

# ISOTeam Ltd

8 Apr 2025

## BUY (Maintained)

|                    |  |
|--------------------|--|
| BBG                | ISO SP   |
| Market Cap         | S\$44.6m   |
| Price (8 Apr 2025) | S\$0.063   |
| 52-week range      | S\$0.038-0.081   |
| Target Price       | S\$0.091   |
| Previous Price     | S\$0.084   |
| Shares Outstanding | 707.2m   |
| Free Float         | 67.6%  |
| Major Shareholder  | ADD Investment Holding Pte Ltd 19.9%<br>Taisei Oncho Co Ltd 8.8% |

Source: Company Data, Bloomberg, SAC Capital



Source: Bloomberg, SAC Capital

## ANALYST

Daniel Ng  
+65 9382 9657  
[dng@saccapital.com.sg](mailto:dng@saccapital.com.sg)

## 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  |
| 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) |
| <b>Valuation</b>               |        |        |        |        |       |
| 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)                  | 13.8   | 5.7    | 6.0    | 4.1    | 2.8   |
| P/E (x)                        | 22.5   | 6.7    | 6.2    | 5.0    | 4.0   |
| P/B (x)                        | 0.9    | 1.0    | 0.9    | 0.8    | 0.7   |
| Dividend yield (%)             | -      | 1.3%   | 4.8%   | 6.0%   | 7.6%  |

## Beneficiary of Government Infrastructure Push

**Government Initiatives.** On 6 April 2025, Singapore's Minister for National Development announced a new wave of public housing upgrades under the Neighbourhood Renewal Programme (NRP) and Silver Upgrading Programme, aimed at enhancing the living environment for more than 36,000 HDB households across the island. The NRP alone will see 17 projects receiving a combined budget of S\$165 million, while the Silver Upgrading Programme will introduce senior-friendly improvements to 12 precincts, including features such as therapeutic gardens, fitness trails, and sheltered linkways. These initiatives reinforce the government's long-term commitment to rejuvenate older estates and its support for the ageing population in Singapore.

**Tailwinds for ISOTeam.** As one of the leading players in Singapore's estate upgrading and maintenance sector, ISOTeam Ltd. is well positioned to benefit from this ramp up in government infrastructure spending. As of its latest 1H2025 results, ISOTeam reported that its Addition & Alteration (A&A) segment, the division directly involved in NRP projects, accounted for 46.3% of its total revenue, a significant increase from 29.9% in the previous period. This growth was driven by stronger public sector activity and a healthy pipeline of new project wins. As of 7 February 2025, the Group's order book stands at approximately S\$188.7m, providing strong earnings visibility through FY2029. With its established track record in public sector refurbishment works, ISOTeam is well-positioned to capture the incremental contract flows arising from this latest wave of investment in the public housing sector. We have factored this uplift into our forecasts, in line with our earlier expectations of increased project rollouts by the government in the lead up to the upcoming general election. This momentum is further supported by Singapore's longstanding commitment to infrastructure investment as a form of pump-priming during periods of economic uncertainty, particularly in the face of renewed trade tensions and tariff-related headwinds.

**Recent Developments.** Recent developments further underscore the management's confidence in ISOTeam's long-term prospects and commitment to shareholder value. Notably, Executive Director and CEO, Mr Anthony Koh has recently in March made on market purchases of ISOTeam shares, a strong signal of his conviction in the Group's underlying fundamentals and growth potential. Moreover, the Group has also announced in February an enhanced dividend policy, targeting a minimum payout of 30% of its net profit after tax\*. Taken together, these actions reflect a high level of management conviction and provides investors with added confidence in ISOTeam's near to mid term outlook.

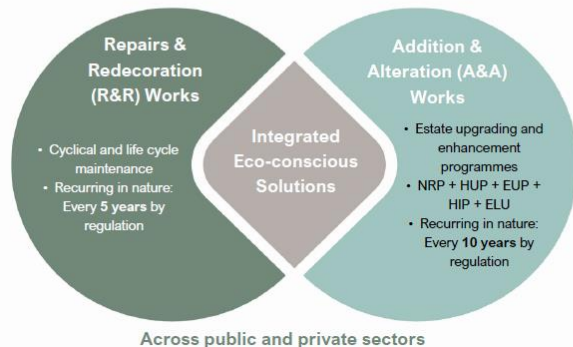
\*Excludes non-recurring, one-off and exceptional items

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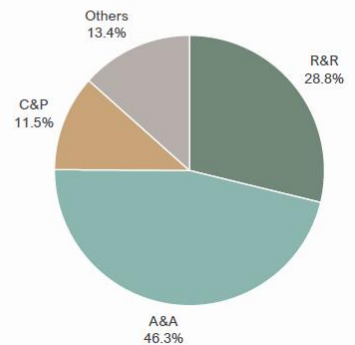
**Maintain BUY at TP of S\$0.091.** We maintain our BUY rating on ISOTeam with a target price of S\$0.091, based on ISOTeam's forward EPS against the average PER of 8.0x of its peers. This is supported by improved earnings visibility, a strong order book and ISOTeam's strategic alignment with ongoing government upgrading initiatives. The recent announcements under the Neighbourhood Renewal Programme and Silver Upgrading Programme are expected to drive sustained public sector demand, reinforcing ISOTeam's core revenue streams. Coupled with its ongoing investments in automation and operational efficiency, we remain optimistic about the Group's ability to deliver steady earnings growth and enhance shareholder value.

## Core Focus: R&R and A&A



> 900 projects  
> 7,500 buildings

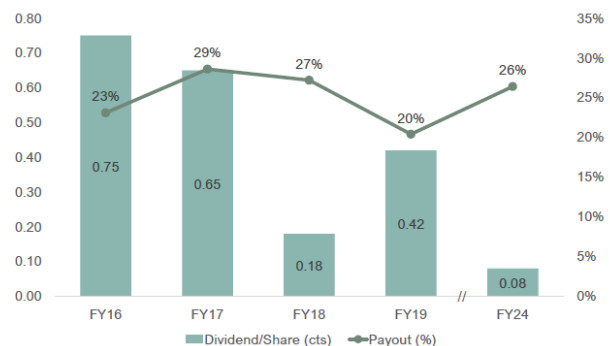
1HY2025 Revenue Mix



## Dividend Record

### Our Policy

- FY2016 – FY2019**  
Consistent dividend payout ratio mostly over 20.0% of NPAT
- FY2020 – FY2023**  
No dividends as business was affected by the pandemic
- FY2024**  
Dividend payout of at least 25% of NPAT<sup>#</sup>
- FY2025**  
Raised dividend policy to at least 30% of NPAT<sup>#</sup>



<sup>#</sup> NPAT excludes non-recurring, one-off and exceptional items for the financial year  
<sup>\*</sup> No Dividends were paid in FY2020 to FY2023 due to the Covid-19 pandemic and attributable net losses

## Income Statement

| FYE Jun (S\$'m)                                    | FY23         | FY24         | FY25E        | FY26E        | FY27E        |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                                     | <b>110.4</b> | <b>130.2</b> | <b>135.0</b> | <b>148.5</b> | <b>169.9</b> |
| Cost of sales                                      | (99.3)       | (110.0)      | (112.7)      | (121.8)      | (137.6)      |
| <b>Gross profit</b>                                | <b>11.1</b>  | <b>20.2</b>  | <b>22.3</b>  | <b>26.7</b>  | <b>32.3</b>  |
| 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                      | -            | -            | -            | -            | -            |
| <b>Profit before tax</b>                           | <b>0.5</b>   | <b>7.3</b>   | <b>7.4</b>   | <b>10.4</b>  | <b>13.6</b>  |
| Tax Credit / (Loss)                                | 0.7          | (0.7)        | (0.5)        | (1.2)        | (2.5)        |
| <b>Net income</b>                                  | <b>1.1</b>   | <b>6.6</b>   | <b>7.2</b>   | <b>9.7</b>   | <b>11.3</b>  |

## 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          |
| <b>Total non-current assets</b>                             | <b>28.0</b>  | <b>27.3</b>  | <b>25.8</b>  | <b>24.2</b>  | <b>22.4</b>  |
| 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          |
| <b>Total current assets</b>                                 | <b>73.0</b>  | <b>81.0</b>  | <b>83.9</b>  | <b>87.4</b>  | <b>94.1</b>  |
| <b>Total assets</b>   | <b>101.0</b> | <b>108.3</b> | <b>109.7</b> | <b>111.6</b> | <b>116.5</b> |
| 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          |
| <b>Total non-current liabilities</b>                        | <b>17.0</b>  | <b>12.8</b>  | <b>11.8</b>  | <b>10.3</b>  | <b>9.1</b>   |
| 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          |
| <b>Total current liabilities</b>                            | <b>58.4</b>  | <b>52.7</b>  | <b>48.4</b>  | <b>44.4</b>  | <b>42.0</b>  |
| <b>Total liabilities</b>                                    | <b>75.3</b>  | <b>65.4</b>  | <b>60.2</b>  | <b>54.7</b>  | <b>51.1</b>  |
| <b>Net assets</b>   | <b>25.7</b>  | <b>42.9</b>  | <b>49.5</b>  | <b>57.0</b>  | <b>65.4</b>  |
| 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          |
| <b>Equity attributable to equity holders of the Company</b> | <b>25.8</b>  | <b>42.9</b>  | <b>49.5</b>  | <b>57.0</b>  | <b>65.4</b>  |
| <b>Non-controlling interests</b>                            | <b>(0.1)</b> | <b>(0.0)</b> | <b>(0.0)</b> | <b>(0.0)</b> | <b>(0.0)</b> |
| <b>Total equity</b>   | <b>25.7</b>  | <b>42.9</b>  | <b>49.5</b>  | <b>57.0</b>  | <b>65.4</b>  |

## Cash Flow Statement

| FYE Jun (S\$'m)   | FY23          | FY24         | FY25E        | FY26E        | FY27E         |
|---|---------------|--------------|--------------|--------------|---------------|
| <b>Cash flows from operating activities</b>                                     |               |              |              |              |               |
| 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)         |
| <b>Net cash used in operating activities</b>                                    | <b>(10.0)</b> | <b>6.2</b>   | <b>9.7</b>   | <b>11.6</b>  | <b>13.7</b>   |
| <b>Cash flows from investing activities</b>                                     |               |              |              |              |               |
| 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           |
| <b>Net cash generated from investing activities</b>                             | <b>(1.1)</b>  | <b>(0.9)</b> | <b>(1.2)</b> | <b>(1.4)</b> | <b>(1.6)</b>  |
| <b>Cash flows from financing activities</b>                                     |               |              |              |              |               |
| 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)         |
| <b>Net cash used in financing activities</b>                                    | <b>(3.2)</b>  | <b>0.5</b>   | <b>(7.7)</b> | <b>(9.3)</b> | <b>(10.0)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                     | <b>(14.3)</b> | <b>5.8</b>   | <b>0.8</b>   | <b>0.9</b>   | <b>2.2</b>    |
| <b>Cash and cash equivalents at beginning of financial year</b>                 | <b>16.1</b>   | <b>1.8</b>   | <b>7.6</b>   | <b>8.4</b>   | <b>9.3</b>    |
| <b>Cash and cash equivalents at end of financial year</b>                       | <b>1.8</b>    | <b>7.6</b>   | <b>8.4</b>   | <b>9.3</b>   | <b>11.5</b>   |

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