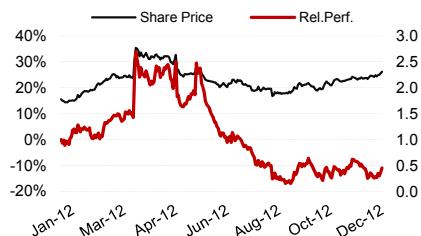




DESPC	OUTPERFORM			
	<i>Maintained</i>			
Current Price	2.33			
Target Price	4.75			
<b>Upside Potential</b>	<b>104%</b>			
Previous Target Price	4.90			
Market Cap (\$mn)	30			
Average DTV (3M)	\$0.2mn			
Net Debt (TRLmn)	-6			
EV (TRLmn)	47			
<i>TRL mn</i>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
Net Sales	152	133	144	156
% growth	13.2	-12.7	8.1	8.4
EBITDA	10	9	10	11
% margin	6.9	6.7	7.0	7.3
Net Income	10	7	8	9
% margin	6.4	5.4	5.7	5.9
RoE	25.3	16.3	17.8	19.9
Dividends	5	4	4	5
% payout ratio	52	50	50	50
% dividend yield	9.5	6.7	7.6	8.7
P/E	5.5	7.5	6.5	5.8
EV/EBITDA	4.5	5.3	4.7	4.2
P/B	1.3	1.2	1.2	1.1



### Outlook for 2013

Despec offers a good exposure to the growing IT market with its market leader position in the IT consumables segment. The company has higher profit margins compared to other distributor companies with a 11.2% gross margin as of 9M12 (compared to 5.5% gross margin of INDES and 7.0% of ARENA as of 9M12). We believe the maturing high margin PC accessories segment will be supportive for DESPC's NI in 2013. Despec is also an attractive dividend play with a 6.6% dividend yield according to our estimates.

### Potential catalysts

Quarterly results and dividend announcement are going to be important catalysts for DESPC.

### Upside/Downside Risks

Amelioration in consumables market conditions might lead to a sales growth beyond our expectations. Collection of receivables might be a major risk as macro fundamentals may deteriorate the financing ability of Despec's customers. Also, increasing presence of IT chain stores might have a negative effect on gross margins.

### Valuation

We revise our target price for DESPC to TRL4.75 from TRL4.90, based on the changes to our macro expectations. We maintain our OUTPERFORM rating for the stock on 104% upside potential.

Team Coverage

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