

## Serial System's 3Q2018 Net Profit Up More Than 3-Fold

- Result lifts earnings for first 9 months of 2018 by 90% to US\$17.5m

US\$'000	3Q2018	3Q2017	Change (%)	YTD3Q2018	YTD3Q2017	Change (%)
Sales	385,567	395,240	(2)	1,199,490	1,102,104	9
Gross Profit	30,221	26,636	13	95,222	76,739	24
Gross Profit Margin (%)	7.8	6.7	1.1 pt	7.9	7.0	0.9 pt
Profit Attributable to Shareholders	10,267	3,114	230	17,499	9,192	90
Net Profit Margin (%)	2.7	0.8	1.9 pt	1.5	0.8	0.7 pt
Earnings per Share (US cents)	1.14	0.35	226	1.95	1.03	89
NAV per Share (US cents)	16.10 as at 30/09/2018 (15.35 as at 31/12/2017)					

**Singapore, 5 November 2018** – Serial System Ltd (“**Serial System**”, and together with its subsidiaries, the “**Group**”) announced today a more than three-fold increase in earnings for the third quarter of 2018 (“**3Q2018**”) and reaffirmed its commitment to continue growing its electronic components distribution business amid the impending cessation of a longstanding business relationship with a key supplier.

The distributor of electronic components and consumer products made a net profit of US\$10.3 million in 3Q2018, up from US\$3.1 million in the same quarter last year (“**3Q2017**”). The increase was driven mainly by a non-recurring gain of US\$19.7 million from the sale of its entire 27.34% stake in laundry firm SPL Holdings (Australia) Pty Ltd (“**SPL**”) in September 2018.

Gross profit margin also increased, to 7.8% in 3Q2018 from 6.7% in 3Q2017, as the Group focused on more profitable electronic components. Overall revenue came in at US\$385.6 million, comparable to the US\$395.2 million for 3Q2017. Sales of consumer products rose 23% to US\$14.7 million on higher contributions from Malaysia, although this was offset by a 3% decline in revenue from electronic components distribution to US\$369.5 million due to softer demand in Hong Kong and China and South Asia.

Total expenses as a percentage of revenue rose to 10.1% in 3Q2018 from 5.7% a year earlier. The increase was due to higher staff and finance costs, professional fees for the proposed listing of Serial System's Hong Kong subsidiary, an impairment loss for its investment in food caterer Tong Chiang Group Pte Ltd and higher impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries and higher fair value loss on financial assets, at FVPL.

For the first nine months of 2018 (“**YTD3Q2018**”), revenue rose 9% to US\$1.2 billion from US\$1.1 billion a year earlier (“**YTD3Q2017**”), driven by higher sales of electronic components and consumer products. The Group made a net profit of US\$17.5 million in YTD3Q2018, nearly double the US\$9.2 million earned in YTD3Q2017. The one-off gain from the sale of SPL was a key contributor to the increase in earnings.

With the impending cessation of its distribution agreement with Texas Instruments (“**TI**”), the Group is stepping up efforts to engage new suppliers and channel partners. As announced on 1 November 2018, the distribution agreement will end on 30 June 2019, six months longer than the original deadline given by TI. The extension will provide more time to enable the Group to complete the proposed sale of its TI distribution business and to facilitate a smooth transition of all customers purchasing TI products to the new distributor. The Group envisages that the sale and purchase agreement relating to the proposed sale will be completed by the first quarter of 2019.

“We have been in close communication with customers to assure them that they will not face any significant disruption in their operations as a result of this development,” said Dr Derek Goh, the Group’s Executive Chairman and CEO.

“While TI’s decision to part ways with us after so many years will present some challenges for us in the near term, it also opens up opportunities for us to pursue new suppliers, channel partners and product lines,” he added.

“Having been in the semiconductor distribution business for 30 years now, we have seen the highs and the lows in the industry and weathered numerous challenges. While the business is competitive, it is still highly viable as there will always be demand for semiconductors since they are the building blocks for virtually all electronic devices.”

**### End ###**

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### **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 include Texas Instruments, ON Semiconductor, SK Hynix, OSRAM Opto Semiconductors and TE Connectivity. Its major suppliers for consumer products include Hewlett-Packard, Intel, Asus, PowerColor and Advanced Micro Devices.

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 [www.serialsystem.com](http://www.serialsystem.com)