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Kelvin Lim
Chief Executive Officer
IPS Securex Holdings Limited

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3 Investment Takeaways You Need To Know About



IPS Securex is a one stop security solutions provider that is on the leading forefront, backed by a significant and established regional market presence. IPS Securex currently enjoys distribution rights for a specialised range of products that span across 10 countries in Asia-Pacific.

Ever tried putting a price on security? Just look at world media around you and think again if governments and commercial players will hesitate to scrimp on such costs. I don't need to be a fortune teller to tell you what you've answered.

So in this industry, which stock, that's Singapore based can you look into that caters to such unique needs? The company is none other than IPS Securex Holdings (IPS Securex).

Company Description

IPS Securex is a one stop security solutions provider that is on the leading forefront, backed by a significant and established regional market presence. IPS Securex currently enjoys distribution rights for a specialised range of products that span across 10 countries in Asia-Pacific. IPS Securex

itself carries over 100 types of security products, and offers a one-stop service that ranges from the supply, installation to even maintenance and leasing of its products.

How does IPS Securex make money?

Revenue is currently derived from two business segments of the company; Security Solutions Business, and Maintenance and Leasing Business.

The Security Solutions Business can be further broken down into two segments. Distribution and sale of security products, and the design, supply, installation, testing and commissioning of integrated security solutions.

For IPS Securex's maintenance and leasing business, the company provides the leasing of its systems/equipment, but retains the ownership of such assets. The customers just pay an agreed monthly fee

for the lease and maintenance of these security systems.

Strong Supplier Relationship, Superb Distribution Network

As mentioned above, IPS Securex's Security Solutions business involves the distribution and sale of security products. To survive in a distributorship landscape and flourish in it are two separate ball games.

IPS Securex performs exceptionally well in this arena and fits the latter.

IPS Securex has a robust relationship with its main suppliers. One of them, Ultra Electronics Undersea Sensor System, Inc (USSI), a well-



known brand that many would know of in the security solutions arena, has given IPS Securex a master distributor status in the Asia-Pacific.

This means that IPS Securex can also generate revenue from other distributors in the region, and when new product releases are issued by USSI.

IPS Securex is sitting on this pie very steadily.

It takes time to build a distribution network. It takes even more effort, to have a good one. Deeper understanding revealed the finesse of IPS Securex's distribution network.

the marketing and business expansion of its HyperSpike AHD acoustic hailing devices in countries that are currently not listed in the initial reseller agreement.

This gives rise to opportunities for IPS Securex to potentially expand into countries like Japan, Korea, Taiwan, South Africa, Cambodia, Myanmar and Philippines. Under another recent MOU with USSI, IPS Securex will also perform service and repair work on the HyperSpike AHD products at designated service facilities of IPS Securex in countries it

Pepperball Technologies, Revenue Game Changer

In July, IPS Securex announced its recognition of being an authorized distributor of PepperBall Technologies (PepperBall) brand products and services within Vietnam, Indonesia, Malaysia and Cambodia.

As far as we understood, no other authorized distributors are within the countries mentioned above.

PepperBall's PAVA (Pelargonic Acid Vanillylamine) products are largely less-lethal, primed for deterrence, and largely used by military, gov-



Approximately 40 percent of IPS Securex's revenue has been derived from distribution markets outside Singapore, including Vietnam, Indonesia, Thailand and Malaysia.

Moreover, IPS Securex has recently signed a memorandum of understanding (MOU) with USSI, whereby USSI will support IPS Securex for

currently covers, potentially beefing up recurring income.

It was understood from management that IPS Securex sees strong distribution growth potential in Vietnam and Indonesia, where the distributors already have proven track record with the local government agencies, who are the direct end users of the products.

ernment and law enforcement agencies. A great example of where it could be used, was during the little India riot that happened to us not long ago.

Law enforcers will not need to be physically close to use this product. In fact, the pellet shot does not need to be a direct hit on aggressors to work. It is a cost effective solution that minimizes physical harm, and casualties on both sides. It's a win-win for such agencies, and they know it.

Management revealed that the recognition of revenue from the sale of PepperBall related products are expected to contribute positively for IPS Securex in FY2015.

Rudimentary calculations on an estimated basis suggest that purchase orders from this



Gross Profit Margins

FY12	FY13	FY14
53.7%	42.4%	48.2%

Source: Company

product alone could have a substantial impact in leapfrogging the current revenue pie.

This is not even taking into consideration of maintenance related works that will be done by IPS Securex periodically, and the supply of pellets (ammo) for this product, which will be a recurring revenue nature source

Moreover, the product will also be fed into IPS Securex's current distribution network, where dealers who are already working with their own demographic governmental or related agencies will be able to carve inroads for revenue to be realized for this particular product.

High And Sustained Gross Profit Margins, Healthy Balance Sheet

Looking at the table below, you would've noticed that the gross profit margin for the com-

pany has been consistently above 40 percent over the past three years.

This endorses the part where they're able to get the security products at an extremely good rate from their suppliers due to the good relations, and further suggests IPS Securex's strong pricing power in the market.

The company currently has no long term debt, and is supported by a Total Assets to Total Liabilities of approximately 2.4 times.

Although there has been a seemingly large increase in IPS Securex's trade receivables, the worry of any default is unlikely, as the jump was mainly due to higher sales made on credit terms from the Security Solutions Business and sales of security products under a progressive payment schedule, and should not warrant such concern.

Conclusion

IPS Securex is filling a specific niche in the market that is fueled by the need for good deterrent measures and products. The potential of the company does not relate to just a macro industry push, but also from plans to leverage more from its maintenance and leasing business segment, which should help further build up recurring income generation.

That said, the strength and growth of its distribution network will continue to power the company. With the introduction of innovative products such as PepperBall, the potential of orders to leapfrog top line and bottom line cannot be discounted.

I look forward to see what the strengths of the company can bring in for its sheets in FY2015. SH

