

**ECS ICT Bhd**

**FY12 Results**

**BUY**

**Current Price RM 1.02**  
**Target Price RM 1.19**  
**Consensus Price RM 1.07**

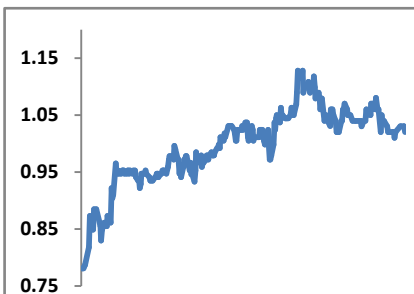
**Key Statistics**

Bloomberg Ticker	ECS MK
Masa Ticker / Stock Code	ECS / 5162
Shares Issued (m)	180.0
Market Capitalisation (RM'm)	183.6
52 Week Hi/Lo Price (RM)	1.19/0.92
3 Mths Avg Vol (Shares)	40,797
Est Free Float (m)	49.4
YTD Returns (%)	-1.9
Beta	0.9

**Major Shareholders (%)**

ECS Holdings Ltd	41.0
Sengin Sdn Bhd	12.0

**1-Year Share Price Performance**



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**Lackluster Consumer Spending Stymies ECS**

**Highlights:**

- ◆ **Valuation:** We maintain our **BUY** call on ECS ICT Bhd (ECS) with an unchanged target price of RM1.19 pegged to a PER of 6.5x based on FY13F's EPS of 18.3sen. Although ECS saw a slowdown in its ICT Distribution, its Enterprise System is slowly gaining momentum. We still like ECS for its defensive strong balance sheet and its dividend payout which offers a yield of 5.4% for FY12.
- ◆ **Hammered down:** 4Q12 revenue dropped -2.4% YoY from RM341.8m, 4Q11 to RM333.5m, 4Q12 mainly due to sluggish consumer spending. Although Enterprise System revenue saw a YoY increase of +4.8% YoY, it was not enough to accommodate the gap caused by the -6.5% YoY lower ICT Distribution revenue. The effect trickled down to ECS' 4Q12 net profit which decreased by -8.1% YoY to RM9.6m (4Q11: RM10.5m).
- ◆ **In Between:** FY12 revenue was slightly below ours and consensus' expectations; the +2.0% YoY increase to RM1.27b (FY11 : RM1.25b) accounted for 96.3% & 99.4% of ours and consensus' estimates. FY12 net profit of RM29.9m (-0.9% YoY from RM30.1b, FY11) was 95.8% & 103.5% respectively of ours and consensus figures.
- ◆ **Rosier Enterprise Outlook:** QoQ, 4Q12 however turned out better, with an increase of 1.7%QoQ from RM327.9m, 3Q12 in respect of revenue and +6.5%QoQ from RM6.5m in 3Q12 in respect of net profit. The boost was aided by aid by higher enterprise system sales which increased ECS' net profit margin by +0.9ppt to 2.9% in 4Q12.

FYE Dec	2010A	2011A	2012F	2013F	2014F
Revenue (m)	1,271.5	1,250.7	1,276.1	1,405.1	1,489.8
Pretax Profit (m)	39.4	40.9	40.3	44.6	48.0
Net Profit (m)	28.9	30.1	29.9	33.0	35.4
EPS (sen)	16.1	16.7	16.6	18.3	19.7
Pretax margin (%)	3.1	3.3	3.2	3.2	3.2
Net Profit margin (%)	2.3	2.4	2.3	2.3	2.4
PER (x)	6.3	6.1	6.1	5.6	5.2
DPS (Sen)	5.3	5.3	5.5	5.8	6.1
Dividend Yield (%)	5.2	5.2	5.4	5.7	6.0
ROE (%)	19.6	17.5	15.9	15.7	15.1
ROA (%)	10.8	9.3	9.0	9.2	9.2
Net Gearing Ratio (%)	10.6	Net Cash	Net Cash	Net Cash	Net Cash
BV/Share (RM)	0.8	1.0	1.0	1.2	1.3
Price/Book Ratio (x)	1.2	1.1	1.0	0.9	0.8

FY Dec (RM' m)	4Q12	4Q11	% YoY chg	3Q12	QoQ chg	FY12	FY11	% YoY chg
<b>Revenue</b>	333.5	341.8	(2.4)	327.9	1.7	1,276.1	1,250.7	2.0
<b>Gross Profit</b>	<b>24.1</b>	<b>26.7</b>	<b>(9.7)</b>	<b>21.2</b>	<b>13.5</b>	<b>85.0</b>	<b>81.3</b>	<b>4.6</b>
Gross Margin (%)	7.2	7.8	(7.4)	6.5	11.5	6.7	6.5	2.5
<b>Pre-tax profit</b>	<b>12.9</b>	<b>14.0</b>	<b>(8.4)</b>	<b>8.6</b>	<b>49.6</b>	<b>40.3</b>	<b>40.9</b>	<b>(1.7)</b>
Pre-tax margin	3.9	4.1	(6.2)	2.6	47.1	3.2	3.3	(3.6)
Tax expenses	(3.2)	(3.6)	(9.3)	(2.1)	58.0	(10.4)	(10.8)	(3.7)
<b>Net Profit (ex MI)</b>	<b>9.6</b>	<b>10.5</b>	<b>(8.1)</b>	<b>6.5</b>	<b>47.0</b>	29.9	30.1	<b>(0.9)</b>
Net Profit margin (%)	2.9	3.1	(5.8)	2.0	44.6	2.3	2.4	(2.9)
<b>EPS(Sen )</b>	<b>5.3</b>	<b>5.8</b>	<b>(8.1)</b>	<b>3.6</b>	<b>47.0</b>	<b>16.6</b>	<b>16.7</b>	<b>(0.9)</b>

- ◆ **Dividend in line:** ECS announced another 2.5sen/share dividend which totals 5.5sen/share which is roughly in line with our forecast of 5.6sen/share. We upped our FY13F dividend to 5.8sen/share from 5.4sen/share and introduce our FY14F figures.
- ◆ **Some trepidation remains:** We are still awaiting some source of fresh ECS initiatives to rev its Enterprise System business as well as a scheme to shore up its mobile convergence devices segment. But our optimism for a boost from that direction may be thwarted by tepid consumer spending. We are keeping our numbers at the moment, pending an update from management on future bearings.

## Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

## Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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