



'Leading industry player ...'

Corporate Fact Sheet

ECS ICT Berhad (Company No.: 351038-H)

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Corporate Website: www.ecsm.com.my

Bloomberg: ECS:MK
Reuters: ECSI.KL

BUSINESS OVERVIEW

Established in 1985, ECS is a leading ICT distributor in Malaysia. ECS distributes ICT products through an efficient network of more than 4,000 resellers nationwide, consisting of retailers, system integrators, and corporate dealers, backed by advanced logistics management system and warehouses in Kota Damansara, Penang, Kuching, and Kota Kinabalu. ECS also has sales offices in Kuantan & Johor Bahru.

Currently, ECS has authorised distributorships of more than 30 global ICT brand names & offers about 3,000 Stock Keeping Units (SKUs) of volume ICT Products & value Enterprise Systems.

PRODUCTS & SERVICES

Distribution Products	Enterprise Systems	ICT Services
<ul style="list-style-type: none"> Notebooks Personal Computers Smartphones Tablets Printers Software 	<ul style="list-style-type: none"> Servers Network Systems Data Centres Enterprise Software Cloud Services 	<ul style="list-style-type: none"> More than 40 engineering personnel providing support for ICT products Over 200 certifications from 15 principals

PRINCIPALS



REVENUE AND GROSS PROFIT BREAKDOWN

(RM'mil)	Revenue		Gross Profit	
	1H13	1H14	1H13	1H14
ICT Distribution	397.5	513.6	16.4	22.0
Enterprise Systems	216.6	213.0	19.2	16.6
ICT Services	6.7	21.0	1.8	3.4
Total	620.8	747.6	37.4	42.0

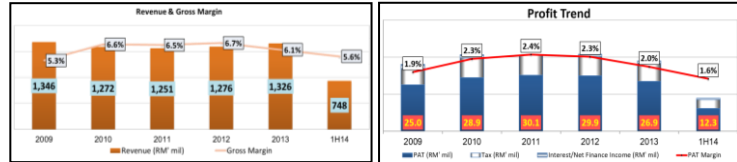
COMPETITIVE ADVANTAGES

- **Established brand name:** 30 years in ICT business
- **Entrenched partnership:** More than 30 global brands
- **Extensive product range:** about 3,000 stock keeping units (SKU)
- **Expert technical support:** >40 certified personnel
- **Efficient distribution network:** >4,000 resellers
- **Effective financial management:** Innovative and efficient accounts receivable collections and optimum stock level

SECTOR OPPORTUNITIES

- **ICT spending expected to breach USD10 billion in FY2014** (Source: IDC – Aug 2013)
 - Hardware and software sales to reach USD8 bil; USD2 bil from ICT Services
- **GST to spur corporate ICT spending in 2H14** (Source: PIKOM and others)
 - As at July 2014, less than 50% of local organisations were prepared to adopt the new GST system from the perspectives of workforce, IT system and business processes
 - Typical 6-month timeframe for full GST compliance provides impetus for IT systems upgrades
- **Emerging smartphone brands benefitting from last-mile accessibility to end-users** (Source: IDC)
 - Lenovo advances to #2 player in terms of smartphone sales in 1Q14 versus #4 in 4Q13; ahead of Apple, Sony and Nokia

FINANCIAL PERFORMANCE



FYE 31 Dec, RM'mil	2Q14	2Q13	Change	1H14	1H13	Change
Revenue	389.9	300.5	29.8%	747.6	620.8	20.4%
Gross Profit	22.7	17.8	27.4%	42.0	37.4	12.2%
PBT	10.3	7.5	37.0%	17.0	16.3	4.0%
PATMI	7.5	5.5	36.7%	12.3	11.9	3.5%
EPS (sen) #	4.2	3.1	35.5%	6.8	6.6	3.0%
GP margin (%)	5.8	5.9	(0.1 pt)	5.6	6.0	(0.4 pt)
PBT margin (%)	2.6	2.5	0.1 pt	2.3	2.6	(0.3 pt)

Based on 180.0 million shares

ECS' 2Q14 net profit jumped 36.7% to RM7.5 mil (2Q13: RM5.5 mil) resulting from strong growth in the ICT Distribution segment. 2Q14 top line grew 29.8% to RM389.9 mil (2Q13: RM300.5 mil) mainly on the back of 38.2% revenue rise in ICT Distribution to RM262.0 mil (2Q13: RM189.6 mil) from higher sales of PCs and mobility products.

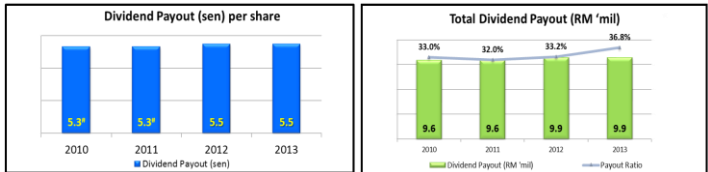
Enterprise Systems segment revenue grew 8.7% to RM117.5 mil in 2Q14 (2Q13: RM 108.1 mil) as steady project implementations led to increased sales of servers and software products. Meanwhile, ICT services more than doubled to RM10.5 mil (2Q13: RM2.8 mil).

ECS' 1H14 performance was boosted by the 2Q14. Group revenue rose 20.4% to RM747.6 mil (1H13: RM620.8 mil). This was largely driven by ICT Distribution which grew 29.2% to RM513.6 mil in 1H14 (1H13: RM397.5 mil).

The Enterprise Systems segment revenue was sustained at RM213.0 mil in 1H14 (1H13: RM216.6 mil), while ICT services posted RM21.0 mil (1H13: RM6.7 mil). Group's bottom line grew 3.5% to RM12.3 mil in 1H14 (1H13: RM11.9 mil). Basic earnings per share for 1H14 was 6.8 sen (1H13: 6.6 sen).

DIVIDEND HISTORY

ECS paid total dividends of 5.5 sen per ordinary share in respect of FY13 or RM9.9 mil, representing 36.8% of total net profit.



#adjusted for 1-for-2 bonus issue

GROWTH STRATEGIES

- **To strengthen ICT distribution portfolio**
 - Recently signed an agreement with Seagate to distribute its range of storage solutions
 - Currently in talks with several smartphone brands to further boost smartphone distribution
- **To enhance Enterprise System segment**
 - Collaborating closely with system integrators and vendors to add more products and larger 'value-added' services

INVESTMENT MERITS

- ICT distribution market leader in Malaysia
- Domestic ICT sector continues expansionary mode
- Mobility devices to be growth catalysts
- Net-cash balance sheet allows for future expansion
- Dividend policy of 30% gives commendable dividend yield
- Proxy to growing ICT spending with consistent dividend payout

INVESTMENT VALUATION

Based on price (04.08.14): RM1.63, No. of Shares: 180.0 mil shares
NA per share: RM1.18; Net of Cash per share: RM1.38 (@ 30.06.14)

Market Capitalisation (RM'mil)	293.4
Trailing PE Ratio	10.7x
Trailing PE Ratio (net of cash)	9.1x
Trailing EV/EBITDA	6.7x
Price/Book Ratio	1.4x
Historical Net Dividend Yield#	3.4%

#based on total dividend of 5.5 sen per share in respect of FY13