

ECS ICT Bhd

Company Update

BUY

Current Price RM 1.26

Target Price RM 1.49

Consensus Price RM 1.23

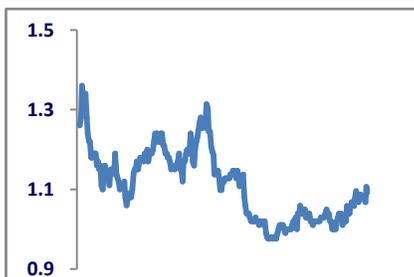
Key Statistics

Bloomberg Ticker	ECS MK
Masa Ticker / Stock Code	ECS / 5162
Shares Issued (m)	180.0
Market Capitalisation (RM'm)	226.8
52 Week Hi/Lo Price (RM)	1.40/0.99
3 Mths Avg Vol (Shares)	82,898
Est Free Float (m)	49.4
YTD Returns (%)	21.1
Beta	0.7

Major Shareholders (%)

ECS Holdings Ltd	41.0
Sengin Sdn Bhd	12.0
Oasis Hope Sdn Bhd	8.6

1-Year Share Price Performance



Analyst: Research Team

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Bounded by Contracts

Highlights:

- ◆ **Valuation:** We keep our call to **BUY** with a target price of RM1.49 pegged to a PER of 7.5x. We tweaked our FY13F EPS slightly lower by 1.9sen to account for ECS ICT Bhd (ECS)'s weaker 3Q13. However, we leave our FY13F DPS and FY14F and FY15F figures unchanged inline with our views on higher spending on ICT related equipment and services in the year ahead in anticipation of the forthcoming GST.
- ◆ **Constrained by public sector contracts:** The major impact that took down the bottomline was ECS' Enterprise Systems as expected. Management shared that gross profit was down from RM12.1m to RM11.0m, effectively lowering its YTD13 gross profit to RM30.1m (YTD 12: RM32.8m) with a lower gross profit margin of 8.8%, compared to 9.9% in YTD12. Essentially the descent was due to earlier bids of public sector contracts which were locked in at USD/MYR rates which subsequently rose (up to ~5% higher). When the contracts were eventually awarded, the stronger USD affected ECS' product cost, eroding its profit margin.
- ◆ **Desire to add:** Management remains positive with given the still-encouraging sales of smartphones. We concur with ECS' optimistic views but that new segment will be able to provide only a marginal positive offsetting impact in the short term. Management is aiming to adding new brands and models to its range and is currently in discussion with related parties.

FYE Dec	2011A	2012A	2013F	2014F	2015F
Revenue (m)	1,250.7	1,276.1	1,353.3	1,440.6	1,520.2
Pretax Profit (m)	40.9	40.3	39.0	48.4	51.8
Net Profit (m)	30.1	29.9	28.8	35.8	38.3
EPS (sen)	16.7	16.6	16.0	19.9	21.3
Pretax margin (%)	3.3	3.2	2.9	3.4	3.4
Net Profit margin (%)	2.4	2.3	2.1	2.5	2.5
PER (x)	7.5	7.6	7.9	6.3	5.9
DPS (Sen)	5.3	5.5	5.7	6.0	6.5
Dividend Yield (%)	4.2	4.4	4.5	4.8	5.2
ROE (%)	17.5	15.9	14.0	15.5	14.9
ROA (%)	9.3	9.0	8.3	9.6	9.8
Net Gearing Ratio (%)	Net Cash				
BV/Share (RM)	1.0	1.0	1.1	1.3	1.4
Price/Book Ratio (x)	1.3	1.2	1.1	1.0	0.9
NTA/share (RM)	1.0	1.0	1.1	1.3	1.4

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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Published and Printed by:

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