

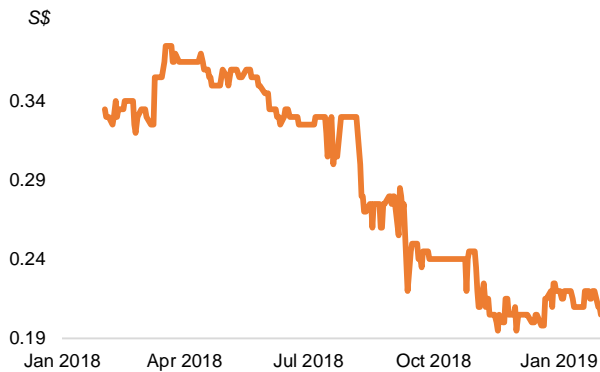
ISOTeam Ltd.

Date: 21 February 2019

Non-Rated

ISOTeam (5WF.SI)

Price: S\$0.205 (as at 20 February 2019)



Share price	1M	3M	6M	1Y
ISOTeam Ltd.	-6.8%	-14.6%	-37.9%	-37.9%
Catalist Index	-2.4%	-7.7%	-19.0%	-35.8%

Market capitalisation	S\$59.8 million
Current price	S\$0.205
Shares outstanding	284.62 million
Free Float	33.18%
Substantial shareholders	ADD Investment Holding 28.06% ⁽¹⁾
Recommendation of other brokers	1 Hold

Source: Annual Report, SGX StockFacts, Bloomberg, SAC Advisors

(1) Ng Cheng Lian, Koh Thong Huat and Foo Joon Lye hold the total issued share capital of ADD Investment Holding Pte. Ltd in equal proportion. Each of them is therefore deemed to be interested in all the shares in the capital of the Company held by ADD Investment Holding Pte. Ltd.

Analyst

Terence Chua

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Key Historical Financials

Year ended 30 June	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue (S\$)	69,852	81,652	94,149	82,922	83,801
% Growth	44.8%	16.9%	15.3%	-11.9%	1.1%
Gross profit (S\$)	13,499	20,153	24,156	21,636	14,887
Gross profit margin	19.3%	24.7%	25.7%	26.1%	17.8%
Profit/(loss) before tax (S\$)	6,710	9,519	10,291	6,995	262
Profit/(loss) before tax margin	9.6%	11.7%	10.9%	8.4%	0.3%
Profit/(loss) attributable to owners	6,056	8,124	9,227	6,447	1,889
EPS/(LPS) (Singapore cents)	5.19	3.23	3.23	2.27	0.66
P/E (x)	3.9	6.3	6.3	9.0	31.1
P/B (x)	2.3	1.3	1.1	1.0	0.9
Net Debt/Equity	Net cash	Net cash	Net cash	8.3%	24.5%

Source: Annual Report, SAC Advisors

Enhance, Create and Sustain

Fully integrated multi-disciplinary capabilities. ISOTeam Ltd. and together with its subsidiaries ("ISOTeam" or the "Group"), offers complete solutions for Singapore's "built environment". Through the years, they have developed multi-disciplinary capabilities to be a one-stop solution provider to their clients.

Demonstrated ability to cross-sell services. ISOTeam have won larger and higher profile projects within the private sector, by consolidating the Group's strength and abilities. This is useful in the management of a project that typically requires the expertise of various contractors. An example of this is the S\$46.5 million contract they won in FY2018 from a leading integrated resort group in Singapore.

ISOTeam's order book has hit a new high of S\$142.98 million, representing 170% of their FY18 revenue solidifying their turnaround following their recent contract wins from the Home Improvement Projects ("HIP"), R&R segment and the offshore floating solar panel system. The recent contract wins is an affirmation that management has taken heed of the challenges that they faced previously in the R&R segment and is looking to regain ground for the coming financial year and beyond.

Positive industry tailwinds. The Government recently announced the expansion of the HIP. The move will see an additional 230,000 more HDB households benefit from the HIP program. Sunseap, has also announced that it is building an offshore floating photovoltaic (PV) system in Singapore. The five-hectare development will be located north of Woodlands Waterfront Park, along the Straits of Johor. Once completed, the five megawatt peak (MWp) floating solar energy system will generate about 6,388 megawatt hour (MWh) of renewable energy annually.

Strong and expanding client relations. ISOTeam has a diverse clientele that include, amongst others, town councils, government bodies and more recently, private sector building owners where they are getting larger and more high profile projects.

Key risk: Uncertainty in job tendering.

Investment Highlights

Business Overview:

ISOTeam Ltd. is an established and leading player in Singapore's building maintenance and estate upgrading industry. The Group also offers a full range of services and solutions comprising specialist Coating & Painting ("C&P") services as well as complementary niche services

Fully integrated multi-disciplinary capabilities. ISOTeam offers complete solutions for Singapore's "built environment". Through the years, they have developed multi-disciplinary capabilities to be a one-stop solution provider to their clients, this strategy is especially given that this is what their customers are increasingly demanding. The Group's review of their operations have also convinced them on the importance of such a change in view of the increasingly competitive landscape and tightening margins. With a greater emphasis on quality and track record, projects are no longer assessed based on price alone, but on the basis of best value-for-money.

Demonstrated ability to cross-sell services. ISOTeam have won larger and higher profile projects within the private sector, by consolidating the Group's strength and abilities. This is useful in the management of a project that typically requires the expertise of various contractors. An example of this is the S\$46.5 million contract they won in FY2018 from a leading integrated resort group in Singapore. The project represented their biggest cross-selling project and required the deployment of almost all their capabilities.

ISOTeam's order book has hit a new high of S\$142.98 million, representing 170% of their FY18 revenue solidifying their turnaround following their recent contract wins from the HIP, R&R segment and the offshore floating solar panel system. The recent contract wins is an affirmation that management has taken heed of the challenges that they faced previously in the R&R segment and is looking to regain ground for the coming financial year and beyond. According to management, they have reviewed and revised their tendering strategt to be more competitive and to secure more R&R projects to maintain their market share. The management also expect that most of the contracts in their order book is expected to be progressively recognised over the next two years.

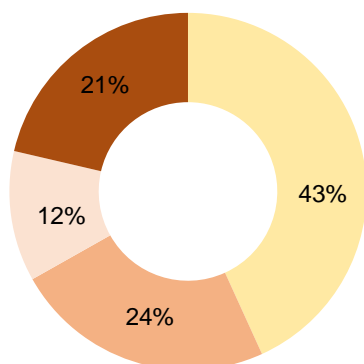
Positive industry tailwinds. The Government recently announced the expansion of the HIP. The move extended the program to flats built between 1987 and 1997 vs. only flats up to 1986 previously. The move will see an additional 230,000 more HDB households benefit from the HIP program. ISOTeam has already been awarded the second HIP contract with upgrading works to 35 HDB blocks across precincts in Tampines, Jalan Bukit Merah/Silat Avenue and Kim Tian Place. In addition, Sunseap, a sustainable energy provider, has also announced that it is building an offshore floating photovoltaic (PV) system in Singapore. The five-hectare development will be located north of Woodlands Waterfront Park, along the Straits of Johor. Once completed, the five megawatt peak (MWp) floating solar energy system will generate about 6,388 megawatt hour (MWh) of renewable energy annually. This is equivalent to powering about 1,250 4-room flats, with a reduction in greenhouse gas emissions of about 2,600 tonnes every year, over the next 25 years and beyond. In the early stages now, ISOTeam is set to benefit from the progressive rollout of these contracts over time.

Investment Highlights

Strong and expanding client relations. ISOTeam has a diverse clientele that include, amongst others, town councils, government bodies and more recently, private sector building owners where they are getting larger and more high profile projects. This can be seen from the completion of their commercial interior design project – Lavo Singapore at Marina Bay Sands in FY18. In Singapore, ISOTeam is the exclusive paint applicator for Nippon Paint Singapore and SKK Singapore for the public housing sector, and for SKK for Jurong Town Corporation.

Company Background

**Revenue Breakdown
(FY2018)**



- Additions & Alterations
- Repairs & Redecoration
- Coating & Painting
- Others

Founded in 1998 and listed on Catalist of the Singapore Exchange Securities Trading Limited (Ticker: 5WF) on 12 July 2013, ISOTeam Ltd. is a building maintenance and estate upgrading company experienced in implementing eco-driven solutions through R&R and A&A services to the public and private sector. The Company has extensive experience in upgrading, retrofitting and maintenance of buildings and facilities in Singapore, and reshapes and rejuvenates public housing landscape, amenities and environment.

- The Group's core business can be categorised into 4 business segments:

- (a) Additions & Alterations ("**A&A**")
- (b) Repairs & Redecoration ("**R&R**")
- (c) Coating & Painting ("**C&P**")
- (d) Others



Additions & Alterations

- Neighbourhood renewal programme
- Hawker Centres Upgrading Programme
- Estate Upgrading Programme
- Electrical Load Upgrading projects

Repairs & Redecoration

- Repainting, repairs and redecoration
- Waterproofing and reroofing
- Improvement works
- Routine maintenance
- Term contract works

Coating & Painting

- New building painting
- Eco-friendly coating
- Architectural and protective coating
- Fireproofing coating
- Niche industrial coating

Others

- Landscaping (e.g. Punggol Waterways as shown above)
- Eco-friendly solutions
- SG Bike project
- Handyman services
- Mechanical & Electrical works

History

Founded in 1998 and listed on Catalist of the Singapore Exchange Securities Trading Limited (Ticker: 5WF) on 12 July 2013, ISOTeam Ltd. is an established and leading player in Singapore's building maintenance and estate upgrading industry. With two decades of R&R and A&A experience, they have successfully undertaken approximately 422 refurbishment and upgrading projects for approximately 4,280 buildings since inception. ISOTeam also offers a full range of services and solutions comprising specialist Coating & Painting ("**C&P**") services as well as complementary niche services ("**Others**") through their specialist waterproofing, commercial interior design and home retrofitting ("**ID**"), landscaping, access equipment leasing, green solutions and mechanical and electrical works ("**M&E**") subsidiaries.

As an eco-conscious company, ISOTeam integrates green methodologies in its projects, and actively work with strategic partners and technology companies to develop and commercialise green solutions and products such as solar panels installation and floating solar technology for the marine environment. In addition, the Group also began offering an environmentally sustainable bike sharing service in 2017 which is backed by geostation docking technology. The Group's reputation for quality, speed and safety, together with a winning edge in eco-conscious innovations and capabilities as a maintenance solutions provider, has won the trust and confidence of its customers, allowing them to repeatedly secure tenders over the years. ISOTeam has a diverse clientele that include, amongst others, town councils, government bodies and private sector building owners. In Singapore, ISOTeam is the exclusive paint applicator for Nippon Paint Singapore and SKK Singapore for the public housing sector, and for SKK Singapore for Jurong Town Corporation.

Corporate Structure

Internally, having expanded their capabilities so extensively since IPO, the Group has integrated and consolidated their back end operations to optimise cost and improve efficiency. They have also streamlined some of their subsidiaries. ITG-Green Technologies has been renamed ISOTeam Green Solutions to focus on sustainable solutions such as CnO. They also plan to merge ISO-Seal Waterproofing into Raymond Construction as both are in the waterproofing business. Industrial Contracts Marketing will be merged with ISOTeam C&P as both are in the coating and painting business.



Industry Overview

HDB's latest SolarNova tender brings solar energy to over 2,400 HDB blocks.

The HDB has awarded its third solar leasing tender to Sembcorp Solar Singapore Pte Ltd and Kurihara Kogyo Co., Ltd (Consortium), under the SolarNova programme. Under this tender, solar photovoltaic (PV) panels will be installed at 848 HDB blocks and 27 government sites by 2Q 2020. This brings the total number of HDB blocks identified for solar PV installation to over 2,400 blocks.

About SolarNova program

Led jointly by HDB and the Singapore Economic Development Board (EDB), the SolarNova programme aggregates demand for solar energy across public sector agencies to enable those with smaller solar PV demand to enjoy solar energy at a lower cost due to economies of scale. This has accelerated solar adoption across the whole-of-government and in Singapore, and continues to contribute significantly to Singapore's national solar energy target of 350 megawatt-peak (MWp) by 2020, with more than 60 percent or 220MWp coming from HDB's solar initiatives and programmes.

The first tender under the SolarNova programme, comprising about 800 HDB blocks, was awarded in December 2015 to Sunseap Leasing Pte Ltd for a solar capacity of 76 MWp. Under the second tender awarded to Million Lighting Co Pte Ltd in June 2017, solar panels with a capacity of 40 MWp will be installed at 636 HDB blocks and 31 government sites.

HDB driving solar demand

HDB is currently the largest stakeholder in the installation of solar PV system in Singapore. Including the third SolarNova tender awarded, about 190 MWp of solar capacity has been procured for over 2,400 HDB blocks. This represents more than 85 percent of HDB's commitment to generate solar capacity of 220MWp under the SolarNova programme and other solar initiatives by 2020. Power generated by the solar energy harnessed could be used to power common services, such as lifts, pumps, and lighting in common areas in the daytime, potentially reducing carbon emissions by 132,500 tonnes each year.

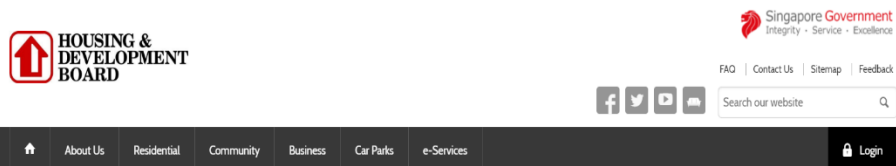
As of May 2018, about 1,130 HDB blocks have been installed with solar PV panels, covering an estimated area of about 400,000 square metres, or approximately the size of fifty football fields. Installation works for the remaining sites under the first two SolarNova tenders are underway and on track to be completed by 3Q 2019.

The installation of the solar PV systems under the third SolarNova tender is expected to begin in 3Q 2018 and complete by 2Q 2020. HDB targets to call the fourth SolarNova tender in 4Q 2019.

Industry Overview

More than \$4 billion in spending to spruce up HDB Households

Prime Minister Lee Hsien Loong's announcement at the National Day rally last year that the government has extended the program to flats built between 1987 and 1997 vs. only flats up to 1986 previously. The move will see an additional 230,000 more HDB households benefit from the HIP program. The programme is also expected to see HDB flats upgraded twice during their 99-year lease – HIP I at 30 years old and HIP II at about 60 to 70 years old.



Home Improvement Programme to be Extended to Benefit 230,000 More HDB Households

Source: HDB

The Government expects to spend more than \$4bn on these projects. Introduced in 2007, the HIP was offered to HDB flats built up to 1986 that had not undergone the previous Main Upgrading Programme (MUP). There are about 320,000 flats eligible for the HIP under this 1986 age-band. Since its launch, the HIP has benefitted many Singaporeans and improved their quality of life. As of 1 Aug 2018, HIP has been announced for about 242,000 of the close to 320,000 eligible flats under the 1986 age-band. Of these, the upgrading works have been completed for more than half, or 122,000 flats, with work underway in the remaining flats. The announcement of HIP for all eligible flats in the 1986 age-band will be done by 2019.

The HIP focuses on improvements within the flat and helps flat owners address common maintenance problems related to ageing flats in a systematic and comprehensive manner. There are two main components of work under the HIP – Essential and Optional.

The Essential Improvements enhance public health and safety standards, and are fully paid for by the Government. They include repair of spalling concrete, replacement of waste/soil discharge stacks if damaged, replacement of pipe sockets with a new clothes drying rack, as well as upgrading of the electrical load.

Optional Improvements include items such as upgrading of the existing toilet/bathrooms, installation of a new decorative door and metal grille gate, and a new refuse chute hopper. Flat owners can choose the improvements they need in their flat, and pay only for those items selected.

The HIP will only proceed when at least 75% of a block's eligible Singapore Citizen households have voted in favour of it.

Industry Overview

Singapore's largest offshore floating solar panel system set to be built along Straits of Johor

Sunseap, a sustainable energy provider, announced that it is building an offshore floating photovoltaic (PV) system in Singapore. The five-hectare development will be located north of Woodlands Waterfront Park, along the Straits of Johor. Once completed, the five megawatt peak (MWp) floating solar energy system will generate about 6,388 megawatt hour (MWh) of renewable energy annually. This is equivalent to powering about 1,250 4-room flats, with a reduction in greenhouse gas emissions of about 2,600 tonnes every year, over the next 25 years and beyond.

"We consulted about nine agencies and every time one of them brought up an issue, we had to restart the whole consultation process.."

~Mr Frank Phuan, co-founder and chief executive officer of Sunseap Group



Source: Sunseap

Sunseap previously worked on the world's largest floating PV test-bed in Singapore at Tengeh Reservoir. Results have shown that the floating PV systems perform better than typical rooftop solar PV systems in Singapore, due to the cooler temperatures of the reservoir environment.

The project is supported by the Economic Development Board (EDB) and will be located north of the Woodlands Waterfront Park. Sunseap had previously participated in the world's largest floating solar panel test-bed in Singapore's Tengeh Reservoir. The test-bed was about 1ha in size. The approval of the process was especially difficult because of the number of agencies required to get this project going.

In conjunction with this, ISOTeam has been awarded contracts worth \$11.31 million contract to install Singapore's largest offshore floating solar farm. To be completed by September this year, the offshore floating solar farm project awarded by Sunseap Leasing involves the supply, design and installation of offshore grid-tied solar photovoltaic systems. We think this is a milestone project for ISOTeam because the successful completion of this project will allow ISOTeam to bid for more projects.

Management



DAVID NG CHENG LIAN
 Executive Chairman

Date of First Appointment: 12 Dec 2012
 Date of Last Re-election: 27 Oct 2017

Mr. David Ng, Executive Chairman

With over 35 years of experience in the building refurbishment and estate upgrading industry, Mr Ng heads the Board, aids the CEO in the corporate and strategic development of the Group and also supports and advises senior management. One of his areas of expertise lies in occupational safety and health. Before he co-founded the Group in 1998, he was a director of ISO-Build Corporation Pte Ltd and a manager at D&C Builders Pte Ltd where he was in charge of work place safety and equipment management. Prior to that, Mr Ng managed the suspended scaffold rental business as a project executive of Safewell Equipment Pte Ltd. He was also a suspended scaffold technician with Selat Chemicals Pte Ltd where he was responsible for the repair and maintenance of site equipment. Mr Ng was awarded a Certificate in Construction Supervision by the Construction Industry Development Board of Singapore in 1994.



ANTHONY KOH THONG HUAT
 Executive Director and Chief
 Executive Officer

Date of First Appointment: 12 Dec 2012
 Date of Last Re-election: 27 Oct 2015

Mr. Anthony Koh, Chief Executive Officer & Executive Director

One of the co-founders of the Group, Mr Koh has around 30 years of experience in the building refurbishment and estate upgrading industry. An instrumental figure, he sets and implements the expansion plans and overall corporate and strategic development of the Group, as well as oversees key functions such as marketing and tendering strategies, budget and cost controls, and resource planning and allocation. Before he co-founded the Group in 1998, Mr Koh was a director of ISO-Build Corporation Pte Ltd where he managed its projects and contracts and controlled budget and costs. He worked at D&C Builders Pte Ltd from 1989 to 1994 where he moved up the ranks from a site supervisor, to project coordinator and subsequently to project manager. Prior to that, he was the site supervisor for Hongplast General Contractor Pte Ltd for a year. Mr Koh obtained a Diploma in Building from the Singapore Polytechnic in 1988 and a Diploma in Marketing Management from Ngee Ann Polytechnic in 1994.

Mr. Chan Chung Khang, General Manager

Mr Chan, who joined the Group in 2002 as a project supervisor, has been the Group's General Manager since 2012. He is in charge of the management and coordination of the Group's operations including business expansion and diversification; planning and policies updates; the management and supervision of its corporate business development plans; the administration of its key performance indicators whilst monitoring and managing its overheads. He is also in charge of corporate affairs and investor relations, as well as responsible for the application and management of the Group's government grants. He graduated from Singapore Polytechnic in 1999 with a Diploma in Building and Property Management and from Royal Melbourne Institute of Technology in 2008 with a Bachelor of Business (Economics and Finance) with Distinction.

Business Segments

Additions & Alterations

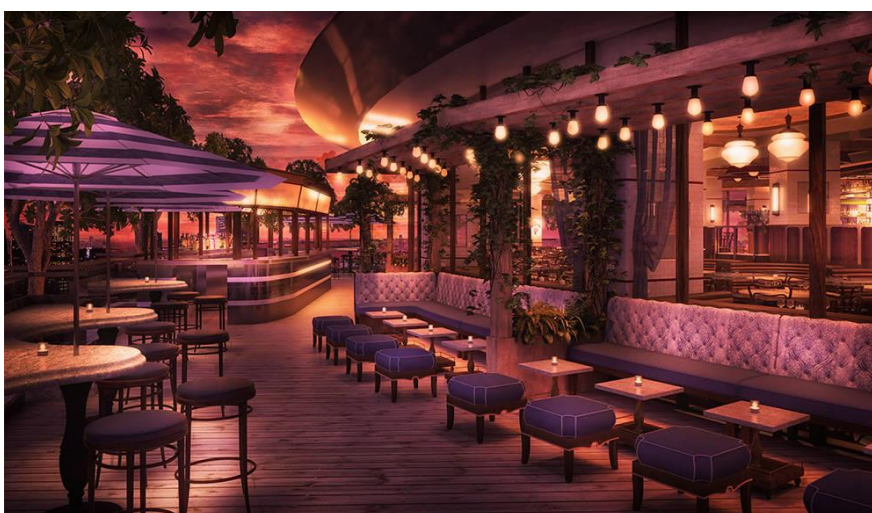
In FY2018, ISOTeam completed 14 A&A projects compared to 9 projects in FY2017. These projects comprised of 5 public sector jobs for approximately 78 blocks in Chua Chu Kang, Ang Mo Kio and Bishan-Toa Payoh town councils as well as Aloha Changi Resort - the second largest A&A project. The Group also completed 9 projects in the private sector that included restaurants at Marina Bay Sands and Resorts World Sentosa among other commercial contracts.

As at 30 June 2018, there are 14 ongoing A&A projects amounting to approximately \$120.3 million with the expected completion date of September 2019. This includes 7 Neighborhood Renewal Projects for approximately 140 blocks, 1 HIP project for 19 blocks, and the first park connector project at Tanjong Rhu. In the private segment, there is an ongoing project for a leading resort in Singapore worth approximately \$46.5 million as well as some private residences. The A&A projects typically last for 18-24 months.

Private sector projects

An indicator for ISOTeam that their projects within this sector is increasing in scale and achieving a higher profile is the completion of a commercial interior design project for Lavo Singapore at Marina Bay Sands in FY2018. In addition to the interior design work, the project engaged their mechanical and electrical engineering expertise, specialist coating and painting services. The restaurant was launched with extensive media coverage, which effectively showcased the work done at the establishment. The success of these projects strongly affirmed the Group's strategy to diversify and transform the business from a regular R&R and A&A player into a multi-disciplinary provider of total maintenance solutions, which is in line with market demands.

With the increasingly competitive landscape and tightening margins, the Group's management is increasingly convinced that such change is absolutely necessary in order to maintain a business that is sustainable and relevant to customers because it offers them a unique value proposition.



Business Segments

Repairs & Redecoration

A total of eight R&R projects were completed for 49 HDB blocks located in Pasir Ris-Punggol, Tanjong Pagar and Holland-Bukit Panjang town councils in FY2018 compared to 13 projects and 132 HDB blocks in FY2017. Under the Hawker Upgrading Project (“HUP”) scheme, there are 2 completed markets and food centres, Tiong Bahru Market and Food Centre and Tekka Centre, which raised the total number of completed HUP projects to 38. Along with many R&R jobs for residential properties, ISOteam also completed 3 commercial R&R projects that included The Supreme Court Building, Saint James’ Church and Mimosa Park in FY2018.

R&R accounted for 23.6% of their total revenue in FY2018. With eight completed projects, their revenue from this segment decreased by \$1.1 million or 5.4% from \$20.9 million in FY2017 to \$19.8 million in FY2018. This was due to a combination of factors that included fewer project completions during the year, intensified competition, and also some categorisation of R&R jobs under our A&A division as they were part of NRP projects.



Source: Company data

This segment however, is seeing a recovery. As at 30 June 2018, there are 18 ongoing R&R projects worth around \$32.2 million that are expected to complete by June 2019. These comprise mainly public sector contracts including paint jobs for around 117 HDB blocks and 2 market and food centres for several housing estates and building tradesmen and repair works. The R&R projects typically last for 12 months.

Business Segments

Coating & Painting

For FY2018, ISOteam completed 20 C&P projects compared to 10 projects in the previous year. The Group increased market share in the education and healthcare institution segment with the completion of works for Hwa Chong Institution, Singapore Management University, the Australian International School and the Assisi Hospice. ISOteam is also active in its efforts to continue expanding on the industrial segment with a slew of contracts for factories and data centres in Singapore. In Myanmar, they have completed 2 C&P projects as well.

As at 30 June 2018, there are 41 ongoing C&P projects, 10 of which are in Myanmar, valued at approximately \$17.7 million that are due for completion by June 2019, compared to 41 projects in FY2017. Significant projects include the National Centre for Infectious Diseases, Tampines Town Hub, the New State Court Building, Outram Community Hospital, Sengkang Community Hospital's SOC Building and Micron Semiconductor. There are also 4 infrastructure projects on hand for Changi Airport Terminal 1 and Bedok Town Park MRT station among others.

Some C&P Features:

Internal & External Wall Painting

Internal Emulsion or External Emulsion paint with algae and fungus resistant. The products are generally Green Label Certified due to its low VOC content.

Anti-Bacteria / Anti-Microbial / Mosquitoes Repellent

Paints that offer protection from harmful bacteria or against MRSA, E-Coli and Staphylococcus Aureus or Mosquitoes repellent properties.

Dirt Resistance

Paint that has a higher dirt resistance performance due to its tougher and harder finish such as silicon resin based paint.

Polyurethane (PU)

It can be a single or two component polyurethane resin based paint that is similar to liquid plastic when wet and it exhibits excellent weather resistance, light fastness and UV protection.

Heat Shield / Solar Reflect Wall Paint

Paint that has capabilities to reflect heat away from the building thereby reduce heating up in the building and aids in the conserving of energy consumption.



Source: Company data



Source: Company data

Corporate Developments

The Group recently announced that they have won a slew of contracts worth S\$21.98 million in new orders which included the installation of Singapore's largest offshore floating solar panel system. The announcement follows on the heels of their announcement last week that they have secured their second HIP from the Housing Development Board worth S\$26.3 million.

The HIP project covers the following precincts:

- (i) 12 blocks at Tampines Street 11 and 22;
- (ii) 10 blocks at Tampines Street 21;
- (iii) 11 blocks at Jalan Bukit Merah and Silat Avenue; and
- (iv) 2 blocks at Kim Tian Place.

The abovementioned HIP contract awarded is expected to be completed by June 2020 and is expected to have a positive impact on the earnings per share and net tangible assets per share of the Group for the current financial year ending 30 June 2019. The recent HIP follows the completion of their first HIP from the HDB worth S\$17.5 million.

The latest contract win includes a S\$11.31 million contract to install Singapore's largest offshore floating solar farm. Together with three other R&R projects worth S\$9.8 million and two fireproofing projects worth \$0.87 million, ISOTeam's order book has hit yet another record to reach a new high of S\$142.98 million, the highest since the Group's inception more than two decades ago.

To be completed by September 2019, the offshore floating solar farm project awarded by Sunseap Leasing Pte Ltd, involves the supply, design and installation of Offshore Grid-tied Solar Photovoltaic Systems. Supported by the Singapore Economic Development Board, the five megawatt-peak system is expected to generate about 6,388 megawatt-hours of renewable energy annually once completed.

The three R&R project wins is a welcome boost to their R&R segment, which has taken a hit in recent years. The R&R project include works to 18 blocks at Kim Tian Place, Kim Tian Road and Jalan Bukit Merah, 44 blocks at Pasir Ris Street 1 and 44 blocks at Holland Avenue, Holland Drive, Holland Close, Commonwealth Crescent and Commonwealth Drive, all which are expected to be completed between January and June 2020. The two Fireproofing projects are expected to be completed by August 2019. ISOTeam expects this latest round of contract wins to impact the earnings per share and net tangible assets per share of the Group positively for the current financial year ended 30 June 2019.

ISOTeam expects this latest round of contract wins to impact the earnings per share and net tangible assets per share of the Group positively for the current financial year ended 30 June 2019.

Summary: Completed Projects	FY 2018
R&R	8
A&A	14
C&P	20
Others:	27
• ID	8
• Landscaping	4
• Waterproofing	3
• Eco solutions	1
• M&E	10
• Fireproofing/Special Product	1

Source: Annual Report, SAC Advisors

Summary: Ongoing Projects	FY 2018
R&R	18
A&A	14
C&P	41
Others:	40
• ID	8
• Landscaping	12
• Waterproofing	2
• Eco solutions	3
• M&E	3
• Fireproofing/Special Product	12

Source: Annual Report, SAC Advisors

Corporate Developments

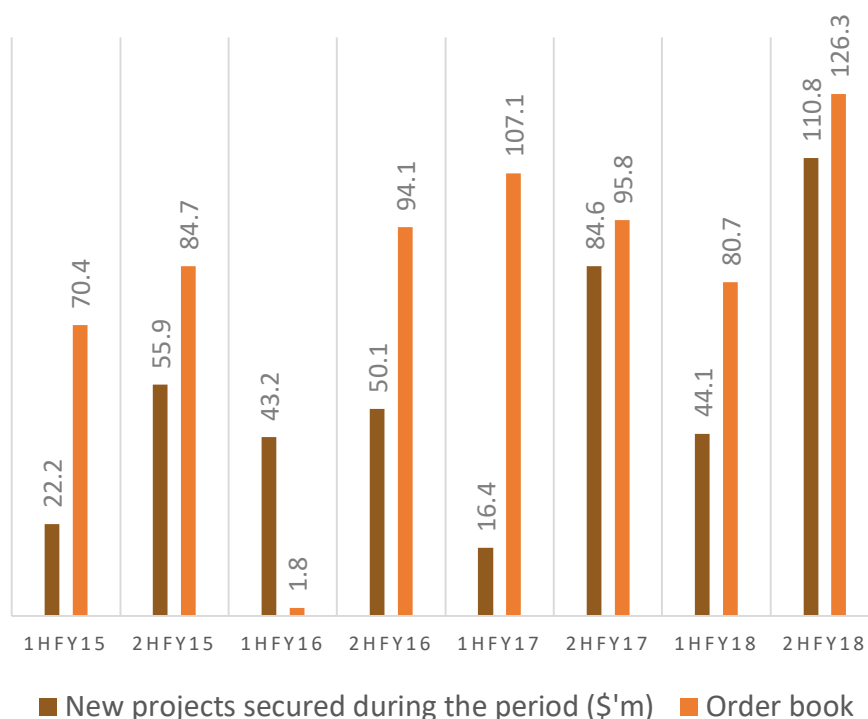
Centralisation and streamlining of operations

ISOTeam recently integrated and consolidated their back end operations to optimise cost and improve efficiency. They have also centralised their various departments and functions and recently moved into their new headquarters in Changi, which boast a space of 5,421 square metres. Specifically, the Group expects cost savings that they will enjoy as a result of shared functions such as finance and administration, in addition to savings on venue rental and dormitory costs. The Group is currently in the process of building a worker's dormitory, which will lead to further cost savings moving forward. Such reductions in operational and administrative expenses are expected to be reflected in their next set of full year results.

In the meantime, they are assessing the possibility of closing down or streamlining certain business units because of duplication in capabilities. They are also exploring avenues to improve productivity through job redesign and retraining, as well as investing in talent by upgrading the skills of workers who have performed well.

Order Book

Following their recent contract wins from the HIP project, R&R segment and the offshore floating solar panel system, ISOTeam's order book has hit a new high of S\$142.98 million, representing 170% of their FY18 revenue. According to management, as most of their projects are short-term based, these contracts are expected to be progressively recognised over the next two years.



Source: Annual Report, SAC Advisors

Key Risks

Uncertainties in job tendering

ISOTeam's scope of work relies significantly on the tendering of contracts from government bodies. The competitiveness of their bid and past track record will ultimately determine their success in winning these contracts

Rapidly advancing technologies

ISOTeam's efforts to remain relevant is seen through its pursuit to expand its eco-solutions.

Tender Criteria

With a greater emphasis on quality and track record, projects are no longer assessed based on price alone. projects are no longer assessed based on price alone, but on the basis of best value-for-money.

Contract assessment is largely expected to follow the PQM criteria:

- (1) Price (1/3 of criteria);
- (2) Quality, based on client's assessment (1/3 of criteria); and
- (3) Management – Client's track record (1/3 of criteria).

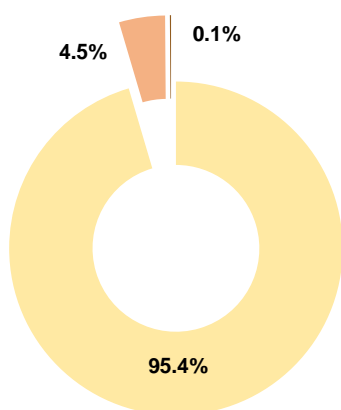
On average, ISOTeam wins one out of every three jobs it tenders for.

Revenue

The Group's revenue breakdown can also be categorised into the following sections:

- (a) Contract Works (Building and Construction specialist, Mechanical Engineering, Upgrading, Interior Decoration and Retrofitting)
- (b) Other Services
- (c) Sale of goods

**Revenue Breakdown
(FY2018)**



■ Contract Works
■ Other Services

Source: Company data, SAC Advisors

FY2018

The Group's revenue increased slightly by \$0.9 million or 1.1% from \$82.9 million in FY2017 to \$83.8 million in FY2018 due to improved contribution from A&A and Others business segments and partially offset by lower contributions from R&R and C&P business segments due to lesser work performed during the year.

R&R accounted for 23.6% of the total revenue in FY2018. With 8 completed projects, revenue from this segment decreased by \$1.1 million or 5.4% from \$20.9 million in FY2017 to \$19.8 million in FY2018. This was due to a combination of factors that included fewer project completions during the year, intensified competition, and also some categorisation of R&R jobs under the A&A division as these were also part of NRP projects. A&A contributed 43.2% of the total revenue in FY2018. With 14 completed projects, A&A revenue increased by \$3.8 million or 11.9% from \$32.4 million in FY2017 to \$36.2 million in FY2018. C&P accounted for 11.8% of the Group's revenue in FY2018. Revenue from C&P decreased by 30.9% from \$14.3 million in FY2017 to \$9.9 million in FY2018.

Even though ISOTeam completed twice the number of C&P projects in FY2018 compared to FY2017, the value of these projects were lower.

Recent developments

2QFY19 results show turnaround

The Group reported second quarter FY19 revenue of \$45.9 million, a 93.1% y-y improvement. The improvement was driven by contributions from all business segments, particularly in the R&R segment, which saw a rebound.

Revenue (3M ended 31 Dec 18) S\$'000	2QFY19	2QFY18	%
R&R	5,186	4,642	11.7%
A&A	30,466	11,769	158.9%
C&P	4,119	2,004	105.5%
Others	6,097	5,336	14.3%
Total	45,868	23,751	93.1%

Source: Company data, SAC Advisors

Gross profit and profit before tax increased by 5.7% and 29.8% to \$5.3 million and \$1.7 million in 2QFY19 respectively as a result of higher revenue during that period, though the absence of tax credits saw the Group report lower profits for the quarter as compared to the previous period.

The Group's order book as at 31 January 2019 remained strong at \$132.8 million (158% of FY18 revenue), which is expected to be delivered over the next two years. The Group has been awarded the second Home Improvement Programme ("HIP") project worth \$26.3 million after the award of its first HIP project in calendar year 2017. The contract win affirms the Group's track record in this program, which is all the more important after Prime Minister Lee Hsien Loong's announcement at the National Day rally last year that the government has extended the program to flats built between 1987 and 1997 vs. only flats up to 1986 previously. The move will see an additional 230,000 more HDB households benefit from the HIP program.



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Home Improvement Programme to be Extended to Benefit 230,000 More HDB Households

Source: HDB

The Group also recently announced that they have been awarded the floating solar installation project worth \$11.3 million by Sunseap Leasing Pte Ltd who is also the Group's strategic partner. Going forward, the Group expects to benefit from Singapore's plans to have the largest offshore floating solar panel system, which is the world's largest sea based floating photovoltaic system which is currently built on freshwater ponds, lakes or reservoirs, and is developed by one of Singapore's leading sustainable energy provider Sunseap Group.

Future Plans

Focus on existing competitive advantages while building new capabilities

1. Strengthening capabilities in the renewable energy installation segment

ISOTeam is an early mover and leading contractor in the renewable energy installation segment. In FY17, the Group had secured their largest renewal energy installation project to-date worth S\$6.3 million. The project was awarded by Sunseap Group (where they have a stake in) and involved installation work for grid-tied solar photovoltaic system to 150 blocks. We think ISOTeam will continue to work closely with partners such as HDB and Sunseap to harness innovative technology. The installation of the solar PV systems under the third SolarNova tender is expected to begin in 3Q 2018 and complete by 2Q 2020. HDB targets to call the fourth SolarNova tender in 4Q 2019.

2. Enhance market share in the R&R segment

The Group's FY17 performance was affected largely by a decline in the number of R&R projects from the HDB. Specific to their challenges in the R&R segment, they have worked hard and the recent contract wins are a testament to their ability to regain ground and to turnaround their performance for the coming financial year and beyond. They have reviewed and revised their tendering strategy to be more competitive and to secure more R&R projects to maintain their market share/

3. Unlocking value through the sale of their two properties

With their new premises in Changi, they now have the opportunity to unlock the value of certain assets. These include the possible sale of two properties at Kaki Bukit and Serangoon, which they are considering.

4. Further investments in new initiatives and expansion overseas

Their bike sharing operations has been gaining momentum. As at August 2018, they have mobilised around 2,000 bikes, comprising mainly version 2 bikes which are lighter and easy for riders handle, and target to raise the fleet size to 3,000 by October 2018. In FY2018, they partnered with telco provider M1 as part of their efforts to improve their geostation technology and have approximately 3,000 stations to date. Moreover, they are the first shared bike company to apply for a full licence to operate dockless bicycle rental services under the LTA's new licencing regime. Their Cockroaches and Odour Remover ("**CnO**") has also made some progress with the NEA, who has cleared the first set of data for the approval of CnO as a botanical pesticide, bringing them closer to market commercialisation.

We think the Company will proceed cautiously in their overseas expansion. Their joint ventures in both Myanmar and Malaysia have stabilised and are starting to be revenue generative. In Myanmar, they expanded our scope beyond R&R to also cover residential ID to home owners. They are also likely to explore the possibility of extending their water- and fire-proofing services to Myanmar and their R&R services to Malaysia.



Source: Company data



Source: TODAYonline

Income Statement (\$\$)

S\$'000	Fiscal Year Ended 31 March				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue	69,852	81,652	94,149	82,922	83,801
Cost of sales	(56,353)	(61,499)	(69,993)	(61,286)	(68,914)
Gross profit	13,499	20,153	24,156	21,636	14,887
Other operating income	583	947	1,926	2,662	1,860
Marketing and distribution expenses	(706)	(1,092)	(1,844)	(1,375)	(1,813)
Admin expense	(6,312)	(9,466)	(12,067)	(15,083)	(13,664)
Finance costs	(354)	(252)	(383)	(493)	(570)
Other operating expenses	-	(771)	(1,497)	(352)	(438)
Profit/(Loss) before tax	6,710	9,519	10,291	6,995	262
Income tax (expense) / benefit	(640)	(1,413)	(709)	(260)	520
Profit/(Loss) for the year	6,070	8,106	9,582	6,735	782
Profit/(Loss) attributable to owners of company	6,056	8,124	9,227	6,447	1,889
Minority Interests	14	(18)	355	288	(1,107)
EPS:					
-Basic (SG cents)	5.19	3.23	3.23	2.27	0.66
-Diluted (SG cents)	5.19	3.23	3.23	2.27	0.66

Balance Sheet (\$\$)

(S\$'000)	Fiscal Year Ended 31 March				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Cash and cash equivalents	17,560	32,273	34,148	14,830	12,200
Trade receivables	23,032	16,517	19,105	23,265	26,887
Due from customers contract WIP	3,122	12,081	17,053	20,332	24,422
Inventories	135	158	180	271	486
Others	0	0	1061	0	0
Total current assets	43,849	61,029	71,547	58,698	63,995
PPE	5,111	9,721	16,429	29,725	34,238
Intangible assets	-	2,124	2,243	4,650	2,923
Other assets	400	2,883	4,135	9,120	8,706
Total non-current assets	5,511	14,728	22,807	43,495	45,867
Total assets	49,360	75,757	94,354	102,193	109,862
Finance leases	262	519	792	972	1,150
Bank loans	4,168	2,360	4,131	6,408	11,699
Trade and other payables	11,154	17,459	21,410	17,887	16,106
Others	7,499	6,927	9,345	2,529	1,836
Total current liabilities	23,083	27,265	35,678	27,796	32,572
Finance leases	401	859	1,733	1,752	2,478
Deferred tax liabilities	89	681	869	1,575	1,160
Bank loans	-	569	2162	11701	12101
Other payables	-	-	-	600	-
Total non-current liabilities	490	2,109	4,764	15,628	15,739
Share Capital	15,867	29,618	29,618	29,618	29,618
Treasury shares	-	-	(373)	(562)	(256)
Currency translation	-	-	1	8	16
Other reserve	(7,338)	(7,445)	(7,489)	(7,342)	(6,273)
Accumulated profits	17,195	24,143	31,726	36,038	36,082
Minority Interest	63	67	429	1,009	2,364
Total Equity	25,787	46,383	53,912	58,769	61,551

Cash Flow Statement (\$\$)

(S\$'000)	Fiscal Year Ended 31 March				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Profit/(Loss) before tax	6,710	9,519	10,291	6,995	262
Depreciation & amortisation	474	2,695	4,709	3,972	5,132
Changes in working capital	220	5,452	2,827	(16,269)	(8,818)
Others	269	599	(523)	1,100	443
Interest and taxes	(926)	(1,202)	(1,697)	(1,338)	(466)
Net Cash (used in)/ from operations	6,747	17,063	15,607	(5,540)	(3,447)
Purchase of PPE	(1,081)	(2,489)	(7,229)	(14,400)	(5,686)
Others	45	(2,044)	(3,236)	(6,779)	3,215
Net Cash (used in)/ from investing	(1,036)	(4,533)	(10,465)	(21,179)	(2,471)
Net increase in equity	6,761	6,427	(1,966)	(1,626)	(322)
Net increase in debt	(450)	2,843	336	4,503	10,595
Others	(3,270)	(6,784)	(1,828)	4,805	9,162
Net Cash (used in)/ from financing	3,041	2,486	(3,458)	7,682	1,905

Ratios

(S\$'000)	Fiscal Year Ended 31 March				
	FY2014	FY2015	FY2016	FY2017	FY2018
Profitability (%)					
Gross profit/(loss) margin	19.3%	24.7%	25.7%	26.1%	17.8%
Profit/(loss) before tax margin	9.6%	11.7%	10.9%	8.4%	0.3%
Liquidity (x)					
Current ratio	1.9	2.2	2.0	2.1	2.0
Quick ratio	1.9	2.2	2.0	2.1	1.9
Interest coverage ratio	1.6	1.2	1.5	2.9	n.m.
Net Debt to Equity	Net cash	Net cash	Net cash	8.3%	24.5%
Valuation (x)					
P/S	9.0	7.7	6.7	7.6	7.5
P/E	3.9	6.3	6.3	9.0	31.1
Core P/E at target price	n.m.	n.m.	n.m.	n.m.	n.m.
P/B	2.3	1.3	1.1	1.0	0.9
P/NTA	n.m.	n.m.	n.m.	n.m.	n.m.
Cash Conversion Cycle					
Trade receivable days	77	58	53	60	61
Inventory days	1	1	1	2	3
Trade payable days	67	61	58	69	50
CCC days	10	-1	-4	-8	13

n.m. denotes not meaningful

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