



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

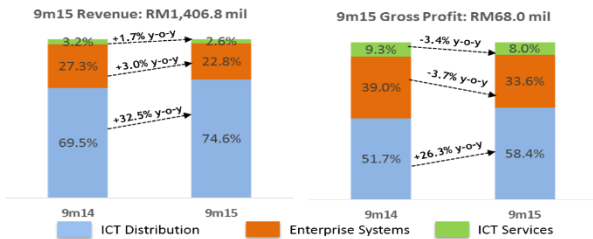
PRODUCT RANGE & SERVICES

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	
	9m14	9m15	9m14	9m15
ICT Distribution	792.0	1,049.2	31.4	39.7
Enterprise Systems	311.5	320.9	23.7	22.9
ICT Services	36.1	36.7	5.7	5.4
Total	1,139.6	1,406.8	60.8	68.0

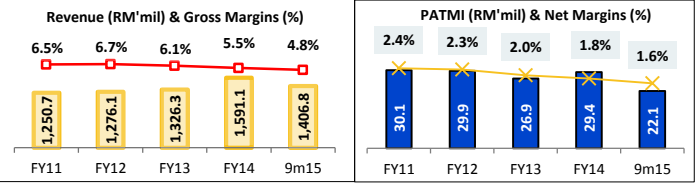
COMPETITIVE ADVANTAGES

- **Established brands 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:** >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
- **Increasing demand for affordable smartphones in 1H15 (Source: IDC)**
 - o ASUS smartphone sales climbs to no. 2 on new Zenfone 2 model, while Lenovo moves up to no.4 on bundled SIM packs
- **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)	3Q15	3Q14	Change	9m15	9m14	Change
Revenue	465.1	392.0	18.6%	1,406.8	1,139.6	23.4%
Gross Profit	18.3	18.8	(2.8%)	68.0	60.8	11.9%
PBT	6.5	9.1	(28.7%)	29.9	26.1	14.4%
PATMI	4.8	7.3	(34.7%)	22.1	19.6	13.1%
Net EPS (sen)#	2.6	4.0	(35.0%)	12.3	10.9	12.8%
Gross Margin	3.9%	4.8%	(0.9 pt)	4.8%	5.3%	(0.5 pt)
PBT Margin	1.4%	2.3%	(0.9 pt)	2.1%	2.3%	(0.2 pt)

Based on 180.0 million shares
ECS' 3Q15 revenue increased 18.6% to RM465.1 mil (3Q14: RM392.0 mil) driven by ICT Distribution's 28.6% growth to RM358.0 mil in 3Q15 (3Q14: RM278.5 mil), while Enterprise Systems and ICT Services dipped to RM94.1 mil and RM13.0 mil in 3Q15 respectively (3Q14: RM98.5 mil and RM15.0 mil respectively).

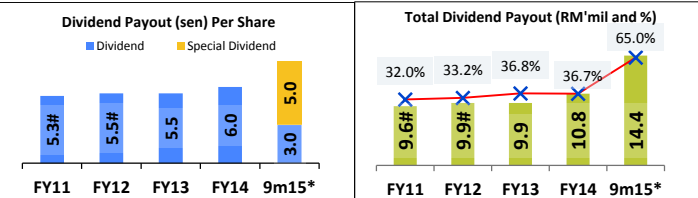
The lower Enterprise Systems sales, coupled with steep rise of the USD against MYR, resulted in 3Q15 net profit declining to RM4.8 mil (3Q14: RM7.3 mil).

Meanwhile ECS' revenue in 9m15 leaped 23.4% to RM1.4 bil (9m14: RM1.1 bil) boosted by higher sales of personal computers (PCs) and mobility products namely smartphones and tablets which led to ICT Distribution sales rising 32.5% to RM1.0 bil in 9m15 (9m14: RM792.0 mil).

Enterprise Systems and ICT Services grew 3.0% and 1.7% respectively in 9m15 to RM320.9 mil and RM36.7 mil (9m14: RM311.5 mil and RM36.1 mil). The favourable sales mix in 1H15 led net profit to jump 13.1% to RM22.1mil in 9m15 (9m14: RM19.6 mil).

ECS declared a single-tier interim dividend of 3.0 sen per share in respect of FY15 and a special dividend of 5.0 sen per share in conjunction with the Group's 30th Anniversary. This translates to a total of RM14.4 mil or 16.5% of 9m15 net profit. The dividends will be paid on 10 Dec 2015, based on the Record of Depository on 27 Nov 2015.

DIVIDEND HISTORY



#Adjusted for 1-for-2 bonus issue *To be paid on 10 Dec 2015

GROWTH STRATEGIES

- **To expand ICT Distribution portfolio with new wave of products**
 - o Targeting new products such as 'wearables' and 'IoT'
- **To grow Enterprise Systems segment**
 - o Closely working with System Integrators and vendors to seek out new private and public sector projects
 - Windows 10 anticipated to be precursor to next tech upgrade
- **To continue to expand ICT Services**
 - o Still on the lookout for potential merger and acquisition opportunities to increase the Group's 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
- Single digit PE valuation

INVESTMENT VALUATION

Based on share price (30.10.15): RM1.47; No. of Shares: 180.0 mil shares; NA per share: RM1.34; Cash per share as at 30.09.15: RM0.69

Market Capitalisation (RM'mil)	264.6
12 months Trailing PE Ratio	8.3x
12 months Trailing PE Ratio (net of cash)	4.4x
12 months Trailing EV/EBITDA	3.3x
Price to Book Ratio	1.1x
Historical Net Dividend Yield#	4.1%

#Based on total dividends of 6.0 sen per share in respect of FY14