



MEDIA RELEASE

ISDN Holdings more than doubles earnings by 115% to S\$15.1 million for FY2020

- Broad-based demand for industrial automation continues as customers across Asia advance on the multi-year journey to Industry 4.0 automation.
- Group revenue for FY2020 surged by 24.4% year-on-year (“YoY”) to S\$361.9 million, with revenue for 2H2020 surging 35.2% YoY to S\$194.7 million. The Group saw robust demand across all geographies.
- Group productivity increased significantly as operating expenses remained stable year-on-year, reflecting good progress on building operating leverage in the Group.
- As a result of growth in both sales and productivity, profit attributable to shareholders rose by 114.8% to S\$15.1 million for FY2020.
- Group proposed a dividend of 0.8 Singapore cents (equivalent to 4.67 Hong Kong cents) per share for FY2020.

Singapore, 1 March 2021 – ISDN Holdings Limited (“ISDN”, and with its subsidiaries, the “Group”), a leading industrial automation firm, today announced its financial results for the full year ended 31 December 2020 (“FY2020”).

Financial Overview

(S\$'000)	FY2020	FY2019	YoY Change (%)
Revenue	361,864	290,985	24.4
Gross Profit	95,573	77,425	23.4
Gross Profit Margin (%)	26.4	26.6	(0.2) ppt
Operating Expenses[#]	56,539	56,581	(0.07)
Net impairment losses on financial assets	4,623	446	n.m.
Other Operating Expenses	6,007	1,287	n.m.
Profit Before Tax	31,992	20,222	58.2
Profit Attributable to Shareholders	15,139	7,047	114.8
Net Profit Margin* (%)	6.2	4.9	1.3 ppt

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

The Group saw broad-based demand in 2020 across all markets for its industrial automation solutions as Asia's industries continued to advance their industrial automation. Despite being subject to several months of operational shutdowns in China and Singapore in 2020, ISDN's revenue grew 24.4% YoY to S\$361.9 million in FY2020.

The Group's diversified strategy, across customers, industries, and geographies, yielded resilience and growth in 2020 with highlights including:

- Expanding demand for its industrial automation solutions across Southeast Asia including Singapore, Malaysia, and Vietnam following the reconfiguration of global industrial supply chains;
- Continued strength in demand from China as industries continue to advance automation; and
- Revenue contribution from the Group's clean energy business (the "**Hydropower Unit**") in Indonesia.

In line with the growth in revenues, gross profit increased 23.4% YoY to S\$95.6 million. Gross margins remained stable, declining slightly from 26.6% in FY2019 to 26.4% in FY2020. However, excluding lower margin profits from the Hydropower Unit which are under service concession agreement, gross profit margin for the Group would have increased to 27.8% for FY2020.

Since mid-2019, the Group has strategically focused on improving productivity to drive superior economies of scale as it grows. Ongoing multi-year initiatives include establishing 5 centres of excellence in its core industrial automation business, upgrading IT systems, consolidating administrative functions, and improving sales and engineering productivity. Productivity growth, helped by expense discipline, helped the Group reduce operating expenses by 0.1% despite significant revenue growth.

However, the Group recorded net impairment losses on financial assets of S\$4.6 million in FY2020, due mainly to the one-off impairment of long-held receivables from two non-operating investee companies. The Group continues to progress its case in arbitration towards a favourable recovery of the amounts due, however out of prudence it has fully reserved against the amounts until arbitration is resolved.

Other operating expenses increased by S\$4.7 million to S\$6.0 million driven by higher net unrealised foreign exchange loss of S\$2.4 million; and a one-off reserve of S\$1.5 million for legal compensation risk related to a previously announced litigation against our former General Manager. The Group continues to progress its case towards a favourable settlement, however out of prudence it has reserved for the full amount of compensation risk.

The positive growth in both revenues and productivity enabled the Group to post a profit before tax of S\$32.0 million for FY2020 compared to S\$20.2 million from FY2019, delivering net profit of S\$22.5 million and net profit attributable to shareholders of S\$15.1 million for FY2020 (FY2019: S\$14.2 million and S\$7.0 million respectively).

Market Outlook

While the COVID-19 pandemic has upended the global economy, it has provided impetus for Asia's businesses to digitise and quicken their transition to Industry 4.0 automation. According to Industrial Automation and Instrumentation Market's report¹, the global industrial automation market is now forecasted to increase at a compound annual growth rate of 10% to US\$2.58 billion by 2024.

In addition to Industry 4.0 adoption, the Group notes that the long-term strategic competition between China and the United States continues to erode bilateral trade between the two nations², resulting in a significant reconfiguration of regional supply chains favouring Asia-based suppliers and, in particular, Southeast Asia as a relatively trade-neutral supply ecosystem³.

The Group believes that the twin forces of Industry 4.0 technology advancement and long-term geopolitical competition will continue to expand ISDN's relevance as a leading industrial automation supplier for Asia. The multi-year Industry 4.0 roadmap in Asia also provides ISDN with a strategic opportunity to grow its own technology capabilities to serve the ever-advancing needs of its approximately 10,000 customers.

In addition to its growing core market in industrial automation, ISDN also continues to progress its diversified growth investments in clean economy segments. The Group's investment in environmentally-friendly industrial disinfectants, led by its flagship certified Waterliq product, continues to gain commercial traction as industries in Southeast Asia adapt to new post-pandemic health and safety protocols. The Group also expects to progress its clean energy hydropower business towards commercialisation in 2021.

Mr Teo Cher Koon, ISDN's Managing Director and President, noted that "we are grateful to our shareholders, customers and staff for supporting us in a transformational year for ISDN. Despite almost 2 months of shutdowns and disruption across Asia, our dedicated employees were able to operate with agility and drive both revenue and productivity growth for the Group. ISDN's strategy of backing diversified growth markets and customers, and operating with strategic agility, helped the Group navigate a difficult global environment and emerge with strong momentum for the year.

¹ The Industrial Automation And Instrumentation Market report 2021

<https://www.wicz.com/story/43307010/industrial-automation-and-instrumentation-industry-2021-manufacturers-regions-market-size-share-trend-growth-business-analysis-type-and-application>

² China failed to buy agreed amounts of U.S goods under 'phase one' trade deal, data shows

<https://www.cnbc.com/2021/01/22/china-failed-to-buy-agreed-amounts-of-us-goods-in-phase-one-trade-deal-data.html>

³ Supply Chain Reconfiguration Amidst US-China Trade Tensions

<https://www.mti.gov.sg/Resources/feature-articles/2020/Supply-Chain-Reconfiguration-Amidst-US-China-Trade-Tensions>

Our core business is well positioned with Asia's multi-year Industry 4.0 journey, assisted by the positive reconfiguration of global supply chains favouring Asia vendors. Our diversified investments in clean economy segments show good progress and the Group continues its multi-year initiatives to grow productivity as the business scales.

Reflecting the positive accomplishments of the business in 2020, we proposed a final dividend of 0.8 Singapore cents (equivalent to 4.67 Hong Kong cents) per share."

This news release is to be read in conjunction with the Group's announcement concurrently posted on SGXNET.

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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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