## ISOTeam (ISO SP)

# Small and mid-cap laggard with a bright outlook

#### Spate of new projects - maintain BUY

ISOTeam said it won a spate of new contracts worth SGD21m. Management also expects the pace of project awards to pick up, driven by public sector upgrading works to introduce more community spaces and senior friendly amenities to both public and private estates. We expect to see more in the coming months. Drone-testing should also take place by the end of Sep 2025 on several of the Housing Development Board (HDB) build-to-order (BTO) sites. With a positive outlook, we maintain BUY with an unchanged TP of SGD0.104, pegged to a 9x blended FY25/26E P/E.

#### More contract wins likely incoming

SGD21m worth of contracts have been won, including 6 coating and painting contracts, 4 addition and alteration projects to be completed by Oct 2026 as well as 3 landscaping projects by May 2027. There are also 5 renewable solution projects to be completed by Dec 2025. Going forward, management also expects the pace of contracts awarded to speed up and we could potentially expect another SGD15-20m worth of orders in the next 1-2 months.

#### New drone testing to begin by Sep 2025

ISOTeam's AI drone painting solution could change the entire industry landscape. It is currently the only contractor with this solution locally, which could reduce costs by 30-40%. This would position it well in terms of technology, lower labour use and costs as the Singapore government has long-coveted the application of technology to reduce manpower. ISOTeam will begin testing its AI drone-painting solution on an HDB site by Sep 2025 and it will be rolled out to more estates, if successful.

#### Upcoming 2H25E earnings likely to surge

We expect ISOTeam to report strong FY25E profitability with core net profit surging 230% YoY to SGD7m due to additional variation orders which are only recognised towards the end of projects. We also think that Isoteam will be a key beneficiary of the Monetary Authority of Singapore's (MAS) SGD5bn programme.

FYE Jun (SGD m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	110	130	146	169	195
EBITDA	(5)	4	7	9	11
Core net profit	1	2	7	10	12
Core EPS (cts)	0.2	0.3	1.0	1.4	1.6
Core EPS growth (%)	nm	32.6	229.7	36.3	20.0
Net DPS (cts)	0.0	0.1	0.3	0.4	0.5
Core P/E (x)	16.8	20.8	7.4	5.4	4.5
P/BV (x)	0.7	1.0	1.1	0.9	0.7
Net dividend yield (%)	0.0	1.3	4.0	5.5	6.6
ROAE (%)	4.6	19.2	15.7	18.0	18.0
ROAA (%)	1.2	2.0	6.4	7.9	8.5
EV/EBITDA (x)	nm	8.6	6.0	3.9	2.7
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	7	10	12
MIBG vs. Consensus (%)	-	-	4.2	(0.1)	0.3

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## BUY

Share Price	SGD 0.074
12m Price Target	SGD 0.104 (+41%)
Previous Price Target	SGD 0.104

#### **Company Description**

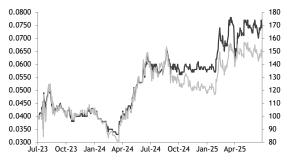
Isoteam is an established local maintenance and estate upgrading player with over 20 years of experience.

#### Statistics

Statistics	
52w high/low (SGD)	0.08/0.06
3m avg turnover (USDm)	0.3
Free float (%)	91.1
Issued shares (m)	708
Market capitalisation	SGD52.4M
	USD41M
Major shareholders:	



#### Price Performance



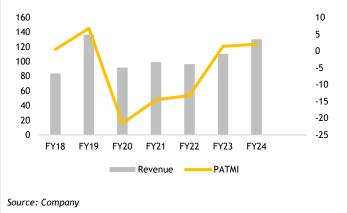
	-1M	-3M	-12M
Absolute (%)	3	1	23
Relative to index (%)	(0)	(3)	6
Source: FactSet			

ESG@MAYBANK IBG Tear Sheet Insert

## Value Proposition

- With low-margin projects secured before and during Covid-19 fully executed, management expects a turnaround.
- One of the market leaders in painting work for government housing with 30% market share for government housing projects (HDB).
- Gross and net margins trending upwards.
- Orderbook reached a 10-year high of SGD202.4m.
- Dividend policy is also in place for FY24 and FY25.
- Drone technology used in painting and inspection will reduce labour costs.

### Revenue and PATMI trend (SGDm)



## **Financial Metrics**

- ISOTeam's performance appears to have turned around in FY23 and management sees a stronger FY25 ahead.
- Balance sheet is strengthened due to a rights issue undertaken in 2024 and increased profitability.
- Orderbook has also strengthened and quality of the orderbook in terms of margins appears to have improved.
- Positive operating cashflow.

#### Gross margins (%)



## **Price Drivers**

#### Historical share price trend



Source: Company, Maybank IBG Research

- 1. Covid-19 hurt performance and project execution.
- 2. Circuit breaker lifted and work restarted.
- 3. Weak results leading to share price decline.
- 4. Rights issue announced in Jun 2023 at SGD0.03/sh.
- 5. Uplift in results and dividend policy announced.

## Swing Factors

## Upside

- Improving margins and higher revenue due to more projects won.
- Drone technology advancement could benefit the company in terms of labour cost savings.
- Turnaround play.
- Potential beneficiary of Singapore election in 2025.

## Downside

- Margins may be squeezed if labour or raw material cost rises.
- Subjected to regulatory changes on foreign labour quota.
- Competitive tender process.

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Risk Rating & Score <sup>1</sup>	na
Score Momentum <sup>2</sup>	na
Last Updated	na
Controversy Score <sup>3</sup>	na

### **Business Model & Industry Issues**

- ISOTeam faces significant ESG risks including stricter global regulations, particularly in Europe, demanding comprehensive emissions reporting and robust data management. To address these, ISOTeam should adopt double materiality assessments, which evaluate both financial and impact materiality, can improve transparency and align ISOTeam with best practices seen in leading jurisdictions like the EU.
- ISOTeam's ESG performance is competitive but could improve in transparency and stakeholder engagement to match industry leaders. The company is leveraging technological advancements and strategic divestments to enhance its core operations, aligning with the construction sector's trend of adopting stringent regulations and comprehensive reporting practices like those mandated by the EU Corporate Sustainability Reporting Directive (CSRD).
- ISOTeam is effectively managing its ESG risks through technological advancements, increased safety protocols and adherence to the EU's CSRD. However, to improve market perception and valuation, ISOTeam should enhance transparency and reporting in their ESG data, decrease Scope 2 emissions and energy consumption, and to comply with government regulations. These efforts will position ISOTeam as a responsible and resilient company in the eyes of investors and stakeholders.

## Material E issues

- In response, the Singapore Government introduced the Singapore Green Plan 2030, mandating all companies to comply. ISOTeam fully supports this initiative. In 2021, they collaborated with the Sunseap Group to install solar panels for their floating solar farm in the Straits of Johor.
- ISOTeam has faced environmental issues such as pollution and waste management from its construction activities, as well as high energy consumption leading to significant carbon issues. To address this, ISOTeam's headquarters features 386 solar panels that generated approximately 157,365 kWh of energy in FY2022, powering 77% of its electricity needs. It also partnered with Sunseap to install solar systems on 183 HDB blocks and completed a 5 MW floating solar farm in the straits of Johor. These efforts align with Singapore's goal to reduce energy consumption in HDB towns by 15% by 2030.)

## **Material S issues**

- ISOTeam ensures fair treatment and safety for workers, uphold ethical sourcing standards, and provide healthcare benefits, with a 50% increase in dental treatment subsidy per staff; additional inpatient hospitalisation and surgery benefits; and one day leave increment for management and executive grade staff for every one year of service instead of two years and continuous learning opportunities for employees.
- ISOTeam could leverage social bonds as a cost-effective financing method to fund socially beneficial projects, while attracting investors who are interested in supporting social impact. With the issuance of social bonds, ISOTeam can expect a growth in reputation as a socially responsible company. BRIDGE Housing issued \$100 million social bond to develop affordable housing in high-cost areas in the US, helping low-income and minority families.)

## Key G metrics and issues

- In 2020, ISOTeam was flagged by SGX RegCo. In December 2020, SGX RegCo issued a "Trade With Caution" alert due to unusual trading activities in ISOTeam's shares. A small group of interconnected accounts was responsible for over 71% of traded volume and 83% of buy trades during a share price surge. Additionally, these accounts engaged in cross trades on most trading days within the review period, raising concerns about market manipulation and governance practices.
- ISOTeam complied and worked closely with SGX RegCo and enhanced their internal monitoring and compliance measures. They engaged RHT Capital Pte. Ltd. To review their practices and ensure adherence to regulatory requirements.)

<sup>1</sup>*Risk Rating & Score* - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>*Score* <u>*Momentum*</u> - indicates changes to the company's score since the last update - a <u>negative</u> integer indicates a company's improving risk score; a <u>positive</u> integer indicates a deterioration. <sup>3</sup>*Controversy Score* - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Qu	antitative Parameters (	Score: 47)			
	Particulars	Unit	2021	2022	2023	SOIL SP 2023
	Scope 1 GHG emissions	tCO2e/million hour	NA	1,311	1,257	3,288
	Scope 2 GHG emissions	tCO2e/million hour	NA	19	81	1,567
	Total	tCO2e	0	1,330	1,338	4,855
	Scope 3 GHG emissions	tCO2e	NA	NA	NA	NA
E	Total	tCO2e	0	1,330	1,338	4,855
	GHG intensity (Scope 1 and 2)	tCO2e/million hour	NA	13.78	12.12	20.000
	Energy consumption	GJ/million h	NA	7.61	12.11	239.06
	Water consumption	m3	NA	25,762.00	33,006.00	244,820.00
	Total Diesel consumption	litres	229,066	381,813	NA	1,297,339
	% of women in workforce	%	10.0%	26.0%	30.0%	11.0%
	Employee turnover	Number	91	78	18	484
S	cases of corruption	days	0	0	0	0
2	Average training hours for employees	Hours	9.66	18	692	10.3
	Accident frequency rate	%	1.69	4.88	4.45	1.64
	Accident severity rate	%	11.8	128.02	26.65	NA
	MD/CEO salary as % of reported net profit	%	-3.20%	-4.93%	48.58%	2.95%
G	Board salary as % of reported net profit	%	-14.58%	-20.22%	194.84%	11.31%
G	Independent directors on the Board	%	38%	43%	43%	57%
	Female directors on the Board	%	0%	0%	0%	14%

#### Qualitative Parameters (Score: 50)

a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of a risk committee? Yes

b) Is the senior management salary linked to fulfilling ESG targets?

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting? Yes

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured? No

17

53

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?

To reduce carbon emissions and non-renewable energy consumption, more solar panels were installed, which powers 41% of ISOTeam's consumption, and produces 0 carbon emissions. project waste is sorted into segregated and disposed accordingly - hazardous waste and harmful solvents such as waste paint and lubricants are disposed by specialist waste management companies while non-hazardous waste are disposed in skid tanks.

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?

No

Target

Total

25%

67

No

			Tar	get (Score: 67)			
Particulars						Target	Achieved
Aim to reduce ca	arbon footprint					1	1
Zero confirmed i	incidents of co	rruption				0	0
Zero cases of nor	n-compliance v	vith all app	licable laws and	regulations		0	0
Carbon neutrality	y/net zero					100%	0%
				Impact			
				NA			
			Ov	erall Score: 53			
As per our ESG m	natrix, ISOTean	ו (ISO SP) h	as an overall sco	re of 53			
ESG score	Weights	Scores	Final Score		G assessment, ISOTea		
Quantitative	50%	47	24		cies, and tangible mic	5 5	
Qualitative	25%	50	13		way in improving its verall ESG score is 53,	•	
Targat	250/	47	17	130 leans of	verall Log score is 55,	which makes its Est	a racing above

average in our view (average ESG rating = 50; refer to Appendix I

for our ESG Assessment Scoring)

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27
Key Metrics					
P/E (reported) (x)	29.6	4.5	7.4	5.4	4.5
Core P/E (x)	16.8	20.8	7.4	5.4	4.5
P/BV (x)	0.7	1.0	1.1	0.9	0.7
P/NTA (x)	0.2	0.4	0.5	0.4	0.4
Net dividend yield (%)	0.0	1.3	4.0	5.5	6.0
FCF yield (%)	nm	12.2	9.5	14.5	18.0
EV/EBITDA (x)	nm	8.6	6.0	3.9	2.7
EV/EBIT (x)	nm	4.7	4.6	3.2	2.3
INCOME STATEMENT (SGD m)					
Revenue	110.4	130.2	146.0	168.6	194.0
EBITDA	(4.9)	3.8	6.6	9.0	10.8
Depreciation	3.4	3.1	2.1	2.0	1.9
Amortisation	0.3	0.1	0.0	0.0	0.0
EBIT	(1.3)	7.0	8.7	11.0	12.3
Net interest income / (exp)	(2.3)	(2.5)	(2.5)	(2.5)	(2.5
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(0.6)	2.8	0.0	0.0	0.0
Other pretax income	(0.8) 4.6	0.0	0.0	0.0	0.0
•	4.6 0.5	7.3	6.2	8.5	10.3
Pretax profit					
ncome tax	0.7	(0.7)	1.1	1.4	1.
Winorities	0.0	0.0	0.0	0.0	0.
Discontinued operations	0.0	0.0	0.0	0.0	0.
Reported net profit	1.1	6.6	7.3	9.9	11.9
Core net profit	1.1	2.1	7.3	9.9	11.9
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	6.8	10.9	13.9	18.8	24.
Accounts receivable	65.9	70.1	73.5	78.3	83.
nventory	0.2	0.0	0.3	0.3	0.
Reinsurance assets	0.0	0.0	0.0	0.0	0.
Property, Plant & Equip (net)	21.5	20.0	19.1	18.1	17.
ntangible assets	0.2	0.1	0.1	0.1	0.
nvestment in Associates & JVs	0.0	0.0	0.0	0.0	0.
Other assets	6.3	7.1	11.4	16.8	22.
Total assets	101.0	108.3	118.2	132.4	149.3
ST interest bearing debt	0.0	0.0	0.0	0.0	0.
Accounts payable	24.3	25.4	28.0	32.3	37.
nsurance contract liabilities	2.3	1.6	1.6	1.6	1.
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	49.0	38.0	38.0	38.0	38.
Total Liabilities	75.3	65.4	68.0	72.3	77.
Shareholders Equity	25.8	42.9	50.2	60.1	72.
Minority Interest	(0.1)	(0.0)	(0.0)	(0.0)	(0.0
Total shareholder equity	25.7	42.9	50.2	60.1	72.
Total liabilities and equity	101.0	108.3	118.2	132.4	149.3
CASH FLOW (SGD m)					
Pretax profit	0.5	7.3	6.2	8.5	10.
Depreciation & amortisation	(3.7)	(3.2)	(2.1)	(2.0)	(1.9
Adj net interest (income)/exp	2.2	2.2	(2.5)	(2.5)	(2.5
Change in working capital	(14.8)	(4.1)	(0.8)	(0.6)	(0.6
Cash taxes paid	(0.0)	(0.0)	1.1	1.4	1.
Other operating cash flow	(1.7)	(1.5)	0.0	0.0	0.
Cash flow from operations	(10.0)	6.2	6.1	8.8	10.
Capex	(1.2)	(0.9)	(1.0)	(1.0)	(1.0
Free cash flow		(0.9)	5.1	7.8	9.1
	(11.2)				
Dividends paid	0.0	(0.6)	(2.2)	(2.9)	(3.5
Equity raised / (purchased)	0.0	10.3	0.0	0.0	0.
Change in Debt	1.4	(8.4)	0.0	0.0	0.
Other invest/financing cash flow	(4.5)	(1.4)	0.0	0.0	0.
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.
Net cash flow	(14.3)	5.3	3.0	4.9	6.2

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	14.4	17.9	12.2	15.5	15.5
EBITDA growth	nm	nm	74.7	35.7	19.9
EBIT growth	nm	nm	23.9	25.9	15.5
Pretax growth	nm	1,399.0	(14.8)	36.3	20.0
Reported net profit growth	nm	476.8	10.4	36.3	20.0
Core net profit growth	nm	84.4	245.5	36.3	20.0
Profitability ratios (%)					
EBITDA margin	nm	2.9	4.6	5.4	5.6
EBIT margin	nm	5.4	6.0	6.5	6.5
Pretax profit margin	0.4	5.6	4.3	5.0	5.2
Payout ratio	0.0	8.4	29.6	30.0	30.0
DuPont analysis					
Net profit margin (%)	1.0	5.1	5.0	5.9	6.1
Revenue/Assets (x)	1.1	1.2	1.2	1.3	1.3
Assets/Equity (x)	3.9	2.5	2.4	2.2	2.1
ROAE (%)	4.6	19.2	15.7	18.0	18.0
ROAA (%)	1.2	2.0	6.4	7.9	8.5
Liquidity & Efficiency					
Cash conversion cycle	98.4	107.0	98.0	85.0	73.0
Days receivable outstanding	182.0	188.2	177.0	162.1	150.0
Days inventory outstanding	0.8	0.3	0.4	0.7	0.7
Days payables outstanding	84.4	81.4	79.4	77.8	77.7
Dividend cover (x)	nm	11.9	3.4	3.3	3.3
Current ratio (x)	1.3	1.5	1.7	1.8	1.9
Leverage & Expense Analysis					
Asset/Liability (x)	1.3	1.7	1.7	1.8	1.9
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	na	2.8	3.5	4.4	5.1
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	1.1	0.7	0.7	0.6	0.5
Net debt/ (net cash)	(6.8)	(10.9)	(13.9)	(18.8)	(24.9

Source: Company; Maybank IBG Research

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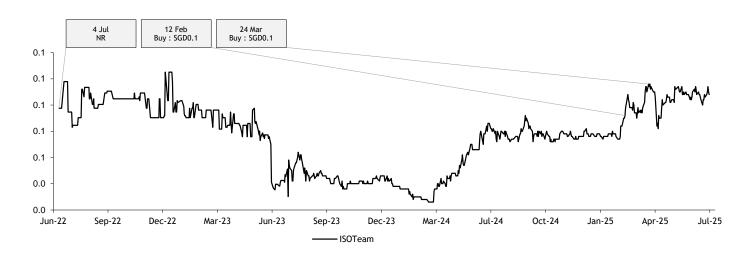
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