

Singapore

**NON RATED**


Current price:	S\$0.36
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	ISOT.SI
Bloomberg:	ISO SP
Market cap:	US\$75.74m
	US\$101.2m
Average daily turnover:	US\$0.05m
	S\$0.06m
Current shares o/s:	285.1m
Free float:	44.3%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	4.4	0
Relative (%)	3	5.7	-6.2

Major shareholders	% held
Add Investment	42.1
Nippon Paint Singapore	5.6
Cheng Lian Ng	2.7

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**Analyst(s)**


**NGOH Yi Sin**  
 T (65) 6210 8604  
 E yisin.ngoh@cgs-cimb.com

# ISOTeam Ltd

## Shaping Singapore's landscape

- Operates in building maintenance and estate upgrading industry.
- ISOTeam sees itself as a potential beneficiary of refurbishment initiatives, improved property sentiment and national push towards greener environment.
- Has market leadership in both R&R and A&A public sector, but also diversifying into private sector, other regional markets and commercialising green solutions.
- Current S\$133m order book is highest to date; management expects stronger 4QFY18F from bigger projects and potential one-off gains.
- Based on Bloomberg consensus, the stock currently trades at 10x 12M forward P/E and offers 2% dividend yield.

### Singapore's natural ally

Backed by a 20-year track record, ISOTeam is one of Singapore's most experienced facilities management specialists. With the Housing Development Board (HDB) expecting over 139k homes to benefit from the home improvement programme (HIP) according to press reports, management sees opportunities for further contract wins given its leading market share in repairs & redecoration (R&R; c.20%) and addition & alteration (A&A; c.30%) of the public landscape, in terms of overall revenue.

### Highest order book to-date

After including the S\$52.6m order wins announced on 24 May 2018, ISOTeam's order book increases 62% to S\$133m, of which 47% stems from public projects (vs. over 80% historically) and reflects its diversification into the private sector. The order book is also at its highest over the past three years (average: S\$91.5m, see Figure 5). While 9M18 PATMI (-23.5% yoy) suffered from project delays and price competition, management expects a stronger 4QFY18 from larger, higher-margin projects.

### One-off gains to boost FY18F net profit, according to management

The group announced a 34.1% stake sale of its mechanical & electrical (M&E) arm to Japan's Taisei Oncho (1904 JP, Not rated) in Feb 2018. Apart from recognising c.S\$1m divestment gains, management believes ISOTeam will also be able to leverage their M&E expertise and network for the next phase of growth. Management estimates a S\$2m-3m gain and rental cost savings in 4QFY18F from the completed sale and relocation of corporate headquarters in Mar 2018.

### Going green, going regional

ISOTeam's pursuit of complementary capabilities has helped mitigate the slower R&R project roll-out in recent years, according to management. It has added solutions for landscaping, odour removal and waterproofing, to tap customers' preference shifts and national push towards a greener and more ecofriendly environment. The group also made headway in its overseas ventures, having completed and secured painting and cleaning contracts in Myanmar and Malaysia since 2016.

### Offers c.2% yield and recurring business

Based on Bloomberg consensus, the stock currently trades at 10x 12M forward P/E. It also offers c.2% dividend yield. According to management, ISOTeam operates on a business model that is relatively resilient to economic cycles but dependent on foreign labour and subcontractors.

**Financial Summary**

FYE June (S\$m)	FY15	FY16	FY17	9MFY17	9MFY18
Revenue	81.7	94.1	82.9	61.2	63.6
Operating EBITDA	12.3	13.9	11.9	8.0	6.4
Recurring Net Profit	8.1	9.2	6.4	5.1	3.9
Core EPS (Scts)	3.2	3.2	2.3	1.8	1.4
Core EPS Growth (%)	na	0%	-30%	na	-24%
FD Core P/E <sup>^</sup> (x)	11.2	11.1	15.9	15.1	19.8
DPS (Scts)	1.15	0.75	0.65	-	-
Dividend Yield (%)	3.2%	2.1%	1.8%	-	-
Net Gearing (%)	-60.3%	-48.1%	10.2%	-16.9%	18.0%
P/BV (x)	2.2	1.9	1.7	1.8	1.7
Recurring ROE <sup>^</sup> (%)	17.5%	17.3%	11.2%	11.9%	8.6%

<sup>^</sup>Annualised P/E and ROE for 9M data

SOURCE: COMPANY DATA, CGS-CIMB

# Shaping Singapore's landscape

## Background ▶

Established since 1998 and based in Singapore, ISOTeam operates four main segments:

- **Repairs and redecoration (R&R)** – recurring business of non-structural construction, improvement and routine maintenance. The group has completed 322 public housing and 962 private residential R&R projects to date;
- **Addition and alteration (A&A)** – involves structural and general building works. This includes the Neighbourhood Renewal Programme (NRP), Hawker Upgrading Programme (HUP) and Estate Upgrading Programme (EUP). The group has also completed 21 NRP projects, 37 markets and food centres for HUP and R&R projects to date;
- **Coating & Painting (C&P)** – refers to coating and painting across industrial, commercial and residential segments; and
- **Others** – commercial interior designs, home retrofitting business, landscaping works, leasing service, waterproofing, green solutions business, mechanical & electrical engineering works, and handyman services.

**Figure 1: ISOTeam has broadened its capabilities over the years through both organic and inorganic initiatives**



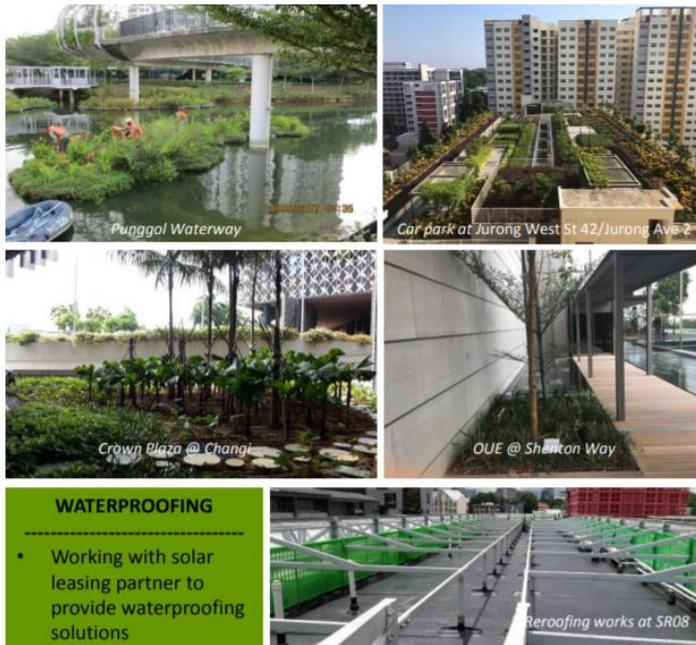
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Going green with landscaping and waterproofing solutions**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Going green with landscaping and waterproofing solutions**

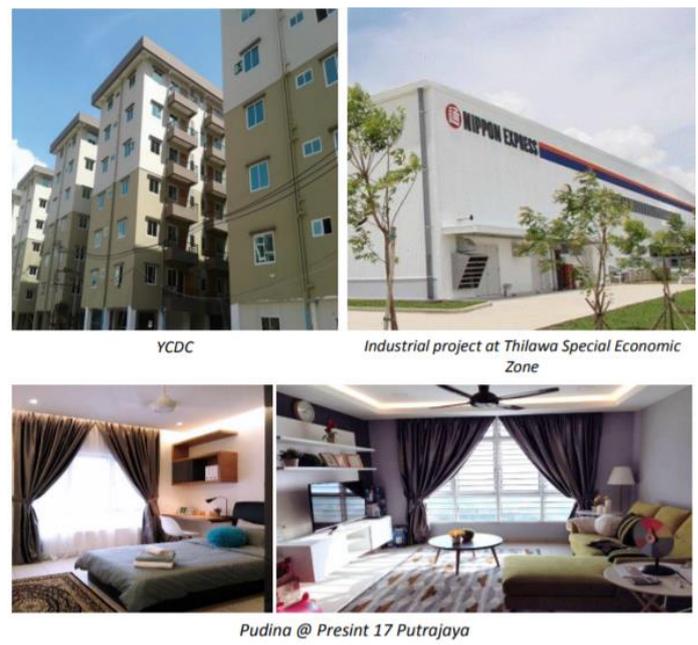


**WATERPROOFING**

- Working with solar leasing partner to provide waterproofing solutions

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: Gaining traction in Myanmar and Malaysia**



YCDC Industrial project at Thilawa Special Economic Zone

Pudina @ Presint 17 Putrajaya

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

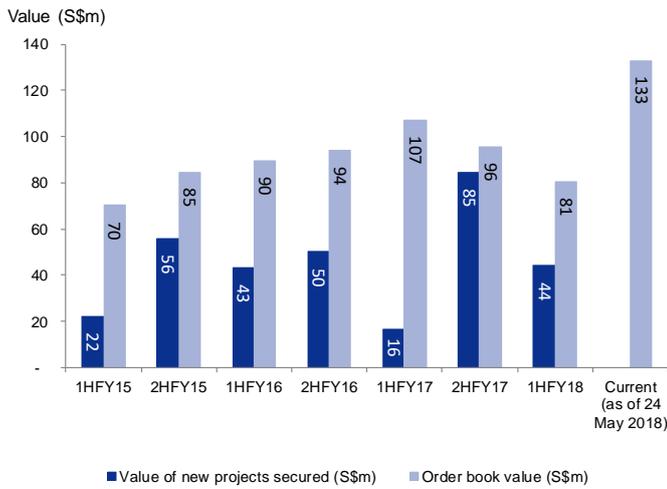
### Industry outlook >

With the broad service and product offerings that ISOTeam has, management believes it is well-poised to ride favourable regulatory stipulations, as well as increasing national push towards more eco-conscious living.

- According to the Building Maintenance and Strata Management Act 2004, building owners are required to repaint the external walls at an interval of not more than 5 years. This market represents a stable and recurring demand for building maintenance and estate upgrading companies like ISOTeam.
- The Building and Construction Authority (“BCA”) expects a higher number of public projects in 2018F, valued at S\$16bn-19bn, vs. S\$15.5bn in 2017. Construction demand in the private sector is also estimated to improve from S\$9bn last year, to S\$10bn-12bn in 2018. Such growth is likely to stem from public works and en bloc projects. In the medium term, BCA projects construction demand to reach between S\$26bn and S\$33bn per year for 2019F and 2020F, and between S\$28bn and S\$35bn per year for 2021F and 2022F.
- The BCA also aims to turn 80% of Singapore’s buildings green by 2030F. Apart from selling and distributing green products such as composite timber and thermal plaster, ISOTeam will also be able to export its eco-conscious solutions for building and estate-upgrading projects.
- Launched since Jul 2012, the Home Improvement Programme (HIP) seeks to rectify common maintenance issues related to ageing flats. More than 139k homes are currently in the HIP pipeline, according to press reports.
- The Neighbourhood Renewal Programme (NRP) was introduced in Aug 2007, and focuses on block and precinct improvements, covering a larger area of 2 or more neighbouring precincts. Other national refurbishment and upgrading initiatives include the Hawker Upgrading Programme (HUP) and Estate Upgrading Programme (EUP).
- Under the SolarNova programme, which recently completed its third tender, the HDB seeks to roll out 220MWp of solar panels across 5,500 HDB blocks by 2020F. ISOTeam secured its third and single largest renewable energy installation project in early-2017. Industry players expect more of such tenders, to which management believes its growing track record will be beneficial.

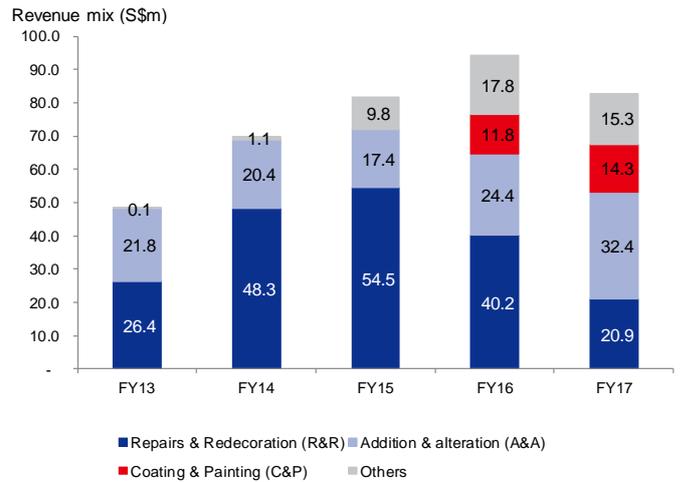
## Financial Highlights ➤

**Figure 5: Orderbook trend (\$S\$m) - usually recognised over a two-year period**



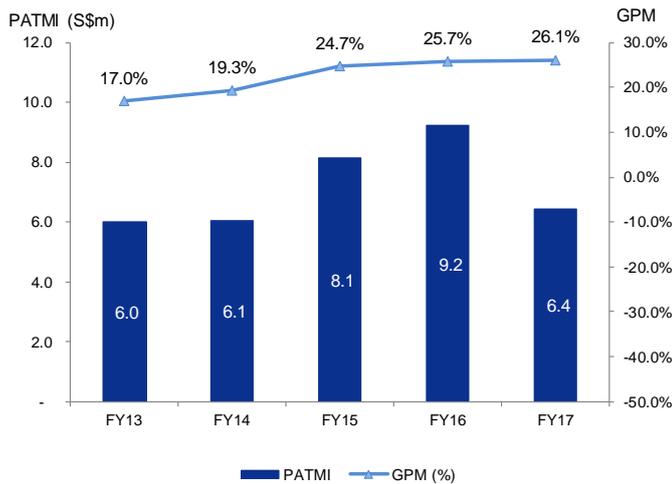
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: FY13-17 revenue mix**



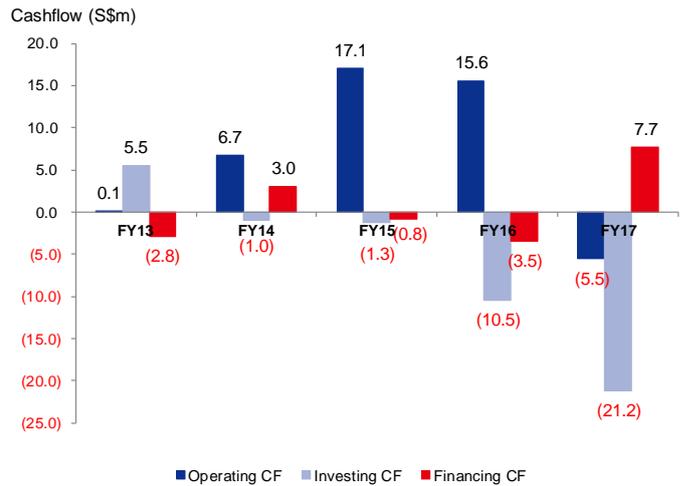
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: Financial snapshot**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Largely positive FCF, except for FY17 when there was higher inventory and property purchase**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: Peers Comparison (based on Bloomberg consensus estimates)**

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY2017	P/E (x) CY2018	3-year EPS CAGR (%)	P/BV (x) CY2017	P/BV (x) CY2018	Recurring ROE (%) CY2017	Recurring ROE (%) CY2018	Dividend Yield (%) CY2017	Dividend Yield (%) CY2018
Advancer Global Ltd	ADGL SP	Not rated	0.31	na	43	18.3	na	na	2.7	na	16.4%	na	1.6%	na
ISOTEAM LTD	ISO SP	Not rated	0.36	na	77	15.9	10.0	8.4%	1.1	0.7	13.3%	15.5%	1.7%	1.9%
Acromec Ltd	ACRO SP	Not rated	0.20	na	21	na	na	na	na	na	na	na	na	na
<b>Simple average</b>						<b>17.1</b>	<b>10.0</b>	<b>8.4%</b>	<b>1.1</b>	<b>0.7</b>	<b>13.3%</b>	<b>15.5%</b>	<b>1.7%</b>	<b>1.9%</b>

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG (As of 11 June 2018)

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2018		
1275 companies under coverage for quarter ended on 31 March 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

#### Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** – Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** – Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Good, n/a, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

#### Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

## Recommendation Framework

### Stock Ratings

Definition:

- Add The stock's total return is expected to exceed 10% over the next 12 months.
- Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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