

## ECS ICT Bhd

### 2QFY10 Results

### OUTPERFORM

Current Price RM 1.08

Target Price RM 1.45

Consensus Price RM 1.52

#### Key Statistics

Bloomberg Ticker	ECS MK
Shares Issued (mn)	120.0
Market Capitalisation (RM'mn)	129.6
52 Week Hi/Lo Price (RM)	1.49/1.05
Est Free Float (mn)	41.9
YTD Returns (%)	-
Beta (x)	-

#### Major Shareholders (%)

ECS Holdings Limited	41.0
Sen Chin Foo	12.0

#### 1-Year Share Price Performance



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## Expectations Comes Slow

#### Highlights:

- ◆ **Outperform:** We maintain our Outperform call on ECS ICT Bhd (ECSB) based on FY10's EPS with a PER of 6x. Our target price is RM1.45 (previously RM1.69) as local investors seems to have tepid response towards ECSB.
- ◆ **Below expectation:** ECSB YTD10's revenue came in at RM626.2mn, making up only 40.7% of our FY10 forecast. Meanwhile, PBT made up 47.2% of our FY10's forecast. Revenue and PBT in 2QFY10 rose 24.5% y/y and 5.8% y/y respectively. On q/q revenue fell by 1.3% while PBT rose 37.5%.
- ◆ **Margins improved:** Margins improved in 2QFY10, with PBT margin up 1.0 ppt to 3.4%. The improved PBT margin was due to (1) Follow through from improved gross profit margin of ICT Distribution activities and Enterprise Systems; and (2) Increased ICT Services activities which gives have better margins.
- ◆ **News ahead:** Despite below expectation 1HFY10 performance, we are holding our forecast as we expect positive contribution to emanate from (1) the rights to distribute Asus's laptops and netbooks; (2) benefiting from YTL's contract awarded to ECSB & Cisco Systems Inc worth RM30mn to supply network infrastructure for YTL Communications' wireless broadband service; (3) upcoming PIKOM PC Fair (II) in July/Aug 2010; and (4) improving market condition that will boost ICT Distribution segment.

FY Dec (RM'mn)	2006A	2007A	2008A	2009A	2010F	2011F
Revenue	766.0	976.9	1,159.6	1,345.6	1,538.7	1,753.3
EBIDTA	14.3	23.2	32.0	37.6	43.1	49.7
Net Profit	7.5	13.7	19.8	25.0	29.1	34.4
Net Profit Margin (%)	1.0	1.4	1.7	1.9	1.9	2.0
EPS (Sen)	6.3	11.4	16.5	20.8	24.2	28.7
EPS Growth (%)	-	82.0	44.2	26.3	16.2	18.5
PER (x)	17.2	9.4	6.5	5.2	4.5	3.8
DPS (Sen)	-	-	-	-	6.0	8.0
Dividend Yield (%)	-	-	-	-	5.6	7.4
Price/Book (x)	3.5	2.6	1.9	1.6	1.1	1.0
ROE (%)	20.4	27.6	28.9	30.0	25.2	27.5
ROA (%)	5.2	6.7	9.1	9.1	9.8	10.5
EBITDA Margin (%)	1.9	2.4	2.8	2.8	2.8	2.8
Net Gearing Ratio (%)	39.5	33.3	28.1	18.5	16.8	15.1

FY Dec (RM' mn)	2QFY10	2QFY09	y/y chg	1QFY10	q/q chg	FY10	FY09	y/y chg
Revenue	311.1	294.1	5.8	315.1	(1.3)	626.2	588.0	6.5
Gross Profit	21.9	-	-	18.6	17.9	40.5	-	-
Gross Margin (%)	7.0	-	-	5.9	19.4	6.5	-	-
Pre-tax profit (PBT)	10.6	8.5	24.5	7.7	37.5	18.3	13.7	33.4
Pre-tax margin (%)	3.4	2.9	17.6	2.4	39.2	2.9	2.3	25.2
Tax expenses	(2.8)	-	-	(1.9)	46.3	(4.7)	-	-
Net Profit (ex MI)	7.8	-	-	5.7	37.0	13.5	-	-
Net Profit margin (%)	2.5	-	-	1.8	38.7	2.2	-	-
EPS(Sen)	6.6	-	-	6.2	6.5	12.9	-	-

Revenue (RM' mn)	2QFY10	2QFY09	y/y chg	1QFY10	q/q chg	FY10	FY09	y/y chg
ICT Distribution	220.9	-	-	221.6	(0.3)	442.5	-	-
Enterprise Systems	88.7	-	-	94.3	(5.9)	183.0	-	-
ICT Services	4.4	-	-	3.6	24.2	8.0	-	-
Others	2.3	-	-	2.3	0.1	4.6	-	-
Elimination	(5.2)	-	-	(6.7)	(21.8)	(11.9)	-	-
Total	311.1	-	-	315.1	(1.3)	626.2	-	-

PBT (RM' mn)	2QFY10	2QFY09	y/y chg	1QFY10	q/q chg	FY10	FY09	y/y chg
ICT Distribution	7.3	-	-	5.2	40.8	12.6	-	-
Enterprise Systems	3.2	-	-	2.1	53.6	5.3	-	-
ICT Services	0.3	-	-	0.0	>100	0.3	-	-
Others	5.0	-	-	0.4	>100	5.4	-	-
Elimination	(5.2)	-	-	0.0	-	(5.2)	-	-
Total	10.6	-	-	7.7	38.7	18.3	-	-

PBT Margin (%)	2QFY10	2QFY09	y/y chg	1QFY10	q/q chg	FY10	FY09	y/y chg
ICT Distribution	3.3	-	-	2.4	41.2	2.8	-	-
Enterprise Systems	3.6	-	-	2.2	63.3	2.9	-	-
ICT Services	6.4	-	-	0.1	>100	3.6	-	-
Others	2.2	-	-	0.2	>100	>100	-	-
Elimination	1.0	-	-	0.0	-	43.9	-	-
Total	3.4	-	-	2.4	40.4	2.9	-	-

## Ratings System

Ratings:	Description:
OUTPERFORM	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
UNDERPERFORM	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
m/m	Month-on-Month	PAT	Profit After Tax
q/q	Quarter-on-Quarter	EV	Enterprise Value
y/y	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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