

MEDIA RELEASE



ISDN Holdings reports a net profit of S\$16.1 million for 1H2022

- 1H2022 revenue declined 12.2% YoY to S\$190.7 million, gross margin increased 1.6ppt to 28.4% YoY, and profit attributable to shareholders declined 9.0% YoY to S\$11.1 million.
- ISDN's 1H2022 performance was impacted by supply disruptions in China (the "PRC") in April and May 2022. Revenue outside the PRC grew +29% YoY in 1H2022.
- June and July performance in the PRC has recovered significantly since lockdowns were largely lifted and supply disruptions have eased significantly. However ISDN remains vigilant with monitoring the overall economic outlook in the PRC.
- The Group has been able to mitigate inflationary pressure in the economy so far through adjusting business mix and controlling costs to protect gross margin and profit to shareholders.
- ISDN continues to see good medium and long term growth fundamentals for its business: (1) the PRC and the Asia-Pacific region remain clearly committed to advancing industrial automation, and (2) Asia's shift towards clean energy and clean industries continues as fossil fuel prices remain high.

Singapore, 12 August 2022 – ISDN Holdings Limited ("ISDN", together its subsidiaries the "Group"), a leading industrial automation firm, today announced its financial results for the six months ended 30 June 2022 ("1H2022").

Financial summary

S\$'000	1H2022	1H2021	YoY % Change
Revenue	190,707	217,158	-12.2
Gross Profit	54,078	58,193	-7.1
Gross Profit Margin (%)	28.4%	26.8%	+1.6 ppt
Operating Expenses ^a	34,373	33,429	+2.8
Profit Before Tax	20,713	26,066	-20.5
Profit After Tax	16,133	19,388	-16.8
Profit Attributable to Shareholders	11,070	12,167	-9.0
Net Profit Margin ^b (%)	8.5	8.9	-0.4 ppt

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

Supply disruptions and recovery in 1H2022

The Group saw significant disruption to its supply and manufacturing in 1H2022, primarily arising from mandatory COVID-19 lockdowns in the PRC. These disruptions were not unique to ISDN, and have been seen in the overall economic production and industrial output figures for the PRC in April-May 2022.

The primary areas of impact for ISDN were:

- ▶ *Disruption to inbound manufacturing components and materials* as lockdowns stalled air and ground logistics networks, as well as transportation between the Group's facilities, resulting in interrupted production.
- ▶ *Disruption to outbound product distribution* as employees were confined to facilities or homes and logistics providers prohibited from crossing regional and/or national boundaries.
- ▶ *Distribution to sales and customer engineering* as both ISDN and customer employees saw significant disruption to sales and project work with ISDN.

These conditions improved significantly in June and July 2022 as PRC lockdowns were lifted, resulting in significant growth in production, deliveries, orders and revenue. While the Group notes the solid June and July order book, we remain vigilant to the prospects of further COVID-19 restrictions in the PRC, as well as lower visibility on the overall macroeconomic outlook for China.

Outside of the PRC, the Group's businesses have continued to post solid growth as Asia's industrial production continued to grow in 1H2022 and companies continued to invest in upgrading capabilities with industrial automation.

Solid medium and long-term growth fundamentals

ISDN continues to see positive prospects from its comprehensive long term growth strategy:

▶ **Diversified revenue growth**

ISDN continues to target *diversified growth industries* such as advanced medical devices, electronics and semiconductors manufacturing, digital transportation, aerospace, 5G and cloud hardware and software, infrastructure and precision manufacturing where industrial automation is a disruptive long-term growth opportunity.

ISDN looks to build *diversified technology capability* to grow alongside customer needs. The Group has already expanded from components to modules and systems, and is now also delivering Industry 4.0 software and cloud solutions.

ISDN continues to operate in *diversified geographies*, providing the Group with a very large addressable market opportunity across the Asian continent.

▶ **Operational cost discipline**

ISDN has seen benefits from its upgrade of internal IT systems and the consolidation of corporate functions to improve efficiency. As a result, operating costs for the Group have risen much slower than revenues, creating earnings lift as ISDN grows.

The Group has additional opportunities to partner more deeply with customers and leverage its large geographical presence of over 55 offices to continue creating efficiency as it grows.

► **Growing technology capability pillars**

ISDN restructured its business into five capability pillars since 2019. By creating growing centres of excellence in motion control, software, precision manufacturing, systems and clean energy, the Group brings together the best technical expertise across its 400+ engineers and over 10,000 customers to push the leading edge of capabilities for the market.

► **Sustainable industry**

ISDN has been an early and visionary believer in sustainable industry, and today offers a range of commercial solutions in its emerging clean industry portfolio. From hydropower plants to solar and energy storage, clean disinfectant technologies and agriculture, ISDN's commitment to Asia's sustainable future provides benefits to the Group's many stakeholders as the world moves towards a more sustainable industrial future.

Continuous diversification progress in growth industries, technology capabilities, and geography allows the Group to reduce the business concentration risks and sustain relatively stable revenue streams. The improved performance from the Southeast Asia regions during the downturn in PRC is a direct benefit of the Group's strategy. The strong cash balance enables the Group to look at various value accretive acquisitions to expand its product mix.

The Group has been closely eyeing the global macroeconomic trend to ensure timely reactions and address potential risks. With the well-positioned business and long-term growth strategy, the Group is confident to generate sustainable earnings going forward.

Well-positioned for post-COVID shifts

The Group reaffirmed that it continues to benefit from key strategic shifts in Asia's post-COVID industrial economy:

<i>Post-COVID shifts...</i>	<i>...are benefiting ISDN's group business</i>
► Global semiconductor shortage and the emerging semi supercycle	Strong growth in Group's semiconductor segment, where ISDN's solutions power global semi capital equipment. ISDN should benefit from Asia's growth momentum in semiconductors and ongoing shift to advanced IC manufacturing & packaging.
► Accelerating Industry 4.0 adoption	Group continues to see growth as its 10,000+ customers shift towards more advanced industrial automation, including labour automation, machine intelligence and increasingly bespoke capabilities.
► Next-generation technologies	ISDN's solutions power manufacturing and products for key next-generation technologies including Industry 4.0, 5G, cloud/edge computing, advanced medical equipment, and clean technology.
► Shift to clean technology	ISDN continues to back the global shift to cleaner economies, with its core industrial solutions that promote platform re-use and upgrades, and with its growth portfolio of clean energy and disinfectants.

► **Labour replacement**

COVID-19 and geopolitical tensions have reduced global labour mobility and increased employee health risk, leading to acceleration in labour automation for ISDN's customer base.

► **Geopolitical tensions**

For over 30 years, ISDN has established positive, geopolitically neutral trading relations out of its Singapore headquarters. The Group continues to benefit from its strategically neutral operating model.

Financial results

The Group recorded a revenue of S\$190.7 million for 1H2022, lower than S\$217.2 million for 1H2021. The decrease was principally driven by supply chain disruptions in the PRC as described above, offset by growth of +29% YoY in 1H2022 from non-PRC geographies..

In line with the revenue drop, gross profit decreased by S\$4.1 million, or 7.1% to S\$54.1 million in 1H2022 compared to 1H2021. Gross profit margin inched up by 1.6 ppt from 26.8% to 28.4% as the Group was successful in adjusting business mix to offset revenue decline and inflationary pressure.

Net profit decreased by 16.8% to S\$16.1 million for 1H2022 from S\$19.4 million for 1H2021. Profit attributable to shareholders decreased by 9.0% to S\$11.1 million in 1H2022.

As at 30 June 2022, ISDN maintained a strong cash and bank balances of S\$75.7 million.

CEO remarks

Reflecting on ISDN's strategic position and performance in 1H2022, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that "ISDN definitely saw compounded supply chain disruptions from COVID-19 lockdowns in the PRC. We note that the interruptions were not unique to ISDN, but clearly pronounced across China's industrial and technology sector. While we could not remove the impact of policy-driven lockdowns, we are satisfied that our employees responded with resilience and were able to quickly grow shipments and revenue to recover in June and July.

We are also satisfied that our global performance outside the PRC remained strong, posting +29% sales growth for the half.

Momentum remains good outside PRC today, and while the order book has recovered in China we are vigilantly monitoring the overall economic conditions as our business visibility there remains uncertain.

We continue to see strength and resilience in our diversified business portfolio, and the medium and long-term fundamentals in our market remain strong as Asia continues its push into advanced industrial capabilities and clean industries."

— 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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