

Serial System Returns to Profitability in 1Q2017

<i>US\$'000</i>	1Q2017	1Q2016	Change (%)
Sales	332,937	332,796	0.04
Gross Profit	23,959	22,357	7
Gross Profit Margin (%)	7.2	6.7	0.5 pt
Net Profit/(Loss) After Tax <i>(Attributable to shareholders)</i>	2,708	(6,559)	N.M.
Earnings/(Loss) Per Share - fully diluted <i>(US cents)</i>	0.30	(0.73)	N.M.
NAV per share <i>(US cents)</i>	14.78	13.93*	6.1

N.M. – Not Meaningful

**As at 31 December 2016*

Singapore, 28 April 2017 – Serial System Ltd (“**Serial System**” or the “**Group**”) reported today a net profit of US\$2.7 million for the first three months of 2017 (“**1Q2017**”), reversing a net loss of US\$6.6 million for the same period last year (“**1Q2016**”), as losses from associate companies shrank and allowances for obsolete inventory fell.

The SGX Mainboard-listed distributor of electronic components and consumer products also benefited from higher profit margins at the consumer products subsidiaries and from more favourable foreign-exchange rates, which enabled it to reduce currency translation losses.

The improvement in the Group’s bottom line came despite no significant increase in sales, which amounted to US\$332.9 million, almost similar to the US\$332.8 million in 1Q2016.

Revenue from the electronic components distribution business however increased 20% to US\$315.0 million as higher contributions from Hong Kong, China and South Asia Pacific offset lower sales in South Korea and Taiwan. Revenue from the consumer products distribution business declined 75% to US\$17.1 million due to lower sales across the board.

Serial System’s gross profit margin in 1Q2017 rose to 7.2% from 6.7% in 1Q2016, driven mainly by better margins at the consumer products subsidiaries. This is offset by lower margin achieved by the electronic components distribution business.

Overall distribution expenses fell 9% to US\$11.5 million, thanks to declines in staff costs, advertising and promotion expenses, licence fees, maintenance and service costs and sales commission expenses.

Serial System's share of losses in associated companies amounted to US\$0.3 million in 1Q2017, substantially less than the US\$3.2 million losses in 1Q2016. Bull Will Co Ltd and SPL Holdings (Australia) Pty Ltd, in which Serial System has stakes of 29.03% and 27.34% respectively, were behind the share of losses in 1Q2017. The 1Q2016 US\$3.2 million losses were mainly related to provisions made by Bull Will for doubtful debts and inventory obsolescence. Bull Will manufactures magnetic components for electronic products, while SPL Holdings provides laundry services to the hospitality industry.

With the turnaround in profitability, the Group turned in fully diluted earnings per share of 0.30 US cent for 1Q2017, compared to a loss per share of 0.73 US cent a year earlier. Net asset value per share as at 31 March 2017 was 14.78 US cents, up from 13.93 US cents as at 31 December 2016.

Despite the highly cyclical nature of the semiconductor industry, the Group's close ties with leading chip suppliers and electronics manufacturers should bode well for business for the rest of the year, according to Executive Chairman and CEO Derek Goh, citing Gartner's improved outlook for 2017.

The market research firm said in April 2017 that semiconductor sales worldwide are expected to rise 12.3% to US\$386 billion this year over 2016, driven by higher selling prices of flash memory for products such as servers, solid-state drives and premium smartphones.

For the consumer products distribution business, the Group will seek to further rationalize operations and explore new investments to improve performance.

"As mentioned in our recently-released annual report for 2016, we will house our key consumer products distribution subsidiaries – Swift-Value, Achieva Technology Pte Ltd and Serial I-Tech (Far East) Pte Ltd – under a single group from this year. Together, they can leverage each other's strengths, business networks and reach to achieve better results," said Dr Goh.

As part of efforts to complement the consumer products business, the Group said on 5 April 2017 it would acquire 70% of Print IQ Singapore Pte Ltd, which provides managed print services and the administration, maintenance and distribution of copiers and printers.

End

Issued on behalf of the Group by WeR1 Consultants Pte Ltd.

Media & Investor Contact Information

WeR1 Consultants Pte Ltd ☐
3 Phillip Street, #12-01
Royal Group Building
Singapore (048693)
Tel: (65) 6737 4844 | Fax: (65) 6737 4944
Frankie Ho – frankieho@wer1.net
Grace Yew – graceyew@wer1.net

About Serial System Ltd

Established in 1988 and listed on the SGX Main Board since July 2000, Serial System has developed a synergistic global network that is built on strong partnerships with its suppliers and customers. Today, Serial System has one of the largest distribution networks in Asia, with 53 offices and 13 warehouses throughout Asia Pacific. It also has a wide customer base of more than 7,000, spanning a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunications, electronic manufacturing services, automotive and medical.

Its major suppliers for electronic components distribution include Texas Instruments, Broadcom Limited, ON Semiconductor, Fairchild Semiconductor, SK Hynix, OSRAM Opto Semiconductors, TE Connectivity and Fingerprints. Its major suppliers for consumer products distribution include Hewlett-Packard, Intel, Asus, Canon, Samsung, Advanced Micro Devices and Fossil.

Serial System's ability to align itself with the goals of its customers and suppliers makes it highly responsive to their needs. In meeting their engineering and supply chain needs, Serial System has become their integral component to success.

For more information please visit us at www.serialsystem.com