

MEDIA CLIPPING

Client :	ECS ICT Berhad	Date :	28 December 2012
Media :	Edge Financial Daily	Section :	Business
Language :	English		

ECS ICT to add more products to its portfolio

Company well-placed to maintain market leadership position — research house

by **Kamarul Anwar**
FD@bizedge.com

KUALA LUMPUR: In line with consumers' preference for smaller, palm-sized devices, ECS ICT Bhd is increasing its product portfolio next year while growing its Enterprise Systems division.

"At present, we already distribute Apple, ASUS, Lenovo and Samsung tablet PCs. Recently, ECS ICT was awarded the distribution rights for the Google Nexus 7 PC tablet and we are constantly looking for more products to add to the range," said managing director Foo Sen Chin in an email interview with *The Edge Financial Daily*.

He said the company had also ventured into the smartphone market when it was appointed a local distributor for China-based Huawei Technologies Co Ltd's Ascend P1 smartphone in the 3Q of 2012.

"We are striving to add more smartphone brands to distribute in the Malaysian market, and establish yet another strong revenue stream for the group," said Foo. Besides the ICT Distribution and Enterprise Systems divisions, the group also has another division called ICT Services.

According to Bloomberg, the net profit of ECS ICT, a distributor of Information and Communications Technology (ICT) products, expanded at a quicker pace of 32% compound annual growth rate (CAGR) from FY2006 to FY2011, compared with group revenue CAGR of 10% in the same period.

In the first nine months of



Foo says ECS ICT has undertaken various measures to improve profitability.

FY2012, ECS ICT chalked up RM20.25 million in net profit, a 2.9% increase year-on-year. Its revenue rose to RM942.58 million from RM908.92 million in the same period of 2011. The ICT Distribution division contributed RM598.49 million, Enterprise Systems RM332.81 million and ICT Services RM11.29 million.

However, at the pre-tax profit level, Enterprise Systems contributed the most with RM15.78 million due to its higher margin, while the ICT Distribution division contributed RM10.05 million and ICT Services RM807,000.

On a quarterly basis, the company saw a marginal decline in net profit for 3Q ended Sept 30, 2012 (3QFY12). In the quarter, it recorded a net profit of RM6.54 million, down 7.29% from the previous corresponding period of RM7.05 million.

The narrower profit margin in 3QFY12, said Foo, was due to higher distribution expenses incurred in line with the development of its

new mobility products for the distribution channel.

Foo said ECS ICT had undertaken various measures to improve its profitability going forward.

"First, we have sought to create a favourable product mix in order to add value from the top down. This entails focusing our efforts to distribute more Enterprise Systems products, with typically higher margin, and would therefore enhance the group's bottom line.

"Second, we are constantly seeking new products to add to our portfolio in order to enhance our performance further.

"Third, we have always focused on raising the level of operational efficiency to keep inventory on just-in-time basis. This is no mean feat, given that our flagship warehouse in Kota Damansara handles average daily sales of RM4 million to RM5 million and processes 400 to 500 invoices and/or product deliveries."

Although the company's ICT Distribution business is projected to make up the lion's share of the group's revenue in the next financial year, Foo said the Enterprise Systems segment will emerge the larger contributor to the group's bottom line.

"ECS ICT will continue to actively grow our Enterprise Systems division. The group sees a lot of growth potential for this higher-margin business, given the rising popularity of e-commerce solutions and the ICT infrastructure that is needed to support such a network.

"Furthermore, we have ventured into the cloud computing sphere by providing software licences to channel partners. We are just beginning to tap the tremendous potential, and believe that this will be a strong re-

curing income stream for the group going forward," he noted.

On the ICT industry, Foo said it essentially faced two challenges in 2012, i.e the gradual decline in demand for PCs and notebooks and the slowdown in Enterprise Systems sales.

"The trend of declining PC and notebook sales hogged much limelight in 2012, triggered primarily by end-users' rising preference for tablet PCs and smartphones in tandem with their increased mobility and demand for information 'on-the-go," he said.

The computing landscape changed when Apple Inc's then-CEO the late Steve Jobs introduced iPad in 2010. It was not a pioneer in tablet computing as Microsoft had launched its own tablet PC in 1999, but Apple's marketing genius made iPad a new necessary item among consumers.

Research firms IDC and Gartner reported that PC shipments worldwide in 3Q of 2012 totalled 87.5 million units, which was 8.3% lower than a year earlier. On the other hand, about 100 million units were sold worldwide since its debut.

Meanwhile, research house Mercury Securities put the company on a "hold" rating with a target price of RM1.10.

In its November note, Mercury said it would upgrade its call on the group once it sustains a stronger earnings growth performance.

Mercury said ECS ICT is well-placed to maintain its market leadership position, given its growing portfolio of ICT products, extensive distribution infrastructure, partnerships with numerous key ICT principals, higher operational efficiency, strong technical support team and effective financial management systems.