

Company Description

ISDN Holdings is a mechatronics engineering group providing motion control and industrial computing solutions. The company provides design, customisation, assembly, installation and after-sales support

GICS sector	Industrials
Bloomberg ticker:	ISDN SP
Shares issued (m):	362.6
Market cap (S\$m):	489.5
Market cap (US\$m):	388.4
3-mth avg t'over (US\$m):	12.5

PRICE CHART

Share Price	S\$1.35
Target Price	n.a.
Upside	n.a.

Valuation

- ISDN Holdings (ISDN) is trading at 75x 2012 PE and 5x P/B.

Key Financials					
Year to 31 Dec (S\$m)	2010	2011	2012	1Q12	1Q13
Net Turnover	163.6	165.9	153.5	32.8	30.9
EBITDA	18.8	17.5	13.7	3.3	1.6
EBIT	16.0	15.0	11.8	2.9	1.1
Net Profit	8.3	8.4	5.4	2.0	0.7
EPS (cent)	3.30	2.82	1.81	0.67	0.25
PE (x)	40.9	47.9	74.6	-	-
P/B (x)	5.9	5.2	5.0	5.1	5.0
Dividend Yield (%)	0.4	0.4	0.4	-	-
Net Margin (%)	5.1	5.1	3.5	6.1	2.4
Net Debt to Equity (%)	(5.2)	(7.6)	(4.1)	(8.2)	(10.6)
Interest cover (x)	16.3	13.0	11.6	-	-
ROE (%)	13.8	11.5	6.8	-	-

Investment Highlights

- Diversification into energy on high gear.** ISDN has made significant progress in diversifying into energy. It has an outstanding memorandum of understanding (MOU) with China Huadian Engineering, a state-owned enterprise, to be a technology and project development partner on energy-related projects in Southeast Asia. It also has an MOU with IDI infrastructures, a Japanese fund manager with energy infrastructure-focused funds, to explore opportunities to develop and invest in energy projects in Asia.
- Energy rush on mini hydropower plants (MHPP) in Indonesia** ISDN aims to develop a series of MHPPs in the underserved Sulawesi and Sumatra islands. It has secured three MHPP projects in Sulawesi with a combined installed capacity of 18MW. We estimate these could generate US\$7m-9m in revenue annually. Construction will begin in early-14 and will take 18-24 months per plant. These projects will be undertaken by ISDN's subsidiaries, where ISDN will have effective stakes of 40-80%.

- **Mature, replicable model of MHPPs a strategic advantage.** We view the move into MHPPs, which have a maximum capacity of 10MW each, as strategic for ISDN. MHPPs make use of well-proven, mature technologies which reduce the risk for a new player like ISDN. It is easily replicable, has a well-established development cost and can generate predictable and steady revenue with low operational costs. MHPPs would also allow ISDN to tap on Indonesia's rich water resources and enjoy the incentives offered by the government, which include the compulsory purchase of all MHPP output by PLN and an average power purchase agreement tenure of 15-20 years. Management aims to acquire more MHPP projects until it reaches a portfolio size of 100MW by FY14.
- **Discovering the Myanmar marvel through coal.** Myanmar-based Tun Thwin Mining (TTM) operates a 4,500-acre coal mining concession and holds a development permit for a coal power plant in the Sagaing Region. JVs to be formed between ISDN and TTM will explore this opportunity to produce coal and to develop and manage a coal-fired power plant. The planned capacity of the proposed power plant of 135MW will be more than 4x the capacity of the only operating coal-fired power plant in Myanmar.