

## ECS ICT Bhd

### 3Q12 Results

#### BUY

Current Price **RM 1.09**

Target Price **RM 1.21**

Consensus Price **RM 1.13**

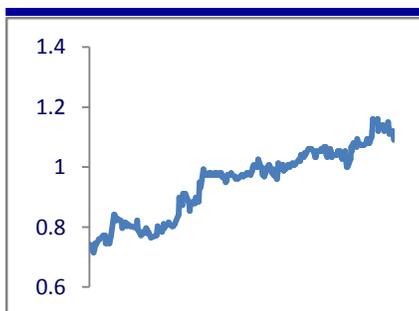
#### Key Statistics

Bloomberg Ticker	ECS MK
Masa Ticker / Stock Code	ECS / 5162
Shares Issued (m)	180.0
Market Capitalisation (RM'm)	196.2
52 Week Hi/Lo Price (RM)	1.19/0.80
3 Mths Avg Vol (Shares)	108,026
Est Free Float (m)	49.4
YTD Returns (%)	30.8
Beta (x)	0.9

#### Major Shareholders (%)

ECS Holdings Ltd	41.0
Sengin Sdn Bhd	12.0

#### 1-Year Share Price Performance



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## Hit by Cutbacks by Consumers?

#### Highlights:

- ◆ **Valuation:** We maintain our BUY call on ECS ICT Bhd (ECS) with a target price of RM1.21, as we shift forward our valuations to FY13F based on a EPS of 20.2sen pegged to a PER of 6.0x.
- ◆ **Short of expectations:** YTD12 revenue of RM942.6m (+3.7% YoY) came slightly below our expectations, accounting for 71.0% our FY12F and its net profit of RM20.3m, YTD12 (+2.9% YoY) made up only 60.2% of our full year forecast. The weaker bottomline is attributed to thinner margins in ECS from its ICT Distribution segment which saw lesser consumer spending on IT products.
- ◆ **Stronger Enterprise Systems:** ECS' Enterprise Systems segment reported encouraging sales, as its 3Q12 revenue increased by +26.3% and its PBT margin improved by +RM1.9m. Rising sales pushed up YTD12 Enterprise Systems sales by +9.7% with a PBT margin of 4.7% (YTD11 : 3.6%). Its IT services segment saw 3Q12 revenue flat at RM3.4m with YTD12 figures at RM11.3m with higher margins due to a larger business volume.
- ◆ **Decent quarter:** 3Q12 revenue of RM327.9m was higher by +3.2% YoY and +6.0% QoQ mainly due to bigger contributions from its Enterprise Systems as mentioned earlier. 3Q net profit saw a decrease of -7.3% to RM6.5m (3Q11: RM7.1m) as lower sales at its ICT Distribution unit ate into ECS' margins.

FYE Dec	2009A	2010A	2011A	2012F	2013F
Revenue (m)	1,345.6	1,271.5	1,250.7	1,327.1	1,408.4
Pretax Profit (m)	33.5	39.4	40.9	45.5	49.2
Net Profit (m)	24.4	28.9	30.1	33.7	36.4
EPS (sen)	13.6	16.1	16.7	18.7	20.2
Pretax margin (%)	2.5	3.1	3.3	3.4	3.5
Net Profit margin (%)	1.8	2.3	2.4	2.5	2.6
PER (x)	8.0	6.8	6.5	6.2	5.9
DPS (sen)	0.0	5.3	5.3	5.6	6.1
Dividend Yield (%)	0.0	4.9	4.9	5.2	5.6
ROE (%)	29.3	19.6	17.5	17.2	16.4
ROA (%)	8.2	10.8	9.3	10.5	9.9
Net Gearing Ratio (%)	24.8	10.6	Net Cash	Net Cash	Net Cash
BV/Share (RM)	0.5	0.8	1.0	1.1	1.2
Price/Book Ratio (x)	2.4	1.3	1.1	1.0	0.9
NTA/share (RM)	0.5	0.8	1.0	1.1	1.2

FY Dec (RM' mn)	3Q12	3Q11	YoY chg	2Q12	QoQ chg	FY12	FY11	YoY chg
<b>Revenue</b>	327.9	317.9	3.2	309.3	6.0	942.6	908.9	3.7
<b>Gross Profit</b>	<b>21.2</b>	<b>17.9</b>	<b>18.6</b>	<b>17.9</b>	<b>18.4</b>	<b>61.0</b>	<b>54.6</b>	<b>11.6</b>
Gross Margin (%)	6.5	5.6	15.0	5.8	11.6	6.5	6.0	7.6
<b>Pre-tax profit</b>	<b>8.6</b>	<b>8.9</b>	<b>(3.7)</b>	<b>7.5</b>	<b>14.2</b>	<b>27.4</b>	<b>26.9</b>	<b>1.9</b>
Pre-tax margin	2.6	2.8	(6.7)	2.4	7.7	2.9	3.0	(1.8)
Tax expenses	(2.1)	(2.6)		(1.9)	7.7	(7.1)	(7.2)	
<b>Net Profit (ex MI)</b>	<b>6.5</b>	<b>7.1</b>	<b>(7.3)</b>	<b>5.6</b>	<b>16.4</b>	20.3	19.7	<b>2.9</b>
Net Profit margin (%)	2.0	2.2	(10.1)	1.8	9.8	2.1	2.2	(0.8)
<b>EPS(Sen)</b>	<b>3.6</b>	<b>3.9</b>	<b>(7.3)</b>	<b>3.1</b>	<b>16.4</b>	<b>11.3</b>	<b>10.9</b>	<b>2.9</b>

- ◆ **Dividend announced:** ECS announced an interim DPS of 3.0sen and we keep our forecast at 5.6sen for FY12F.
  
- ◆ **Keeping numbers unchanged:** We keep our numbers unchanged for the time being as management is hosting a briefing later today that will provide us a clearer picture of factors contributing to the results and of management's views going forward.

## 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
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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