

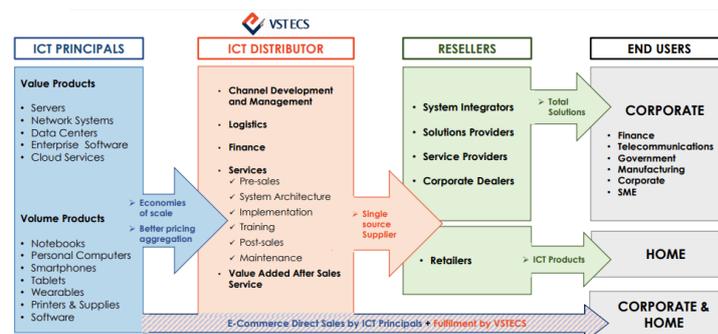
Asian Daily

VSTECs (VSTE.KL, NOT COVERED) Benefitting from the 'Work From Home' trend

- VSTECs (formerly ECS ICT) is one of ASEAN's largest distributors of ICT products, comprising of notebooks, personal computers, smartphones, software, network and communication infrastructure, servers and enterprise software. It represents more than 40 leading principals like HP, Asus, Lenovo, Apple, Microsoft, Cisco, and IBM.
- With a nationwide channel network of more than 6,600 resellers (comprises of retailers, system integrators, and corporate dealers), VCT splits its business into three key segments: (1) ICT distribution (67% of revenue, 47% of GP); (2) enterprise systems (30% of revenue, 44% of GP); and (3) ICT services (3% of revenue, 9% of GP).
- Dividend payout averaged 35% between FY15-19, though its policy is at 30% of profits. It has a strong balance sheet with net cash per share at RM0.45, as at end 1Q FY20.
- Management expects growth to be driven by higher spending on software and IT solutions as companies enable their employees to work from home; this would benefit its enterprise systems division.

servers and enterprise software. It represents more than 40 leading principals like HP, Asus, Lenovo, Apple, Microsoft, Cisco, and IBM (it is an exclusive distributor for some brands too). Its competitive edge hinges on its ability to be a 'one-stop' shop for a diverse customer base.

Figure 3: VSTECs is a one-stop shop for a diverse customer base



Source: Company data

Figure 1: Financial summary

| | |
|----------------------|---------------|
| Ticker | VSTE.KL |
| Company name | VSTECs Berhad |
| Share Price (RM) | 2.16 |
| Mkt cap (RMmn) | 389 |
| Market cap (US\$ mn) | 92 |
| 3M ADV (US\$mn) | 0.92 |

| FYE-Dec | FY16 | FY17 | FY18 | FY19 | 3MFY20 |
|---------------------|-------|-------|-------|-------|--------|
| Revenues (MYR mn) | 1,823 | 1,855 | 1,632 | 1,802 | 373 |
| EBIT (MYR mn) | 39 | 33 | 30 | 36 | 7 |
| Net profit (MYR mn) | 30 | 26 | 25 | 30 | 7 |
| Net margin (%) | 2% | 1% | 2% | 2% | 2% |
| EPS growth (%) | -7% | -13% | -6% | 20% | n/a |
| P/E (x) | 12.9 | 14.8 | 15.8 | 13.1 | n/a |
| Dividend yield (%) | 2.8% | 2.3% | 2.3% | 2.5% | 0.0% |
| P/B (x) | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 |
| ROE (%) | 12% | 10% | 9% | 10% | n/a |
| Net debt/(cash) (%) | -43% | -19% | -19% | -22% | -25% |

Source: Company data, the BLOOMBERG PROFESSIONAL™ service

Figure 2: VSTECs is one of the largest distributors of ICT products in ASEAN



Source: Company data

One of the largest distributors of ICT products in ASEAN.

VSTECs (formerly ECS ICT) is one of ASEAN's largest distributors of ICT products, comprising of notebooks, personal computers, smartphones, software, network and communication infrastructure,

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Companies Mentioned (Price as of 28-Jul-2020)

Apple Inc (AAPL.OQ, \$379.24)
Cisco Systems (CSCO.OQ, \$47.19)
Dell Technologies (DELL.N, \$60.96)
Hewlett Packard Enterprise (HPE.N, \$9.75)
International Business Machines (IBM.N, \$126.21)
Lenovo Group Ltd (0992.HK, HK\$4.53)
Maxis Berhad (MXSC.KL, RM5.27)
Microsoft (MSFT.OQ, \$203.85)
Time Dotcom Berhad (TCOM.KL, RM10.84)

Disclosure Appendix

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