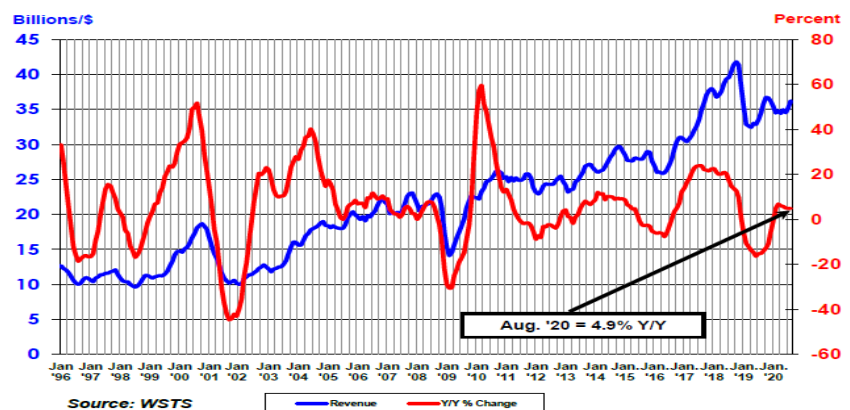
We think the strong global semiconductor sales will also benefit ISDN. We estimate that 23% of ISDN's 1H20 revenue was derived from semiconductor-related customers. We believe ISDN will also benefit from China's efforts to accelerate the development of its domestic semiconductor industry. We reiterate our Add call on ISDN and TP of S\$0.501. Our valuation basis remains at CY21F P/E of 10x (at 58% discount to global peers). Potential re-rating catalysts for the stock include stronger-than-expected sales orders for its mainstay industrial automation business and profit contribution from its hydropower segment. Downside risks are order delays, cost overruns in its hydropower business, and a prolonged Covid-19 outbreak.

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**Figure 1: Global semiconductor sales (in US\$ bn)**



SOURCES: WSTS

Figure 2: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap	P/E (x)			3-year EPS CAGR (%)		P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
			(lcl curr)	(lcl curr)	(US\$ m)	CY20F	CY21F	CY22F	CY20F	CY21F	CY20F	CY20F		
AEM Holdings Ltd	AEM SP	Add	3.57	4.63	721	9.8	9.2	9.5	24.0%	4.69	3.39	59.1%	2.5%	
Avi-Tech Electronics Limited	AVIT SP	Add	0.43	0.49	54	12.1	11.5	10.7	9.4%	1.41	1.35	11.8%	5.8%	
Frencken Group Ltd	FRKN SP	Add	0.96	1.06	299	10.0	9.0	8.7	0.5%	1.25	1.14	13.2%	3.1%	
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%	
UMS Holdings Ltd	UMSH SP	Hold	0.97	1.10	380	11.7	10.3	9.5	17.4%	2.02	1.88	17.9%	6.2%	
<b>Simple average</b>						<b>10.4</b>	<b>9.5</b>	<b>9.0</b>	<b>19.6%</b>	<b>2.07</b>	<b>1.73</b>	<b>22.8%</b>	<b>4.1%</b>	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

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

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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2020		
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%

## 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, **BGP** – Excellent, Certified, **BPCG** – 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)

### 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.

*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.*

#### 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.