

07 December 2011

# ECS ICT

## Top ICT Distributor

**BUY**
**Price: RM1.22**  
**Fair Value: RM1.45**

**ECS ICT Berhad ("ECSB") is a leading distribution company for Information & Communications Technology ("ICT") products in Malaysia with major distribution channels of over 2,500 resellers throughout Malaysia. The main business segment for the company include ICT Products Distribution, Enterprise Systems, and ICT Services, with more than 40 leading principals like Hewlett Packard, IBM, Cisco, Microsoft, Apple, Dell, Oracle, and Samsung. We project FY11E-13E net profits of RM27.8m-RM32.9m for FYE11-FYE13. We are initiating coverage on ECSB with a trailing 12-month fair value of RM1.45 derived from FY11-FY12 forward PER of 5.7x.**

**Market leader in ICT products distribution.** Based on International Data Corporation (IDC) research, ECSB has a 9.4% of the total market share in the ICT Distribution market in Malaysia as of 2010, which is highly commendable considering the volume of ICT Spending in Malaysia of RM13.5b. ECSB has a nationwide distribution network of more than 2,500 resellers.

**Decent dividend payout ratio and dividend yield.** We note that ECSB has a dividend policy of paying out approximately 30% from its annual net profits. This translates into a RM5.6% gross dividend yield in FYE2011. We reckon the company will pay a final dividend of 7.0 sen per share based on 30% DPR and an estimated net profit of RM27.8m in FY2011.

**Net cash company.** ECSB paid off its borrowings at the end of FY2010 and the company now is a net cash company. According to management, the company plans to reserve its cash for business expansion on any high potential markets in the future, e.g. the tablet and smartphone markets.

**Shorter cash conversion cycle.** We notice the company has a superb short cash conversion cycle (CCC) of an average of 45 days or 7.8x per year (FY2006-FY2010). The ability of ECSB to maintain a shorter CCC is due to the high efficiency of management in collecting accounts receivable from the resellers. We believe the expansion of a faster payment option to more resellers would trigger ECSB to achieve even shorter days in its CCC in the future.

**Initiate coverage on ECS ICT with a BUY call and fair value of RM1.45.** We have applied a 5.7x forward PER (+1.0 standard deviation above the mean) on FY2012 EPS of 25.4 sen, and arrived at a trailing 12-month fair value of RM1.45. We believe the premium of +1 standard deviation is justified given its recently-acquired tablet PC distributorships such as Apple iPad and Samsung Galaxy Tab are selling aggressively and also recent expansion of its higher margin's Enterprise Systems segment via partnership with Mahindra Satyam to implement Oracle Applications, which targeting for SMEs companies.

### STOCK DATA

Bloomberg Ticker	ECS MK Equity	YTD price chg	-8.3%
Market Cap	146.4	YTD KLCI chg	-2.5%
Issued shares	120.0	Beta	N.A.
52-week range (H)	1.70	<b>Major Shareholders</b>	
52-week range (L)	1.13		
3-mth avg daily	15,052		
Free Float	34.9%		
Altman Z-score	7.0		
		ECS HLDGS LTD	41.0%
		SEN CHIN FOO	12.1%
		SENGIN S/B	12.1%

### AT A GLANCE

<b>ECS ICT Berhad</b>	
<b>Fair Value (RM):</b>	<b>1.45</b>
Valuation:	5.7x
Current Price (RM):	1.22

Report Reason: Initiating Coverage

**Action: BUY**  
Reason: -

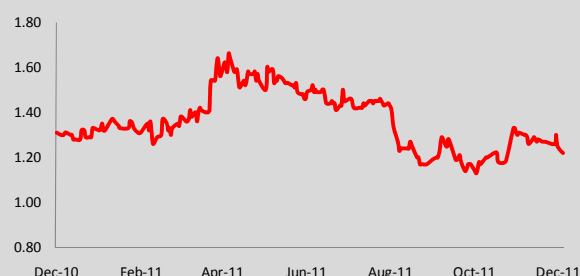
Basis of call:

Catalyst:

FYE31Dec RMm	2010A	2011E	2012E
Turnover	1,271.5	1,251.7	1,303.7
Net Profit (NP)		27.8	30.5
Consensus (NP)		28.5	31.4
Earnings Revision:		-	-

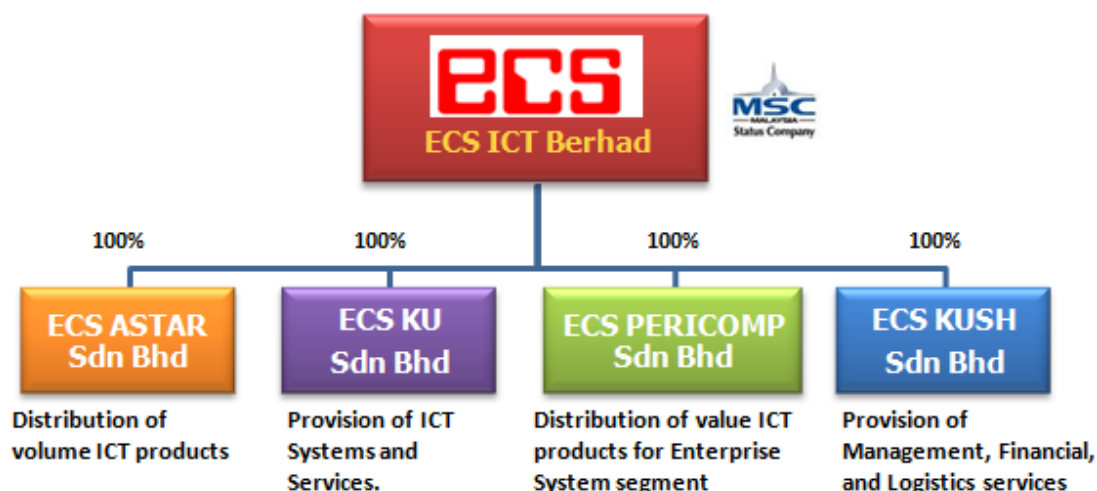
Earnings Revision  
Rationale:

### SHARE PRICE CHART


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## Company Overview

ECS ICT Berhad ("ECSB") is essentially an investment holding company started in 1985 with the establishment of ECS KU Sdn Bhd. The company was awarded MSC status by MDEC in 2002 and now is a leading distribution hub for Information & Communications Technology ("ICT") products in Malaysia and listed on the Main Market of Bursa Malaysia on 15 April 2010. It is an associate company of ECS Holdings Limited (listed on Singapore's SGX) which is one of the leading ICT distributors in Asia Pacific, accessing to a network of more than 23,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia and the Philippines.



### Group of subsidiaries

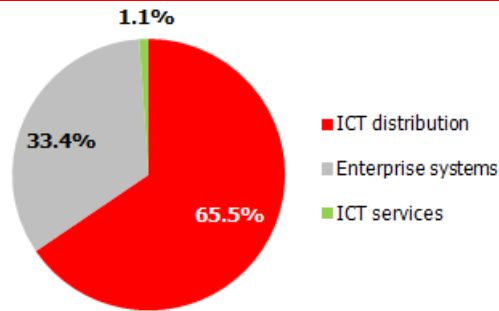
Name	Business Activities
ECS ASTAR Sdn Bhd	<b>Distribution of volume ICT products</b> such as PCs, notebooks, printers, and supplies software for its ICT Products Distribution segment. They specialise in the marketing and distribution of many prestigious and leading brands of ICT products, namely, Adobe, Apple, Autodesk, Buffalo, Canon, Epson, Extreme Networks, Force 10, GE, Huawei Symantec, HP, Linksys, Microsoft, Nortel, Philips, Samsung, Sonicwall and Symantec. They are the largest ICT products distributor in Malaysia has a distribution channel of over 2000 dealers throughout Malaysia.
ECS PERICOMP Sdn Bhd	<b>Distribution of value ICT products</b> such as network & communication, servers, storage and software for its Enterprise System segment. The company is the authorized distributor in Malaysia for Printronix, IBM Software, Lexmark, Cisco, Oracle, RedHat, Juniper, Panduit, BlueCoat, EMC, Intermec, Google, Aruba, APC, Fujitsu and VMware. It has a distribution network of over 500 dealers throughout Malaysia.
ECS KU Sdn Bhd	<b>Provision of ICT Systems and Services.</b> Provide network and system integration, internet solutions, software support, hardware repairs and maintenance for its customers.
ECS KUSH Sdn Bhd	<b>Provision of Management, Financial, and Logistics services.</b> Provide management, administration, accounting, warehousing and delivery services to its sister companies namely ECS Astar Sdn Bhd, ECS Pericom Sdn Bhd and ECS KU Sdn Bhd.

Source: Company, Kenanga Research

## Business

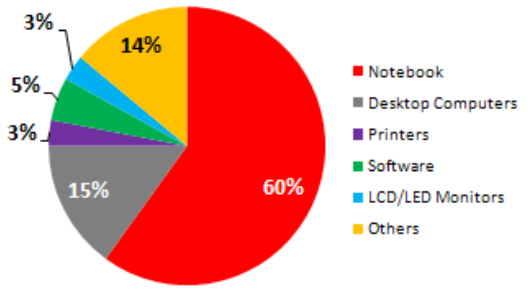
ECS ICT Berhad ("ECSB") engages in the provision of e-commerce systems and solutions. The company largest revenue contribution segment - ICT Product Distribution (65.5 % of sales in 9M11) distributes a range of information and communication technology (ICT) products from computer hardware suppliers, software publishers, networking equipment suppliers, and other suppliers of computer peripherals. Moreover, we noticed ECSB biggest client - Hewlett Packard (HP) contributed almost 45% to the company's sales. Overall, we estimate 75% sales of its ICT Products derived from notebook (60%) and desktop computers (15%). In addition, Enterprise Systems accounted for 33.4% of sales in 9M11 which is +2% higher than 9M10 due to better margin from the segment.

### Segmental Revenue (9M2011)



Source: Company, Kenanga Research

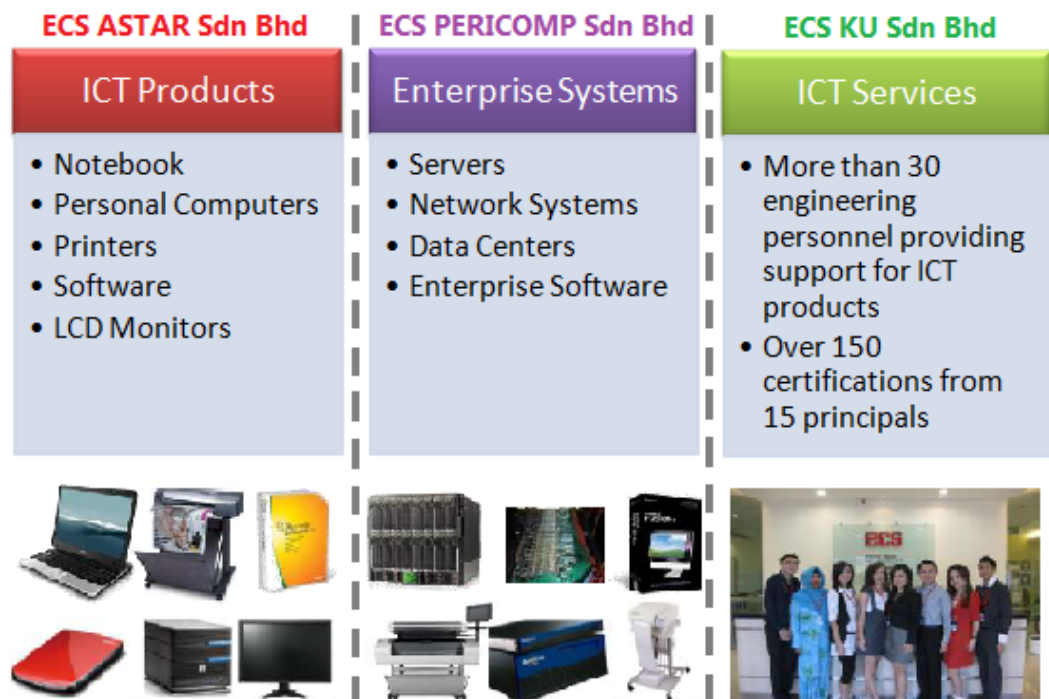
### ICT Product Distribution Sales Breakdown\*



\*Estimated numbers

Source: Kenanga Research

### Business Segments



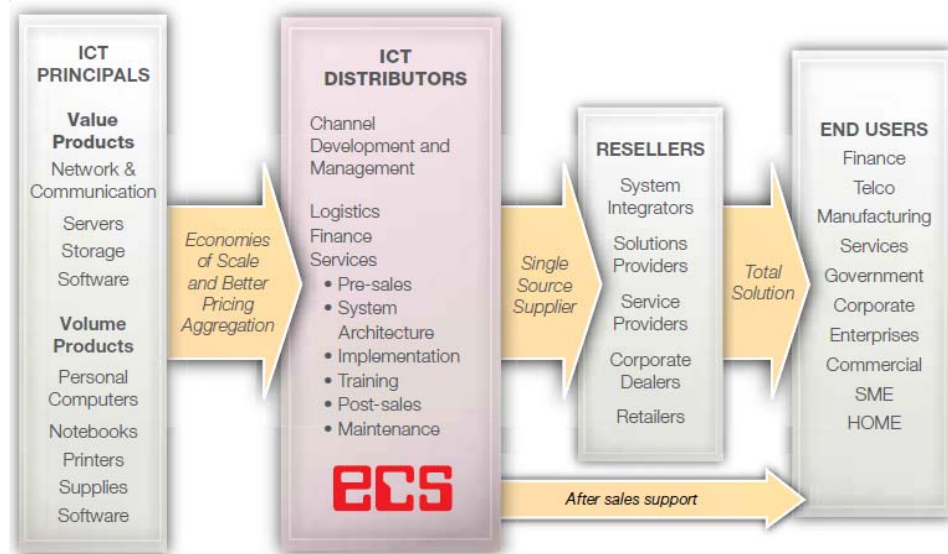
Source: Company, Kenanga Research

**ICT Products Distributor.** ECSB is the largest ICT products distributor in Malaysia, through its subsidiary ECS ASTAR Sdn Bhd covers all major distribution channels through reseller and end user segments. The company has a distribution channel of over 2,500 resellers throughout Malaysia. According to the management, notebook accounted for more than half of sales for ICT product distribution. Moreover, the notebook individual replacement period is very fast (every 4-5 years) compared to desktop computers and printers.

**Enterprise Systems.** There are three products line offered by ECSB namely Servers and Data Centers, Network Systems, and Enterprise Software. Besides, ECSB also designs, installs, and implements ICT infrastructure systems and solutions by offering a range of enterprise servers, workgroup servers, operating systems, application software, system management tools, and ICT security products. Furthermore, Enterprise Systems achieve better PBT margin (3.6%, 9M2011) than ICT Products Distribution (2.3%, 9M2011). In addition, almost half of the sales for Enterprise Systems are from the public sector, while the others from telecommunication sector and banking sector. This segment accounted for 33% of total sales of the company in FY2010.

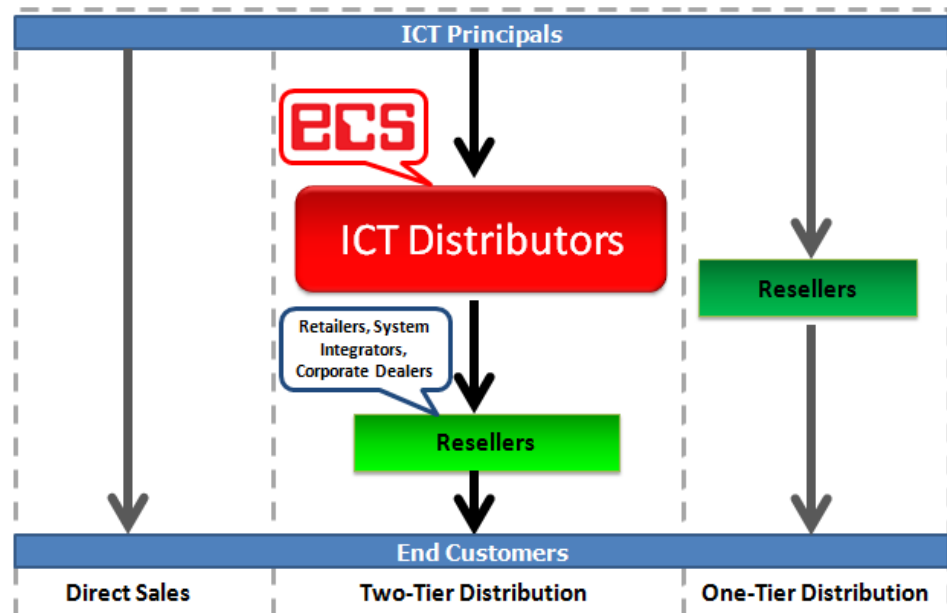
**ICT Services.** ECSB provides network and system integration, internet solutions, software support, hardware repairs and maintenance for its customers. The company also provides a comprehensive range of professional, technical support and training services via its subsidiary ECS KU Sdn Bhd. ECSB has more than 30 engineering personnel 24/7 providing support for ICT products for its Enterprise Systems customers. This segment accounted about 1% of total sales of the company in FY2010.

## Business Model



Source: Company

## Market Positioning



Source: Company, Kenanga Research

## Distribution Infrastructure

- Purpose-built flagship warehouse in Kota Damansara spanning 40,000 sq ft.



- Handles an average intake of 5 containers and output of 25 lorries per day.

- Daily sales of RM4 mil to RM5 mil with 400-500 invoices/deliveries.



Source: Company, Kenanga Research

ECSB distributes ICT products through an efficient infrastructure of more than 2,500 resellers nationwide, consisting of retailers, system integrations and corporate dealers, backed by advanced logistics management system and warehouse in Kota Damansara, Penang, Kuching, and Kota Kinabalu. ECS also has sales offices in Kuantan & Johor Bahru.

At the moment, the company flagship warehouse in Kota Damansara has 70% inventory occupancy rate which allow the company to have ample space to expand its business in the future.

Currently, ECS has authorized distributorships of 40 global ICT brand names & offers more than 2,900 Stock Keeping Units (SKUs) of volume ICT Products & value Enterprise Systems.

### Product Portfolio



Source: Company, Kenanga Research

ECSB distributes a comprehensive range of ICT products comprising notebooks, personal computers, printers, software, network and communication infrastructure, servers, and enterprise software from more than 40 leading principals like Hewlett Packard, IBM, Cisco, Microsoft, Apple, Dell, Oracle, Epson, Samsung, Buffalo, Adobe, Juniper, Blue Coat, VMWare and Google.

### Competitive Advantages

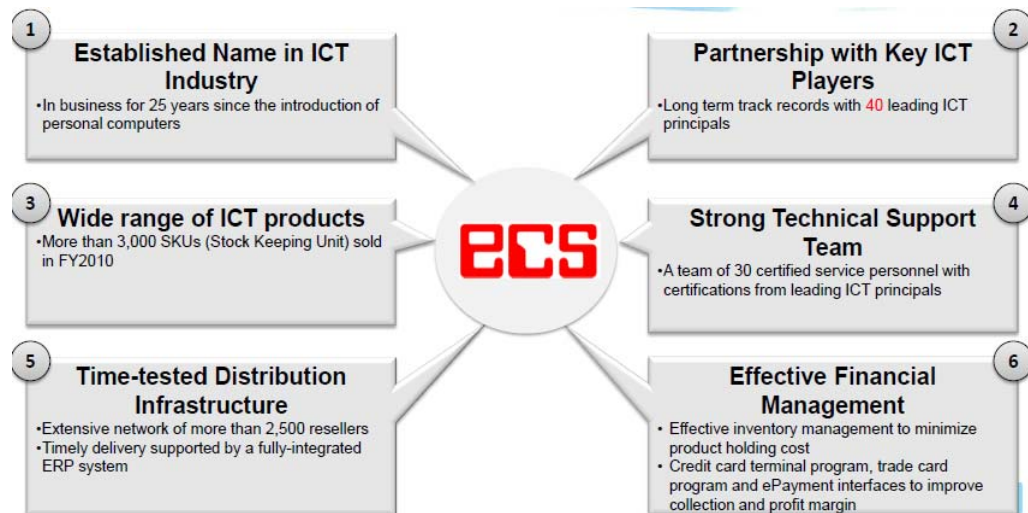
**Market leader in ICT Products Distribution.** According to International Data Corporation (IDC), the total Malaysia IT Spending in 2010 was USD6,769m. Removing Smartphones of 948m and IT Services of 1611m, the total market in which the company's business involved was USD4,210m or RM13,472m with USD exchange rate of RM3.20. With revenue of RM1,272m in 2010, translating into ECSB market share in the segment at about 9.4%.

In addition, according to Plimsoll Global Computer Equipment Wholesalers Industry report, ECSB is now the 188<sup>th</sup> largest company in the Global market as well as 205<sup>th</sup> most profitable company in the Global Computer Equipment Wholesalers Industry.

Overall, ECSB leading position driven by established brand name, efficient distribution ability as well as strong relationships with principals.



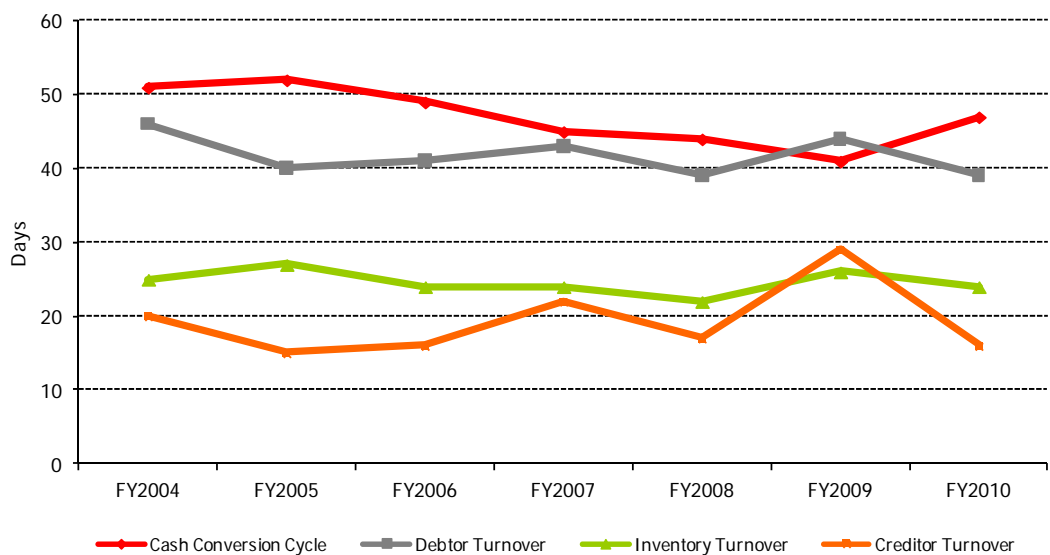
## Strength



Source: Company, Kenanga Research

ECS positioning in the ICT Distribution Market is even solidified as the barriers to entry in the industry is perceived to be high. In summary, existing players and new entrants must possess large working capital, established track record and large reseller base.

## Operation Efficiency



Source: Company, Kenanga Research

**Shorter Cash Conversion Cycle.** We noticed the company has a short Cash Conversion Cycle on average of 45 days or 7.8x per year (FY2006-FYE2010). Cash Conversion Cycle measurement is extremely important for ECSB and it shows that how quickly the company can convert its products into cash through sales. We understand that the shorter the cycle, the less time capital is tied up in the business process, and thus yield the better result for ECSB's bottom line.

Moreover, the company had set up more than 700 credit card terminals over 100+ retailers in Malaysia as well as implemented the FPX (Financial Process Exchange) payment gateway which enables direct online payment from reseller for its B2B and B2C customers to improve efficiency in collecting receivable. We believe the expansion of faster payment option to more resellers would trigger ECSB to achieve shorter creditor turnover and hence shorter days in cash conversion cycle in the future.

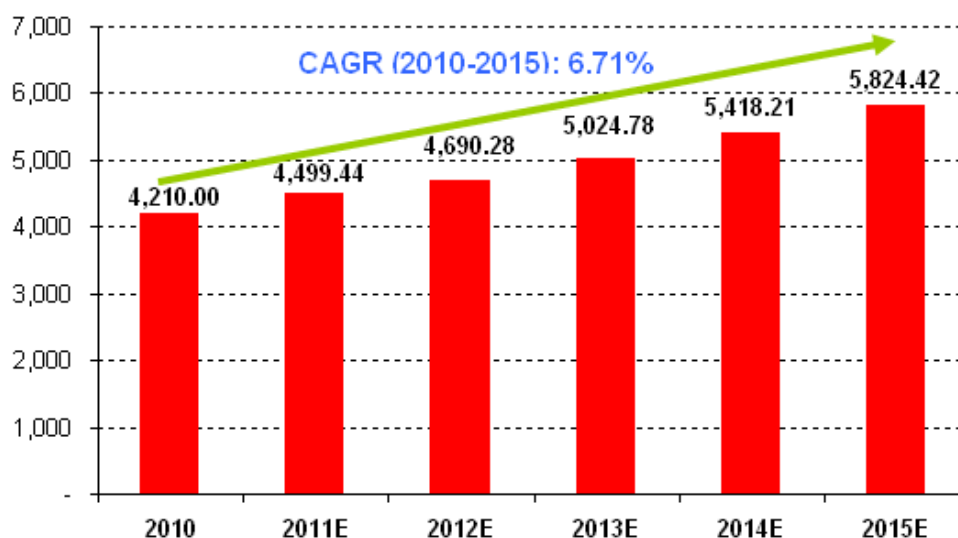
ECSB achieved a better cash conversion cycle during 9M11 (+18%) compared to 9M10 due to lower inventory turnover days (30 days) for 9M11. Also noted that, the company able to maintain inventory turnover days of an average 25 days during the last 6 years.

## Recent Development - FY2011

- 1. Awarded distributorship for Apple iPad in Malaysia**
  - ECS appointed to distribute the range of iPad products in March 2011.
  - ECS has been the distributor for Apple since 1999 for the full range of MacBook notebooks, iMac desktop and iPod.
- 2. ECS appointed distributor for Dell's products in Malaysia**
  - ECS Astar signed partnership agreement with Dell on 3 March 2011.
  - ECS will distribute Dell's commercial and consumer notebooks, desktops, and workstations such as Vostro, Latitude, XPS, Inspiron, OptiPlex, Precision, gaming (Alienware) and enterprise solutions.
- 3. Samsung's notebooks and Galaxy Tabs Progress**
  - ECS Astar signed an agreement with Samsung Electronics to distribute Samsung's notebooks and Galaxy Tabs on 25 January 2011.
  - Up to April 2011, ECS has sold about 6,000 units of notebooks and Galaxy Tabs.
  - ECS Pericomp signed partnership agreement with Mahindra Satyam in October 2011 to implement the Oracle E-Business Suite, application software targeted for midsize companies.
  - Encompasses the complete spectrum of modules for enterprise operations such as human resources, finance and project management.
- 4. Set up of ECS Technology Center**
  - The centre provides customers with the technology infrastructure for supporting product demos and proof-of-concept development.
  - Showcase includes the Oracle Solaris, Oracle's Sun Fire's servers, and the latest being the Oracle Exadata Database Machine – the first in Malaysia which draws keen interest from banks, insurance companies, telcos and government bodies.
- 5. Multiple brands of notebook and tablet PCs**
  - Brisk sales of Apple iPads and Samsung Galaxy Tabs
  - Expanded portfolio of notebooks (from HP to Asus, Dell and Lenovo)

## Industry Overview

**ICT industry in Malaysia to hit USD5.82b by 2015... CAGR of 6.71%**



Source: IDC, Kenanga Research

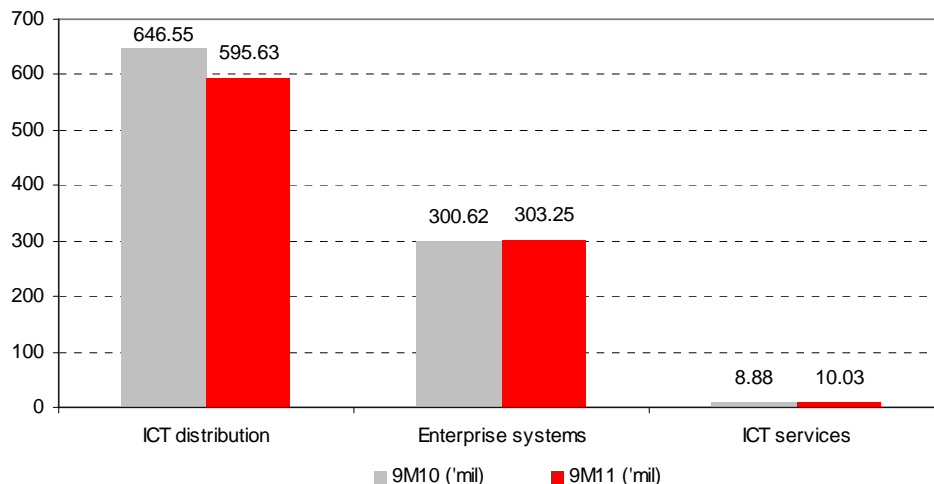
Based on International Data Corporation's (IDC) projections, the information and communications technology (ICT) industry in Malaysia (excluding smartphones and ICT services) is expected to achieve USD4.69b in FY2012 (+4.24% compared to FY2011).

The projection also shows a Compounded Annual Growth Rate (CAGR) of 6.71% from 2011E-2015E. Together with this, ECSB as one of the market leaders in the ICT distribution segment believe to perform slightly better (+5%) overall in FY2012 than FY2011. Going forward, We believe future growth of the company to be driven by recently-acquired tablet PC distributorships such as Apple iPad and Samsung Galaxy Tab.

## Financials and Valuations

**YoY.** For 9M11, ECSB recorded total revenue of RM908.9m (-4.9% YoY) mainly due to lower sales from its ICT distribution segment - down 7.9% YoY compared to 9M10 of RM646.5m. Together with the lower revenue, PBT decreased by 4.6% to RM26.9m from RM28.2m recorded in the corresponding period last year. Nevertheless, the company was able to maintain its pre-tax margin at 2.96% (+0.1% YoY) as well as net profit margin at 2.17% (+0.1 YoY) for 9M11.

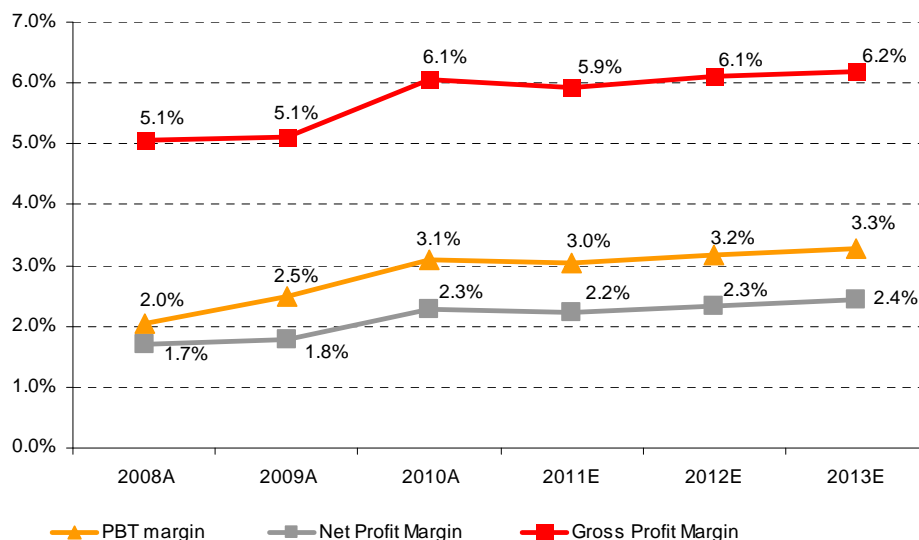
### 9M10 v 9M11 – Revenue by Segments



Source: Company, Kenanga Research

**QoQ.** For 3Q11, its total revenue increase slightly to RM317.9m (+1.8% QoQ) as a result of improvement in ICT distribution segment – increased to RM206.3m (+2.4% QoQ). We believe this was mainly due to the surging in demand for tablet PCs as well as addition in notebook and tablet PCs brands under its distribution stable (from HP to iPad, Dell, Samsung's Notebook and Galaxy Tab, Asus, and Lenovo)

### Margin Projection



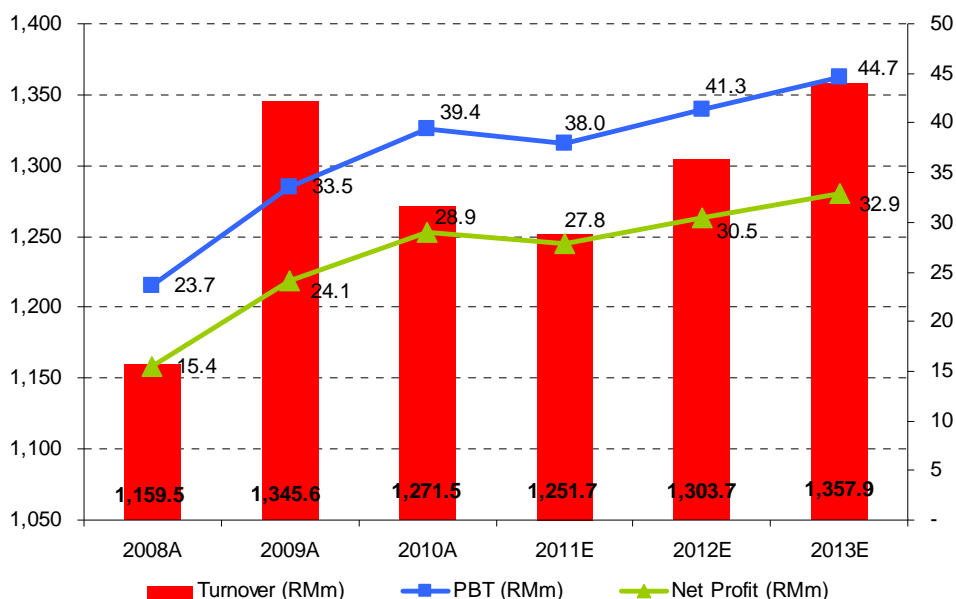
Source: Company, Kenanga Research

**Healthy Profit Margin.** We understand that ESCB is playing “volume game” on its ICT Distribution segment given its extensive network of 2,500 resellers in Malaysia and the company still consistently maintained its net profit margin over the years. According to Plimsoll Global Computer Equipment Wholesalers Industry research, the average net profit margin in the industry is now 2%, hence ECSB net profit margin is actually outperform the industry from 2.2%-2.4% for FY2010A-FY2013E.

We reckon its margin to improve gradually due to expansion of its higher gross profit margin's Enterprise Systems (i.e. 8.8% for FY2011E) compared to its ICT Product Distribution (4.1% for FY2011E). Noted that Enterprise Systems is only accounted for 33.4% (9M11) of total sales.



### Revenue Projection



Source: Company, Kenanga Research

**Decent Dividend Payout Ratio (DPR).** We noted that ECSB has a dividend policy of paying out approximately 30% from its annual net profits. This translates into 5.6% gross dividend yield in FYE2011 - assuming ECS disburses 30% dividend payout. Previously, ECSB paid 8 sen DPS for FY2010 which equal to 33.2% DPR. We reckon the company to issue a final dividend of 7.0 sen per share based on 30% DPR and estimate net profit of RM28.0m in FYE2011.

**Shorter Cash Conversion Cycle.** We noticed the company has a superb short Cash Conversion Cycle on average of 45 days or 7.8x per year (FYE2006-FYE2010). The ability of ECSB to maintain shorter Cash Conversion Cycle is due to the high efficient of management in collecting account receivable from reseller. We believe the expansion of faster payment option to more resellers would trigger ECSB to achieve shorter days in Cash Conversion Cycle in the future.

**Net Cash Company.** ECSB paid off its borrowings at the end June 2010 and the company now is a net cash company. According to the management, the company plans to reserve its cash aiming for business expansion on highly potential market (e.g. tablet and smart phone market).

**Initiate coverage on ECS ICT Berhad with BUY call and fair value of RM1.45.** We have applied 5.7x forward PER (+1.0 standard deviation above the mean) with FYE2012 EPS of 25.4 sen which bring to a trailing 12-month fair value of RM1.45. We believe the premium of +1 standard deviation is justified given its recently-acquired tablet PC distributorships such as Apple iPad and Samsung Galaxy Tab is selling aggressively and also recent expansion of its higher margin's Enterprise Systems segment via partnership with Mahindra Satyam to implement Oracle Applications, which targeting for SMEs companies.

### ECS ICT Berhad valuation against competitor (local and listed company)

Stocks	Price (RM)	Market Cap (RM m)	Cash Flow Per Share (RM)	Price/Sales Ratio
ECS ICT	1.260	153.6	0.25	0.113
DATAPREP	0.265	109.2	0.01	1.140

Source: Company, Kenanga Research

### Risks

We like to note that ECSB future earnings performance could be affected by uncertainty of economic conditions, declining in business and consumer sentiment, as well as factors such as losses in foreign exchange translation, problems with suppliers/customers, increased inventory turnover days, and market acceptance of its products.

**Price reduction of ICT products and obsolescence of inventory.** ECSB is exposed to the risk of inventories write down as a result of price reduction from the ICT principals as a result of technological changes. Even though ICT principals usually gives up to two months notice to distributor before the launching of a new product but ECSB is still subject to certain amount of loss should the existing product cannot be sold in timely manner.

**Fluctuation of Foreign Exchange rate.** Particularly in US Dollars, because the company paid in USD when purchase all ICT products from the ICT principals. However, the company is able to mitigate the risks by using banker's acceptance - pay with a fixed and premium foreign exchange rate.

**High exposure to ICT products.** A lion share of the company's revenue comes from thin-margin ICT products (e.g. Notebooks and Desktop PC – est. 75% of total sales). We believe strong competition and lower-than-expected demand for ICT products in the future will create downward pressure on already very thin margins for the segment and hence it could have negative impact on EBITDA margin.

## Financial Highlights

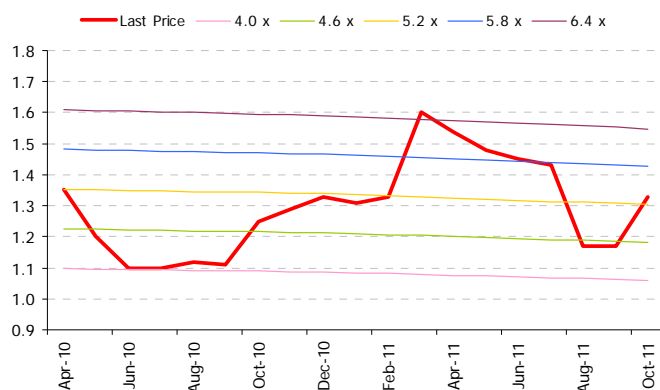
<b>Earnings Estimates</b>					
<b>FYE 31 Dec (RMm)</b>	<b>2009A</b>	<b>2010A</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Turnover	1,345.6	1,271.5	1,251.7	1,303.7	1,357.9
EBIT	36.1	41.1	37.9	41.2	44.5
Pretax profit	33.5	39.4	38.0	41.3	44.7
<b>Net Profit</b>	<b>24.1</b>	<b>28.9</b>	<b>27.8</b>	<b>30.5</b>	<b>32.9</b>
EBIT margin	2.7%	3.2%	3.0%	3.2%	3.3%
Pretax margin	2.5%	3.1%	3.0%	3.2%	3.3%
Effective tax rate	25.4%	26.3%	26.5%	26.0%	26.0%
<b>Growth ratios</b>					
Turnover	16.0%	-5.5%	-1.6%	4.2%	4.2%
EBIT	30.9%	13.8%	-7.8%	8.8%	8.0%
Pretax profit	41.4%	17.5%	-3.4%	8.8%	8.0%
Net profit	56.3%	20.0%	-3.8%	9.6%	8.0%
ROE	26.9%	19.6%	16.5%	15.9%	15.2%
ROA	8.1%	10.8%	10.2%	10.1%	10.0%
Net Gearing (x)	0.31	Net Cash	Net Cash	Net Cash	Net Cash
<b>Per share data</b>					
EPS (sen)	26.2	25.7	23.2	25.4	27.5
EPS growth (%)	56.3%	-1.9%	-9.8%	9.6%	8.0%
PER (x)	N.A.	5.2	5.4	5.4	4.9
Gross DPS (sen)	N.A.	8.0	7.0	7.6	8.2
Div. Yield (%)	N.A.	6.4	5.6	6.1	6.6
NTA/Share (RM)	N.A.	1.31	1.40	1.59	1.80
<b>Historical Price Ratio</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
PER (x) – High	N.A.	N.A.	N.A.	N.A.	5.88
PER (x) – Last	N.A.	N.A.	N.A.	N.A.	5.18
PER (x) – Low	N.A.	N.A.	N.A.	N.A.	4.01
PBV (x) – High	N.A.	N.A.	N.A.	N.A.	1.70
PBV (x) – Last	N.A.	N.A.	N.A.	N.A.	1.08
PBV (x) – Low	N.A.	N.A.	N.A.	N.A.	1.07

Source: Kenanga Research

<b>Balance Sheet</b>					
<b>FYE Dec (RMm)</b>	<b>2009</b>	<b>2010</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Non Current Assets	5.1	5.2	7.5	10.0	12.6
Current Assets	292.7	261.7	266.0	290.8	317.6
<b>Total Assets</b>	<b>297.8</b>	<b>266.8</b>	<b>273.6</b>	<b>300.8</b>	<b>330.1</b>
Current Liabilities	156.4	106.3	104.8	109.0	113.5
Non Current Liabilities	51.9	13.1	0.4	0.4	0.5
Shareholders' Fund	89.6	147.4	168.3	191.3	216.1
<b>Equity &amp; Liabilities</b>	<b>297.8</b>	<b>266.8</b>	<b>273.6</b>	<b>300.8</b>	<b>330.1</b>

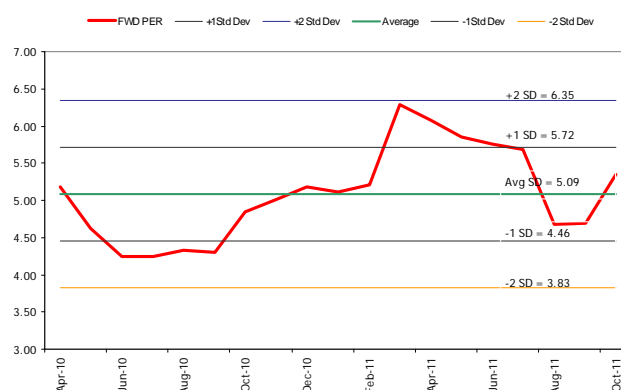
Source: Kenanga Research

## Fwd PER Band



Source: Bloomberg, Company, Kenanga Research

## Standard Deviation of Fwd PER



## Appendix

### Management Background & History

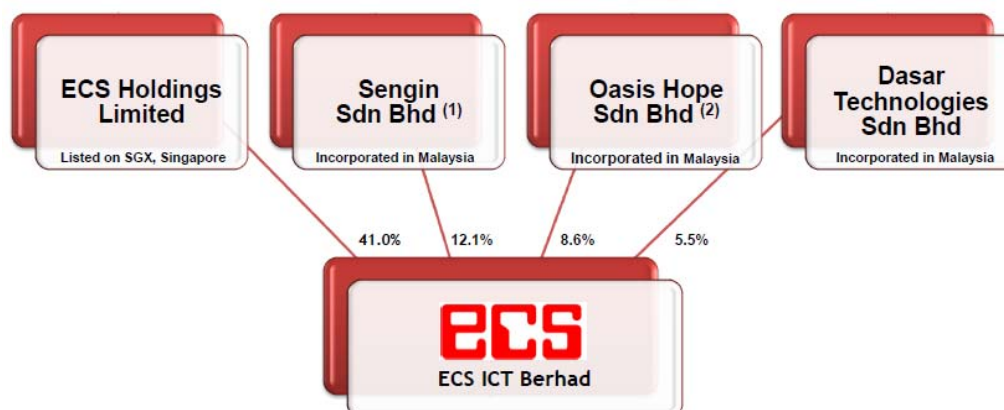
The group is headed by an experienced management team that is led by its Managing Director, Mr Foo Sen Chin. Mr Foo has 32 years of experience in the ICT industry and is an Advisor to the current council of PIKOM (Association of the Computer and Multimedia Industry). Other key management figures include Mr Soong Jan Hsung (an Executive Director involved in sales and marketing), Mr Tee Ang Kuan (General Manager) and Mr Chan Puay Chai (Financial Controller).

### Board of Directors/ Management

Name	Position
Dato' Teo Chiang Quan	Chairman
Mr Foo Sen Chin	Managing Director
Soong Jan Hsung	Executive Director
Mr Tay Eng Hoe	Director
Mr Eddie Foo Toon Ee	Director
Mr Wong Heng Chong	Director
Mr Quah Chek Tin	Independent Director
En Ahmad Subri Bin Abdullah	Independent Director
Ms Ho Chee Kit	Independent Director
Mr. Tee Ang Kuan	General Manager, ECS ASTAR SDN BHD
Mr. Tan Say Meng	General Manager, ECS KU SDN BHD
Mr. Chan Puay Chai	Financial Controller

Source: Company, Kenanga Research

### Substantial Shareholders of ECS ICT Berhad



(1) Deemed interest of Mr. Foo Sen Chin, Managing Director of ECS ICT Berhad

(2) Deemed interest of Dato' Teo Chiang Quan, Chairman of ECS ICT Berhad

Source: Company

ECSB is an associate company of ECS Holdings Limited, a Singapore Exchange mainboard company which is one of the leading ICT distributors in Asia Pacific, accessing to a network of more than 21,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia and the Philippines. ECS Holdings Limited holds 41.0% of ECS ICT Berhad.

## More than 25 years in the ICT industry

Year	Achievement
<b>1985</b>	Began business in marketing personal computers under K.U. Sistem Sdn Bhd (now known as ECS KU Sdn Bhd)
<b>1986</b>	Management buy-out of K.U. Sistem Sdn Bhd by founders Foo Sen Chin and Dato' Teo Chiang Quan. Pericomp Sdn Bhd (now known as ECS Pericomp Sdn Bhd) was formed to distribute peripherals to dealers.
<b>1994</b>	Set up a branch office in Penang
<b>1997-1998</b>	KUS Holdings Sdn Bhd (now known as ECS Kush Sdn Bhd) won the inaugural Enterprise 50 award. Astar Sdn Bhd (now known as ECS Astar Sdn Bhd) won the Enterprise 50 award
<b>2000</b>	KUS Holdings Sdn Bhd (now ECS Kush Sdn Bhd) became a 60% subsidiary of ECS Holdings Ltd of Singapore
<b>2001</b>	Listing of ECS Holdings Limited on the SGX Mainboard
<b>2002</b>	ECS ICT Berhad was awarded MSC status by MDEC
<b>2004</b>	KUS Group of companies adopted the 'ECS' corporate identity
<b>2005</b>	Introduction of program to install credit card terminals at resellers' sales points
<b>2006</b>	Implemented Enterprise Knowledge Portal to improve information storage and sharing
<b>2007</b>	Establishment of warehouses in Kota Kinabalu and Kuching
<b>2008</b>	Installation of 720 credit card terminals with over 107 retailers to improve collections. Implemented the FPX payment gateway which enables direct online payment from reseller. Establishment of sales office in Johor Bahru and Kuantan. Launch of our integrated corporate office and warehouse facility in Kota Damansara
<b>2009</b>	Hosted ECS Holdings Ltd Board of Directors' Meeting and Executive Committee Meeting of CEO's from 6 countries
<b>2010</b>	Listing of ECS ICT Berhad on the Main Market of Bursa Malaysia Securities Berhad

Source: Company, Kenanga Research

## Stock Ratings are defined as followed

### Stock Recommendations

#### Core Coverage\*

OUTPERFORM	:	The stock's expected total return is expected to outperform the FBMKLCI benchmark by 2.5% or more over the next 12 months.
MARKET PERFORM	:	The stock's expected total return is expected to perform in line with the FBMKLCI benchmark by +/-2.5% over the next 12 months.
UNDERPERFORM	:	The stock's expected total return is expected to underperform the FBMKLCI benchmark by 2.5% or more over the next 12 months.

*\*Core coverage is for our coverage on the Top 100 market capitalisation stocks and selective industry proxies/leaders.*

#### Non-Core Coverage\*\*

BUY	:	The stock's absolute expected total return is +10% or more over the next 12 months.
NEUTRAL	:	The stock's absolute expected total return is +/- 10% over the next 12 months.
SELL	:	The stock's absolute expected total return is -10% or more over the next 12 months.

*\*\*Non-core coverage is for our coverage on stocks other than our core coverage.*

#### Sector Recommendations\*\*\*

OVERWEIGHT	:	The industry is expected to outperform the FBMKLCI benchmark over the next 12 months.
NEUTRAL	:	The industry is expected to perform in line with the FBMKLCI benchmark over the next 12 months.
UNDERWEIGHT	:	The industry is expected to underperform the FBMKLCI benchmark over the next 12 months.

*\*\*\*Sector recommendations / ratings are defined based on market capitalisation weighted average expected total return for stocks under our coverage.*

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