



MEDIA RELEASE

ISDN Holdings reports 3rd quarter net profit growth of 18% year-on-year

- ISDN delivered net profit of S\$5.0 million for 3Q2019, up 18% from S\$4.2 million in 3Q2018.
- Profit was driven by operating expenses and gross margin discipline, despite headwinds from the Renminbi depreciation and cyclical economic softness.
- Overall gross profit margin for the Group was 28.4%, up from 28.1% in 3Q2018.
- Despite business headwinds in the mid-term, the Group remains cautiously optimistic in the longer-term prospects of the industrial automation business in its key markets.

Singapore, 8 November 2019 – ISDN Holdings Limited (“ISDN”, and with its subsidiaries, the “Group”), a leading industrial automation firm, today announced its financial results for the third quarter (“3Q2019”) and nine months (“9M2019”) ended 30 September 2019:

(S\$'000)	3Q2019	3Q2018	YoY Change (%)	9M2019	9M2018	YoY Change (%)
Revenue	64,719	68,739	(5.8)	211,682	230,843	(8.3)
Gross Profit	18,380	19,307	(4.8)	55,779	61,010	(8.6)
Gross Margin (%)	28.4	28.1	0.3ppt	26.4	26.4	0.0ppt
Operating Expenses#	12,383	13,457	(8.0)	39,925	40,819	(2.2)
Profit Before Tax	6,659	5,187	28.4	17,580	23,221	(24.3)
Net Profit After Tax (NPAT)	5,015	4,249	18.0	13,339	17,773	(24.9)
Profit for the period attributable to equity holders of the Company	1,782	2,391	(25.5)	7,330	12,467	(41.2)

ppt – percentage points

– Operating expenses comprise distribution costs and administrative expenses

3Q2019 revenues decreased slightly by 5.8% year-on-year (“YoY”) to S\$64.7 million from S\$68.7 million in 3Q2018. Overall, revenue for the Group was lower due to a general economic slowdown arising from global trade tensions since 2H2018, and a 4.8% depreciation in the Renminbi against the Singapore dollar reporting currency over the period of May 2019 to September 2019. Without the effect of exchange rate depreciation, revenues declined 3.7% YoY using 3Q2018 exchange rates.

The Group maintained gross margin discipline in the 3rd quarter despite the revenue headwinds, delivering gross margins of 28.4% up from 28.1% last year. Driven by revenue decline, gross profit was \$18.4 million in the 3Q19, down 4.8% YoY from S\$19.3 million in 3Q2018.

As noted previously, ISDN has remained vigilant on controlling expenses amidst the softer economic environment. As a result, net profit grew 18% YoY to S\$5.0 million in 3Q2019, up from S\$4.2 million in 3Q2018 despite the YoY decline in gross profits. Net profit attributable to shareholders was S\$1.8 million (3Q2018: S\$2.4 million).

The Group's revenue for the nine months ended 2019 ("9M2019") of S\$211.7 million was 8.3% lower than for the same period in 2018. Without the effect of exchange rate depreciation, revenue would have declined approximately 6.1% YoY using 9M2018 exchange rates. During 9M2019, the core industrial automation business continued to be the key revenue generator accounting for approximately 98.5% of the Group's total revenue.

In addition to its vigilance on operating expenses, the Group also increased its conservatism on sales accounts to help manage counterparty risks in a softer economic environment. For example, the Company proactively did not renew certain sales accounts in 9M2019, resulting in approximately S\$5.0 million of sales decline YoY.

For the 9M2019 period, gross profit margins for the Group were maintained at 26.4%, consistent YoY with 9M2018. Operating expenses for 9M2019 decreased by 2.2% YoY to S\$39.9 million for 9M2019, primarily due to a decrease in staff costs offset by higher professional fees and investment in regional marketing efforts.

9M2019 profit before tax was S\$17.6 million whilst net profit attributable to equity holders was S\$7.3 million versus 9M2018 profit before tax of \$23.2 million and net profit attributable to equity holders of S\$12.5 million.

Mr Teo Cher Koon, ISDN's Managing Director and President, said, "In this softer economic environment, we have sought to proactively protect shareholder value by controlling expenses and tightening sales policies whilst capitalizing on our diversified customer base for business sustainability. Our operations remain profitable and are underpinned by fundamental demand in industries which require sophisticated manufacturing and production in Asia.

While we will remain vigilant in responding to near-term headwinds, the Group continues its long-term focus on:

- (1) Growing its core industrial automation business by broadening its customer base, end-markets, geographies and solutions;
- (2) Capitalising on ISDN's strong position for Industry 4.0 automation by building out our technology roadmap, including software, cloud, and big data investments to deepen the value-add of our offerings;
- (3) Collaborating with global technology leaders through joint-ventures and close partnerships to bring our customers the best possible solutions in our core markets;

- (4) Optimising our corporate organisation structures and operations to streamline business activities, drive economies of scale, and improve the customer intelligence and engagements across the Group.

In addition to ISDN's core engineering business, the Group has three notable hydropower investments which may be monetised at the right opportunity. Two of the abovementioned investments are nearing construction completion. A third hydropower plant is slated for construction in FY2020."

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

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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