



MEDIA RELEASE

ISDN Holdings reports +105.4% YoY earnings growth to S\$15.1 million 9M2020

- Propelled by continued strong demand for industrial automation from the People’s Republic of China and Southeast Asia, coupled with growing construction revenue, ISDN’s 9M2020 revenue increased by 24.7% year-on-year (“YoY”) to S\$264.0 million
- On top of solid revenue growth, the continued prudent management of operating costs at the Group helped expand net profit margin to 7.5% for 9M2020, compared to 6.3% in 9M2019.
- As a result, ISDN’s 9M2020 net profit rose 105.4% to S\$ 15.1 million, up from S\$ 7.3 million in the same period last year.
- ISDN maintains a healthy workforce and has successfully optimized its operations for the COVID-19 situation, enabling it to seize on opportunities and continue its vision of ascending the industrial 4.0 value chain.

Singapore, 4 November 2020 – ISDN Holdings Limited (“ISDN”, and with its subsidiaries, the “Group”), a leading industrial automation firm providing motion control, engineering solutions and industrial computing solutions, today announced a voluntary update to highlight the financial results for the nine months ended 30 September 2020 (“9M2020”).

Financial Overview

(S\$’000)	9M2020	9M2019	YoY Change (%)
Revenue	264,015	211,682	24.7
Gross Profit	68,112	55,779	22.1
Gross Profit Margin (%)	25.8	26.4	(0.6) ppt
Operating Expenses[#]	42,026	39,925	5.3
Profit Before Tax	26,265	17,581	49.4
Profit Attributable to Shareholders	15,058	7,331	105.4
Net Profit Margin* (%)	7.5	6.3	1.2ppt

ppt – percentage points

– Operating expenses comprise distribution costs and administrative expenses

* 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

N.M. – Not Meaningful

Overall, Group's revenue grew by 24.7% YoY to S\$264.0 million in 9M2020. The increase in ISDN's revenue was primarily driven by:

- Continued strong demand for industrial automation from the People's Republic of China ("PRC") after the extended lockdown period experienced during the beginning of the year,
- Growing demand from Southeast Asia, including from Singapore, Malaysia, and Vietnam due to the reconfiguration in global industrial supply chains; and
- Increasing construction revenue from mini-hydropower plants in Indonesia.

The Group continues to benefit from its widely diversified business across different customer segments and geographies, enabling it to deliver growth despite global disruptions from the on-going international trade disputes and the coronavirus pandemic.

In line with strong revenue growth, gross profit for 9M2020 increased 22.1% YoY to S\$68.1 million. Gross profit margin, on the other hand, dipped slightly to 25.8% for 9M2020 from 26.4% in 9M2019. Excluding the gross profit arising from the construction revenues under the hydropower service concession arrangement, the Group's gross profit margin would have been at 27.5%, which is higher than that of 26.6% in 9M2019, indicating improved margins for the Group's core industrial automation business.

The Group's operating expenses increased at a much lower pace when compared to the revenue growth and grew by 5.3% YoY to S\$42.0 million for 9M2020, mainly due to the increase in staff commission and bonus provisions corresponding to the increase in sales.

As a result of the above, the Group posted a profit before tax of S\$26.3 million for 9M2020 compared to S\$17.6 million from 9M2019 and delivered a net profit attributable to shareholders of S\$15.1 million for 9M2020 (9M2019: S\$7.3 million).

The Group maintained a strong financial position as at 30 September 2020, with cash and bank balances of S\$57.5 million. Cash and cash equivalents rose to S\$50.8 million for 9M2020 (9M2019: S\$31.6 million).

Business Update

ISDN's strategy of diversified customer, geographical, and industrial segments has continued to pay off in a heightened risk environment with the backdrop of on-going trade tensions and coronavirus-induced shutdowns which have affected many industries throughout Asia. ISDN has been able to use its scale and diversification to continue finding business growth opportunities in a difficult environment even while increasing its cost discipline to grow productivity.

As an example, the combination of trade tensions and COVID-19 are driving the reconfiguration of global supply chains, often to the benefit of Southeast Asia. ISDN's strategic footprint in China, Singapore and Vietnam have helped the Company benefit from such supply chain diversion.

The Company's strategic market position in industrial automation in China have helped it benefit from the prompt recovery of demand from the People's Republic of China, and continues to place it favourably as the PRC continues its multi-year advancement to Industry 4.0 automation.

ISDN's continued progression of its hydropower plant revenues have additionally helped the Group to achieve a strong performance.

ISDN also continues to do its part to help in the global fight with COVID-19. After partnering with the German company ERST Project GmbH to supply sanitizer coatings and closing early notable deals with customers such as Centurion Corporation and The Science Park, ISDN completed a 3-day pilot project in August with a major public bus transport company in Singapore, aimed at equipping the city-state's buses with anti-microbial surface coatings.

The Group continues to progress its hydropower plant business in Indonesia, as reflected in the continued recognition of construction revenue from the Group's energy business despite the COVID-19 situation in Indonesia. Our construction partners are still waiting for the country lockdown to be lifted before they can fully resume work.

The COVID-19 pandemic this year has already created more lasting impact¹ across many industries, and ISDN is seeing new frontiers of opportunity to help customers adjust to the changes in global business. The Group continues to see accelerating shifts towards robotics advanced factory automation throughout its Asian markets. Furthermore, the global reconfiguration of supply networks has acted as a catalyst prompting customers to recognise their increasing reliance on technology (for example, through operating remotely) and to consider building greater levels of automation across their business operations.

Mr Teo Cher Koon, ISDN's Managing Director and President, said, *"We are pleased to see continued broad-based growth in our business lines despite the resurging coronavirus and trade tension impacts in 2020. Our industrial automation business remains strong, supported by the recovery in demand in the People's Republic of China and increasing demand in Southeast Asia.*

Anticipating the rapid rise of technology advancement, we will continue to expand on our strategic roadmap to ride through these medium-term volatilities to capture long-term opportunities of Industry 4.0."

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¹ COVID-19: Accelerating the use of industrial automation and robotics
<https://yourstory.com/2020/10/covid-19-accelerating-use-industrial-automation-robotics>

About ISDN Holdings Limited

Founded on its precision and motion control engineering capabilities in 1986 and listed on the Main Board of the Singapore Exchange Securities Trading Limited since 2005, ISDN Holdings Limited has today transformed into a multi-industry corporation with more than 60 offices spanning key Asian growth markets. ISDN is also listed on the Main Board of the Stock Exchange of Hong Kong Limited since 12 January 2017.

ISDN is dominant in the niche areas of motion control, other engineering solutions and industrial computing. ISDN's customised engineering solutions cater to different industrial sectors including medical, robotics, factory automation, energy, manufacturing, hard disk and semiconductor industries. By leveraging its alliances with strategic partners in Europe and Asia, ISDN is able to combine and thereupon benefit from the best-in-class technology and business systems these collaborations have to offer.

For more information, please visit www.isdnholdings.com

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