ICT Zone broadens subscription model with consumer push and AI cloud

BY **JOHN LAI**

Having built its reputation as a reliable technology financing, IT equipment and solutions provider to government agencies and corporations, ACE Market-listed ICT Zone Asia Bhd (KL:ICTZONE) is now looking well beyond enterprise customers.

It has launched SewaJe, its first business-to-consumer (B2C) subscription platform targeting Malaysia's 6.8 million students from the primary to tertiary levels, while expanding Cloudify.Asia, a private cloud platform offering GPU-as-a-Service, private large language model (LLM) deployment and managed cloud services.

Together, the two initiatives reflect management's ambition to transform ICT Zone from a technology financing company into a broader technology subscription platform spanning consumers, enterprises and AI infrastructure.

Managing director Tommy Lim Kok Kwang says the education segment is a natural extension of the group's business, as digital learning has made notebooks an essential tool for students. Beyond addressing affordability, the company also hopes to build long-term brand familiarity among users from a young age.

"The idea is simple. Instead of owning technology assets that depreciate quickly, customers subscribe to what they need," he says.

SewaJe marks ICT Zone's first meaningful push into the consumer market after years of focusing almost exclusively on business and government customers.

Under the programme, students can rent refurbished notebooks by paying a refundable RM200 deposit and monthly subscriptions starting from RM50 under a 12-month contract. Customers can return the notebook after the first month if they are dissatisfied with the product. ICT Zone provides warranty and insurance throughout the subscription period.

The company has begun a pilot involving 41 schools within a 5km radius of its headquarters, representing an estimated 25,000 to 30,000 students. Management is targeting 10,000 subscribers during the initial rollout.

Alongside SewaJe, ICT Zone has also introduced PinjamJe, a corporate social responsibility initiative that enables students from lower-income families to obtain refurbished notebooks with only a RM100 deposit and no monthly rental, subject to recommendations from participating schools.

The programmes also strengthen ICT Zone's circular economy strategy. A notebook typically begins its lifecycle under a three-year lease with a government agency or large corporation. After the contract expires, the device is refurbished before being redeployed to small and medium enterprises (SMEs) or students, allowing ICT Zone to extract recurring income from the same asset over multiple leasing cycles instead of treating it as a depreciating asset.

To reinforce confidence in refurbished devices, the company is adopting certification from the British Standards Institution (BSI) for its refurbishment and reconditioning processes, ensuring returned devices meet internationally recognised quality standards before being redeployed.

Betting on private AI infrastructure

While SewaJe extends ICT Zone's subscription model to consumers, its cloud computing business branded as Cloudify.Asia aims to replicate the same recurring-income model in AI infrastructure.

Rather than competing with hyperscale cloud providers, the company is targeting enterprises and government agencies that prefer running AI applications on private infrastructure because of data sovereignty and cybersecurity requirements.

Its offering combines private cloud infrastructure, GPU-as-a-Service, private LLM deployment, AI inferencing capabilities and managed cloud services delivered with independent software vendor partners.

Lim says many organisations are eager to adopt AI but remain uncertain about how to deploy practical use cases. ICT Zone intends to bridge that gap by providing not only GPU infrastructure but also the implementation support required to deploy AI solutions securely.

"The market doesn't necessarily know what AI use case it wants yet. We work with software partners to help customers build those solutions," he says.

Cloudify.Asia remains relatively small, with an unbilled order book of just under RM5 million but, according to Lim, it currently has quotation opportunities exceeding RM200 million, although only a portion is expected to be converted into confirmed contracts, given the longer sales cycle and competitive nature of the business.

Based on its historical conversion rate of roughly 10%, ICT Zone believes the cloud business could still expand several-fold over the medium term if demand continues to build.

ACE listing unlocks growth capital

The group's expansion plans would have been considerably more difficult to execute just a year ago. Technology financing is inherently capital-intensive, requiring substantial upfront funding to purchase IT assets before generating rental income over contract tenures that typically span three years.

For years, access to funding constrained ICT Zone's growth despite the healthy demand for IT assets. Lim believes that bottleneck has largely disappeared, following the company's transfer from the LEAP Market to the ACE Market in June last year.

ICT Zone has since secured banking facilities exceeding RM200 million, significantly expanding its funding capacity. Lim says the stronger balance sheet has also enabled the company to attract Tier-1 banking partners.

The company also plans to establish a Sukuk programme, which management expects could lower funding costs by one to two percentage points while extending funding tenures to between five and seven years.

Looking further ahead, Lim believes ICT Zone could build funding capacity of up to RM1 billion over the next two years, providing sufficient capital to support a much larger recurring contract base.

Despite the excitement surrounding AI infrastructure and consumer subscriptions, technology financing remains ICT Zone's earnings engine.

Rather than pursuing one-off hardware sales, its strategy focuses on steadily expanding its portfolio of long-term rental contracts. While equipment trading generates higher revenue because of larger ticket sizes, recurring rental contracts deliver significantly higher margins.

Currently, the technology financing and cloud businesses together contribute about half of group revenue, although the proportion varies depending on the size of trading contracts booked in a particular quarter. Over time, the company hopes the contractual business can contribute 70% to 80% of total revenue.

"We don't chase revenue. We want to build contracts because they give us long-term visibility," says Lim.

That strategy is reflected in ICT Zone's steadily expanding unbilled order book, which stood at RM321.1 million as at June, with contracts expected to be recognised progressively over three years. Its management is aiming for RM400 million by the end of this year before ultimately reaching RM500 million, a key milestone before the company's targeted transfer to Bursa Malaysia's Main Market within the next two years.

The growth trajectory has been equally impressive, with revenue expanding at a compound annual growth rate (CAGR) of 35.6% from RM75.1 million in the financial year ended Jan 31, 2023 (FY2023), to RM187 million in FY2026. Net profit rose at a similar pace from RM6.4 million to RM16 million over the same period, while net margins remained relatively stable around 8.5%.

Lim is confident the company will be able to sustain a similar growth trajectory over the next three years, supported by stronger funding capacity and continued demand for technology financing.

Riding Malaysia's digitalisation wave

ICT Zone's optimism is also underpinned by the country's ongoing digitalisation efforts. It currently commands 10% to 15% of the government technology financing market and aims to increase that share ultimately to roughly 30%, says Lim.

Annual government demand for notebook rentals outside the Ministry of Education (MOE) already exceeds RM1 billion. Including MOE procurement, which has accelerated alongside digitalisation initiatives in schools, the addressable market could surpass RM2 billion this year, Lim adds.

Meanwhile, rising hardware prices — fuelled by tighter chip and memory supply as well as the industry's transition to AI-enabled PCs — have worked in ICT Zone's favour. Notebook prices have climbed almost 30% over the past three years, prompting more organisations to adopt operating expenditure models that spread technology costs over the contract term instead of making upfront purchases.

Rather than purchasing expensive devices outright, customers can subscribe for the use of equipment along with maintenance, warranty and lifecycle management services under a single monthly payment.

"Customers are no longer deciding between new and refurbished devices. They're deciding what specifications they actually need," says Lim.

"We sit down with clients and plan their budgets. Not everyone needs high-end devices. Only users handling intensive computing workloads require those machines, while administrative users can operate efficiently with standard specifications.

"Our business is about making technology affordable, accessible and flexible. That is where our value proposition comes in."

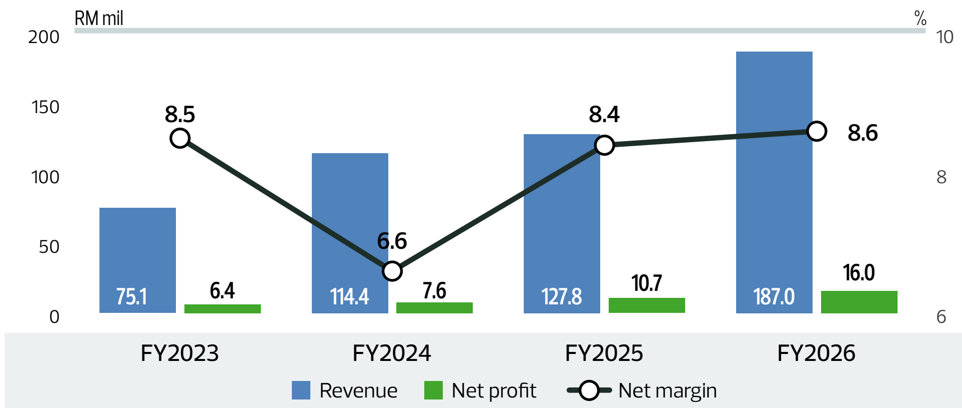
Beyond the government sector, ICT Zone is also seeing growing adoption among corporate customers as more organisations embrace subscription-based technology procurement instead of traditional capital expenditure.

Lim and his business partner, Datuk Seri Ng Thien Phing, who serves as non-executive chairman, collectively own 53.61% of the company, primarily through ICT Zone Holding Sdn Bhd. Other notable institutional shareholders include Urusharta Jamaah Sdn Bhd with a 4.95% stake and Phillip Capital Management with 2.44%.

Over the past year, ICT Zone's shares have risen about 35%. At its closing price of 23 sen last Wednesday, the company had a market capitalisation of RM183 million and traded at a trailing price-earnings ratio of 10.6 times. TA Securities, the only research house currently covering the stock, has a "buy" recommendation with a target price of 31 sen, implying an upside of about 35%. E

Financial performance

SOURCE: COMPANY FILINGS



FY ending Jan 31

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