

## ISDN Holdings

## Overweight

Current Price	S\$0.198
Fair Value	S\$0.29
Up / (downside)	47%

## Stock Statistics

Market cap	S\$70.2m
52-low	S\$0.192
52-high	S\$0.52
Avg daily vol	1,532,324
No of share	354.2m
Free float	30%

## Key Indicators

ROE 15F	8%
ROA 15F	5%
P/BK	0.67
Net gearing	Net cash

## Major Shareholders

Teo Cher Koon	36.1%
Tan Thiam Chye	9.3%
Karl Walter Braun	5.6%

## Historical Chart



Source: Bloomberg

## Jacky Lee

(+65) 6236-6887  
jacky.lee@nracapital.com  
[www.nracapital.com](http://www.nracapital.com)

## After a roller coaster ride...

- **Re-initiate coverage.** After a roller coaster ride for ISDN's share price between 2013 and 2014, we re-initiate coverage now with a fair value of S\$0.29 and Overweight rating.
- **Our S\$0.29 fair value is based on a conservative valuation** of 1.2x FY15 P/NTA or about 10x FY16 PER, which we think is justifiable, given its strong track record of profitability from its core engineering business. Further, the group expects its mini hydropower business to start contributing by second half of 2016. We have not yet factored this in our earnings estimates. However, we view this a potential catalyst for the group, if it is able to execute well its hydropower business.
- **Strong alliances and strategic partnerships.** The group has built a good track record with its alliances and strategic partners in Europe, Asia and Australia over the years. ISDN is poised to combine and benefit from the best-in-class technology and business systems these collaborations have to offer. Additionally, management seeks to accelerate its growth momentum by complementing organic growth with acquisitions and joint ventures, mainly focusing on the Energy related sector.
- **Equipment spending remains robust.** After strong growth of 12.9% in 2014, worldwide semiconductor capital spending is projected to only grow 0.8% in 2015, according to Gartner, Inc. However, equipment spending will increase 5.6% in 2015, down from the 11.3% forecast in 3Q2014, as the largest spenders adopt conservative investment strategies. Equipment spending outperformed capital spending in 2014 and will continue to do so in 2015.
- **Robotics industry on the rise.** Given the global labour cost keeps increasing, technology improvement will help reduce the cost of electrical engineering. We believe the robotics industry is set to rise in the near future. We view the increased demand of motion control components for use in robotics would benefit ISDN.
- **Energy division set for long term plan.** ISDN has established a wholly-owned subsidiary, Aenergy Holdings Company Limited to spearhead investments into hydropower projects in 2013, with a particular focus on Indonesia. ISDN has put in place partnerships and alliances with reputable industry partners to develop such hydropower projects, one of which is China Huadian, one of China's top 5 state-owned energy infrastructure builders. The group has targeted to develop a series of hydropower projects with total installed capacity of 100 megawatt by 2014 with a view of doubling this in three to five years.

Key Financial Data (S\$ m, FYE Dec)	2013	2014	2015F	2016F	2017F
Sales	173.7	230.5	249.2	274.1	301.5
Gross Profit	51.7	61.5	67.3	73.2	79.9
Net Profit	4.8	7.5	9.6	10.7	12.0
EPS (cents)	1.3	2.1	2.7	3.0	3.4
EPS growth (%)	(27.0)	59.2	29.3	10.6	12.5
PER (x)	14.9	9.4	7.2	6.6	5.8
NTA/share (cents)	23.2	23.3	24.7	26.3	28.2
DPS (cents)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	2.0	2.0	2.0	2.0	2.0

Source: Company, NRA Capital forecasts

# ISDN Holdings

## Company Background

Founded on its precision and motion control engineering capabilities in 1987 and listed on the Singapore Exchange Main Board since 2005. ISDN Holdings evolved from a small motor trading and sales company in Singapore, to a company that owns 70 subsidiaries, joint venture and associates. Its core precision engineering business provides services and solutions to millions of customers through more than 93 offices, covering more than 10 different fields including; semiconductor industries, renewable energy, aerospace technology, information technology, pharmaceuticals, oil and gas, intelligent robots, factory automation, water treatment, manufacturing, and hard drive. ISDN is focused on a high-mix, low-volume, high value added market segment that requires customised needs.

Powered by its alliances with strategic partners in Europe, Asia and Australia, ISDN is poised to combine and thereupon benefit from the best-in-class technology and business systems these collaborations have to offer. Additionally, ISDN seeks to accelerate its growth momentum by complementing organic growth with acquisitions and joint ventures.

The group marked a significant point in its transformation into a bona fide energy play. Projects in the pipeline include 10 mini hydropower projects in Indonesia, amounting to approximately 100 MW combined installed capacity. The group also entered into a joint venture agreement with Myanmar-based Tun Thwin Mining Co., Ltd (TTMCL) for the formation – in addition to Mining JVCo - of a joint venture company in Myanmar to engage in the business of the investment, development, construction, operation and management of the Power Plant, 4x 135 MW.

ISDN's other business interests includes the agriculture and property sectors. Together with its energy sector, this is expected to diversify the revenue stream and open up new business opportunities so as to reduce its reliance on the semiconductor industry. The semiconductor industry is cyclical in nature and competition is particularly rife. Rapid technology changes and short product life cycles make this industry highly volatile and cyclical.

## Business Segmentation

### Engineering

By tapping into its core engineering competencies, ISDN is able to serve a multitude of industries including defence, medical, aerospace and oil & gas. It offers a wide range of engineering services including Motion Control, Industrial Computing Solutions and Other Engineering Solutions, mainly to customers who are manufacturers and original design manufacturers of products and equipment that have specialized requirements in precision controls.



# ISDN Holdings

## Energy

ISDN's exposure to the energy market began with its supply of solar panel parts to industrial customers in China. This endeavour grew steadily and received a boost with ISDN's appointment in the mainland as the official distributor for a US solar equipment manufacturer. Elevating the group from representative status opened the door for ISDN to capture the vast Chinese solar energy market. More recently, ISDN cemented its presence in the renewable energy sphere in 2009 through W2Energy that has since entered the initial testing phase. W2Energy will leverage on its catalytic depolymerisation method (CPD) to recycle and harness organic and biological wastes such as plastic, wood, waste oil, rubber tyre, animal and refinery residue and municipal solid waste into synthetic diesel fuel.

In July 2013, ISDN established a wholly-owned subsidiary, Aenergy Holdings Company Limited to spearhead investments into hydropower projects, with a particular focus on Indonesia. To date, 10 mini hydropower projects are in the pipeline. The group also entered into a joint venture agreement with TTMCL to engage in the business of the investment, development, construction, operation and management of the Power Plant, 4x 135 MW.



## High-Tech Farming

ISDN's foray into the fast-growing agriculture market is marked by the establishment of EII-Gro Hydroponics Pte Ltd in 2010. It is a fully-owned subsidiary of ISDN Investments Pte Ltd., a newly-formed investment holdings vehicle of ISDN Holdings Ltd. EII-Gro Hydroponics is principally engaged in the business of high-tech hydroponics with farms in Malaysia and China. EII-Gro offers a viable alternative vegetable farming method using environmentally-friendly and toxic-free practices based on international standards. It has secured exclusive distributorship of the proprietary technology of its Australian partner, Boxsell Hydroponics. The name of EII-Gro Hydroponics Pte Ltd has been changed to Agri Source Pte Ltd with effect from 21 March 2012.



# ISDN Holdings

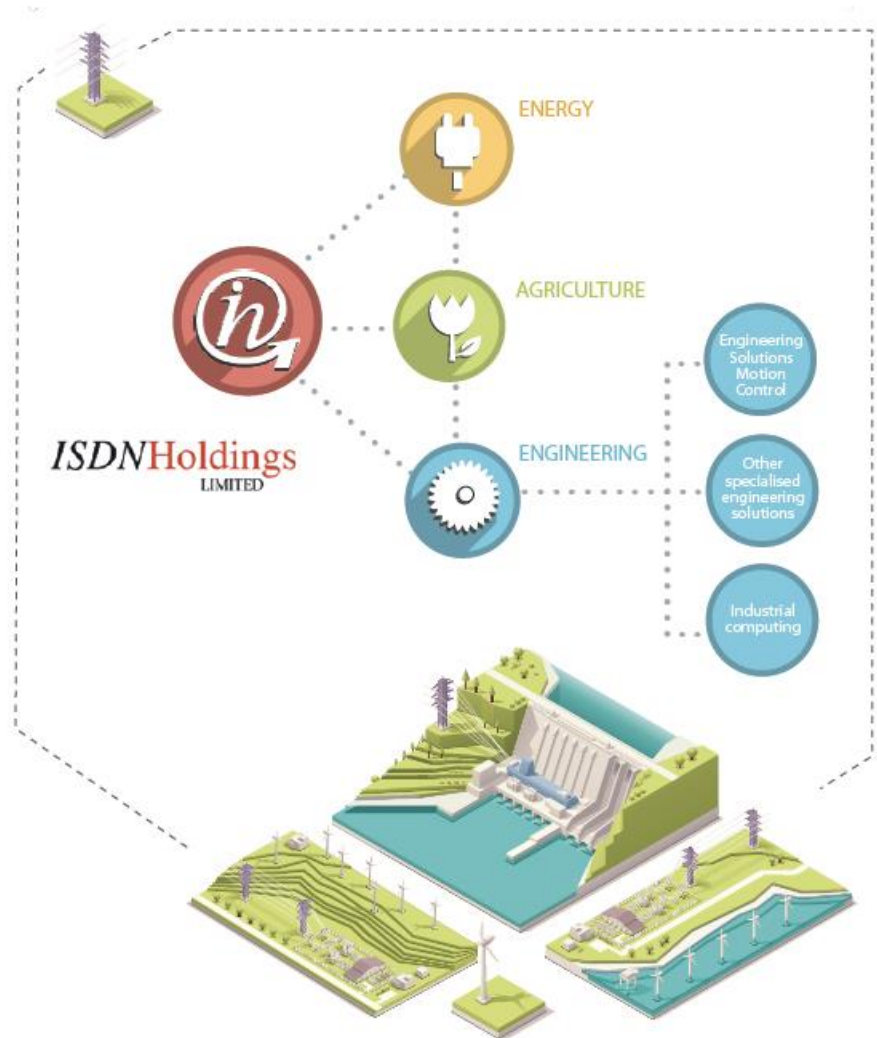
## ISDN Wujiang High-Tech Industrial Park

ISDN offers office and industrial space solutions to new businesses gaining a foothold in China through its \$22m ISDN-Wujiang Industrial Park. Built originally to consolidate ISDN's diverse operations in the mainland, the hub's strategic location within the Wujiang Economic Development Zone makes it an ideal entry point into China's thriving hi-tech and R&D ecosystem. Sitting on 36,000 sqm of built-up area, the high-tech park is equipped with cutting-edge production capabilities and modern amenities, including staff dormitories, office space, warehouse, training and research & development facilities. The centralization of ISDN's joint ventures and associates in one single location allows for an environment that facilitates an exchange of know-how and synergies beyond the group.



# ISDN Holdings

## Group Structure



Source: Company

## Outlook Review

**Equipment spending remains robust despite Gartner cutting its forecasts.** After strong growth of 12.9% in 2014, worldwide semiconductor capital spending is projected to only grow 0.8% in 2015, according to Gartner, Inc. However, equipment spending will increase 5.6% in 2015, down from the 11.3% forecast in 3Q2014, as the largest spenders adopt conservative investment strategies. Equipment spending outperformed capital spending in 2014 and will continue to do so in 2015.

### Worldwide semiconductor capital spending and equipment spending forecast, 2013-2018 (millions of dollars)

	2013	2014	2015F	2016F	2017F
Semiconductor Capital Spending (\$m)	57,840	65,290	65,785	65,545	70,184
Growth (%)	-1.5%	12.9%	0.8%	-0.4%	7.1%
Capital Equipment (\$m)	33,452	38,928	41,108	40,182	44,616
Growth (%)	-11.6%	16.4%	5.6%	-4.2%	11.2%
Wafer Fab Equipment (\$m)	27,278	31,633	33,746	33,637	36,943
Growth (%)	-8.0%	16.0%	6.7%	-2.7%	10.1%
Wafer-Level Manufacturing Equipment (\$m)	28,758	33,401	35,671	35,538	39,281
Growth (%)	-8.5%	16.1%	6.8%	-2.6%	10.8%
Wafer-Level Packaging and Assembly Equipment (\$m)	1,480	1,767	1,925	1,901	2,339
Growth (%)	-17.8%	19.4%	8.9%	-1.2%	23.0%
Die-Level Packaging and Assembly Equipment (\$m)	2,869	3,264	3,136	2,628	2,954
Growth (%)	-25.8%	13.8%	-3.9%	-16.2%	12.4%
Automated Test Equipment (\$m)	1,825	2,263	2,302	2,016	2,381
Growth (%)	-27.6%	24.0%	1.7%	-12.4%	18.1%

Source: Gartner (January 2015)

**SEMI forecasts even more aggressive in its later projection.** According to SEMI, Semiconductor fab equipment spending will increase 15% yoy to US\$40.5bn in 2015 following a strong 20% yoy growth in 2014. Capital expenditures for most large semiconductor companies are expected to increase by 8% in 2015 and grow another 3% in 2016, according to the association. The projected increases are driven by new fab construction projects and the ramp up to new technology nodes.

### SEMI spending forecast

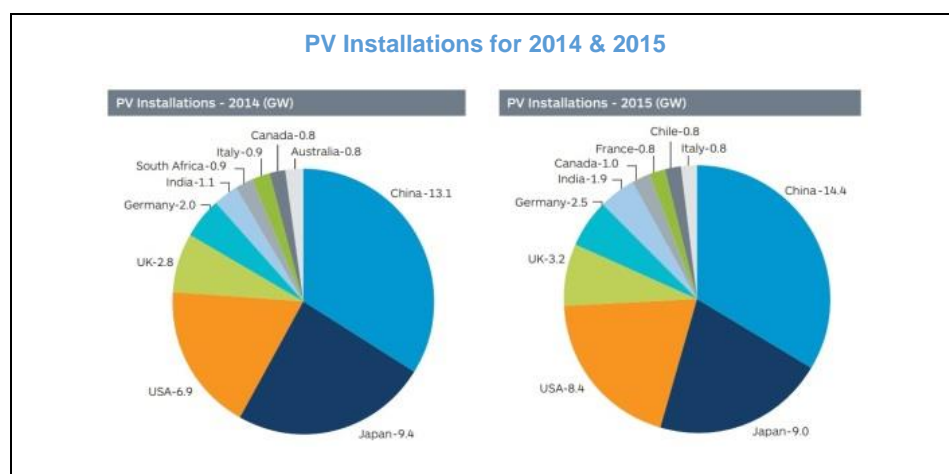
	2013	2014	2015	2016
Fab equipment (US\$bn)	29.4	35.2	40.5	41 to 42
% change yoy	-10%	20%	15%	2% to 4%
Fab construction (US\$bn)	8.8	7.7	5.2	6.9
% change yoy	14%	-11%	-32%	32%

Source: SEMI, March 2015

**Continue diversification strategy.** Since its listing in 2005, ISDN's management has aggressively diversified into other sectors as its initial engineering sector is highly dependent on the semiconductor industry. The semiconductor industry is cyclical in nature and competition is particularly rife, worsened by rapid technological changes and short product life cycles. However, today, ISDN's engineering business is well diversified into other industries such as, defence, aerospace, medical, textile, information technology & telecommunications, packaging, oil & gas, alternative energy, automotive and marine & offshore. To date, it semiconductor accounted less than 20% of its total turnover, as compare to more than 50% five years ago. For its investment arms, other businesses include the energy, agriculture and property sectors.

**Solar energy on headwind...** Last year's more than 40% drop in oil prices already challenged the growth of renewable energy. Solar-equipment makers are seeing share prices fall on fears inexpensive natural gas will erode demand. The Bloomberg Global Large Solar Index of 21 companies that sells solar-energy products - which are now competing against falling electricity rates - has sunk 39% in the 12 months to January 2015.

**...but expects strengthening recovery.** IHS Global Insight has released a series of 10 predictions for the solar photovoltaic (PV) industry in 2015, and is predicting the industry will experience a "strengthening recovery" over the year, though it is a recovery which may remain "fragile". IHS predicts that the ongoing cost reductions for solar PV will fuel demand, expected to grow between 16% and 25% in 2015, with installations in the range of 53 to 57 GW over the year. China is expected to be the leading market again in 2015, followed by Japan and the United States, backing up many predictions made towards the end of 2014.



Source: IHS

**Robotics industry on the rise...** Given the global labour cost keeps increasing, the improvement of technology will help control the cost of electrical engineering. We believe the robotics industry is set to rise in the near future. Robotics is the branch of mechanical, electrical engineering and computer science that deals with the design, construction, operation, and application of robots, as well as computer systems for their control, sensory feedback, and information processing. The increased demand of motion control components used in robotics would be positive for ISDN.

**... And the major growth in Asia.** According to IFR International Federation of Robotics, industrial robots have set new records with more than 200,000 sold in 2014. Breath taking advancements and innovative technological developments in industrial manufacturing have caused a substantial increase in the number of robot installations during the past four years. While the breakthrough of human robot collaboration has just started, IFR believes the opportunities for continued growth is huge. It expects Asia to grow 16% on average per year, particularly in China, Taiwan, South Korea and other Southeast Asian markets.

# ISDN Holdings

**Agriculture business is not self-sufficient yet.** ISDN invested in agriculture business through its wholly owned subsidiary, Agri Source Pte Ltd (AGS) in 2010. In January 2011, AGS completed the pilot phase of its first hydroponics farm in Malaysia with the first harvest of 14 varieties of lettuce. Currently, AGS owns a farm in Johor, Malaysia. However, ISDN is facing difficulty in Suzhou, China where it's trying to replicate its second hydroponics plant. In 2012, AGS set-up another JV with Ho Lee Group, Dictionary Farm Holding (DFH), a 51%: 49% holdings structure, DFH is in-charge for turnkey projects such as setting up hydroponics farm for its customers. We view this segment loss impact is minimal to the group as its operating costs relatively low, the group is focusing all its resources on energy segment now, particular in hydropower.

**Hydropower on the move.** ISDN has established a wholly-owned subsidiary, Aenergy Holdings Company Limited to spearhead investments into hydropower projects in 2013, with a particular focus on Indonesia. ISDN has put in place partnerships and alliances with reputable industry partners to develop such hydropower projects, including China Huadian, one of China's top 5 state-owned energy infrastructure builders. The group has targeted to develop a series of hydropower projects with total installed capacity of 100 megawatt by 2014 with a view of doubling this in three to five years.

**So far, its target is a bit delay.** The group has revealed plans to develop seven mini-hydropower projects – four in Sumatra and three in Sulawesi – amounting to 50MW combined installed base capacity. The group also obtained in-principle approval for the larger scale Laa River hydropower facility. Despite a slight delay in the construction process, the group is expecting its first hydropower project to start producing in second half on 2016.

## Hydropower portfolio

Project	Location	Ownership structure	Capacity	Expected annual energy production	Status of project
1. PT Charma Paluta	North Sumatera	80%	4.6 MW	26 GWh	Work in progress
2. PT Prima Paluta	North Sumatera	80%	10 MW	57 GWh	Land Acquisition
3. PT Alabama Energy	North Sumatera	80%	10 MW	57 GWh	Land Acquisition
4. PT Punggawa Datara	Sulawesi	80%	10 MW	57 GWh	EPC Assessment
5. PT Tomini Energi	Sulawesi	80%	10 MW	57 GWh	EPC Assessment
6. PT Izmi Mandiri	North Sumatera	49%	8 MW	46 GWh	Land Clearance
<b>Total (MHPP):</b>			<b>52.6 MW</b>	<b>300 GWh</b>	
7. Laa River	Central Sulawesi	To be updated	126 MW	720GWh	Obtained In-Principle Approval

Source: Company

**Fuelling Myanmar coal power needs.** In the same year, the group's foray into Myanmar's fast-developing energy sector received another boost with an official endorsement from Myanmar's Ministry of Electricity, naming ISDN as the new partner in the Kalewa coal-fired power plant. ISDN will develop the Kalewa facility, located in the north-western part of the country with Myanmar-based Tun Thwin Mining Co. Ltd (TTMCL). The power plant will be developed into two phases. Both phases will be equipped with an installed base capacity of 270 MW powered by two turbines of 135 MW. When fully completed, the plant will have a total 540 MW electricity generating capacity.



# ISDN Holdings

**Raised equity for its energy business.** In 2013, ISDN raised net proceeds of S\$19.3m in total for its energy business expansion through two private share placements. First placement of 36m shares at 24 cents and second placement of 23.7m shares at 45 cents. So far, the group has utilised approximately 75% of proceeds from first placement and has not made material disbursements of the net proceeds of approximately S\$10.4m from the second placement. In addition, net proceeds of approximately S\$3.4m from the warrants issue has been fully utilised in its energy related business.

## Use of net proceeds from the first placement

<b>Prospects/Future Plans</b>	<b>Amount of net proceeds allocated (S\$m)</b>	<b>Amount utilised to date (S\$m)</b>	<b>Amount unutilised to date (S\$m)</b>
Hydroponics business	1.500	0.492	1.008
Mining-related business	4.400	3.377	1.023
Engineering solutions – motion control business	2.500	2.500	-
<b>Total</b>	<b>8.400</b>	<b>6.369</b>	<b>2.031</b>

Source: Company

## Management

**Lim Siang Kai - Chairman and Independent Director.** Mr Lim is currently the independent director of several other listed companies. Prior to joining the Board of ISDN Holdings Limited, Mr Lim held various positions in banks, financial services companies and a fund management company and has over 30 years of experience in the securities, private and investment banking and fund management industries. He holds a Bachelor of Arts Degree from University of Singapore, a Bachelor of Social Sciences (Honours) Degree from the National University of Singapore and a Master of Arts Degree in Economics from the University of Canterbury, New Zealand.

**Teo Cher Koon - Managing Director and President.** Mr Teo joined its subsidiary, Servo Dynamics Pte Ltd (Servo Dynamics) in 1987. He has more than 20 years of experience in all aspects of the business. He is responsible for formulating corporate strategies, general management and providing technical advice to the group and is particularly active in procurement and marketing activities. He is also instrumental in sourcing for new products and technology and securing new customers for the group. Mr Teo obtained a Bachelor Degree of Engineering (Mechanical) from the National University of Singapore in 1987. Before that, he was a sales engineer in a local engineering product distribution company, K L Chua & Brothers Pte Ltd from 1981 to 1984.

**Kong Deyang - Executive Director and Senior Vice President – PRC Operations.** Mr Kong is in charge of all aspects of business operations in the PRC, from charting and developing growth policies to managing the day-to-day operations. Mr Kong began his career in a PRC government linked company involved in nuclear research and development as supervisor and was later promoted to senior R&D engineer for high-speed cameras in 1982. From 1994 to 1995, he became a sales manager in the same company for CNC computerised quilting machines. From 1995 to 2001 he was the Vice General Manager for ISDN's subsidiary, Maxon Motor (Suzhou) Co., Ltd and since 2001, he is the managing director for Servo Dynamics Co., Ltd and Maxon Suzhou. Mr Kong graduated from the Beijing Technical University in 1982 with a Degree in Applied Physics and was awarded the "Young and Middle-aged State-ranking Experts with Outstanding Contribution" Award by the PRC state council in 1994.

**Wong Tat Yang - Chief Financial Officer.** Mr Wong is responsible for the group's accounting, finance, compliance, internal control, taxation and other related matters. He has more than 20 years of working experience in corporate accounting and finance management, including the last several years as Chief Financial Officer of SGX-ST public-listed companies. Mr Wong graduated from the National University of Singapore with a Bachelor of Accountancy Degree and he is a Fellow member of the Institute of Singapore Chartered Accountants.

## Key Risks

**Dependent on its business relationships with its suppliers.** ISDN's business relationships with its suppliers comprise both formal and informal arrangements. Where possible, they have procured appointment letters or entered into distribution agreements to document such arrangements. Any major disruption or termination in its current relationship with its suppliers may have a material and adverse impact on its financial results.

**Rising cost of raw materials.** ISDN is exposed to fluctuations in raw material prices. Raw materials used in equipment manufacturing account for about 30% of its cost of goods sold. Adverse movements in the price of raw materials may have a negative impact on the bottom-line.

**Currency risk.** The group transacts with its suppliers and customers mainly in S\$, US\$ and Rmb. As such, any material fluctuations in the relevant rates against the US\$ or the Rmb will have an impact on its consolidated financial statements.

**Outbreak of diseases risk.** Its hydroponics agriculture business is exposed to risk of adverse weather conditions and outbreak of diseases.

# ISDN Holdings

## Financial Highlights

FYE Dec (S\$ m)	4Q14	4Q13	yoy % chg	3Q14	qoq % chg	FY14	FY13	yoy % chg
Revenue	72.7	51.6	41	59.3	23	230.5	173.7	33
Operating costs	(67.5)	(49.1)	38	(55.1)	23	(214.3)	(162.7)	32
EBITDA	5.1	2.5	106	4.2	21	16.3	11.1	47
EBITDA margin (%)	7.1	4.8		7.2		7.1	6.4	
Depn & amort.	(0.9)	(0.7)	36	(0.4)	106	(2.2)	(1.9)	13
EBIT	4.3	1.8	131	3.8	12	14.1	9.2	53
Interest expense	(0.3)	(0.2)	42	(0.3)	1	(0.9)	(1.0)	(14)
Interest & invt inc	0.6	0.2	211	1.1	(52)	1.0	1.0	(4)
Associates' contrib	(0.3)	0.0	(1,184)	0.6	(142)	1.1	0.6	75
Exceptionals	0.0	0.0	0	0.0	0	0.0	0.0	0
<b>Pretax profit</b>	<b>4.3</b>	<b>1.9</b>	<b>129</b>	<b>5.3</b>	<b>(20)</b>	<b>15.2</b>	<b>9.8</b>	<b>56</b>
Tax	(0.7)	0.0	(5,438)	(1.7)	(59)	(4.6)	(3.0)	55
Tax rate (%)	16.2	(0.7)		31.7		30.4	30.6	
Minority interests	(0.0)	(0.7)	(99)	(1.0)	(100)	(3.1)	(2.0)	56
<b>Net profit</b>	<b>3.6</b>	<b>1.2</b>	<b>193</b>	<b>2.7</b>	<b>35</b>	<b>7.5</b>	<b>4.8</b>	<b>57</b>
EPS (cts)	1.0	0.3	193	0.7	35	2.1	1.3	59

Source: Company, NRA Capital

**ISDN's FY2014 revenue increased by 33% yoy** from S\$173.7m to S\$230.5m as all core business segments showing improvement. Motion control (+38.7% yoy), other specialised engineering solutions (+28.1% yoy) and industrial computing (+28.5% yoy) generated more revenue in 2014 as compared to 2013 mainly due to overall stronger demand from its customers. PRC remains the largest contributor with 77% of its total revenues.

**FY2014 gross margins slid by 3.1% pts to 21.6%** due to change in product mix, but stay within the group's target band of between 26% and 30%. Including better control over operating costs, EBITDA margins show a 0.7% pts improvement to 7.4%.

**Strong balance sheet.** ISDN generated negative free cash flow of S\$5.1m in FY14 due mainly to the increase in working capital requirement and capitalisation of hydropower project costs. As a result, net cash reduced from S\$28m in FY13 to S\$23.8m as at end December 2014.

## Valuation and Recommendation

**Strong alliances and strategic partnerships.** The group has built a good track record with its alliances and strategic partners in Europe, Asia and Australia over the years. ISDN is poised to combine and benefit from the best-in-class technology and business systems these collaborations have to offer. Additionally, management seeks to accelerate its growth momentum by complementing organic growth with acquisitions and joint ventures, mainly focusing on the Energy related sector. The group expects to continue to build on its trademark strengths underpinned by its measured business approach as well as its widening global footprint that encompass markets in Greater China, Hong Kong, Taiwan, Malaysia, Indonesia, Vietnam, Thailand, India and the Philippines, from its headquarters in Singapore.

**We expect a 9% CAGR growth for the next three years.** After a strong growth of 33% yoy in FY14, we expect ISDN's revenue to grow conservatively by 8-10% over the next three years (excluding the energy business). However, we expect net profit to grow 29% in FY15 as we believe the efforts of operating costs control will improve the margins.

**Maintain dividend payout projection.** Given the healthy net cash position, we believe for FY15, the group will be able to maintain its 0.4 cts dividend per share as last year, which translates to a yield of 2%.

**We re-initiate coverage with Overweight recommendation.** After a roller coaster ride for ISDN's share price between 2013 and 2014, we re-initiate our coverage now with a fair value of S\$0.29 and Overweight rating. We suspended our coverage in October 2013 though we still liked its business outlook, as ISDN's share price had reached record highs above S\$1.00. We considered this to be significantly overvalued at that point.

**Our S\$0.29 fair value is based on a conservative valuation** of 1.2x FY15 P/NTA or about 10x FY16 PER. We think this is justifiable, given its strong track record of profitability from its core engineering business. Also, the group expects its mini hydropower business could start contributing by the second half of 2016 but we have not factored this in our earnings forecast. However, we view this segment to be a potential catalyst for the group, if is able to properly execute the strategy for its hydropower business.

# ISDN Holdings

<b>Profit &amp; Loss</b> (S\$ m, FYE Dec)	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
Revenue	173.7	230.5	249.2	274.1	301.5
Operating expenses	(162.7)	(214.3)	(230.1)	(253.4)	(278.7)
EBITDA	11.1	16.3	19.1	20.7	22.8
Depreciation & amortisation	(1.9)	(2.2)	(2.2)	(2.2)	(2.3)
EBIT	9.2	14.1	16.9	18.5	20.5
Net interest & invt income	(0.0)	0.1	0.3	0.5	0.8
Associates' contribution	0.6	1.1	1.2	1.3	1.4
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>9.8</b>	<b>15.2</b>	<b>18.4</b>	<b>20.3</b>	<b>22.7</b>
Tax	(3.0)	(4.6)	(5.5)	(6.1)	(6.8)
Minority interests	(2.0)	(3.1)	(3.2)	(3.6)	(3.9)
<b>Net profit</b>	<b>4.8</b>	<b>7.5</b>	<b>9.6</b>	<b>10.7</b>	<b>12.0</b>
Shares at year-end (m)	359.9	354.7	354.7	354.7	354.7
<b>Balance Sheet</b> (S\$ m, as at Dec)	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
Fixed assets	29.0	31.4	34.3	37.2	40.0
Intangible assets	11.7	11.7	11.7	11.7	11.7
Other long-term assets	5.8	6.7	6.9	7.1	7.3
<b>Total non-current assets</b>	<b>46.5</b>	<b>49.8</b>	<b>52.9</b>	<b>55.9</b>	<b>59.0</b>
Cash and equivalents	41.6	37.5	47.0	49.9	53.6
Stocks	31.7	34.6	37.2	41.1	45.4
Trade debtors	52.2	68.2	73.7	81.1	89.2
Other current assets	0.0	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>125.5</b>	<b>140.3</b>	<b>158.0</b>	<b>172.1</b>	<b>188.1</b>
Trade creditors	38.8	45.1	48.6	53.6	59.2
Short-term borrowings	12.7	13.1	15.0	13.7	12.1
Other current liabilities	0.6	1.5	5.5	6.1	6.8
<b>Total current liabilities</b>	<b>52.1</b>	<b>59.7</b>	<b>69.0</b>	<b>73.4</b>	<b>78.0</b>
Long-term borrowings	1.0	0.6	0.6	0.5	0.5
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total long-term liabilities</b>	<b>1.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Shareholders' funds</b>	<b>107.1</b>	<b>112.1</b>	<b>120.3</b>	<b>129.5</b>	<b>140.1</b>
Minority interests	11.8	17.7	20.9	24.5	28.4
NTA/share (S\$)	0.23	0.23	0.25	0.26	0.28
<b>Total Assets</b>	<b>172.0</b>	<b>190.1</b>	<b>210.8</b>	<b>228.0</b>	<b>247.1</b>
<b>Total Liabilities + S'holders' funds</b>	<b>172.0</b>	<b>190.1</b>	<b>210.8</b>	<b>228.0</b>	<b>247.1</b>
<b>Cash Flow</b> (S\$ m, FYE Dec)	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
Pretax profit	9.8	15.2	18.4	20.3	22.7
Depreciation & non-cash adjustments	3.1	3.4	1.7	1.6	1.5
Working capital changes	(0.9)	(15.9)	(5.4)	(6.8)	(7.3)
Cash tax paid	(4.4)	(3.8)	(1.5)	(5.5)	(6.1)
<b>Cash flow from operations</b>	<b>7.5</b>	<b>(1.0)</b>	<b>13.1</b>	<b>9.6</b>	<b>10.8</b>
Capex	(3.0)	(4.1)	(5.1)	(5.1)	(5.1)
Net investments & sale of FA	(0.8)	(0.4)	0.0	0.0	0.0
Others	0.1	0.1	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(3.7)</b>	<b>(4.4)</b>	<b>(5.1)</b>	<b>(5.1)</b>	<b>(5.1)</b>
Debt raised/(repaid)	(7.5)	0.0	1.9	(1.3)	(1.7)
Equity raised/(repaid)	22.9	(1.4)	0.0	0.0	0.0
Dividends paid	(1.8)	(1.4)	(1.4)	(1.4)	(1.4)
Cash interest & others	(1.6)	4.2	1.0	1.0	1.0
<b>Cash flow from financing</b>	<b>12.0</b>	<b>1.4</b>	<b>1.5</b>	<b>(1.7)</b>	<b>(2.1)</b>
<b>Change in cash</b>	<b>15.7</b>	<b>(4.1)</b>	<b>9.5</b>	<b>2.8</b>	<b>3.7</b>
<b>Change in net cash/(debt)</b>	<b>23.3</b>	<b>(4.1)</b>	<b>7.6</b>	<b>4.1</b>	<b>5.4</b>
<b>Ending net cash/(debt)</b>	<b>27.9</b>	<b>23.8</b>	<b>31.5</b>	<b>35.6</b>	<b>41.0</b>
<b>KEY RATIOS</b> (FYE Dec)	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
Revenue growth (%)	13.2	32.7	8.1	10.0	10.0
EBITDA growth (%)	(15.9)	46.5	17.5	8.5	9.9
Pretax margins (%)	5.6	6.6	7.4	7.4	7.5
Net profit margins (%)	2.7	3.2	3.9	3.9	4.0
Effective tax rates (%)	30.6	30.4	30.0	30.0	30.0
Net dividend payout (%)	30.3	19.0	14.7	13.3	11.8
ROE (%)	6.7	4.4	6.7	8.0	8.2
Free cash flow yield (%)	6.5	(7.3)	11.5	6.5	8.2

Source: Company, NRA Capital forecasts

# ISDN Holdings

NRA Capital Pte. Ltd ("NRA Capital") has received compensation for this valuation report. This publication is confidential and general in nature. It was prepared from data which NRA Capital believes to be reliable, and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. No representation, express or implied, is made with respect to the accuracy, completeness or reliability of the information or opinions in this publication. Accordingly, neither we nor any of our affiliates nor persons related to us accept any liability whatsoever for any direct, indirect, special or consequential damages or economic loss that may arise from the use of information or opinions in this publication. Opinions expressed are subject to change without notice.

NRA Capital and its related companies, their associates, directors, connected parties and/or employees may own or have positions in any securities mentioned herein or any securities related thereto and may from time to time add or dispose of or may be materially interested in any such securities. NRA Capital and its related companies may from time to time perform advisory, investment or other services for, or solicit such advisory, investment or other services from any entity mentioned in this report. The research professionals who were involved in the preparing of this material may participate in the solicitation of such business. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. You acknowledge that the price of securities traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") are subject to investment risks, can and does fluctuate, and any individual security may experience upwards or downwards movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities traded on the SGX-ST. You are aware of the risk of exchange rate fluctuations which can cause a loss of the principal invested. You also acknowledge that these are risks that you are prepared to accept.

You understand that you should make the decision to invest only after due and careful consideration. You agree that you will not make any orders in reliance on any representation/advice, view, opinion or other statement made by NRA Capital, and you will not hold NRA Capital either directly or indirectly liable for any loss suffered by you in the event you do so rely on them.

You understand that you should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities on the SGX-ST.