

SMALL/MID CAP HIGHLIGHTS

ISOTeam (ISO SP)

Niche Contractor With Earnings Turnaround And Beneficiary Of Singapore Election

ISOTeam is a leading contractor of maintenance works in Singapore with a turnaround in net profit in FY23 of S\$1.4m, after three years of losses. It achieved a record orderbook of S\$194m in FY23 and we expect this to grow from more government contracts for maintenance works, ahead of the upcoming election. ISOTeam's resumption of dividend could provide about 6.2% yield for FY25. It is trading at 7x FY24F and 5x FY25F PE, based on Bloomberg consensus estimate.

WHAT'S NEW

- Established building maintenance and estate upgrading player with multi-disciplinary capabilities.** ISOTeam is a major construction player in Singapore with two decades of experience in its main business areas of repairs & redecoration (R&R) and addition & alteration (A&A) services. Till date, ISOTeam has undertaken more than 800 refurbishment projects for over 7,200 buildings. ISOTeam offers other services through its subsidiaries, ranging from coating & painting (C&P), mechanical & electrical works (M&E) to interior designing (ID). ISOTeam has introduced eco-conscious solutions for building and estate upgrading projects ahead of competitors with capabilities in green roofing, cool painting and solar panelling. It has also recently ventured into the usage of AI for drone painting and inspection to improve productivity, safety and reduce manpower costs.
- Recurring nature of business to provide a constant stream of revenue.** Many projects undertaken by ISOTeam are driven by legislation which provides a recurring demand. These include a five-year R&R project cycle for all HDB blocks, the Neighbourhood Renewal Programme every 12 to 15 years, Building and Construction Authority checks every seven years and the ongoing upgrading of hawkker centres and parks. Currently, 85% of ISOTeam's revenues come from recurring governmental businesses. It is confident of a steady demand for its services with an influx of new projects by regulatory bodies focusing on eco-conscious elements in R&R and A&A projects where ISOTeam has an edge in.
- Strong orderbook priced at better margins provide good earnings visibility and higher margins.** ISOTeam's latest orderbook of S\$194m as of 3 Aug 23 is at a 10-year record high and will be progressively delivered by FY26. We understand that these orders are priced at better gross margins that are around pre-COVID-19 level of 15-20%, relative to legacy contracts with gross margin of around 10%, as the drag from low-margin legacy contracts during the pandemic have been fully delivered. ISOTeam is back to profitability after three years of losses with FY23 net profit at S\$1.3m and is also witnessing strong contract win momentum with S\$153.4m new jobs secured in a year as of Aug 23. ISOTeam is positive that the upcoming General Election by FY25 will keep the number of new projects high. In addition, its recent rights issue raised S\$10.3m could help it tender for more new projects

KEY FINANCIALS

Year to 30 Jun (S\$m)	2019	2020	2021	2022	2023
Net turnover	136.6	91.7	99.0	96.5	110.4
EBITDA	13.0	(14.5)	(9.5)	(8.3)	6.5
Operating profit	8.4	(19.8)	(15.0)	(13.1)	2.8
Net profit (rep./act.)	6.8	(19.6)	(14.5)	(13.2)	1.4
Net profit (adj.)	6.8	(19.6)	(14.5)	(13.2)	1.4
EPS (S cents)	2.4	(6.5)	(4.2)	(3.8)	0.4
PE (x)	1.8	n.a.	n.a.	n.a.	10.4
P/B (x)	0.2	0.3	0.4	0.6	0.6
EV/EBITDA (x)	3.0	n.a.	n.a.	n.a.	8.0
Dividend yield (%)	9.5	0.0	0.0	0.0	0.0
Net margin (%)	4.9	(21.3)	(14.7)	(13.7)	1.3
Net debt/(cash) to equity (%)	45.3	58.2	92.3	107.4	145.5
Interest cover (x)	7.2	(10.8)	(10.0)	(7.6)	1.2
ROE (%)	11.8	(39.6)	(42.0)	(53.8)	5.4

Source: ISOTeam, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.042
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

ISOTeam is a building maintenance and estate upgrading company experienced in implementing eco-driven solutions through R&R and A&A services to the public and private sector. The company has extensive experience in upgrading, retrofitting and maintenance of buildings and facilities in Singapore, and reshapes and rejuvenates public housing landscape, amenities and environments.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker	ISO SP
Shares issued (m):	694.3
Market cap (S\$ m):	29.2
Market cap (US\$ m):	21.4
3-mth avg t'over (US\$ m):	0.1

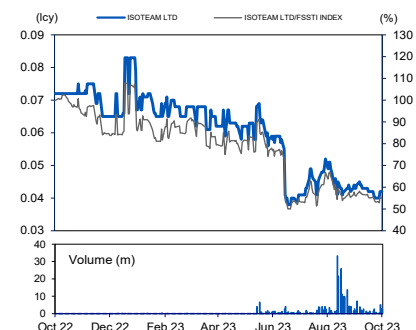
Price Performance (%)

52-week high/low	S\$0.094/S\$0.038			
1mth	3mth	6mth	1yr	YTD
(4.5)	2.4	(32.3)	(41.7)	(49.4)

Major Shareholders

ADD Investment	34.55
Taisei Oncho	9.00
NAV/Share (S\$)	0.07
Net Debt/Share (S\$)	0.11

PRICE CHART



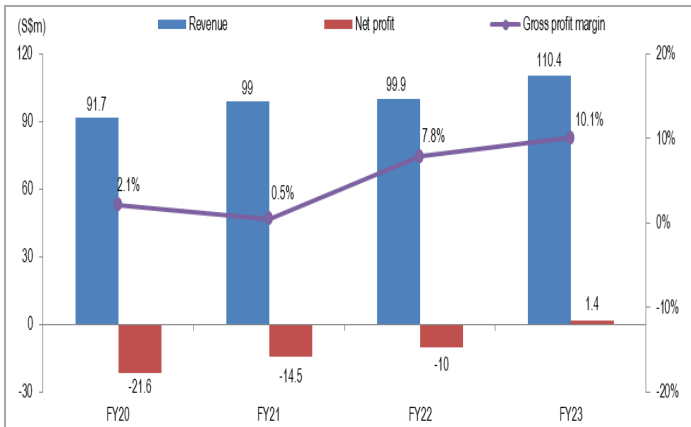
Source: Bloomberg

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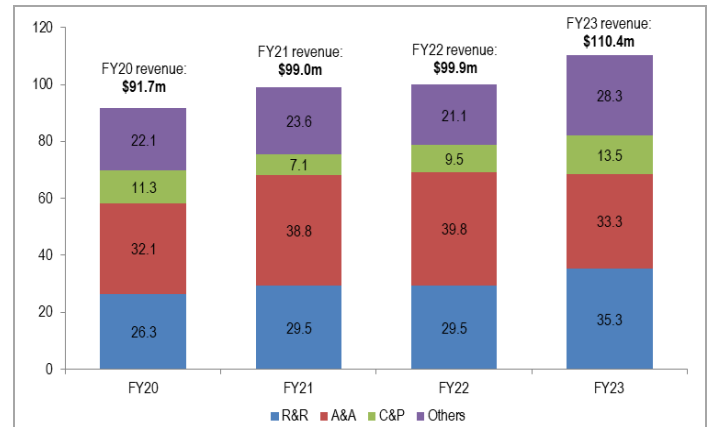
- Resumption of dividend payout offers 6.2% FY25 yield and attractive PE multiple valuation.** Pre-pandemic, ISOTeam had been consistently paying out dividends for seven years at a payout ratio of at least 20%. The last dividend paid out was in 2019 at S\$0.0042 per share. In the latest dividend policy announcement, ISOTeam has raised its dividend payout ratio to at least 25% for FY24 and at least 30% for FY25. Based on ISOTeam's targeted payout ratio of 30%, FY25 dividend yield according to Bloomberg consensus estimates of S\$6m earnings would equate to a S\$0.0026 dividend per share, or a yield of around 6.2% based on a share price of S\$0.042. ISOTeam is currently trading at 7x FY24F and 5x FY25F PE, based on Bloomberg consensus estimate.

HISTORICAL REVENUE, NET PROFIT AND GROSS MARGINS



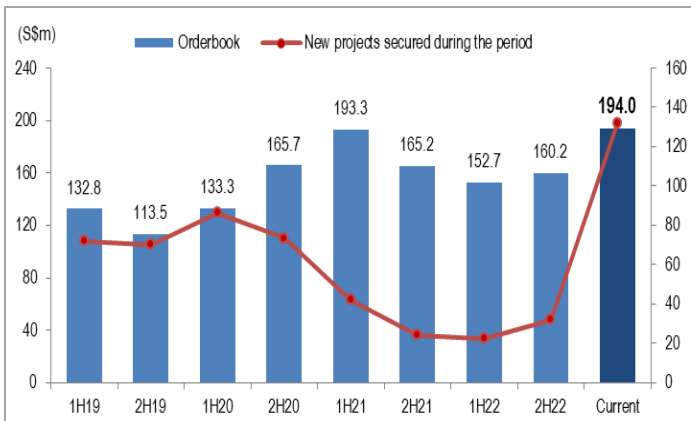
Source: ISOTeam, UOB Kay Hian

REVENUE BREAKDOWN BY SEGMENT: FY20-23



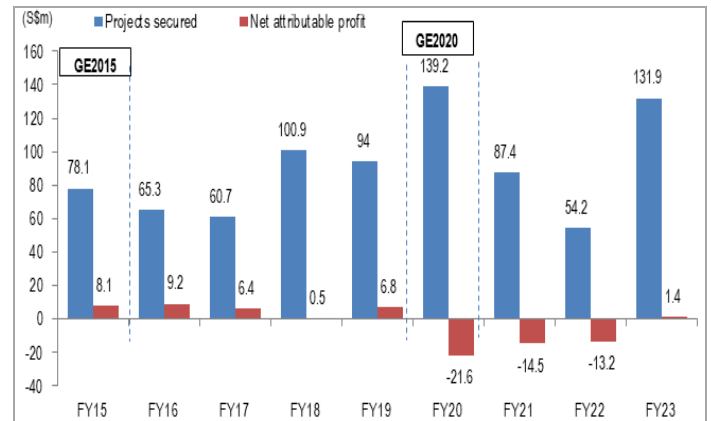
Source: ISOTeam, UOB Kay Hian

HISTORICAL ORDERBOOK VALUE AND NEW PROJECTS SECURED



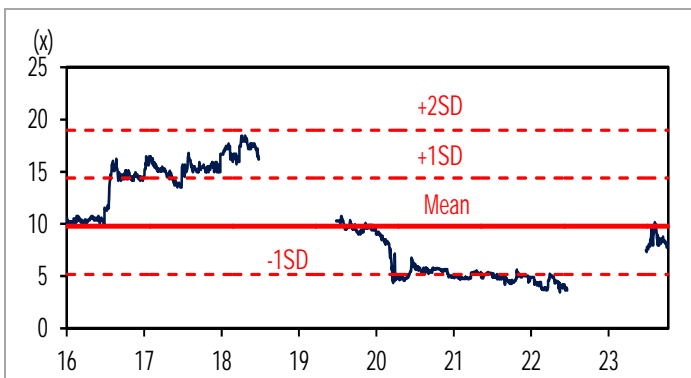
Source: ISOTeam, UOB Kay Hian

HIGHER PROJECT WINS DURING ELECTION YEAR



Source: ISOTeam, UOB Kay Hian

HISTORICAL PE BAND



Source: Bloomberg, UOB Kay Hian

HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (S\$m)	2020	2021	2022	2023
Net turnover	91.7	99.0	96.4	110.4
EBITDA	(14.5)	(9.5)	(8.3)	6.5
Deprec. & amort.	4.5	5.0	4.3	3.4
EBIT	(19.8)	(15.0)	(13.1)	2.8
Net interest income/(expense)	(1.8)	(1.5)	(1.7)	(2.3)
Pre-tax profit	(21.7)	(16.5)	(14.8)	0.5
Tax	0.2	1.0	0.7	0.7
Minorities	1.9	1.0	0.9	0.3
Net profit	(19.6)	(14.5)	(13.2)	1.4
Net profit (adj.)	(19.6)	(14.5)	(13.2)	1.4

CASH FLOW

Year to 30 Jun (S\$m)	2020	2021	2022	2023
Operating	2.7	(3.0)	(5.2)	(10.6)
Profit before tax	(21.7)	(16.5)	(11.8)	0.5
Tax	(0.5)	0.9	(0.0)	(0.0)
Deprec. & amort.	4.5	5.0	4.3	3.4
Working capital changes	10.6	1.0	(6.2)	(16.4)
Other operating cashflows	9.7	6.3	8.0	0.5
Investing	(12.0)	4.5	16.1	(1.1)
Capex (growth)	(0.6)	(1.0)	(0.8)	(1.1)
Dividend Income	2.0	3.0	4.0	5.0
Proceeds from sale of assets	0.3	4.7	0.5	0.1
Others	(11.6)	0.7	16.3	(0.1)
Financing	12.3	3.5	(7.9)	(2.7)
Dividend payments	(1.2)	0.0	0.0	0.0
Issuance of shares	12.0	0.0	0.0	0.0
Proceeds from borrowings	14.0	26.8	27.5	43.7
Others/interest paid	(12.5)	(23.3)	(35.4)	(46.3)
Net cash inflow (outflow)	3.0	4.9	2.9	(14.3)
Beginning cash & cash equivalent	5.2	8.2	13.2	16.1
Changes due to forex impact	2.0	3.0	4.0	5.0
Ending cash & cash equivalent	8.2	13.2	16.1	1.7

BALANCE SHEET

Year to 30 Jun (S\$m)	2020	2021	2022	2023
Fixed assets	29.7	29.0	25.3	21.5
Other LT assets	19.4	17.2	2.9	6.3
Cash/ST investment	12.6	15.5	18.6	6.6
Other current assets	58.2	52.8	46.0	66.2
Total assets	119.8	114.5	92.8	100.7
ST debt	29.9	28.5	23.5	30.4
Other current liabilities	27.6	31.4	25.7	27.8
LT debt	10.9	16.9	18.0	13.5
Other LT liabilities	2.7	5.3	4.3	3.3
Shareholders' equity	49.4	34.7	24.6	25.8
Minority interest	(0.8)	(2.3)	(3.3)	(0.1)
Total liabilities & equity	119.8	114.5	92.8	100.7

KEY METRICS

Year to 30 Jun (%)	2020	2021	2022	2023
Profitability				
EBITDA margin	(15.8)	(9.6)	(5.3)	5.8
Pre-tax margin	(23.6)	(16.7)	(11.8)	0.4
Net margin	(21.3)	(14.7)	(10.0)	1.3
ROA	(16.3)	(12.7)	(10.7)	1.4
ROE	(39.6)	(42.0)	(40.4)	5.4
Growth				
Turnover	(32.9)	8.0	0.9	10.5
EBITDA	n.a.	n.a.	n.a.	n.a.
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPS	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	93.5	103.8	94.8	100.4
Debt to equity	84.1	140.1	194.9	171.1
Net debt/(cash) to equity	58.2	92.3	107.4	145.5
Interest cover (x)	(10.75)	(9.99)	(5.82)	1.21

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