



21 February 2013

ECS ICT

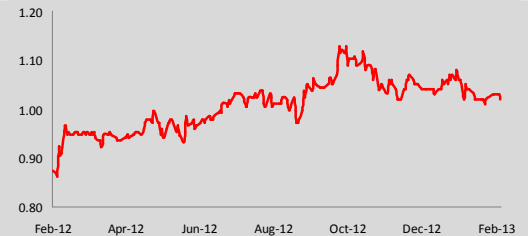
FY12 results within expectations

- Period** ■ 4Q12/FY12
- Actual vs. Expectations** ■ The FY12 net profit of RM29.9m was in line and accounted for 104.5% and 103.4% of ours and the street's full-year estimates respectively.
- Dividends** ■ The company announced a single tier interim dividend of 2.5 sen/share during the quarter. The ex-date has been set as 29 May 2013.
■ The total net dividend for FY12 amounted to 5.5 sen (including an interim net dividend of 3.0 sen/share issued in 3Q12) and is within our expectation.
- Key Result Highlights** ■ **YoY**, the FY12 revenue rose 2.0% to RM1,276m thanks to a higher contribution from the Enterprise System segment (+8.2%) while both the ICT distribution and IT services segments saw marginal reductions in their revenues by 1.3% and 2.9% respectively. The enterprise systems were mainly boosted by the higher sales of networking products, enterprise software and the completion of a few project transactions. Nonetheless, the group's net profit fell slightly by 0.9% to RM29.9m due mainly to 1) a lower EBIT margin of 3.05% (FY11: 3.27%) as a result of a poorer product mix from the ICT distribution segment and 2) the notable higher distribution and administrative expenses of RM46.5m (FY11: RM41.4m) due to its aggressive campaign to recruit resellers for its smartphone and tablet distribution business segment.
■ **QoQ**, the 4Q12 revenue inched up by 1.7% due to the seasonality factor. The net profit increased even faster to RM9.6m (3Q12: 6.5m) buoyed by stronger sales from the Enterprise Systems segment (+4.5%). The group's EBIT margin and net profit margin improved to 3.8% and 2.9% respectively (from 2.5% and 2.0% previously) as a result of higher sales from the higher-GP margin enterprise system segment.
- Outlook** ■ Consumers de-prioritising Notebook PCs purchasing in favour of smartphones and tablets may potentially threaten the sales of the ICT distribution segment.
■ The Enterprise segment's prospect remains bright, underpinned by continuous demand from cloud computing system and data server system, e.g. Oracle Exadata Database Machine.
- Change to Forecasts** ■ No changes to our FY13E estimates.
- Rating** **Maintain MARKET PERFORM**
- Valuation** ■ Maintaining our TP at RM1.03 based on an unchanged FY13 targeted PER level of 6.1x over the FY13 EPS of 16.9 sen
- Risks** ■ Weaker consumer and enterprise spending on ICT products in Malaysia.

MARKET PERFORM ↔

Price: RM1.02
Target Price: RM1.03 ↔

Share Price Performance



KLCI	1,613.33
YTD KLCI chg	-4.5%
YTD stock price chg	-1.9%

Stock Information

Bloomberg Ticker	ECS MK Equity
Market Cap (RM m)	183.6
Issued shares	180.0
52-week range (H)	1.19
52-week range (L)	0.92
3-mth avg daily vol:	41,123
Free Float	38%
Beta	0.9

Major Shareholders

ECS HOLDINGS LTD	41.0%
SENGIN SDN BHD	12.1%
OASIS HOPE SDN BHD	8.6%

Summary Earnings Table

FYE Dec (RM'm)	2011A	2012A	2013E
Turnover	1250.7	1276.1	1408.7
EBIT	40.8	39.0	41.3
PBT	40.9	40.3	41.3
Net Profit (NP)	30.1	29.9	30.4
Consensus (NP)	-	-	30.3
Earnings Revision	-	-	-
EPS (sen)	16.7	16.6	16.9
EPS growth (%)	-2.3	-0.9	1.7
NDPS (sen)	5.3	5.5	5.4
BVPS (RM)	1.4	1.0	1.2
PER (X)	4.1	6.1	6.0
Gearing (%)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	5.2	5.4	5.3

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Result Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE, Dec (RM'm)	FY12	FY12	Chg	FY11	Chg	FY12	FY11	Chg
Turnover	333.5	327.9	1.7%	341.8	-2.4%	1,276.1	1,250.7	2.0%
GP	24.1	21.2	13.5%	26.7	-9.7%	85.0	81.3	4.6%
EBIT	12.6	8.3	50.8%	13.8	-9.2%	39.0	40.8	-4.4%
PBT	12.9	8.6	49.6%	14.0	-8.4%	40.3	40.9	-1.7%
Taxation	3.2	2.1	58.0%	3.6	-9.3%	10.4	10.8	-3.7%
Net Profit (NP)	9.6	6.5	47.0%	10.5	-8.1%	29.9	30.1	-0.9%
EPS (sen)	5.3	5.4	-1.9%	8.7	-39.1%	16.6	16.7	-0.6%
GP margin	7.22%	6.47%		7.80%		6.66%	6.50%	
EBIT margin	3.76%	2.54%		4.04%		3.05%	3.26%	
PBT margin	3.85%	2.62%		4.11%		3.15%	3.27%	
NP margin	2.88%	1.99%		3.06%		2.34%	2.41%	
Effective tax rate	25.22%	23.89%		25.47%		25.81%	26.36%	

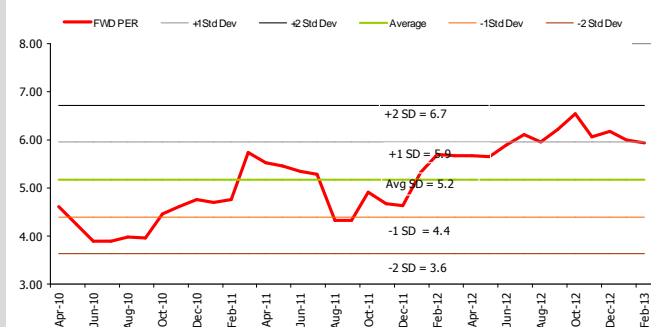
Source: Company, Kenanga Research

Segmental Breakdown

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE, Dec (RM'm)	FY12	FY12	Chg	FY11	Chg	FY12	FY11	Chg
Segment Revenue								
- ICT distribution	188.7	188.0	0.4%	201.9	-6.5%	787.2	797.5	-1.3%
- Enterprise Systems	142.7	136.6	4.5%	136.2	4.8%	475.5	439.4	8.2%
- ICT services	2.1	3.4	-38.2%	3.7	-44.3%	13.4	13.8	-2.9%
Total	333.5	327.9	1.7%	341.8	-2.4%	1276.1	1250.7	2.0%
Segment PBT								
- ICT distribution	4.1	2.1	90.0%	6.4	-36.0%	14.1	20.4	-30.7%
- Enterprise Systems	8.3	6.1	35.9%	7.6	8.1%	24.1	18.6	29.5%
- ICT services	0.2	0.4	-32.9%	0.0	>100.0%	1.0	2.0	-48.3%
Total	12.6	8.6	46.5%	14.0	-10.3%	40.3	40.9	-4.2%

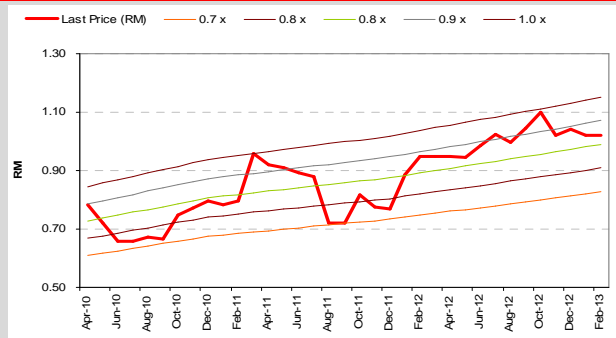
Source: Company, Kenanga Research

Forward PER Standard Deviation



Source: Bloomberg, Kenanga Research

Forward PBV



Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

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

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