



'Leading ICT distributor ...'

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

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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 5,000 resellers nationwide, consisting of retailers, system integrators, and corporate dealers, backed by advanced logistics management system and warehouses in Kota Damansara and Penang. ECS also has sales offices in Kuantan, Johor Bahru, Kuching, and Kota Kinabalu. Currently, ECS has close to 40 authorised distributorships from global ICT brand names & offers about 3,000 Stock Keeping Units (SKUs) of volume ICT Products & value Enterprise Systems.

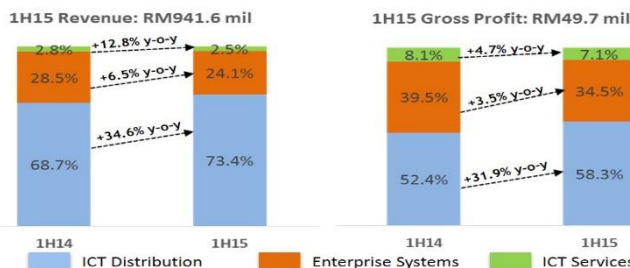
PRODUCT RANGE & SERVICES

Distribution Products	Enterprise Systems	ICT Services
<ul style="list-style-type: none"> Notebooks Personal Computers Smartphones Tablets Printers & Supplies 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	
	1H14	1H15	1H14	1H15
ICT Distribution	513.6	691.1	22.0	29.0
Enterprise Systems	213.0	226.8	16.6	17.2
ICT Services	21.0	23.7	3.4	3.5
Total	747.6	941.6	42.0	49.7

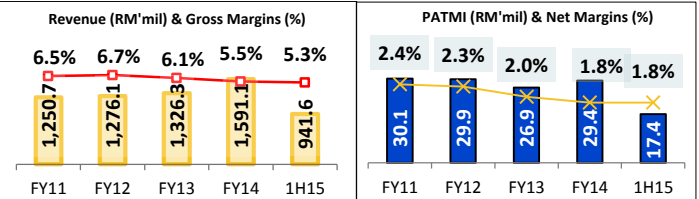
COMPETITIVE ADVANTAGES

- **Established brands name:** 30 years in ICT business
- **Entrenched partnership:** close to 40 global brands
- **Extensive product range:** About 3,000 stock keeping units (SKU)
- **Expert technical support:** >40 certified personnel
- **Efficient distribution network:** >5,000 ICT and mobility resellers
- **Effective financial management:** Innovative and efficient accounts receivable collections and optimum stock level

SECTOR OPPORTUNITIES

- **Malaysia ICT sector to grow 14.2% in 2015 (Source: PIKOM)**
 - o Growth to be driven by higher demand for IT services especially from e-commerce and online transactions
- **Affordable smartphone brands still recording steady sales (Source: IDC)**
 - o ASUS and Lenovo smartphone sales ranked 3rd and 6th respectively in Malaysia
- **Internet of Things (IoT) market to be one of the fastest growing segments in Asia Pacific (Source: Frost and Sullivan)**
 - o Total IoT spend forecasted to be USD59 billion by 2020
 - o Malaysia, India and Thailand expected to be among fastest growing markets

FINANCIAL PERFORMANCE



(RM'mil)	2Q15	2Q14	Change	1H15	1H14	Change
Revenue	418.8	389.9	7.4%	941.6	747.6	25.9%
Gross Profit	23.7	22.7	4.3%	49.7	42.0	18.5%
PBT	10.7	10.3	3.3%	23.4	17.0	37.5%
PATMI	8.0	7.5	6.5%	17.4	12.3	41.4%
Net EPS (sen)#	4.4	4.2	4.8%	9.7	6.8	42.6%
Gross Margin	5.7%	5.8%	(0.1 pt)	5.3%	5.6%	(0.3 pt)
PBT Margin	2.5%	2.6%	(0.1 pt)	2.5%	2.3%	0.2 pt

Based on 180.0 million shares

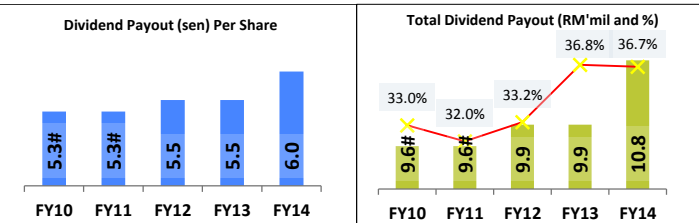
ECS' 2Q15 net profit increased 6.5% to RM8.0 mil (2Q14: RM7.5 mil), as group revenue jumped 7.4% to RM418.8 mil (2Q14: RM389.9 mil) propelled by higher sales of smartphones and tablets from the ICT Distribution segment. ICT Distribution revenue grew by 21.5% to RM318.3 mil in 2Q15 (2Q14: RM262.0 mil).

2Q15 revenue from Enterprise Systems and ICT Services was RM89.7 mil and RM10.8 mil respectively (2Q14: RM117.5 mil and RM10.4 mil). Notably, margins in the Enterprise Systems segment improved in 2Q15 from better product mix.

For the Group's 1H15, revenue leaped 25.9% to RM941.6 mil (1H14: RM747.6 mil) spurred by growth in all three business segments. Revenue from ICT Distribution in 1H15 was at RM691.1 mil (1H14: RM513.6 mil), while Enterprise Systems and ICT Services grew to RM226.8 mil and RM23.7 mil respectively in 1H15 (1H14: RM213.0 mil and RM21.0 mil).

Group PBT and PAT in 1H15 grew to RM23.4 mil and RM17.4 mil respectively (1H14: RM17.0 mil and RM12.3 mil) benefiting from pre-GST spending, favourable sales mix, and operating leverage from larger revenue base. Basic earnings per share was at 9.7 sen in the cumulative six months under review (1H14: 6.8 sen).

DIVIDEND HISTORY



Adjusted for 1-for-2 bonus issue

GROWTH STRATEGIES

- **To enhance ICT Distribution portfolio**
 - o In discussion with new and existing principals to expand range of products
 - Recently added ASUS Zenfone 2 range of smartphones; distributed through IT and phone channels
 - o To add 'wearable technology' and 'IoT' products into portfolio in 2H15
 - o Launch of 'Windows 10' to catalyse product upgrades
- **To strengthen Enterprise Systems segment**
 - o Closely working with System Integrators and vendors to secure more projects
- **To continue to expand ICT Services**
 - o Increase value-added services on Enterprise products

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
- Single digit PE valuation

INVESTMENT VALUATION

Based on share price (29.07.15): RM1.53; No. of Shares: 180.0 mil shares; NA per share: RM1.31; Cash per share as at 30.06.15: RM0.34

Market Capitalisation (RM'mil)	275.4
12 months Trailing PE Ratio	8.0x
12 months Trailing PE Ratio (net of cash)	6.2x
12 months Trailing EV/EBITDA	4.7x
Price to Book Ratio	1.2x
FY14 Net Dividend Yield#	3.9%

Based on total dividend declared of 6.0 sen per share in respect of FY14