

Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

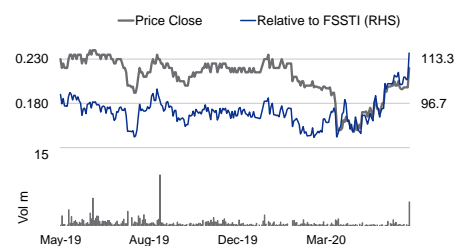
Current price:	S\$0.22
Target price:	S\$0.279
Previous target:	S\$0.23
Up/downside:	26.8%
CGS-CIMB / Consensus:	21.3%

Reuters:	ISDN.SI
Bloomberg:	ISDN SP
Market cap:	US\$66.68m
	S\$94.51m
Average daily turnover:	US\$0.04m
	S\$0.06m
Current shares o/s:	429.6m
Free float:	54.2%

*Source: Bloomberg

Key changes in this note

- FY20F EPS increased by 49.2%.
- FY21F ESP increased by 20.1%.
- FY22F EPS increased by 11.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	31	10.6	-2.2
Relative (%)	32.9	27.1	18.3

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

Strong April rebound

- 1Q20 revenue/net profit accounted for 27%/37% of our full-year forecasts, above our expectations.
- As at end-Apr 20, ISDN has achieved 80.4% of our FY20F net profit.
- Reiterate Add with higher TP of S\$0.28.

1Q20 performance above expectations

On 27 May, ISDN provided a voluntary update on its performance. 1Q20 revenue/net profit of S\$79.8m/S\$3.1m were above our expectations. 1Q20 revenue (27% of our FY20F) grew 5.7% yoy despite disruptions from the Covid-19 outbreak which led to an extended lockdown period for ISDN's China operations. Net profit (37% of our FY20F) fell 26.2% yoy. Other than revenue and net profit, no other line items for the income statement were provided.

Strong recovery in April

By mid-Mar, ISDN had resumed its China operations. In 4M20, ISDN's revenue grew 12.1% yoy to S\$112.2 while net profit grew 31.4% yoy to S\$6.7m. For the month of Apr, ISDN generated revenue of S\$32.4m and net profit of \$3.6m. The recovery was due to a broad-based pickup in business in ISDN's key markets of Singapore, China and Vietnam. 4M20 net profit accounted for 80.4% of our FY20F net profit. The company also disclosed that orders received year-to-date amounted to S\$95m.

Introducing anti-Covid-19 products

ISDN recently partnered with Germany-based ERST Project GmbH to introduce two disinfectant technologies designed to aid the transition to a post-pandemic environment. These are a) Waterliq, a safe, water-based disinfectant capable of deployment through humidifiers in human-safe fine droplets, and is able to kill 99.99% of pathogens; and b) Erstotizer, a state-of-the-art disinfecting coating that can keep surfaces virus-free for 6-24 months. Since announcing these two products, ISDN has already secured two commercial deployments, one at major dormitory provider Centurion Corporation and another at First Sight International Pte Ltd, an interior designer.

Reiterate Add; higher S\$0.28 TP

Given the lack of detailed financials, we assume gross margin improvement as the primary reason for the better-than-expected 1Q20 performance. With our revised gross margin expectations, our FY20-22F net profit forecasts increase by 49.2%/20.1%/11.3%. At an unchanged CY21F P/E of 10x (c.57% discount to its global peers), our target price rises to S\$0.28 (S\$0.23 previously). Potential re-rating catalysts for the stock could come from stronger-than-expected sales orders for its mainstay motion-control business and profit contribution from its clean energy segment. Key downside risks are order delays, cost overruns in its energy business, further escalation in the US-China trade war, and worsening of the Covid-19 outbreak.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (S\$m)	302.0	291.0	296.8	311.6	329.7
Net Profit (S\$m)	10.95	7.03	12.43	11.98	13.02
Core EPS (S\$)	0.028	0.016	0.029	0.028	0.030
Core EPS Growth	(2.4%)	(41.0%)	76.8%	(3.6%)	8.7%
FD Core P/E (x)	7.93	12.89	7.60	7.89	7.26
Price To Sales (x)	0.29	0.32	0.32	0.30	0.29
DPS (S\$)	0.007	0.004	0.008	0.007	0.008
Dividend Yield	3.18%	1.82%	3.42%	3.30%	3.58%
EV/EBITDA (x)	4.25	4.14	3.99	3.73	3.37
P/FCFE (x)	7.84	5.54	5.09	6.60	6.37
Net Gearing	(7.5%)	(16.4%)	(12.2%)	(16.3%)	(19.9%)
P/BV (x)	0.60	0.62	0.58	0.55	0.52
ROE	7.81%	4.73%	7.89%	7.20%	7.41%
% Change In Core EPS Estimates			49.2%	20.1%	11.3%
CGS-CIMB/Consensus EPS (x)			1.52	1.21	1.12

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: ISDN's 1Q20 performance

(\$ m)	1Q20	1Q19	% chg yoy	4M20	4M19	% chg yoy	Apr-20	Apr-19	% chg yoy
Revenue	79.8	75.5	5.7	112.2	100.1	12.1	32.4	24.6	31.7
Net profit	3.1	4.2	(26.2)	6.7	5.1	31.4	3.6	0.9	300.0
Net profit margin	3.88%	5.56%		5.97%	5.09%		11.11%	3.66%	

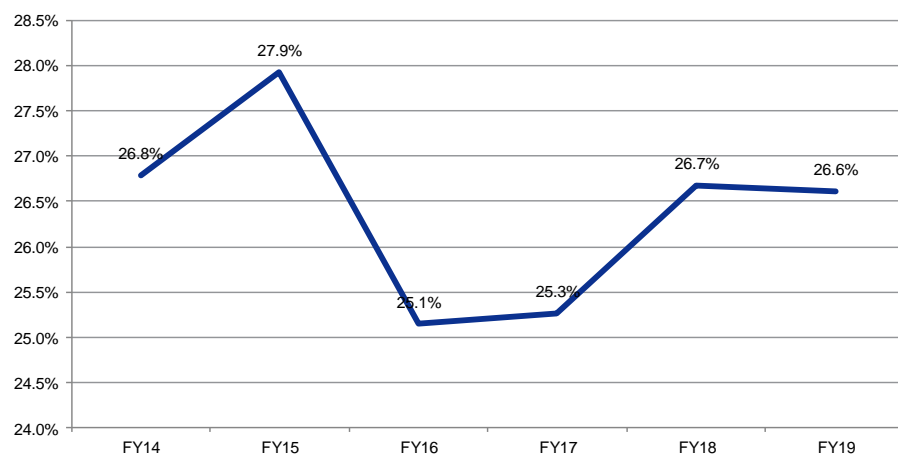
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Earnings revisions

(\$ m)	Old			New			% chg		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Revenue	296.8	311.6	329.7	296.8	311.6	329.7	0.0	0.0	0.0
Gross profit	79.0	82.9	87.7	83.1	84.9	89.0	5.2	2.4	1.5
Operating expenses	(62.4)	(63.8)	(66.7)	(62.4)	(63.8)	(66.7)	0.0	0.0	0.0
Operating profit	20.6	23.3	25.4	24.8	25.3	26.8	19.9	8.6	5.2
Net profit	8.3	10.0	11.7	12.4	12.0	13.0	49.2	20.1	11.3
							percentage points		
Gross profit margin (%)	26.6	26.6	26.6	28.0	27.3	27.0	1.4	0.6	0.4
Net profit margin (%)	2.8	3.2	3.5	4.2	3.8	3.9	1.4	0.6	0.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Historical gross profit margin trend

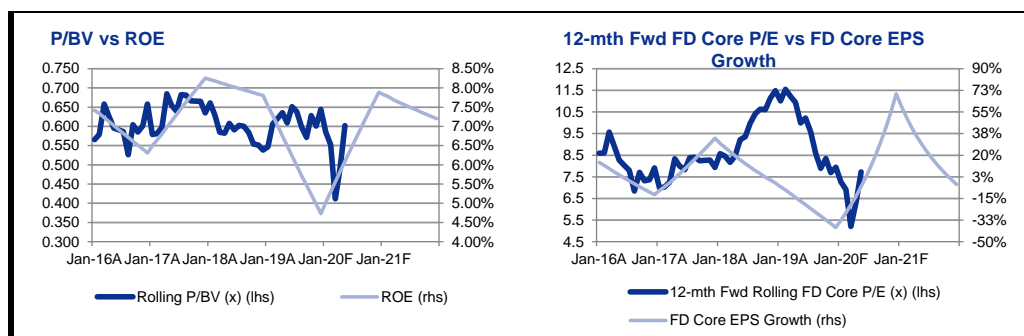


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: 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	0.22	0.28	67	7.6	7.9	7.3	19.6%	0.58	0.55	8.1%	3.4%
Motion Control peers													
Allied Motion Technologies Inc	AMOT US	NR	37.08	na	361	43.0	24.9	na	na	na	na	na	na
Altra Industrial Motion Corp	AIMC US	NR	30.94	na	2,000	17.3	13.2	na	na	1.10	1.02	6.4%	0.9%
Hiwin Technologies Corp	2049 TT	NR	317.5	na	3,191	48.3	27.9	23.8	48.9%	3.82	3.41	7.5%	0.7%
Omron Corp	6645 JP	NR	7,320	na	13,770	20.0	33.5	27.6	-11.5%	2.64	2.51	8.7%	1.2%
Teco Electric and Machinery Co	1504 TT	NR	28.40	na	1,857	17.1	17.2	na	na	1.01	0.97	6.0%	3.5%
Simple average						29.1	23.3	25.7	18.7%	2.14	1.98	7.1%	1.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG 9AS AT 28 MAR 2019)

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	302.0	291.0	296.8	311.6	329.7
Gross Profit	80.5	77.4	87.1	89.1	93.5
Operating EBITDA	26.3	25.9	28.8	29.6	31.2
Depreciation And Amortisation	(2.2)	(3.8)	(4.0)	(4.2)	(4.4)
Operating EBIT	24.1	22.1	24.8	25.3	26.8
Financial Income/(Expense)	(0.8)	(1.8)	(1.8)	(1.8)	(1.8)
Pretax Income/(Loss) from Assoc.	0.4	(0.1)	(0.1)	(0.1)	(0.1)
Non-Operating Income/(Expense)	0.0	0.0	1.8	2.0	2.4
Profit Before Tax (pre-EI)	23.7	20.2	24.6	25.5	27.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	23.7	20.2	24.6	25.5	27.2
Taxation	(7.1)	(6.0)	(6.1)	(7.1)	(7.8)
Exceptional Income - post-tax					
Profit After Tax	16.6	14.2	18.5	18.4	19.4
Minority Interests	(5.6)	(7.1)	(6.1)	(6.4)	(6.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10.9	7.0	12.4	12.0	13.0
Recurring Net Profit	10.9	7.0	12.4	12.0	13.0
Fully Diluted Recurring Net Profit	10.9	7.0	12.4	12.0	13.0

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	26.31	25.95	28.79	29.57	31.20
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(17.51)	(1.40)	(1.09)	(5.39)	(6.12)
(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)	(1.80)	(1.80)	(1.80)
Tax Paid	(5.71)	(6.00)	(6.10)	(7.10)	(7.80)
Cashflow From Operations	4.87	16.75	21.24	17.03	17.54
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)	0.30	0.30	0.30
Cash Flow From Investing	(6.11)	(0.39)	(2.70)	(2.70)	(2.70)
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)	(3.23)	(3.12)	(3.38)
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	(3.21)	(3.12)	(3.38)
Total Cash Generated	0.77	19.00	15.33	11.21	11.45
Free Cashflow To Equity	11.08	16.37	18.56	14.33	14.84
Free Cashflow To Firm	(0.21)	18.48	20.64	16.43	16.94

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	53.3	64.5	76.0
Total Debtors	96.2	92.5	113.8	119.5	126.5
Inventories	55.2	53.2	53.3	56.5	60.0
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	193.3	206.6	220.4	240.6	262.5
Fixed Assets	39.3	38.1	42.9	41.7	40.3
Total Investments	0.0	0.0	5.5	5.4	5.3
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	97.8	96.4	94.9
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	70.7	74.3	78.6
Other Current Liabilities	2.4	2.4	4.3	4.3	4.3
Total Current Liabilities	88.2	85.1	95.2	98.8	103.1
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	104.3	107.9	112.2
Shareholders' Equity	143.8	153.4	161.9	170.8	180.4
Minority Interests	38.5	45.6	51.9	58.3	64.7
Total Equity	182.2	199.0	213.9	229.1	245.2

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	3.43%	(3.64%)	2.00%	4.99%	5.81%
Operating EBITDA Growth	16.0%	(1.4%)	11.0%	2.7%	5.5%
Operating EBITDA Margin	8.71%	8.92%	9.70%	9.49%	9.46%
Net Cash Per Share (S\$)	0.03	0.08	0.06	0.09	0.11
BVPS (S\$)	0.36	0.36	0.38	0.40	0.42
Gross Interest Cover	23.30	10.49	11.79	12.06	12.75
Effective Tax Rate	30.0%	29.7%	24.8%	27.9%	28.7%
Net Dividend Payout Ratio	25.2%	24.4%	17.3%	21.5%	23.1%
Accounts Receivables Days	112.0	118.4	127.2	136.7	136.2
Inventory Days	86.69	92.66	92.98	90.07	90.01
Accounts Payables Days	113.8	115.9	119.6	119.0	118.1
ROIC (%)	18.8%	13.0%	14.8%	13.7%	14.2%
ROCE (%)	12.9%	10.2%	10.7%	10.3%	10.2%
Return On Average Assets	6.68%	5.51%	6.61%	6.16%	6.11%

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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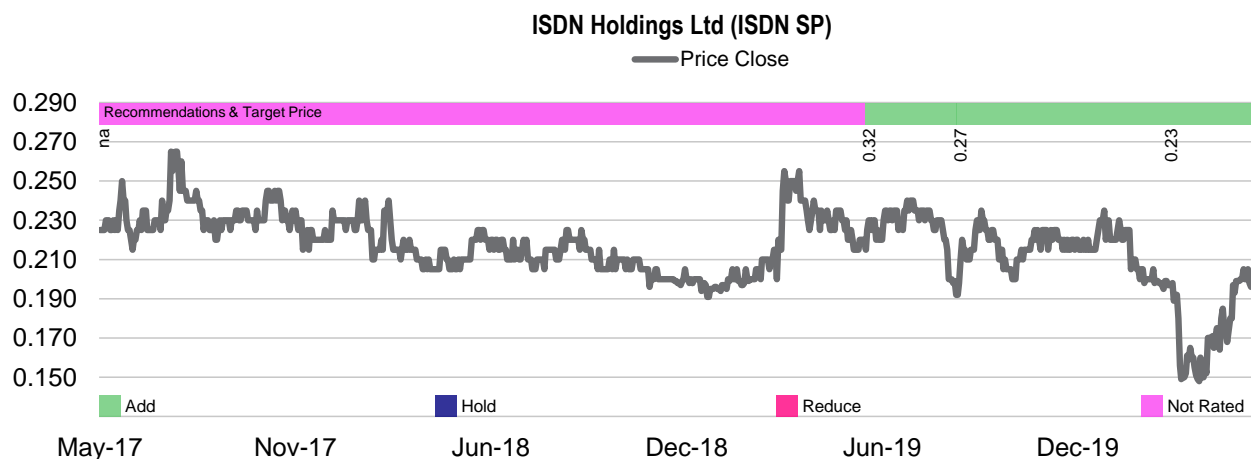
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	Rating Distribution (%)	Investment Banking clients (%)
Add	60.8%	0.1%
Hold	27.6%	0.0%
Reduce	11.6%	0.0%

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 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.
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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.

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.
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Definition:

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