

MEDIA RELEASE



ISDN reports FY2022 earnings

Group sees cyclical softness in China market, offset by recurring hydropower earnings; ISDN reaffirms confidence in long-term outlook

- ISDN was impacted by weakness in cyclical sectors in 2022, with pullbacks in the electronics, semiconductor, and machine tools sectors all consistent with the overall industrial cycle in Asia.
- Group revenue declined 15.8% YoY in FY2022, and 19.2% YoY in 2H2022, impacted by these cyclical industries. The Group remains confident that the drivers of recent revenue weakness are cyclical, and that fundamentals for a cyclical recovery and long-term growth remain solid.
- Adjusted net profit declined 19.9% in FY2022 and 16.5% in 2H2022, excluding one-time sale of real estate in FY2021, and unrealised, non-cash foreign exchange (“FX”) variance in FY2022 and 2H2022 respectively.
- Results exclude the full year impact of ISDN’s Lau Biang 1 hydropower plant that is expected to add over S\$2.0 million of recurring net profit to shareholders in 2023 and beyond, and the impact of the Angocci and Sisira hydropower plants expected to transition to commercial operations and contribute to earnings in 2023.
- The Group reaffirms confidence in its growth strategy of: (a) benefiting from the multi-year growth in industrial automation in Asia; and (b) benefiting from growth in its clean energy business.

Singapore, 24 February 2023 – ISDN Holdings Limited (“**ISDN**” or the “**Group**”), a leading industrial automation firm in Asia, today announced its financial results for the full year (“**FY2022**”) ended 31 December 2022.

Financial summary

S\$'000	FY2022	FY2021	YoY % Change
Revenue	370,779	440,136	-15.8
Gross Profit	105,888	120,384	-12.0
Gross Profit Margin (%)	28.6	27.4	+1.2ppt
Operating Expenses ^a	67,839	72,372	-6.3
Profit Before Tax	32,027	52,473	-39.0
Profit After Tax	23,079	39,064	-40.9
Profit Attributable to Shareholders	14,620	25,485	-42.6
Net Profit Margin ^b (%)	6.2	8.9	-2.7ppt
Adjustments for unrealised/non-recurring items:			
Sale of real estate in 2021 ^c		(2,194)	
Unrealised foreign exchange (gain)/loss ^d	4,862	(1,980)	
Adjusted Profit After Tax excluding unrealized FX/non-recurring items:	27,941	34,890	-19.9

ppt percentage points

^a Operating expenses comprise distribution costs and administrative expenses

^b Net profit margin calculates the portion of the net profit to overall revenue, and not the portion of profit attributable to shareholders to overall revenue

^c ISDN sold its Singapore offices in Sep 2021, resulting in a one-time, non-recurring gain of S\$2.2 million in 3Q FY2021.

^d Foreign-denominated receivables and payables were marked to market on monthly basis, resulting in non-cash, unrealised FX gains or losses. ISDN's Indonesian and China subsidiaries that report in Indonesian Rupiah ("IDR") and Renminbi ("RMB") held USD and SGD denominated net payables in FY2022. Both USD and SGD were strengthening against IDR and RMB by 9% to 10% during FY2022, hence it resulted in unrealised FX loss. The Group has policies in place to manage its exposure to foreign currency risk and liquidity risk.

Group impacted by cyclical end-markets, but reaffirms long-term prospects

ISDN has analysed customer performance closely over the last year to separate structural changes in its market from cyclical effects. The Group believes over 90% of the revenue decline in FY2022 over FY2021 was driven by cyclical end-industries: electronics & semiconductors, machine tools, and research equipment. Structural changes in the China market should favour ISDN for long-term growth.

Revenue impact was concentrated in China, where cyclical factors drove revenue decline of 23% YoY in FY2022. Outside of China, Group revenue grew +4.5%, reflecting milder cyclicity and continued growth in industrial automation in Southeast Asia.

The Group believes the impact it experienced in FY2022 is consistent with the broad industry cycle across China and Asia, noting that:

- Broad indicators of industrial production (such as China's manufacturing PMI and industrial output) have demonstrated similar cyclical weakness through 2022; and

- ISDN has observed headwinds in China’s industrial growth stemming from rolling COVID-19 regional shutdowns, the global downcycle in consumer electronics, and weakness in industrial capex as manufacturing companies adopt a more cautious outlook on the global economy.

Despite the cyclical impact in 2022, the Group believes that structural shifts in the China market over the past year have strengthened longer-term growth fundamentals for ISDN:

- China has eased COVID-19 restrictions successfully, easing conditions for consumers and businesses to resume economic activity.
- The continuation of US-China trade tensions has strengthened the determination of China’s policymakers to advance domestic manufacturing and industrial automation.
- China’s industrial utilisation was already at 75.7% in Q42022 and is expected to rise further this year as economic activity resumes after COVID-19 easing and an early Lunar New Year in 2023, increasing prospects for capacity expansion.

As a result, the Group continues to see solid long-term growth in China as both the public and private sector continue to support industrial automation as a critical strategy to support economic growth for China.

ISDN remains well-positioned to benefit from this ongoing thematic growth in China.

Significant, recurring, and high-quality earnings from clean energy business

ISDN was pleased to announce the commencement of commercial operations for the first of 3 hydropower plants in Indonesia.

The Lau Biang 1 plant began commercial operations on 31 December 2022, and is expected to contribute S\$2.0 million of annual recurring net profit to shareholders and S\$2.9 million of annual recurring cash net profit to ISDN for the next 25 years.

The Group anticipates that the 2 additional plants, Sisira and Anggoci, will commence commercial operations this year.

ISDN notes the continued broad-based policy and community support for clean energy in Indonesia, and the strong market valuations for hydropower businesses, with publicly traded hydropower companies averaging over 30x P/E in valuation¹.

ISDN believes 2023 is an historic year for its clean energies business as it has transitioned into providing significant, recurring profits for the Group.

CEO remarks

Reflecting on ISDN’s strategic position and performance in FY2022, **Mr Teo Cher Koon, ISDN’s Managing Director and President** remarked that “FY2022 was a difficult year for the

¹ Source: CapitalIQ as of 9 Jan 2023

global economy, and a difficult year for China in particular. ISDN has not been able to escape the clear cyclical headwinds across China and Asia. However, we've continued to build our business for long-term growth and we're reaffirming our convictions in our strategy and our long-term prospects.

Despite the industrial downcycle in China, we've continued to build our earnings by commercialising the first of 3 hydropower plants, and are close to commercialising 2 additional plants. Our clean energy businesses provide stable, recurring earnings into our business portfolio, and have strong intrinsic value as clean energy businesses have enjoyed strong market value in Indonesia.

The cyclical headwinds in China must give way to longer-term growth in industrial automation. We've looked carefully at the impact on our business in 2022 and we affirm that the impact is cyclical rather than structural or secular in nature.

While cyclical conditions remain uncertain, we see positive structural shifts in our China market. The country has emerged successfully from COVID-19 easing, economic activity is recovering, industrial utilisation is increasing, and national policy has strengthened support for advanced industry and industrial automation.

All of these factors point to continued long-term prospects from ISDN as we benefit from both the secular growth of industrial automation in our core business, and the welcome addition of growing recurring profits in our clean energy business as our hydropower plants commercialise.

We look forward to updating investors with our progress at our upcoming investor briefing.”

— End —

About ISDN Holdings Limited

ISDN is a leading provider of industrial automation solutions throughout Asia. The Company has more than 10,000 customers, and 55 offices spanning key Asian growth markets, and has a 30-year history of innovating alongside the growing technology needs of its customers.

Today, ISDN's solutions power advanced industrial sectors including semiconductors, Industry 4.0 manufacturing, medical devices, aerospace, and clean energy. ISDN's solutions power products and manufacturing in 5G, industrial robotics, the Internet of Things (IoT/IIoT), cloud and edge computing, and Industry 4.0 intelligent manufacturing.

ISDN was founded in 1986 and has been listed on the SGX Main Board since 2005 and the Stock Exchange of Hong Kong Main Board since 2017.

For more information, please visit www.isdnholdings.com

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