

ISDN HOLDINGS | SGX: I07

**Asset-Light Industrial Consultancy [China & SEA]
with Hydro-Energy Infrastructure [Indonesia]**

BUY

Current Price: \$ 0.595
Target Price: \$ 0.73
Upside: + 22%

ISDN revenues are highly leveraged to Chinese economy with 61.1% of FY2025 revenue coming from China's industrial sector. Largely a result of its consultancy (asset-light) model, from providing bespoke solutions and a full-service suite across different hardware equipment procurement & servicing to unifying software protocols for Industrial Automation clients.

Paul SCHYMYCK
Head of Research

Paul.Schymyck@rhtgoc.com

George KOH
Research Director

George.Koh@rhtgoc.com

Recent efforts to diversify into higher margin Hydro-Electric portfolio seems to be paying off with an estimated 16% of revenue coming from its Indonesian hydropower business (denominated in USD). However, like the rest of Corporate Indonesia, ISDN appears to be tainted with perceived rising geo-political risks that could upend its PPA contracts.

ISDN currently trades at FY26F 15.6x PE, 0.2x PEG, 1.6% dividend yield and 2.2x EV/EBITDA. This is at a 24% PE, 89% PEG and 72% EV/EBITDA discount to the STI Index. Compared to peer group (Automation + Consultancy & Hydro) average, ISDN trades at a 4% PE, 82% PEG and 27% dividend yield discount. ISDN Target Price is the average of our SOTP mid-point implied mkt cap of \$309mil and our expected Total Shareholder Return (TSR) of \$353mil translating to **target price of \$0.73**.

Initiate coverage on ISDN Holdings with BUY recommendation and potential +22% upside.

Mkt cap: S\$270 mil
[S\$0.595 28-September-26]

Intrinsic Value: S\$0.73

30-day advt: 7,787,417

Singapore

Industrials, Capital Goods

[2010]

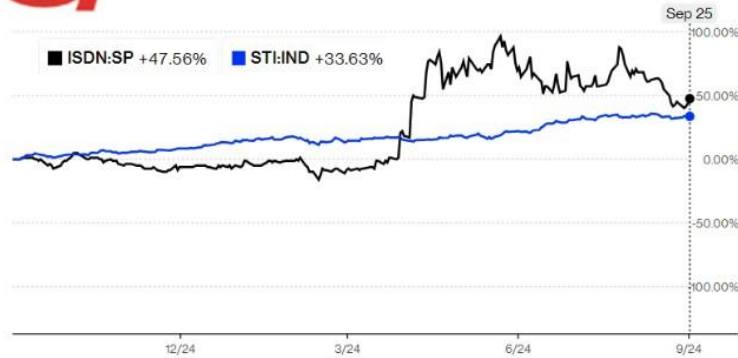
ISDN Forecast S\$ mil	12/24	12/25	12/26F	12/27F	Industry Valuation	2026F P/E(X)	2026F PEG	2026F DY(%)
Revenue	372.4	440.2	507.1	532.5	ISDN	15.6	0.2	1.6%
EBIT	25.7	26.6	47.0	49.1	Automation peers	16.5	0.2	2.3%
Net Att Profit	8.5	6.8	17.2	18.2	Consultant/H ydro comp	16.0	2.4	2.1%
EPS (S\$ cts)	1.9	1.5	3.8	4.0	(0.8xCGA + 0.2xHDGA)			
P/E (x)	31.2	39.7	15.6	14.7	Peer Average	16.2	1.3	2.2%
PEG (x)			0.2	2.7	% ISDN / Avg.	-4%	-82%	-27%
ROAE (%)	3.5%	2.7%	6.6%	6.5%				
Div Yield (%)	0.8%	0.9%	1.6%	1.7%				
FCF Yield (%)	4.1%	5.5%	-1.5%	21.9%				
Gearing - D/E (%)	31.5%	33.2%	37.7%	20.0%				
- D/TA (%)	18.7%	18.3%	19.1%	10.9%				
Intrinsic Value				0.73	STI	20.5	2.05	7.9 ¹
% Upside				22%	% ISDN/ STI	-24%	-89%	-72%

1. Average range 7.1-8.8x. DY = Dividend Yield, Source = RHTC, BBG


BUY

Price \$0.595

29-Sep-26



Ratios & Valuations

Dec-yr end	2024	2025	2026F	2027F
PE(x)	31.2	39.7	15.6	14.7
PE/G			0.1	2.6
Intrinsic value				0.73
(potential upside)				22%
Mkt Cap/Sales (x)	0.72	0.61	0.53	0.51
Div Yield (%)	0.8%	0.9%	1.6%	1.7%
FCF Yield (%)	4.1%	5.5%	(1.5%)	21.9%
P/BVPS	1.29	1.29	1.00	0.93
ROAE (%)	3.5%	2.7%	6.6%	6.5%
ROAA (%)	2.1%	1.5%	3.5%	3.4%

Growth & Margins (%)

%	24/23	25/24	26F/25	27F/26
Revenue growth	9.0%	18.2%	15.2%	5.0%
PBT growth	0.0%	7.2%	94.6%	5.6%
EPS growth	70.3%	(21.3%)	154.9%	5.6%
DPS growth	70.9%	12.8%	80.4%	5.6%
FCF growth	(138%)	35.8%	(128%)	(1519%)
Asset growth	3.8%	10.6%	16.4%	(0.4%)
	2024	2025	2026F	2027F
Op margin	6.9%	6.0%	9.3%	9.2%
Net margin	2.3%	1.5%	3.4%	3.4%
FCF margin	2.9%	3.4%	(0.8%)	11.0%

Source: Company data, RHTC estimates

Income Statement (\$'000)

Dec yr end	2024	2025	2026F	2027F
Revenue	372,443	440,181	507,144	532,501
Cost of goods sold	(277,528)	(334,969)	(373,297)	(392,983)
Gross profit	94,915	105,212	133,847	139,518
SG&A	(69,177)	(78,617)	(86,826)	(90,438)
EBIT	25,738	26,595	47,021	49,080
Interest expense	(5,468)	(5,253)	(5,516)	(5,791)
Others	(616)	(269)	(500)	-
Pre-tax profit	19,654	21,073	41,005	43,288
Tax	(5,689)	(7,491)	(12,302)	(12,986)
Tax rate (%)	28.9%	35.5%	30.0%	30.0%
Net profit	13,965	13,582	28,704	30,302
Minority Interests	(5,443)	(6,826)	(11,481)	(12,121)
Net Attributable Profit	8,522	6,756	17,222	18,181
less dividends paid	(1,251)	(2,068)	(4,335)	(4,576)
Retained Earnings	7,271	4,688	12,887	13,605

Top shareholders (Est Free Float 58.3%)

#	Beneficial owner	Total shares	Est % o/s shrs
1	Assetraise Hldg Ltd	148,917,967	32.69%
2	NTCP SPV	30,620,142	6.72%
	Sub-total	179,538,109	39.41%

Source: Company announcements, as of 10-Sep-26

ISDN Per Share

Per Share Data	2024	2025	2026F	2027F
EPS S\$ cents	1.9	1.5	3.8	4.0
DPS S\$ cents	0.5	0.5	1.0	1.0
payout (%)	24.6%	35.3%	25.0%	25.0%
Wt avg sh o/s mil	446.9	450.3	450.3	450.3
BVPS S\$ cents	46.1	46.3	59.7	63.7

Balance Sheet (\$'000)

Dec yr end	2024	2025	2026F	2027F
Cash & ST investments	56,519	68,122	77,400	87,324
Accounts receivable	119,455	108,399	144,864	141,967
Service concession rec. (current)	2,993	2,993	2,993	2,993
Inventory	67,411	65,599	78,719	74,783
Other current assets	(0)	0	0	0
Total current assets	246,378	245,113	303,976	307,067
Net PP&E	65,758	65,980	66,640	67,306
Service concession receivables	81,654	123,930	140,145	134,539
Net investments	7,301	6,421	5,921	5,921
Other LT assets	14,682	18,318	18,302	18,189
Total non-current assets	169,395	214,649	231,007	225,955
Total assets	415,773	459,762	534,984	533,022
Accounts payable	74,709	103,254	130,000	143,000
ST debt & current lease	23,113	34,628	30,837	22,003
Contract liab., tax & others	15,352	18,451	29,700	37,200
Total current liabilities	113,174	156,333	190,537	202,203
LT debt & lease	54,799	49,435	71,165	35,908
Deferred tax liabilities	588	531	2,600	6,040
Others	0	0	0	0
Total non-current liabilities	55,387	49,966	73,765	41,948
Total equity (incl. NCI)	247,212	253,463	270,685	288,866
Total liabilities & equity	415,773	459,762	534,987	533,017

Cash Flow (\$'000)

Dec yr end	2024	2025	2026F	2027F
CF operating	32,263	40,677	48,021	50,580
Net change working capital	(3,127)	(8,538)	(33,685)	27,639
Others	(10,755)	(11,564)	(17,817)	(18,778)
CF from operations	18,381	20,575	(3,481)	59,441
Capital expenditure	(7,523)	(5,827)	(660)	(666)
Acquisitions/(divestures)	(376)	(1,158)	-	-
Others	956	(659)	69	69
CF from investing	(6,943)	(7,644)	(591)	(597)
Dividends paid	(6,243)	(5,145)	(4,335)	(4,576)
Share issue/(repurchased)	-	-	-	-
Debt & lease changes	(7,806)	3,557	17,685	(44,343)
CF from financing	(14,049)	(1,588)	13,350	(48,919)
Net CF	(2,611)	11,343	9,278	9,924
Free CF	10,858	14,748	(4,141)	58,774
FCF per share (basic) S\$ cts	2.43	3.27	(0.92)	13.05
Beginning cash	59,262	56,129	68,122	77,400
FX impact	(522)	650	-	-
End cash	56,129	68,122	77,400	87,324

1. EXECUTIVE SUMMARY

We initiate coverage on ISDN Holdings (ISDN) following a meeting with Group Managing Director and President Teo Cher Koon on the Group's strategy, outlook and market positioning. ISDN's ability to carve out an engineering niche in Industrial Automation is largely a result of its consultancy model, from providing bespoke solutions and full-service suite across different hardware equipment procurement & servicing to unifying software protocols for clients across industries.

Competition is rife as evident in low single digit net margins, but ISDN's consultancy model supports a high level of recurring revenue. Furthermore, management has the foresight to diversify into higher margin hydro-electric income stream. All 5 Indonesian hydropower plants to come on stream in FY26F, with expected recurring income of US\$15mil annually (contracts run for 25 years). Assuming 10% WACC (USD denominated) and 2% FCF growth with zero terminal value, the expected DCF value derived is S\$111.4mil (circa 41% of Mkt Cap).

Average Target Price of S\$0.73 or +22% upside potential

Our resulting TSR (figure ES-1) for ISDN implies market capitalization of \$353mil or \$0.78 per share. However, this does not fully account for its long dated Hydro-portfolio revenue stream.

Figure ES-1: Total Shareholder Return (TSR)

#	Total Shareholder Return %	FY27F	FY28F	Cumulative
A	Div Yield	1.67	1.70	3.36
B	FCF yield	21.57	22.14	43.71
C	EPS growth	5.6	1.7	7.25
D = A+B+C	TSR	28.81	25.52	54.33
E = 1+D% x \$0.605	Target Price/Intrinsic Value S\$	0.78		0.93
F	Implied Mkt Cap S\$ mil	353.33		423.34

Source: RHTC estimates

Figure ES-2 shows our Sum of the Parts (SOTP) valuation framework which derives a resulting target price of S\$0.68 (row L under Mid-point assumptions). Hence taking the average from ES-1 (row E) and ES-2 (row L), we derive an average **Target Price for ISDN at S\$0.73** (row M). **We initiate coverage on ISDN with a BUY recommendation and potential +22% upside.**

Figure ES-2: Sum of the Parts Valuation

	SOTP	Low	Mid	High
G	Hydro Plant DCF SGD mil	88.3	111.4	145.8
H (from fig 5-4)	Consultancy Biz PE (x)	9.6	13.6	17.8
I	FY27F Net Income at 80% S\$ mil	14.5	14.5	14.5
J = HxI	Implied Consultancy Value S\$ mil	139.6	197.8	258.9
K = G+J	Implied valuation S\$ mil	227.9	309.2	404.7
L = K per shr	Implied shr price S\$	0.50	0.68	0.89
E (from fig 5-1)		0.77	0.77	0.77
M = avg (E,L)	Average TSR-SOTP	0.64	0.73	0.83

Source: RHTC estimates

Risks to ISDN's recommendation and assumptions:

A large proportion of ISDN customers are in the technology sector which entails above-average risk. Furthermore, given the macro slowdown in China (where ISDN generates over 60% of revenue), RHTC's forecasts for future earnings risk being overly optimistic.

ISDN's price target is based on the average of our FY27F TSR and SOTP valuations.

Risks include the pace of macro recovery, competition, traction of growth initiatives and the use of AI by competitors for automation and consulting.

Intrinsic Value is based on 2027E forecasts. We view the derived intrinsic value/target price as fair, given that macro and geopolitical uncertainty could fuel further downward estimate revisions.

Our Intrinsic Value/Price target is based on Total Shareholder Return framework with 1-year holding period premised on our FY27 estimates. Similarly for our SOTP it is based on our assumptions for Hydro-DCF projections and our estimates for ISDN's proportion of consulting income.

Risks:

- Greater than expected slowdown in China macro
- Weaker-than-expected global macro/trade environment
- SME cyclicalities
- Potential asset nationalization / re-negotiation of Indonesian Hydro PPA

CONTENTS

1.	Executive Summary	3
2.	Overview	6
2.1	Current portfolio	6
2.2	Business model	8
2.2.1	Competitive landscape	9
2.3	Hydropower: ISDN's Hydro-asset base	10
2.3.1	Policy risks	11
2.4	Financial trajectory	12
3.	Macroeconomics	14
3.1	China's 2-speed economy exports vs consumption	14
3.2	Indonesian Economic & Political Jitters	16
4.	Executive Management Team	17
4.1	Leadership Composition	18
5.	Valuations	20
5.1	Total Shareholder Return (TSR)	20
5.2	Sum-of-the-Parts (SOTP)	21
5.3	Relative value peer comparisons	23
5.4	Relative valuations to STI	25
5.5	Risks to Valuations	26
6.	Environmental, Social and Governance (ESG)	27
	Appendix	29
A-1	SWOT Analysis	29
A-2	Tables & Charts	30
A-3	Disclosures/Disclaimers	31

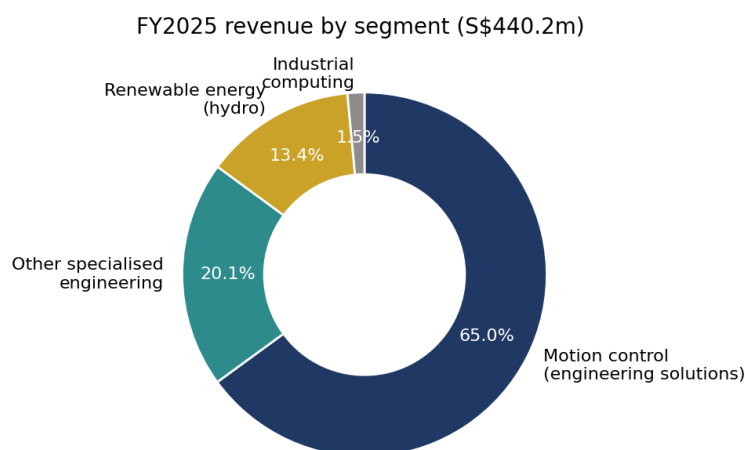
2. OVERVIEW

ISDN Holdings Limited (ISDN) was founded in 1987 and was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”, Singapore Stock code : I07.SI) on 24 November 2005 and subsequently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”, Hong Kong Stock code : 1656) on 12 January 2017. ISDN operates from over 75 locations throughout Asia-Pacific.

It has more than 10,000 customers, 55 sales offices, over 60 subsidiaries and 1,366 employees. The company now reports two businesses, Industrial Automation and Renewable Energy, but its statutory segment disclosure still uses four legacy lines. Together with its subsidiaries, the “Group” offers a full range of advanced automation solutions and services, ranging from precision components and engineering services to full machine and cloud solutions.

2.1 Current portfolio

Figure 2-1: Revenue makeup



Source: company data

Geographically, China made up 61.1% of FY2025 revenue and Indonesia 13.5% (almost entirely hydro related revenue). Singapore, Malaysia, Vietnam, Hong Kong and Taiwan make up the rest.

By end-market, electronics and semiconductors were about 32% of FY2025 industrial automation revenue. The company names six principal end-industries: electronics/semiconductors, medical, infrastructure, machine tools, IT and industrial robotics. ISDN says it mainly supplies back-end semiconductor capital-equipment makers, not the chipmakers themselves.

Figure 2-2: Understanding the segment mix

Segment	Est FY25 %	Description	Contribution to ISDN
Engineering Solutions – Motion Control	64.9%	Distribution and application engineering of motion-control components (servo motors, drives, gearboxes), plus in-house linear motors, positioning stages and precision gearboxes	Core earner; margins track the semiconductor and electronics cycle
Other Specialised Engineering Solutions	20.1%	Special-purpose motors and gears, spares and components; includes Dirak hinges and locks for data-centre and telecom enclosures	Mid-margin; data-centre exposure is a newer growth vector
Renewable Energy	13.4%	Indonesian mini-hydropower concessions (IFRIC 12), plus EPC through PT Funda from 2025	Operating plants ~91.5% gross margin; construction rev ~7%
Industrial Computing Solutions	1.5%	Industrial PCs, software (SCADA/MES), IIoT	Small; strategic rather than financial

Source: Company data

2.2 Business Model

ISDN describes itself as a 'platform company' that does three things for manufacturers: supply motion-control and precision components (its own and third-party principals'), engineer them into machines, and increasingly deliver complete systems.

Hydro concessions sit alongside as a separate, capital-intensive annuity business.

Figure 2-3: Business Model



Source: Company data

Figure 2-4: Capital Utilisation

Revenue engine	Monetisation	Capital intensity	Cyclicality risk
Component distribution + application engineering	Margin on third-party motion-control products, earned through technical selling and design-in	Working capital (inventory ~24% of assets; debtor days ~108)	High: follows semi-cap and electronics capex
In-house precision manufacturing	Own-brand linear motors, stages, gearboxes; Dirak hinges and locks	Moderate: Suzhou and Huzhou plants	Medium-high
System integration / full solutions	Project fees for turnkey lines, e.g. Smart Warehouse System with Schneider Electric; typical order S\$3–6m	Low capex, contract working capital	Medium; lumpier
Industrial software & computing	SCADA/MES, industrial PCs, IoT	Low	Medium
Hydro concessions (BOT/BOO)	Tariff income from PLN over 25 years, booked as a financial receivable (IFRIC 12)	Very high upfront; about S\$3–3.7m per MW	Low demand-cyclicality, high hydrology and FX sensitivity

Source: Company data; RHTC estimates.

- **Diversified customer base.** 10,000+ customers; the top five customers account for under 30% of sales.
- **Working-capital intensive.** Operating cash flow has been volatile, from –S\$24.1m (FY23) to +S\$20.6m (FY25). In 1H26, receivables built up; S\$36m was collected by end-July.
- **Dual listing.** The HKEX line exists because of the China exposure. The board reviews it periodically; liquidity there is thin.

2.2.1 Competitive landscape

ISDN's stated position is that it 'does not directly compete with Siemens, ABB, Mitsubishi etc., but complements these players'. On this view it is a technology-agnostic, mid-market, multi-country integrator that often partners with the majors on regional projects and its direct competitors are 'smaller, country-level automation firms'.

However, this leaves out the competitive forces that matter most for a distributor-integrator that derives 61% of its revenue from China.

Figure 2-5: Competitive landscape by sub-industry

Sub-industry	Key players	Nature of competition	RHTC view (threat level)
Global automation majors	Siemens, ABB, Schneider Electric, Mitsubishi Electric, Rockwell, Yaskawa, Omron, Fanuc	Going direct to mid-market customers, bundling hardware, software and service, pricing aggressively in SE Asia	Medium: the majors are also ISDN's partners and principals, a form of 'co-opetition'
Chinese domestic champions	Inovance, Estun, Leadshine and other local servo, motion and robot makers	Import substitution in China, where local brands have been taking share from foreign servo and motion brands	High: the most under-discussed risk; can erode the value of the foreign lines ISDN distributes
Principal disintermediation	Foreign principals ISDN represents	Principals building their own China and ASEAN sales and engineering teams, or switching distributors	Medium: typical distributor risk; ISDN mitigates by adding engineering and own products
Regional integrators and automation OEMs	Country-level system integrators; SGX/Bursa peers such as CSE Global, Pentamaster, Greotech	Competing for the same S\$3–6m integration projects in ASEAN	Medium: fragmented market; ISDN's multi-country reach helps
Component specialists	HIWIN, Delta, THK and similar in linear motion and drives	Price competition on own-brand linear motors, stages and gearboxes	Medium
Hydro / IPP market (Indonesia)	Listed and private IPPs (e.g. Kencana Energi Lestari, Arkora Hydro), large developers, PLN group entities	Competition for sites, permits and PPAs from a single buyer (PLN); tariff ceilings set by regulation	Medium–high on new projects; low on existing contracted plants

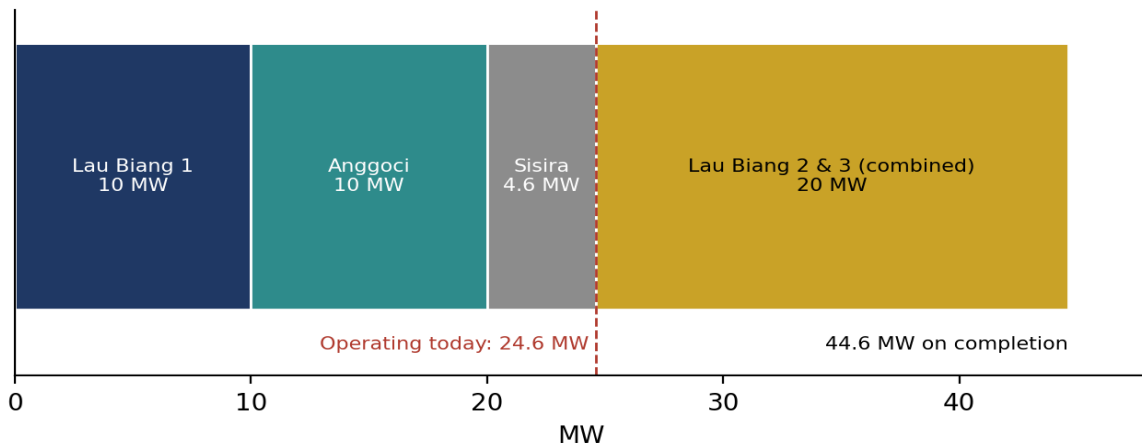
Source: Company data, RHTC estimates

2.3 ISDN's Hydro-asset base

All five plants are run-of-river mini-hydropower projects in North Sumatra, Indonesia. They sell power to the state utility PT PLN (Persero) under 25-year concessions from the commercial operation date. ISDN holds them through a 67.1% interest in the Aenergy sub-group. In August 2025 it bought 51% of PT Funda Konstruksi Engineering, a hydro EPC and O&M contractor, for IDR 25.5bn (~US\$1.56m), to cover the whole value chain.

Figure 2-6: ISDN Hydro installed capacity

Mini-hydro portfolio, North Sumatra: +81% capacity on commissioning



Plant	Capacity est	Status	Notes
Lau Bian 1	10 MW	Operating since 2022	RHTC estimate circa S\$2m annual recurring net profit at start-up
Anggoci	10 MW	Commercial operations from June 2023	
Sisira	4.6 MW	Commercial operations from June 2023	
Lau Bian 2 & 3	20 MW combined	Construction nearly complete; commissioning targeted in 2026	Takes capacity to 44.6 MW (+81%)
Total	44.6 MW		Recurring net cash income expected to rise from ~S\$8m to ~S\$14m p.a. (100% basis)

Sources: Company data, RHTC estimates.

2.3.1 Policy risks

PLN's Electricity Supply Business Plan (RUPTL) 2025–2034 targets 69.5 GW of new capacity, 76% of it renewables and storage, including 11.7 GW of hydropower. About 73% of the build is meant to come from IPPs. This is the key policy tailwind for ISDN's hydro business. Two cautions apply. First, Indonesia added only ~3.2 GW of renewables in 2018–2023 (about 0.53 GW a year), so the plan requires roughly a five-fold acceleration in its first five years. Second, critics note that the plan cut the 2030 renewable target from 20.9 GW to 18.6 GW and still adds coal and gas. The pipeline is real, but slow permitting and PLN's position as the only buyer limit how fast any developer can grow.

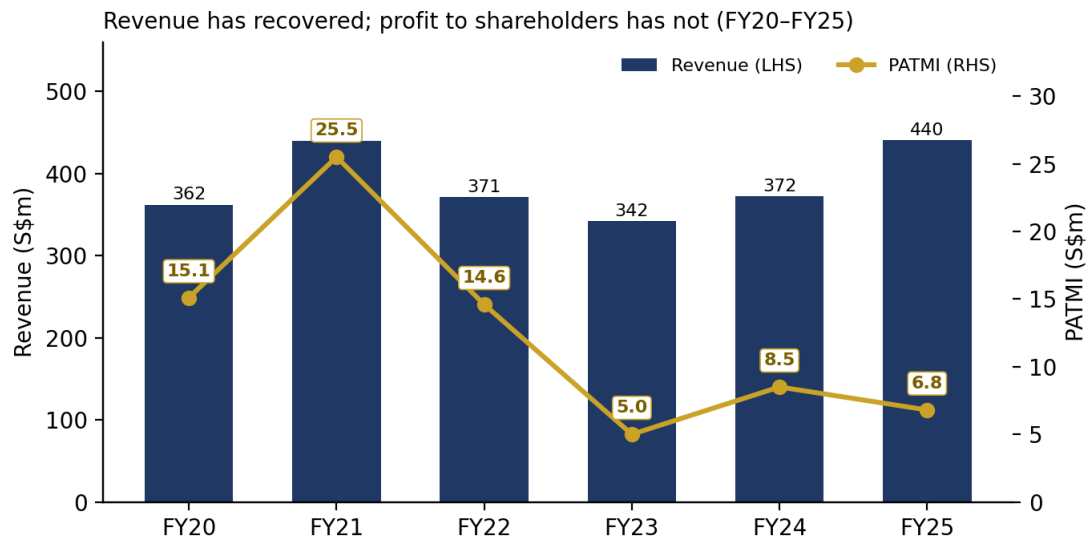
Figure 2-7: Risks and sensitivities

Risk	Evidence	Severity
Hydrology	1Q2026 revenue from the operating plants fell 39% YoY on 'highly unusual weather'	High: run-of-river has no storage buffer
FX (IDR, USD vs SGD)	S\$4.5m unrealised FX loss in FY2025; ISDN does not hedge because it is too costly	High for reported earnings; lower for cash
Single offtaker	PLN is the sole buyer; payment timing and any renegotiation are policy-driven	Medium
Commissioning slippage	Lau Biang 1 had earlier delays over policy and stakeholder issues	Medium
Regulatory	Tariff ceilings, foreign-ownership rules, environmental permits	Medium
No terminal value (BOT)	Assets transfer to the Indonesian party at concession end	Structural: the value is an annuity, not a perpetuity

Sources: RHTC estimates

2.4 Financial trajectory

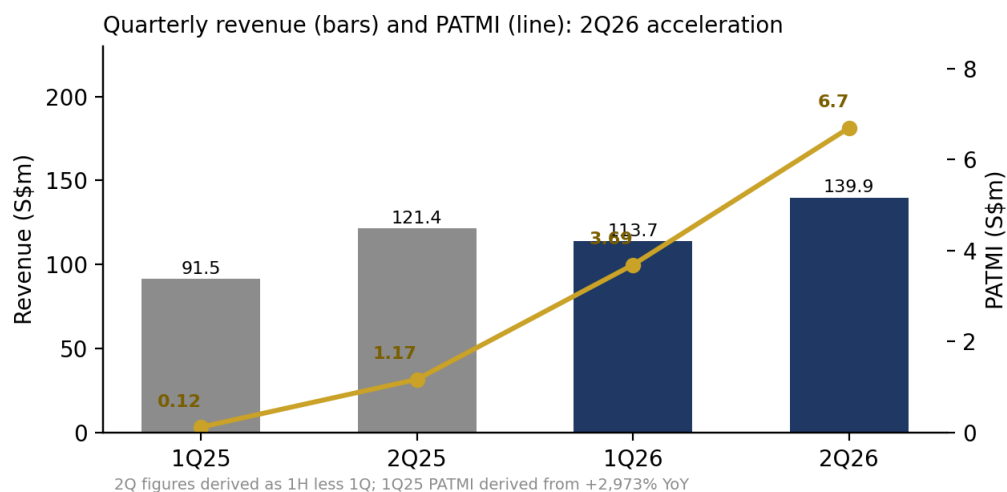
Figure 2-8: ISDN Revenue and PATMI



Source: Company data, RHTC estimates.

Revenue is back at its FY2021 high but profit attributable to shareholders is still struggling due to low margin business model. The gap comes from two things: gross margin fell from 28.6% (FY22) to 23.9% (FY25), partly because of low-margin hydro construction revenue; and non-cash FX losses on the Indonesian receivables (\$\$4.5m in FY2025).

Figure 2-9: Quarterly revenue & Net Profit shows sign of turnaround



Source: Company data, RHTC estimates.

Figure 2-10: 1H2026 results snapshot

S\$m	1H2025	1H2026	YoY	Comment
Revenue	212.9	253.6	+19.1%	Record half
Industrial automation revenue	180	238	+31.9%	Gross profit +33.9%
Renewable energy revenue	32	16	-52%	Construction of LB2 & 3 winding down
PATMI	1.3	10.4	+707%	1H25 hit by S\$3.2m FX loss
Core PATMI (ex-FX, per analysis)	4.5	10.4	~+130%	More meaningful comparison
Operating hydro gross margin	n/a	86%		Excludes construction income

Source: Company data, RHTC estimates.

3. MACROECONOMICS

Improving earnings prospects, technological leadership (AI) and attractive valuations are strengthening the investment case for China's macro improvement. However, ongoing trade tensions with the US remain unresolved, underlying corporate earnings remain highly challenging with domestic consumption still struggling and the AI capex buildout accounts for only up to 2% of China's total investment (and is only ~15-20% of US levels in absolute terms). Hence, we believe any tangible macro improvements (that could filter down towards ISDN) likely to be back-ended in 2028 at the earliest.

By contrast, investors are already downgrading Indonesia's economic and political prospects despite positive newsflow surrounding energy sectors. ISDN's growing (circa 20% over the medium term) revenue portfolio from higher margin Hydro-electric business warrants investors' attention: despite its contracted PPAs, profitable sectors in Indonesia face a heightened risk of state intervention or nationalisation.

3.1 China's 2-speed economy | exports vs consumption

Exports strong, consumption weak: Households have healthy balance sheets but are saving more and borrowing less. The problem is confidence, not ability to spend. **Two levers for confidence:** (i) income expectations — employment is starting to improve; (ii) housing, still the biggest drag. Early signs of capex recovery in AI/tech.

Figure 3-1: Chinese consumers reluctant to spend



Source: Fidelity International, National Bureau of Statistics, Macrobond, July 2026.

AI will not rescue China's macro: Even after doubling in 2026, AI capex is only ~1.5–2% of China's total investment by 2027: far too small to offset the property and infrastructure drag (source: Rhodium). **Limited Scale:** Across 13 surveyed firms (plus ByteDance in capex), AI capex is set to jump 103% to RMB932bn (US\$139bn) in 2026 and RMB1.2tn (US\$193bn) in 2027 — still only 15–20% of US levels (US\$800bn) while China's model revenue is only ~10% of OpenAI. Financing constraints - Big-3 hyperscaler free cash flow swung from +RMB170bn (2025) to – RMB16bn (H1 2026).

China's capital markets may be ripe for asset allocators (with expectations of property market stabilizing (not rebounding) and cheap valuations at ~10x forward P/E) but fundamental recovery likely to be at least 18-24 months away. ISDN may enjoy pockets of growth but overall economy unlikely to recover sufficiently for ISDN to be re-rated on Chinese recovery, in our view.

3.2 Indonesian Economic & Political Jitters

In 2026, the Indonesian Rupiah has declined over 8% vs USD have been the weakest currency across Asia YTD (THN at -5.7% to KRW +6.7%) on Indonesia's mounting economic and political concerns. These include MSCI's threat to downgrade Indonesia from Emerging Market to Frontier Market status, Fitch and Moody's negative outlooks on the country's BBB/Baa2 (Investment Grade) ratings, and the unexpected resignation of Bank Indonesia Governor Perry Warjiyo in July. As a result, the Jakarta Composite Index (JCI) has been Asia's worst-performing stock market, falling 30%. Its market capitalization could be about US\$600 bn higher if it had kept pace with Asia's broader stock market rally and the rupiah had not declined by ~8%.

Losing EM Status. In January 2026, global index provider MSCI raised serious concerns about Indonesia's market investability, initially threatening to downgrade the country from Emerging Market status—which covers most Southeast Asian markets—to Frontier Market status, placing it alongside Vietnam, Romania and Kazakhstan. The warning triggered a 7% selloff in the JCI. MSCI's main concerns were opaque ownership data, coordinated trading behaviour that distorted price formation, and limited free-float shares, all compounded by broader fiscal and currency pressures under President Prabowo Subianto's administration. Indonesia ultimately retained its Emerging Market status after introducing key regulatory reforms, including tighter disclosure rules, closer monitoring of large stakeholders, and efforts to raise minimum free-float requirements toward 15%. However, the reprieve is only a conditional stay of execution: MSCI continues to keep Indonesia under close watch and has set ongoing evaluation benchmarks through late 2026.

ISDN Impact: As a hydro-electric owner listed on the SGX, where disclosure and compliance standards are more stringent, rather than the IDX, and reporting in SGD, ISDN is partly insulated. However, despite the lock-in PPA, the company is highly susceptible to risks of nationalisation by the current administration whilst any potential future MSCI downgrade of Indonesia should be perceived as newsflow impact only.

4. EXECUTIVE MANAGEMENT TEAM

ISDN is a founder-led company. Managing Director and President Teo Cher Koon joined the business (then Servo Dynamics) in 1987 and grew it from a local servo-motor distributor into a pan-Asian automation group with operations in over 75 locations (via 55 sales offices and over 60 subsidiaries). Through Assetraise Holdings, a BVI company that he owns with his spouse, he controls 32.6% of the shares. The senior operating team has been in place for a long time: the PRC head joined in 1995, the Motion Control sales head in 1991 and the CFO in 2016.

The board changed at the 30 April 2026 AGM. Chairman Tan Soon Liang retired after reaching the SGX nine-year independence limit. Independent director Heng Su-Ling Mae, a former EY auditor, became Chairlady, and Rajah & Tann equity partner Danny Lim Teck Chai joined as an independent director. The board now has six members: two executives, one non-independent non-executive (a nominee of Novo Tellus) and three independents. Because the Chair is independent, the board meets the structural requirements of the 2018 Code of Corporate Governance, with a non-executive majority.

Figure 4-1: Board of Directors (post-AGM, 30 April 2026)

Director	Role	Committees	Background
Heng Su-Ling Mae	Independent Non-Executive Chairlady	AC Chair; RMC Chair; NC; RC	16+ years at Ernst & Young Singapore; accounting, audit and governance specialist. FCA (ISCA). Holds several other SGX independent directorships.
Teo Cher Koon	Managing Director & President (Executive)	NC member	Founder-operator since 1987. B.Eng (Mech), NUS. Oversees strategy, operations, procurement and technical development. Deemed interest of 32.57% via Assetraise.
Kong Deyang	Executive Director; SVP, PRC Operations	—	Joined the China operations (Maxon Suzhou) in 1995. Runs the PRC subsidiaries. Degree in Optical Engineering, Beijing Technical University. Direct holding of 0.45%.

Director	Role	Committees	Background
Toh Hsiang-Wen Keith	Non-Executive Director (non-independent)	—	Partner at Novo Tellus Capital Partners, which holds 8.67%. Formerly a Principal at Francisco Partners. BSc EE, Stanford. Former AEM director (2015–18). Re-elected at the 2026 AGM; on the board since May 2019.
Sho Kian Hin	Independent Non-Executive Director	NC Chair; RC Chair; AC; RMC	20+ years in finance, M&A and restructuring. Former ED and CFO of China Farm Equipment; ex-EY. FCCA.
Lim Teck Chai, Danny	Independent Non-Executive Director (from 30 Apr 2026)	AC; RC; RMC	Equity partner at Rajah & Tann (capital markets and M&A); 26+ years in practice. LLB (Hons) NUS; MSc Applied Finance, NTU. Independent director of ValueMax, Advancer, Choo Chiang, Stamford Land and Kimly.

Source: Company

4.1 Leadership Composition

Figure 4-2: Key Management

Executive	Role	Background
Ho Ting Wai Christine	Group CFO	Joined 2016. Responsible for accounting, finance, compliance, tax, internal controls and reporting. Ex-KPMG Singapore (audit and corporate finance). First-Class Honours in Accounting, University of Essex. ISCA member.
Tay Geok Kee	Group CTO	Joined 2019 as GM of ISDN Software Business; CTO since 2022. Previously Technical Director at AVEVA Software Singapore for about ten years, and before that at Wonderware. MSc EE, NUS. Leads the Industry 4.0, software and cloud offering.
Lau Choon Guan	Group VP – Sales (Motion Control)	Joined 1991 as a sales engineer; VP since 2005. Diploma in Electrical Engineering, Singapore Polytechnic. Former committee member of the SMF Smart Automation Technology Industry Group.

Source: Company data

Figure 4-3: Shareholding & Alignment

Shareholder	Interest	Notes
Assetraise Holdings (Teo Cher Koon & spouse)	32.57%	BVI vehicle wholly owned by Mr Teo and his spouse, Ms Thang Yee Chin. Both are deemed interested in the same 147.7m shares.
NTCP SPV VI (Novo Tellus PE Fund 2)	8.67%	Keith Toh and Loke Wai San each control at least 20% of the general partner. A Temasek entity (Tuas Fund Investments) is a limited partner with at least one-third of the fund, so Temasek has a deemed interest under Hong Kong's SFO but not under Singapore's SFA.
Kong Deyang	0.45%	Direct holding.
Public / free float	~58%	Based on 453.4m shares in issue. The share count rises over time through scrip dividends.

Source: ISDN AGM circular, 30 Mar 2026.

- **Founder alignment.** At 32.6%, the founder has a large economic stake, and he receives dividends on the same terms as minority shareholders. No PSP awards have gone to directors or controlling shareholders: the only grant, 2.83m shares in March 2023, went to non-related employees.
- **Separate Chair and CEO, with an independent Chair.** Having Ms Heng, an audit specialist, as Chairlady and chair of both the Audit and Risk Committees strengthens oversight of financial reporting.
- **Governance-literate strategic investor.** Novo Tellus has a board seat and an indirect link to Temasek. It brings private-equity discipline and investment experience in automation and semiconductors.
- **Dual listing on SGX and HKEX.** The company must satisfy two corporate governance codes and disclosure regimes, and all resolutions are voted by poll.
- **Key-person risk.** Mr Teo has led the group for almost four decades, and the core operating team joined in the 1990s. The Nominating Committee's terms of reference cover succession for the MD and key management, but no successor or COO-type role has been named.
- **Directors' other commitments.** Mr Lim sits on five other listed boards and is an equity partner at a law firm, though two of those seats will lapse by January 2027. Ms Heng and Mr Sho also hold several SGX directorships.
- **Board diversity.** One of the six directors is a woman (17%).

5. VALUATIONS

Given ISDN's portfolio composition and lack of identical listed competitor, RHTC applied 2 different valuation approaches (section 5.1 and 5.2) to arrive at an average intrinsic value/target price for ISDN of **S\$0.73 or potential +22% upside**.

5.1 Total Shareholder Return (TSR) – IV of S\$0.78

Based on our assumed forecasts for FY27F (pg 2), we apply our bespoke Total Shareholder Return (TSR) framework to estimate the implied Intrinsic Value / Target Price for ISDN over the next 12 months (fig 5-1). RHTC has excluded ISDN FY26F in the TSR calculations below because of its financial year-end in December (we assume the market has already priced in its strong 1H26 performance, and the remaining impact on FY26F numbers is likely to be muted, in our view).

Figure 5-1: Total Shareholder Return – Intrinsic Value S\$0.78

#	Total Shareholder Return %	FY27F	FY28F	Cumulative
A	Div Yield	1.67	1.70	3.36
B	FCF yield	21.57	22.14	43.71
C	EPS growth	5.6	1.7	7.25
D = A+B+C	TSR	28.81	25.52	54.33
E = 1+D% x \$0.605	Target Price/Intrinsic Value S\$	0.78		0.93
F	Implied Mkt Cap S\$ mil	353.33		423.34

Source: RHTC estimates

Based on FY27F numbers, the expected Total Shareholder Return (TSR) is 28.81%. Applying this to the last traded price of S\$0.595, we derived the expected Target Price of S\$0.78.

Essentially shareholders can expect Free Cash Flow yield of 21.57%, receive estimated Dividends worth 1.67% (based on 25% payout) and enjoy (EPS) growth of 5.6% for FY27F. For a 1-year holding period, the expected **Total Shareholder Return of +28.81%**, implies **Intrinsic Value of ISDN at S\$0.78**.

5.2 Sum-of-the-Parts (SOTP) – IV of S\$0.68

For Sum-of-the-parts, we estimate the DCF earnings stream contribution for Hydro-energy on an unlevered basis and assume the residual falls under Consultancy Business.

Firstly, we estimate the DCF value of ISDN's 25-year PPA with the following assumptions: US\$15mil unlevered FCF income contribution, S\$1.28/USD, 25-year duration with no terminal /residual value and the remaining 2 variables of WACC and growth rate in figure 5-2 (highlighted cells correspond to SOTP table classification of Low/Mid/High).

Figure 5-2: Sensitivity of Equity Value attributable to ISDN (S\$ mil)

WACC \ FCF growth	0.5%	1.0%	1.5%	2.0%	2.5%	3%
8.0%	116.8	121.9	127.3	133.1	139.2	145.8
9.0%	107.3	111.7	116.4	121.5	126.8	132.5
10.0%	99.0	102.9	107.0	111.4	116.0	121.0
11.0%	91.7	95.1	98.7	102.6	106.7	111.0
12.0%	85.2	88.3	91.5	94.9	98.5	102.3

Source: RHTC estimates

For ISDN's consulting business, we assume an 80% business contribution to bottom line (taking reference from Hydro-Electric's circa 20% revenue contribution). Next, we apply the peer consultancy forward PE multiple (figure 5-4, row H) to 80% of FY27F net income (row I) to derive the implied consultancy value (row J).

Figure 5-3: Sum of the Parts Valuation

	SOTP	Low	Mid	High
G	Hydro Plant DCF SGD mil	88.3	111.4	145.8
H (from fig 5-4)	Consultancy Biz PE (x)	9.6	13.6	17.8
I	FY27F Net Income at 80% S\$ mil	14.5	14.5	14.5
J = HxI	Implied Consultancy Value S\$ mil	139.6	197.8	258.9
K = G+J	Implied valuation S\$ mil	227.9	309.2	404.7
L = K per shr	Implied shr price S\$	0.50	0.68	0.89
E (from fig 5-1)		0.77	0.77	0.77
M = avg (E,L)	Average TSR-SOTP	0.64	0.73	0.83

Source: RHTC estimates, figure 5-2, figure 5-4

Similar to our DCF approach using various key assumptions to give Low, Mid and High estimates, we take the same approach in using range of peer multiples from figure 5-4. Row K is the summation estimate of G+J and row L gives us the SOTP

estimates using this methodology, with ISDN Intrinsic Value ranging from S\$0.50 to a high of S\$0.89.

ISDN average Target Price of S\$0.73

Combining both approaches, TSR (IV of S\$0.78) and SOTP (IV of S\$0.68) Intrinsic Values, we averaged them to arrive at **ISDN's (average) Target Price of \$0.73 or potential +22% upside.**

Figure 5-4: Consultant comparables

Company	Ticker	Cons. Fwd P/E (x)	Trailing P/E (x)	EPS Growth (%)	PEG	Div Yield (%)	P/B (x)	FCF Yield (%)	ROE (%)	Mkt Cap (\$m)
Booz Allen Hamilton	NYSE:BAH	16.5x	11.6x	3.4%	4.9	3.2%	7.6x			12,400
Science Applications Intl	NASDAQ:SAIC	10.7x	15.1x	6.8%	1.6	1.1%	3.8x	8.0%	23.3%	6,391
CACI International	NYSE:CACI	17.8x	25.7x	12.8%	1.4	-	3.1x		13.1%	17,372
Leidos Holdings	NYSE:LDOS	9.6x	12.0x	3.4%	2.8	1.4%	3.1x		29.5%	21,670
Accenture	NYSE:ACN	12.4x	14.7x	7.2%	1.7	3.7%	3.6x		27.0%	155,128
Jacobs Solutions	NYSE:J	17.0x	47.1x	18.8%	0.9	1.0%	5.1x			19,000
ICF International	NASDAQ:ICFI	11.3x	17.8x	5.0%	2.3	0.7%	1.5x			2,058
Peer AVERAGE		13.6x	20.6x	0.1x	2.2x	0.0x	4.0x	0.1x	0.2x	18,186
Peer MEDIAN		11.9x	16.5x	7.0%	1.64	1.1%	3.4x	8.0%	25.2%	18,186

Source: BBG, Yahoo Finance, CNBC

Figure 5-4 above, shows how we derive the consultant peer group's average forward PE of 13.6x, as well as the high and low of the group's range (yellow highlights) to derive figure 5-3 average SOTP described earlier.

5.3 Relative value comparisons

Having obtained ISDN's intrinsic value, we assess its relative value vs its peers as shown in Figure 5-5 and 5-6.

Figure 5-5: Industrial Automation comparables

Company	Ticker	Cons. Fwd P/E (x)	Trailing P/E (x)	EPS Growth (%)	PEG	Div Yield (%)	P/B (x)	ROE (%)	Mkt Cap (\$m)
ISDN Holdings	SGX:I07	15.6x	30.0x	5.6%	0.20	1.6%	1.0x	6.6%	270
AEM Holdings ‡	SGX:AWX	27.1x	65.3x	237.1%	0.11	0.4%	5.5x	8.7%	2,953
UMS Integration ‡	SGX:558	25.6x	40.6x	31.5%	0.81	1.9%	5.0x	9.7%	2,237
Frencken Group	SGX:E28	19.3x	26.6x	10.9%	1.77	1.2%	2.3x	9.0%	1,127
CSE Global	SGX:544	15.5x	24.5x	16.0%	0.97	2.0%	3.0x		882
Tai Sin Electric	SGX:500	6.9x	11.0x	208.4%	0.03	4.6%	1.5x	11.1%	237
Nordic Group	SGX:MR7	9.8x	10.4x	8.9%	1.10	3.7%	1.1x	14.0%	215
Ever Glory United	SGX:ZKX	11.2x	13.9x	37.3%	0.30	2.2%	5.5x		396
Peer AVG excl ISDN		16.5x	27.5x	78.6%	0.21	2.3%	3.4x	10.5%	1,150

Source: BBG, CNBC, RHTC estimates

The industrial automation peer average (fig 5-5) is 16.5x forward PE, slightly more expensive than ISDN currently at 15.6x.

Figure 5-6: Hydro-developers peer group

Company	Ticker	Cons. Fwd P/E (x)	Trailing P/E (x)	EPS Growth (%)	PEG	Div Yield (%)	P/B (x)	ROE (%)	Mkt Cap (\$m)
China Yangtze Power	SHSE:600900	17.6x	19.4x	7.5%	2.35	6.1%	3.2x	12.0%	131,667
Meridian Energy	NZX:MEL	41.0x	108.0x	27.3%	1.50	4.3%	1.4x	(1.2%)	10,224
SDIC Power Holdings	SHSE:600886	15.5x	16.6x	3.3%	4.75	3.5%	1.6x		21,824
Contact Energy	NZX:CEN	20.2x	20.8x	(2.1%)	nm	4.6%	1.8x		6,699
Peer AVERAGE		25.6x	48.5x	9.5%	3.13	4.1%	1.6x	(1.2%)	12,916
Peer MEDIAN		20.2x	20.8x	3.3%	3.13	4.3%	1.6x	(1.2%)	10,224

Source: BBG, CNBC, RHTC estimates

Fig 5-6 average Hydro-peers shows 25.6x forward PE. For relative comparisons, we apply 0.2xHydro (medium term expect Hydro to account for 20% of ISDN's revenue portfolio) and 0.8xConsultant to arrive at comparables FY26F PE of 16x ($=0.2 \times 25.6 + 0.8 \times 13.6$).

Figure 5-7: ISDN relative comps

# Source	Industry Valuation	2026F P/E(X)	2026F PEG	2026F DY(%)
A	ISDN	15.6	0.2	1.6%
B Fig 5-5	Automation peers	16.5	0.2	2.3%
C Fig 5-6 (Hydro) Fig 5-4 (Consult)	Consultant/Hydro comp (0.8xCGA + 0.2xHDGA)	16.0	2.4	2.1%
D = Avg (B + C)	Peer Average	16.2	1.3	2.2%
E = A/D-1	% ISDN / Avg.	-4%	-82%	-27%

Source: BBG, CNBC, RHTC estimates

Figure 5-7 provides peer relative valuations that take into account Automation peers as well as competitors in Consultancy and Hydro-electric industries. RHTC assumes a mid-term 20% Hydro portfolio for ISDN and residual 80% as consultancy for the purpose of this exercise. We find that ISDN at current valuations is at a 4% PE, 82% PEG and 27% dividend yield discount respectively.

5.4 Relative valuations to STI

ISDN currently trades, at 24% PE, 88.7% PEG, 46.4% PB, 72.2% EV/EBITDA and ~55% dividend yield discount respectively to STI index valuations (at 5,730) in figure 5-8.

This could be justified by ISDN's significantly lower ROE of only 6.36% (vs STI at 10.25%) due to its low-margin consultancy business model. However, as management has begun diversifying its income stream into higher margin Hydro-electric portfolio, we do expect this ROE gap to narrow going forward, and in turn narrow the relative discount to STI valuations.

Figure 5-8: ISDN relative to STI

	FY26F PE	FY26F growth	PEG	FY26F PB	Implied ROE	Div Yield	EV/EBITDA
STI @5,730	20.5	10%	2.05	1.86	10.25%	3.57%	7.1-8.8 (ex-FI)
ISDN @ \$0.595	15.6	154.9%	0.23	1.00	6.36%	5.77%	2.20
(Discount) / Premium	-24.0%	1449%	-88.7%	-46.4%	-37.9%	61.8%	-72.2%
ISDN IV/TP							
0.73	19.1		0.12	1.21		1.32%	2.7
(Discount) / Premium	-6.7%		-94.0%	-34.6%		-63.0%	-66.4%

Source: RHTC estimates, BBG

At our estimated Intrinsic Value/Target Price of S\$0.73 (fig 5-8), ISDN's PE of 19.1x implies PEG at 0.12 is still at a massive 94% discount to STI. On an EV/EBITDA basis at 2.7x, it is still below STI's lower range at 7.1x and 66% below its average of 7.9x.

5.5 Risks to Valuations

Risks to RHTC's views and intrinsic value/price target:

1. Better/worse execution in pursuing new market shares that would pose an upside/downside risk to our estimates and valuation.
2. Faster/slower-than-expected organic growth would pose an upside/downside risk to our estimates and valuation.
3. Worse-than-expected impact of El Niño leading to dry weather conditions and inability of Hydropower plants to function.
4. A better/worse-than-expected macro/trade environment that may provide upside/downside risk to growth across business lines.

Valuation Method and Risk Statement

A large proportion of ISDN customers are in the technology sector which entails above-average risk. Furthermore, given the macro slowdown in China (where ISDN generates over 60% of revenue), RHTC's forecasts for future earnings risk being overly optimistic.

ISDN's price target is based on the average of our FY27F TSR and SOTP valuations. Risks include the pace of macro recovery, competition, traction of growth initiatives and the use of AI by competitors for automation and consulting.

Intrinsic Value is based on 2027E forecasts. We view the derived intrinsic value/target price as fair, given that macro and geopolitical uncertainty could fuel further downward estimate revisions.

Our Intrinsic Value/Price target is based on Total Shareholder Return framework with 1-year holding period premised on our FY27 estimates. Similarly for our SOTP it is based on our assumptions for Hydro-DCF projections and our estimates for ISDN's proportion of consulting income.

Risks:

- Greater than expected slowdown in China macro
- Weaker-than-expected global macro/trade environment
- SME cyclicality
- Potential asset nationalization / re-negotiation of Indonesian Hydro PPA

6. ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

ISDN publishes an ESG report that follows the HKEX ESG Reporting Guide and GRI, with TCFD-style climate disclosures. The main E-positive is its Indonesian mini-hydropower portfolio: 24.6 MW in operation, rising to 44.6 MW when the two plants under construction are finished. RHTC estimates renewables at this level will contribute about 30% of net profit by FY27, up from about 12% in FY25. The group reports Scope 1, 2 and 3 emissions, has a Scope 1+2 intensity target for FY2030, and publishes safety, staff turnover and training data. Overall, the ESG profile is improving. The main points to watch are how meaningful the targets are and the site-level risks at the hydro plants.

Figure 6-1: Key ESG Metrics (FY2025)

Metric	FY2025	FY2024	Observation
Scope 1 GHG (tCO ₂ e)	955.4	916.5	+4.2% YoY
Scope 2 GHG, location-based (tCO ₂ e)	2,017.1	1,915.9	+5.3% YoY
Scope 1+2 intensity (tCO ₂ e / S\$m revenue)	6.75	7.61	FY30 target: 7.9
Scope 3 GHG (tCO ₂ e)	29,589.5	155.3	Wider boundary; 126.1 on the FY24 basis
Employees	1,366	n.a.	
Gender ratio (M:F)	69:31	68:32	Target: 65:35
Employee turnover	15.8%	18.9%	Target: ~16%
Work-related fatalities	0	0	None since FY2018
Lost days due to work injury	114 (4 cases)	191	FY23: 46
Average training hours per employee	1.5	n.a.	Senior management: 0.6
Whistleblowing reports received	0	n.a.	

Source: ISDN Annual Report 2025 (ESG Report)

Environmental (E)

The renewable-energy segment was set up in 2017 to benefit from Indonesia's energy-transition policy. The three operating mini-hydropower plants earned S\$9.5m of revenue in FY25 at a reported margin of about 91.5%. The acquisition of a majority stake in PT Funda Konstruksi Engineering gives the group in-house

engineering, procurement, construction, operation and maintenance capability across the hydro value chain. Most of the group's own emissions are Scope 2, from purchased electricity. Its PRC manufacturing sites manage VOCs, wastewater, solid waste and noise under the national discharge standards. Management targets carbon neutrality by 2060 and a 30% cut in Scope 1+2 intensity by FY2030 from the FY2022 base (11.3 tCO₂e per S\$m, falling to 7.9). By its own admission, the group has not yet formalised a transition plan with a quantified net-zero roadmap.

Social (S)

The group had 1,366 employees in FY25. Turnover fell to 15.8% from 18.9%, and the gender ratio was 69:31 against a target of 65:35. There have been no work-related fatalities since FY2018. In FY25 there were four work injuries with 114 lost days, down from 191 in FY24 but up from 46 in FY23. The group targets zero work injuries within five years. Equal-opportunity and fair-pay policies are in place, and the group complied with Singapore labour law (Employment Act, CPF Act, EFMA) and PRC work-injury regulations.

Governance (G)

The group's reporting follows the HKEX ESG Reporting Guide and GRI, and it complies with anti-bribery law in Singapore (Prevention of Corruption-PCA) and Hong Kong (Prevention of Bribery Ordinance-POBO). Whistleblowing reports go to the Audit Committee, which protects whistleblowers' confidentiality; none were received in FY25. The group reported no significant interested-person transactions in FY25. Climate factors are not reflected in remuneration, and the group has no internal carbon price and no plans to adopt one. The dual SGX and HKEX listing means it follows both governance codes. Section 4 (Executive Management Team) covers board composition and ownership.

APPENDIX

A-1 SWOT ANALYSIS

Strengths	• Diverse customer base with over 10k enterprise customers, with top 5 customers accounting for <30% of portfolio • Hydro-electric as a growing and significant contributor to ISDN's portfolio
Weaknesses	Low margin business makes ISDN susceptible to unexpected cost increases e.g. higher interest rates, input prices
Opportunities	• Acceleration in China's economic growth (ISDN's largest market) as supported by Central government's policies • Structural hydro-electric growth trends in SEA present an opportunity for ISDN given its track record
Threats	• Potential Indonesian government seizure / amending payment agreements from Hydro-electric projects • Improving AI could empower competitors in automation sector that could erode ISDN's advantages

A-2 Tables & Charts

pg	Figure #	Description
3	ES-1	Total Shareholder Return (TSR)
4	ES-2	Sum of the Parts Valuation
6	2-1	Revenue makeup
7	2-2	Understanding the segment mix
8	2-3	Business Model
8	2-4	Capital Utilisation
9	2-5	Competitive landscape by sub-industry
10	2-6	ISDN Hydro installed capacity
11	2-7	Risks and sensitivities
12	2-8	ISDN Revenue and PATMI
12	2-9	Quarterly revenue & Net Profit shows sign of turnaround
13	2-10	1H2026 results snapshot
14	3-1	Chinese consumers reluctant to spend
17	4-1	Board of Directors (post-AGM, 30 April 2026)
18	4-2	Key Management
19	4-3	Shareholding & Alignment
20	5-1	: Total Shareholder Return – Intrinsic Value S\$0.78
21	5-2	Sensitivity of Equity Value attributable to ISDN (S\$ mil)
21	5-3	Sum of the Parts Valuation
22	5-4	Consultant comparables
23	5-5	Industrial Automation comparables
23	5-6	Hydro-developers peer group
24	5-7	ISDN relative comps
25	5-8	ISDN relative to STI
27	6-1	Key ESG Metrics (FY2025)

A-3 Disclosures/Disclaimers

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