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ECS bets on selling iPads, iPhones in China

By Eveline Danubrata

SINGAPORE (Reuters) - Singapore-listed ECS Holdings , which recently clinched nation-wide distribution rights for Apple's iPad and iPhone in China, hopes to raise gross proceeds of around $50 million from the listing of its Taiwan Depository Receipts.

The firm is in the process of submitting documents to Taiwan's regulator and aims to make its debut on the Taiwan Stock Exchange in the first half of 2011, group CEO Narong Intanate told Reuters in an interview.

The cash will be used to expand its business in the region as ECS, which is currently the fourth-largest distributor of IT products in China by revenue, aims to move up to the top three by the end of next year, he said.

Taiwan's securities market, where foreign companies are seeking secondary listings through the sale of Taiwan Depository Receipts (TDRs), have attracted firms from China and Singapore due to attractive valuations. Taiwan's TDR market also received a boost from improving trade ties with China, encouraging many Singapore-listed Chinese companies to sell shares there.

Intanate said the company hopes to fetch a better valuation in Taiwan, adding ECS was trading at an estimated 2010 price-earnings ratio of 5 times in Singapore, compared to rival Synnex <2347.TW> which trades at 16-18 times in Taiwan.

"In Taiwan's stock market, majority are technology stocks, so Taiwan investors do understand technology companies well including distribution business," Intanate said.

ECS also sees annual double-digit growth in its revenue for the next four years, in line with rising IT spending in its key markets as consumers become increasingly wealthy.

Currently China makes up 45 percent of ECS' revenue. Thailand and Malaysia contribute 15-16 percent each, while Philippines, Indonesia and Singapore individually accounts for around 8 percent, Intanate said.

In 2009, the firm posted net profit of S$38.2 million ($29.4 million)on revenue of S$3.3 billion. Companies in the distribution business normally have relatively low profit margins.

ECS had signed an agreement with Dell to sell computer desktops and notebooks in the world's most populous nation, Intanate said, adding that it is currently negotiating distribution rights for Lenovo products.

Its key competitors in China are Digital China <0861.HK>, Synnex <2347.TW> and Ingram Micro .

ECS plans to invest around $17 million to increase its product lines, recruit more channel partners and open a new office in China, he said, adding that it is trying to make inroad into more cities outside the large ones like Shanghai and Beijing.

The firm currently has 9,000 channel partners, up from 8,200 last year, spread throughout 20 Chinese cities.
ECS had raised a $89 million syndicated loan from various financial institutions in August this year to refinance its existing debt and fund its expansion.

"Some investors don't like the distribution business, but the company has been delivering good result since its listing and has been profitable almost every quarter. Looking at valuations it's attractive," said Jonathan Ng, an analyst at CIMB Research.

At 0729 GMT (2:29 a.m. ET), ECS shares were up 1.3 percent at S$0.775 on a volume of 96,000 shares. ($1 = 1.300 Singapore Dollars)

(Reporting by Eveline Danubrata; Editing by Saeed Azhar)