

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.385
Target price:	S\$0.648
Previous target:	S\$0.648
Up/downside:	68.3%
CGS-CIMB / Consensus:	21.3%
Reuters:	ISDN.SI
Bloomberg:	ISDN SP
Market cap:	US\$124.5m
	S\$167.6m
Average daily turnover:	US\$2.87m
	S\$3.91m
Current shares o/s:	429.6m
Free float:	54.2%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.5	6.9	71.1
Relative (%)	-11	0.4	86.3

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

## On track for a record FY20F

- In its 3Q20 business update call today, ISDN reiterated its optimism for its 4Q20F outlook, driven by still-strong order book.
- We think ISDN is on track to report a 5-year record high net profit of S\$18.7m in FY20F.
- Reiterate Add with S\$0.65 target price.

### 3Q20 business update call

ISDN held a call this afternoon to discuss its 3Q20 business update (results released on 4 Nov 2020). Management remains optimistic of the outlook for 4Q20F based on its still-strong order book, driven by the ongoing industrial automation trend. The company is also working hard to improve on the 25.8% gross profit margin achieved in 9M20. For its non-core mini hydropower plants business, management aims to have the first two plants operational by 1Q21F and the third plant by 2Q-3Q21F. The progress in the hydropower business is subject to travel restrictions due to the Covid-19 pandemic. ISDN has also started preliminary inquiries on monetisation options for its hydropower business.

### Recent data points support ISDN's optimism

As China accounted for c.64% of ISDN's 9M20 revenue, recent positive economic data bodes well for ISDN's potential performance in 4Q20F. According to data from China's National Bureau of Statistics (NBS), industrial production grew 6.9% yoy in Oct 2020. Within industrial production, manufacturing grew 7.5% yoy and within manufacturing, production of new energy vehicles rose 94.1% yoy, while production of microcomputers and integrated circuits grew 28.0% and 20.4 % yoy respectively, as China stepped up efforts to grow its domestic technology sector. We think ISDN will be a potential beneficiary of this trend as the company, being Singapore based, is a neutral party in the US-China trade dispute and also, ISDN's products are non-US in origin.

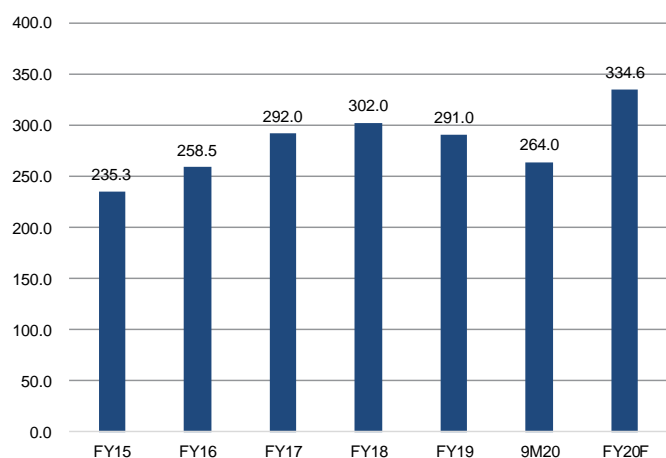
### Reiterate Add

We reiterate our Add rating and target price of S\$0.65 based on 12x (46% discount to peer average) FY22F earnings. We believe ISDN is on track to deliver a 5-year record high revenue and net profit in FY20F despite the Covid-19 pandemic. Potential re-rating catalysts for the stock could come from 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.

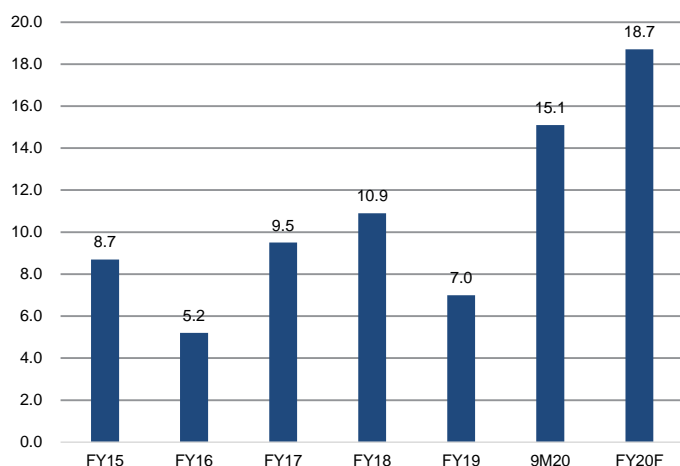
### Financial Summary

	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)	13.88	22.56	8.83	7.69	7.13
Price To Sales (x)	0.50	0.57	0.49	0.48	0.46
DPS (S\$)	0.007	0.004	0.011	0.013	0.014
Dividend Yield	1.82%	1.04%	2.95%	3.38%	3.65%
EV/EBITDA (x)	6.72	6.87	5.81	4.79	4.12
P/FCFE (x)	13.71	9.69	21.01	6.84	6.41
Net Gearing	(7.5%)	(16.4%)	(6.9%)	(14.4%)	(20.8%)
P/BV (x)	1.06	1.08	0.99	0.91	0.83
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: On track for record revenue (\$\$ m)**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

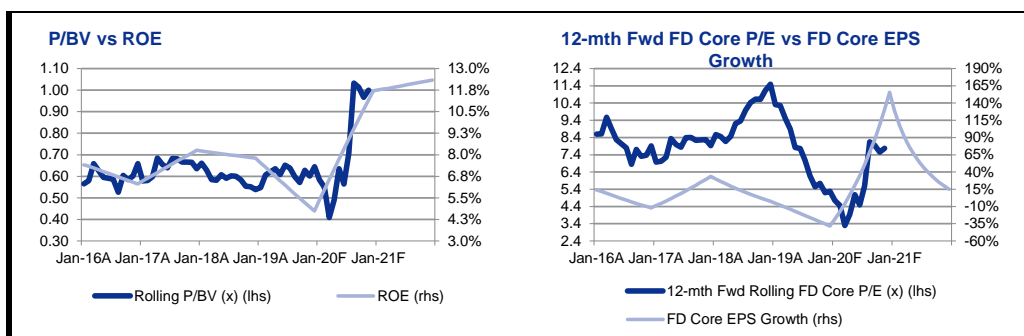
**Figure 2: ... and record net profit (\$\$ m)**


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 (%)
						CY20F	CY21F	CY22F		CY20F	CY21F	CY20F	CY20F
ISDN Holdings Ltd	ISDN SP	Add	0.39	0.65	125	8.8	7.7	7.1	47.5%	0.99	0.91	11.7%	2.9%
<b>Motion Control peers</b>													
Allied Motion Technologies Inc	AMOT US	NR	40.77	na	398	30.1	23.4	na	na	na	na	na	na
Altra Industrial Motion Corp	AIMC US	NR	55.74	na	3,607	20.9	18.2	17.1	28.5%	1.87	1.69	7.7%	0.5%
Hiwin Technologies Corp	2049 TT	NR	298.5	na	3,321	48.5	28.4	22.8	50.2%	3.78	3.40	8.0%	0.7%
Omron Corp	6645 JP	NR	8,420	na	16,525	23.1	38.1	31.1	-10.7%	3.09	2.95	8.9%	1.0%
Teco Electric and Machinery Co	1504 TT	NR	30.45	na	2,072	16.7	16.3	17.9	1.5%	1.02	0.98	5.6%	3.4%
<b>Simple average</b>						<b>27.9</b>	<b>24.9</b>	<b>22.2</b>	<b>17.4%</b>	<b>2.44</b>	<b>2.26</b>	<b>7.5%</b>	<b>1.4%</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

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

**Cash Flow**

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>EBITDA</b>	<b>26.31</b>	<b>25.95</b>	<b>33.69</b>	<b>38.00</b>	<b>40.57</b>
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)
<b>Cashflow From Operations</b>	<b>4.87</b>	<b>16.75</b>	<b>10.45</b>	<b>26.78</b>	<b>28.39</b>
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
<b>Cash Flow From Investing</b>	<b>(6.11)</b>	<b>(0.39)</b>	<b>(2.60)</b>	<b>(2.60)</b>	<b>(2.60)</b>
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
<b>Cash Flow From Financing</b>	<b>2.01</b>	<b>2.63</b>	<b>(4.85)</b>	<b>(5.59)</b>	<b>(6.03)</b>
Total Cash Generated	0.77	19.00	3.00	18.59	19.76
<b>Free Cashflow To Equity</b>	<b>11.08</b>	<b>16.37</b>	<b>7.87</b>	<b>24.18</b>	<b>25.79</b>
<b>Free Cashflow To Firm</b>	<b>(0.21)</b>	<b>18.48</b>	<b>9.85</b>	<b>26.18</b>	<b>27.79</b>

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
<b>Total Current Assets</b>	<b>193.3</b>	<b>206.6</b>	<b>233.2</b>	<b>258.8</b>	<b>286.3</b>
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
<b>Total Non-current Assets</b>	<b>89.8</b>	<b>90.2</b>	<b>98.6</b>	<b>98.0</b>	<b>97.3</b>
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
<b>Total Current Liabilities</b>	<b>88.2</b>	<b>85.1</b>	<b>104.2</b>	<b>107.0</b>	<b>110.2</b>
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
<b>Total Non-current Liabilities</b>	<b>12.1</b>	<b>12.1</b>	<b>9.1</b>	<b>9.1</b>	<b>9.1</b>
Total Provisions	0.7	0.7	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>100.9</b>	<b>97.8</b>	<b>113.3</b>	<b>116.1</b>	<b>119.3</b>
Shareholders' Equity	143.8	153.4	166.6	182.5	199.7
Minority Interests	38.5	45.6	51.8	58.2	64.6
<b>Total Equity</b>	<b>182.2</b>	<b>199.0</b>	<b>218.4</b>	<b>240.8</b>	<b>264.3</b>

**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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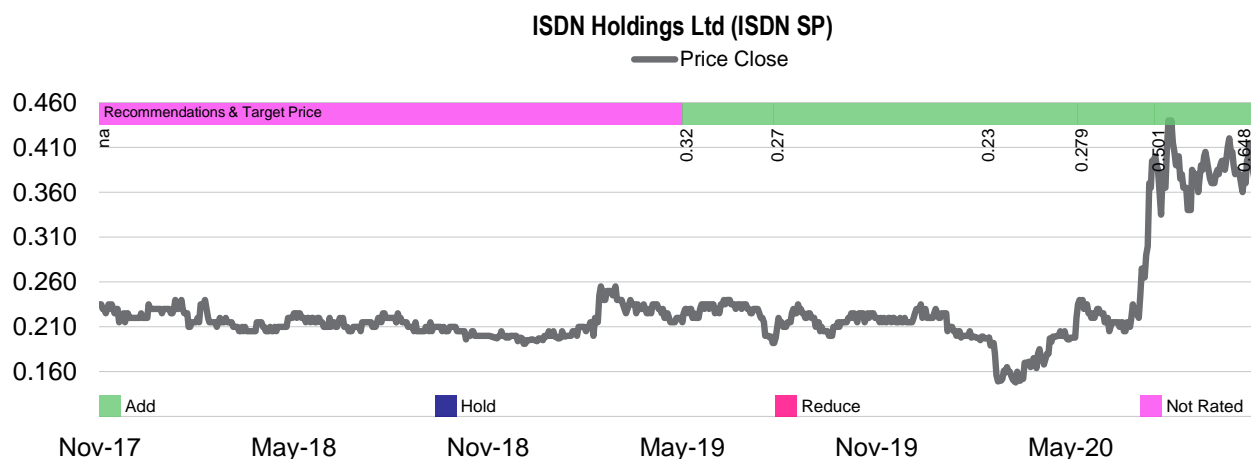
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795 companies under coverage for quarter ended on 30 September 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	63.0%	0.5%
Hold	25.2%	0.1%
Reduce	11.8%	0.3%

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:

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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.
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- 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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**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.

#01c