



'Leading ICT distributor ...'

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 and Penang. ECS also has sales offices in Kuantan, Johor Bahru, Kuching, and Kota Kinabalu. 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 & 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	
	FY13	FY14	FY13	FY14
ICT Distribution	842.1	1,112.3	32.2	45.0
Enterprise Systems	469.5	427.6	44.7	33.7
ICT Services	14.7	51.2	4.5	8.1
Total	1,326.3	1,591.1	81.4	86.7

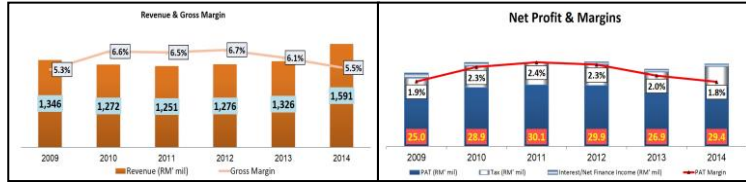
COMPETITIVE ADVANTAGES

- **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

GROWTH STRATEGIES

- **To strengthen ICT Distribution portfolio with emerging and established brands**
 - Currently in talks with global smartphone brands to expand smartphone portfolio
 - Also targeting "wearable technology" products
- **To enhance e-commerce services**
 - Group re-launching upgraded business-to-business (B2B) platform in February 2015 to allow retailers and resellers purchase products and make payments seamlessly
 - Optimised platform to be user-friendly and integrated with ECS' Enterprise Resource Planning system on real-time basis for efficient inventory management
- **To grow Enterprise Systems segment**
 - Looking for new products and brands to boost portfolio
 - Closely working with System Integrators and vendors to aim for more projects
- **To target opportunities for expansion in ICT Services segment**
 - Seeking opportunities to grow ICT Services segment

FINANCIAL PERFORMANCE



FYE 31 Dec, RM'mil	4Q14	4Q13	Change	FY14	FY13	Change
Revenue	451.5	361.3	25.0%	1,591.1	1,326.3	20.0%
Gross Profit	26.0	24.6	5.8%	86.7	81.4	6.5%
PBT	13.1	13.1	0.2%	39.2	36.6	7.2%
PATMI	9.9	9.7	1.3%	29.4	26.9	9.5%
EPS (sen) #	5.5	5.4	1.9%	16.4	14.9	10.1%
GP margin (%)	5.8	6.8	(1.0 pt)	5.5	6.1	(0.6 pt)
PBT margin (%)	2.9	3.6	(0.7 pt)	2.5	2.8	(0.3 pt)

Based on 180.0 million shares

ECS posted 4Q14 revenue of RM451.5 mil (4Q13: RM361.3 mil), on the back of higher revenue from ICT Distribution and ICT Services of RM320.3 mil and RM15.1 mil respectively (4Q13: RM230.9 mil and RM4.9 mil respectively). Enterprise Systems 4Q14 revenue dipped to RM116.1 mil (4Q13: RM125.5 mil) on slower project implementations. 4Q14 PBT and net profit were at RM13.1 mil and RM9.9 mil respectively (4Q13: RM13.1 mil and RM9.7 mil respectively). Basic EPS in 4Q14 stood at 5.5 sen (4Q13: 5.4 sen).

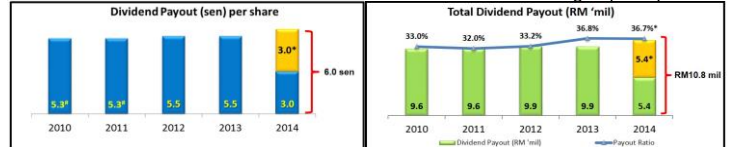
ECS noted record-high revenue of RM1.6 bil in FY14 (FY13: RM1.3 bil), spurred by ICT Distribution segment growing 32.1% to RM1.1 bil in FY14 (FY13: RM842.1 mil) from higher sales of PCs, notebooks and smartphones.

Enterprise Systems segment revenue dropped to RM427.6 mil (FY13: RM469.5 mil) while ICT Services revenue increased to RM51.2 mil in FY14 (FY13: RM14.7 mil) due mainly to reclassification of extended warranties from the Enterprise Systems segment to the ICT Services segment.

Despite incurring higher operating costs from expansion into new business, ECS' FY14 PBT grew 7.2% to RM39.2 mil (FY13: RM36.6 mil), while net profit rose 9.5% to RM29.4 mil (FY13: RM26.9 mil). FY14 EPS climbed to 16.4 sen (FY13: 14.9 sen).

DIVIDEND HISTORY

ECS proposed a final dividend of 3.0 sen in respect of FY14 subject to shareholders' approval. Together with the earlier-paid first interim dividend of 3.0 sen per share, FY14 total dividend payout amounts to RM10.8 mil or 36.7% of total group net profit.



Adjusted for 1-for-2 bonus issue

* Assuming shareholders' approval

SECTOR OPPORTUNITIES

- **Malaysia ICT spending expected to grow 5% in FY2015 to US\$10.6 bil** (Source: IDC)
 - On the back of higher hardware and software sales
 - Smartphone sales expected to grow at quicker pace of 8% in FY2015 to US\$2.4 billion
- **Increasing uptake of affordable smartphone models** (Source: IDC)
 - Lenovo remains #2 player in terms of smartphone sales in 3Q14
 - ASUS jumps to #3 in 3Q14 in terms of smartphone sales (2Q14: #7; 1Q14: #16). Both Lenovo and ASUS are ahead of Xiaomi and OPPO

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 (6.2.15): RM1.38; No. of Shares: 180.0 mil shares;
NA per share: RM1.24; Cash per share as at 31.12.14: RM0.50

Market Capitalisation (RM'mil)	248.4
FY14 PE Ratio	8.4x
FY14 PE Ratio (net of cash)	5.4x
FY14 EV/EBITDA	4.0x
Price/Book Ratio	1.1x
FY14 Net Dividend Yield [#]	4.3%

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