

ISOTeam Ltd

14 Feb 2025

BUY (Maintained)

BBG	ISO SP
Market Cap	S\$49.5m
Price (14 Feb 2025)	S\$0.070
52-week range	S\$0.033-0.071
Target Price	S\$0.091
Previous Price	S\$0.084
Shares Outstanding	707.2m
Free Float	69.1%
Major Shareholder	ADD Investment Holding Pte Ltd 19.9% Taisei Oncho Co Ltd 8.8%

Source: Company Data, Bloomberg, SAC Capital



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KEY FINANCIAL HIGHLIGHTS

Year ended Jun (S\$'m)

	FY23	FY24	FY25E	FY26E	FY27E
Revenue	110.4	130.2	135.0	151.2	169.3
EBIT	2.6	9.2	8.4	11.4	14.0
Net profit	1.1	6.6	7.2	8.8	11.3
EPS (S\$ cents)	0.3	0.95	1.01	1.25	1.59
EPS growth	n.a.	237.5%	7.0%	23.6%	27.5%
Dividend per share (S\$ cents)	-	0.08	0.30	0.37	0.48
Net cash / (debt)	(41.8)	(27.1)	(22.4)	(14.7)	(4.7)

Valuation

Gross profit margin (%)	10.0%	15.5%	16.5%	18.0%	19.0%
Net profit margin (%)	1.0%	5.1%	5.3%	5.8%	6.7%
EV/EBITDA (x)	14.6	6.1	6.5	4.5	3.1
P/E (x)	25.0	7.4	6.9	5.6	4.4
P/B (x)	0.9	1.1	1.0	0.9	0.8
Dividend yield (%)	-	1%	4%	5%	7%

1H2025: Riding the Infrastructure Boom

1H2025 results. 1H2025 results fell short of our expectations due to delays in some public sector contract awards, impacting near-term revenue recognition. Given these delays are likely to persist in the near term, we have revised our net income forecast for FY2025 and FY2026 downward by 15.8% and 23.2% respectively, reflecting a more measured pace of project execution. Nonetheless, strong government-driven infrastructure spending amid a volatile geopolitical backdrop favours ISOTeam's medium-term prospects.

In 1H2025, ISOTeam recorded revenue of S\$65.4m, reflecting a 4.2% yoy growth, largely driven by a 61.6% increase in the A&A segment which was partially offset by declines in the R&R and C&P segments by 28.5% and 2.0% respectively. Gross profit rose 18.4% yoy to S\$9.9m in 1H2025, with gross margins improving to 15.1% from 13.3% in 1H2024. Net profit grew 80.0% yoy to S\$2.3m, supported by operational improvements and cost efficiencies. The company remains financially stable, with a cash balance of \$9.9m and net gearing of 54.5%.

Investment Thesis. ISOTeam is a prominent player in the estate upgrading and building maintenance industry, with a strong record in government backed projects. With an order book standing at S\$188.7m, ISOTeam has secured revenue visibility until FY2029. Additionally, ISOTeam's push into AI-driven automation for façade maintenance and painting is anticipated to improve margins and operational efficiency.

Strong Industry Tailwinds The construction and maintenance sector in Singapore is poised for sustained growth, driven by government-led infrastructure initiatives and urban renewal projects. The Building Construction Authority projects S\$47b to S\$53b in construction contracts for 2025, supported by major developments such as public housing upgrades, including the Home Improvement Programme (HIP) and Green Town Programmed targeting sustainability enhancements, expansion of transport infrastructure, commercial and mixed-use property developments.

Risks. ISOTeam faces cost inflation pressures from labor and material expenses. However, its adoption of automation technologies and procurement strategies should mitigate some of these risks. Execution risks remain for large-scale projects, but ISOTeam's proven track record in delivering government contracts should help navigate such challenges. Competitive pressures in tender pricing could limit margin expansion, but increasingly tenders are being awarded not based on lowest price but those with good track records such as ISOTeam.

Maintain BUY at revised TP of S\$0.091. This is derived based on ISOTeam's forward EPS against the average PER of 8.0x of its peers. Despite the downward revisions in net profit estimates, the valuation multiples of comparable companies have expanded from 5.5x to 8.0x, driving our TP higher to S\$0.091. This represents a 30.0% upside from current levels.

Income Statement

FYE Jun (S\$'m)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	110.4	130.2	135.0	148.5	169.9
Cost of sales	(99.3)	(110.0)	(112.7)	(121.8)	(137.6)
Gross profit	11.1	20.2	22.3	26.7	32.3
Other income	4.6	5.7	3.5	3.8	4.4
Marketing and Distribution expenses	(0.8)	(0.7)	(1.2)	(1.3)	(1.5)
General and Administrative expenses	(11.3)	(13.2)	(15.4)	(16.9)	(19.3)
Finance costs	(2.3)	(2.5)	(1.1)	(0.8)	(0.5)
Impairment loss on receivables and contract assets	(0.6)	(1.7)	(0.7)	(0.8)	(0.9)
Other operating expenses	(0.2)	(0.5)	0.0	(0.3)	(0.8)
Share of results of associate	-	-	-	-	-
Profit before tax	0.5	7.3	7.4	10.4	13.6
Tax Credit / (Loss)	0.7	(0.7)	(0.5)	(1.2)	(2.5)
Net income	1.1	6.6	7.2	9.7	11.3

Balance Sheet

FYE Jun (S\$'m)	FY23	FY24	FY25E	FY26E	FY27E
Property, plant and equipment	21.5	20.0	18.5	16.9	15.1
Goodwill	1.7	1.7	1.7	1.7	1.7
Intangible assets	0.2	0.1	0.1	0.1	0.1
Other investments	3.5	4.7	4.7	4.7	4.7
Investment in associate	-	-	-	-	-
Deferred tax assets	1.1	0.8	0.8	0.8	0.8
Total non-current assets	28.0	27.3	25.8	24.2	22.4
Contract assets	36.1	42.2	41.5	40.8	39.9
Asset held for sale	-	-	-	-	-
Inventories	0.2	-	0.3	0.3	0.3
Trade and other receivables	29.9	27.9	33.7	37.1	42.4
Cash and bank balances	6.8	10.9	8.4	9.3	11.5
Tax recoverable	0.1	0.0	0.0	0.0	0.0
Total current assets	73.0	81.0	83.9	87.4	94.1
Total assets	101.0	108.3	109.7	111.6	116.5
Non-current liabilities					
Borrowings	13.5	10.1	9.1	8.1	7.1
Deferred tax liabilities	0.1	0.1	0.1	0.1	0.1
Lease liabilities	3.3	2.6	2.6	2.1	1.9
Total non-current liabilities	17.0	12.8	11.8	10.3	9.1
Contract liabilities	2.3	1.6	1.6	1.6	1.6
Trade and other payables	24.3	25.4	27.4	29.6	33.5
Borrowings	30.6	24.1	18.1	12.0	6.0
Lease liabilities	1.2	1.2	1.0	0.8	0.6
Provision for taxation	0.0	0.3	0.3	0.3	0.3
Total current liabilities	58.4	52.7	48.4	44.4	42.0
Total liabilities	75.3	65.4	60.2	54.7	51.1
Net assets	25.7	42.9	49.5	57.0	65.4
Share capital	43.7	54.3	54.3	54.3	54.3
Treasury shares	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Accumulated (losses)/profits	(10.6)	(4.0)	2.5	10.1	18.5
Foreign currency translation reserve	0.0	0.0	0.0	0.0	0.0
Merger reserve	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)
Other reserves	0.0	0.1	0.1	0.1	0.1
Equity attributable to equity holders of the Company	25.8	42.9	49.5	57.0	65.4
Non-controlling interests	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Total equity	25.7	42.9	49.5	57.0	65.4

Cash Flow Statement

FYE Jun (S\$'m)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from operating activities					
Profit/(loss) before tax	0.5	7.3	7.4	10.4	13.6
Adjustments for:					
Amortisation and Depreciation	3.7	3.2	2.7	3.0	3.4
Gains and Losses on Disposal	(2.5)	(3.3)	0.0	0.0	0.0
Impairments and Write-offs	0.7	1.9	0.7	0.8	0.9
Interest income	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)
Interest expense	2.2	2.2	1.1	0.8	0.5
Investments and Equity	0.1	0.3	0.0	0.0	0.0
Other adjustments	0.0	(1.2)	1.4	(2.2)	(1.7)
Operating profit/loss	4.7	10.1	13.3	12.6	16.6
Changes in working capital	(14.8)	(4.1)	(3.4)	(0.4)	(0.7)
Cash used in operations	(10.1)	6.0	9.9	12.2	15.9
Interest received	0.1	0.3	0.1	0.1	0.1
Tax paid	(0.0)	(0.0)	(0.3)	(0.8)	(2.3)
Net cash used in operating activities	(10.0)	6.2	9.7	11.6	13.7
Cash flows from investing activities					
Additions to intangible assets	(0.1)	(0.0)	0.0	0.0	0.0
Purchases of property, plant and equipment	(1.1)	(1.0)	(1.2)	(1.4)	(1.6)
Proceeds from disposal of investment property	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of property, plant and equipment and asset held for sale	0.1	0.1	0.0	0.0	0.0
Proceeds from disposal of other investments	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of associates	0.0	0.0	0.0	0.0	0.0
Net cash inflow from disposal and derecognition of subsidiaries	0.0	(0.0)	0.0	0.0	0.0
Net cash outflow for acquisition of a subsidiary	0.0	0.0	0.0	0.0	0.0
Net cash generated from investing activities	(1.1)	(0.9)	(1.2)	(1.4)	(1.6)
Cash flows from financing activities					
Proceeds from issue of share capital	0.0	10.4	0.0	0.0	0.0
Transaction costs related to issue of share capital	0.0	(0.1)	0.0	0.0	0.0
(Placement)/withdrawal of fixed deposits pledged to bank	(2.5)	1.0	0.0	0.0	0.0
Drawdown of borrowings	43.7	49.7	0.0	0.0	0.0
Repayment of borrowings	(41.1)	(56.7)	(7.0)	(7.0)	(7.0)
Repayment of lease liabilities	(1.3)	(1.4)	(0.2)	(0.2)	(0.2)
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0
Due to directors (non-trade)	0.1	(0.2)	0.0	0.0	0.0
Interest paid	(2.1)	(2.2)	0.1	0.1	0.1
Dividends paid to equity owners	0.0	0.0	(0.6)	(2.1)	(2.9)
Net cash used in financing activities	(3.2)	0.5	(7.7)	(9.3)	(10.0)
Net (decrease)/increase in cash and cash equivalents	(14.3)	5.8	0.8	0.9	2.2
Cash and cash equivalents at beginning of financial year	16.1	1.8	7.6	8.4	9.3
Cash and cash equivalents at end of financial year	1.8	7.6	8.4	9.3	11.5

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