

MEDIA RELEASE



ISDN's long term outlook continues to remain strong on the back of structural growth trends

- ISDN continues to see softness in cyclical industries, but overall China performance is stabilising and non-China growth continues.
- Year-on-year, 3Q2022 revenue declined 10% from 3Q2021 due to headwinds in cyclical industries in China (such as electronics, automotive) coupled with weaker RMB currency. Sequentially, 3Q2022 revenue was flat (0% change) with 2Q2022 as ISDN's performance in China began to stabilise.
- While cyclical risks persist in semiconductors and electronics, the easing of COVID-19 restrictions in China and the conclusion of the 20th National Congress should provide increased optimism for growth as Industry 4.0 and technology advancement remains a core economic strategy for the country.
- Non-PRC business continues to showcase solid growth momentum, delivering +22% YoY growth in 9M2022.
- The Group remains confident of its long term growth prospects, anchored by strong thematic growth in industrial automation throughout Asia for the next decade, as well as the advancement of the Group's clean energy projects.

Singapore, 15 November 2022 – ISDN Holdings Limited (“ISDN” or the “Group”), a leading industrial automation firm, today announced its financial results for the third quarter (“3Q2022”) and nine months (“9M2022”) ended 30 September 2022.

Financial summary

S\$'000	3Q2022	3Q2021	YoY % Change	9M2022	9M2021	YoY % Change
Revenue	95,773	106,660	-10.2	286,480	323,818	-11.5
Gross Profit	27,357	30,518	-10.4	81,435	88,711	-8.2
Gross Profit Margin (%)	28.6	28.6	0ppt	28.4	27.4	+1.0ppt
Operating Expenses ^a	18,581	17,462	+6.4	52,954	50,891	+4.1
Profit Before Tax	10,173	15,756	-35.4	30,886	41,822	-26.1
Profit After Tax	7,697	12,059	-36.2	23,830	31,447	-24.2
Profit Attributable to Shareholders	4,499	8,604	-47.7	15,569	20,771	-25.0
Net Profit Margin ^b (%)	8.0	11.3	-3.3ppt	8.3	9.7	-1.4ppt
Profit Attributable to Shareholders excluding extraordinary items ^c	4,499	7,022	-35.0	15,569	19,189	-18.0

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 Extraordinary items are non-recurring and include \$2.19 million proceeds from the sale of property in 3Q2021, and \$0.61 million in impairment loss of investment in an associate in 3Q2021.

China: cyclical headwinds tapering, Q3 stable with Q2

► Cyclical industries drove majority of decline

For 9M2022, almost 90% of the year-on-year revenue decline from 9M2021 was driven by three cyclical end-industries: machine tools, electronics & semiconductors, and automotive.

ISDN's performance across these industry groups was impacted by four factors:

1. **Inventory** stock-ups by customers to offset supply chain shortages;
2. **Supply- and production- disruptions** in China caused by rolling COVID-19 regional shutdowns; and
3. **Cyclical downturn** in certain segments of the semiconductor industry, machine tools and industrial automation;
4. **RMB currency** depreciation against the Singapore dollar.

► Cyclical factors are stabilising in China

After a significant drop in revenue in 1Q 2022, ISDN has seen stable revenues in 2Q2022 and 3Q2022. We are seeing:

1. **Improving inventory conditions** as customers are now already on cautious posture in China with much less stock-up activity;
2. **Fewer COVID-19 disruptions** in China should improve as the government eases restrictions; and
3. **Improving cyclical pressures.** Pressure has tapered notably for automotive as component shortages improve. Machine tools and semiconductors remain soft, but revenue pressures have comparatively declined;
4. **Taper in RMB currency decline**, with the RMB already improving recently as the Chinese economy has begun to re-open.

► Solid long-term fundamentals for ISDN

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.

Strong growth outside PRC

ISDN continued to see solid growth outside of PRC with Southeast Asia growing +22% in 9M2022 vs 9M2021. The growth outside PRC reflects natural diversification in ISDN's overall geographical portfolio, stemming from:

1. **Growth in Southeast Asia production** as businesses around the world adopt "China+1" or "China+N" strategies to improve production resilience. Southeast Asia has been a clear beneficiary of this shift in global production.
2. **Southeast Asia's shift to advanced production**, driving growth for Industry 4.0 automation and components.

We believe the shift towards Industry 4.0 in Southeast Asia is long-term and irreversible, providing continued opportunity for ISDN to grow in the coming years.

Solid long-term growth fundamentals

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

► Long-term, diversified revenue growth

ISDN is well-positioned to serve Asia's long-term industrial automation advancement, with its access to global technologies, large customer base, and presence across the continent.

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 continues to build *diversified technology capabilities* and *targets diversified geographies* to create a broad base of long-term growth for the Group.

► Operational cost discipline

The Group continues to monitor operating costs carefully in a volatile macro-economic environment.

► 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.

Financial profit results

Backed by the Group's continuous efforts in adjusting its pricing and business mix to offset revenue decline and inflationary pressure, gross margin for 9M2022 inched up by 1.0 percentage point to 28.4%.

As-reported net profit decreased by 24.2% YoY to S\$23.8 million in 9M2022 and profit attributable to shareholders decreased by 25.0% YoY to S\$15.6 million in 9M2022.

Excluding extraordinary items (non-recurring property sales proceeds and long-term investment write-off), net profit decreased by 18.0% YoY from S\$19.2 million to S\$15.6 million.

The Group continues to build strong liquidity position with healthy cash and bank balances of S\$63.0 million as of 30 September 2022.

CEO remarks

Reflecting on ISDN's strategic position and performance in 9M2022, **Mr Teo Cher Koon, ISDN's Managing Director and President** remarked that "ISDN continues to deliver good, profitable resilience in a period where the business has been buffeted by cyclical headwinds, currency shifts, and disruptions in the Chinese economy. The order book and revenue have remained stable since 1Q2022, and we hope that with the easing of COVID-19 restrictions and the conclusion of the 20th National Congress, conditions are emerging for economic growth in China.

To help investors appreciate the evolving complexity of our business during this period, we've provided more details this quarter around the cyclical and secular factors shaping our business in the short term and also the long term.

Our non-China business has performed well so far in 2022, and we remain confident in our longer-term prospects as our solutions are well-positioned to capitalise on the massive Industry 4.0 automation opportunity throughout Asia over the next decade and beyond.

Downcycles are typically the periods that ISDN targets to optimise its business model and strategic plan, being fully prepared for the next upcycle. We continue to see the long-term growth prospect of industrial automation solutions and will remain focused on business growth and diversification."

— 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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