



SERIAL
新擘集團

4Q2018 & FY2018 RESULTS PRESENTATION

Thursday, 28 February 2019

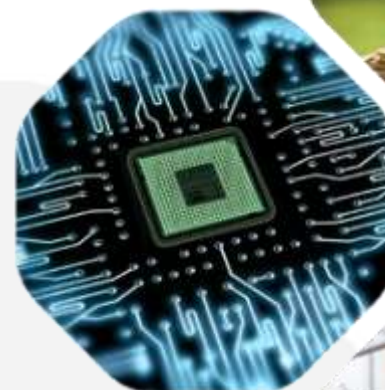
Your Integral Component to Success

AGENDA

1 **CORPORATE OVERVIEW**

2 **FINANCIAL RESULTS**

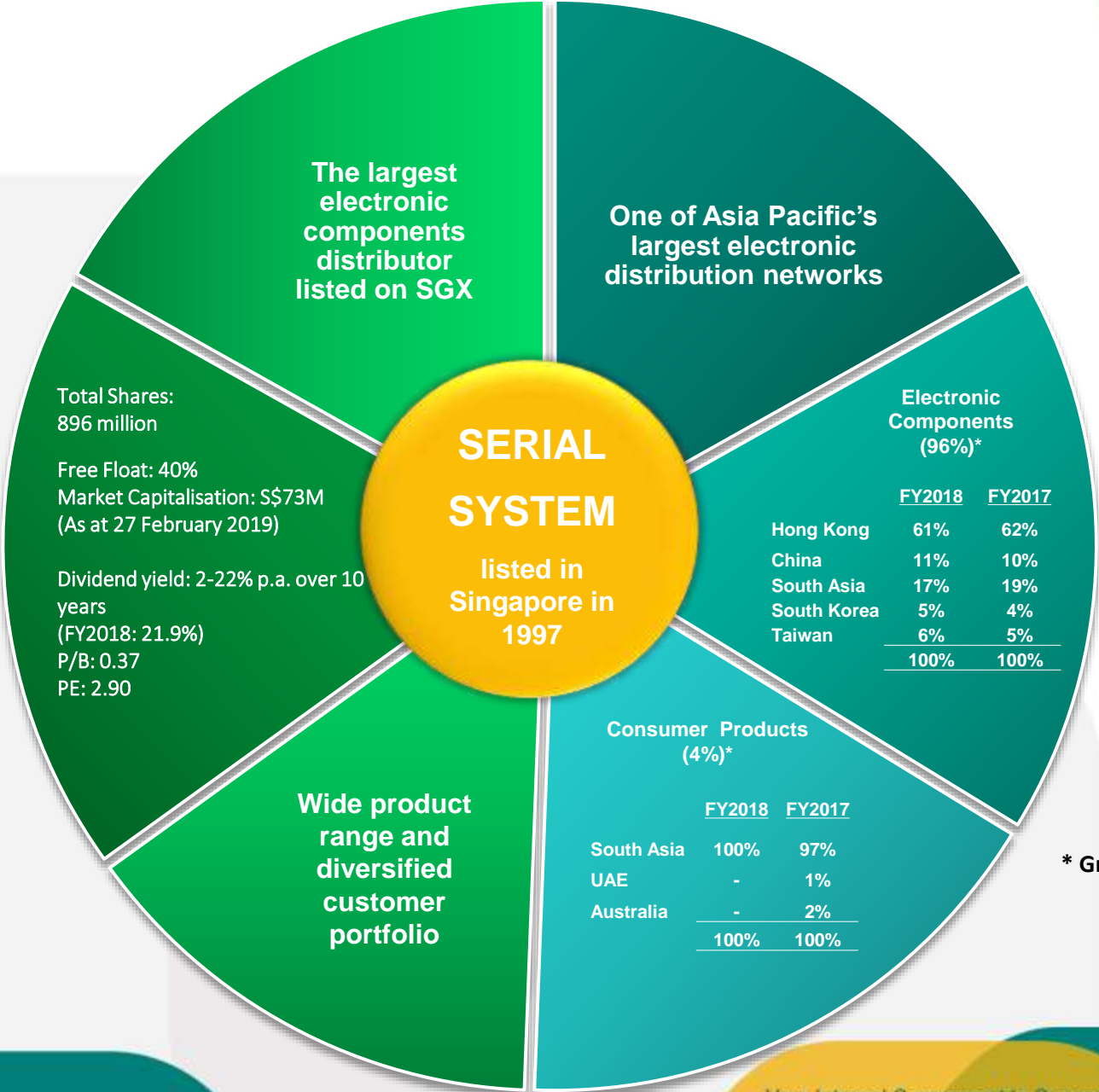
3 **OUTLOOK & STRATEGIES**



A photograph of a business meeting. In the center, two people are shaking hands over a table. On the table, there is a document titled "CONTRACT" and a bar chart. Other people in business attire are visible around the table, some holding pens. The background is a bright, modern office setting.

CORPORATE OVERVIEW

SERIAL SYSTEM AT A GLANCE



* Group Revenue

EXTENSIVE NETWORK & DIVERSIFIED BUSINESS



Supporting a network of global brands, Serial System is a leading distributor of electronic components in Asia and a dealer for a variety of consumer products. It is also a strategic investor in businesses in healthcare and managed print services.



Electronic Components Distribution



Consumer Products Distribution



Hospitality Solutions



Medical Device Manufacturing and Distribution



Managed Print Services

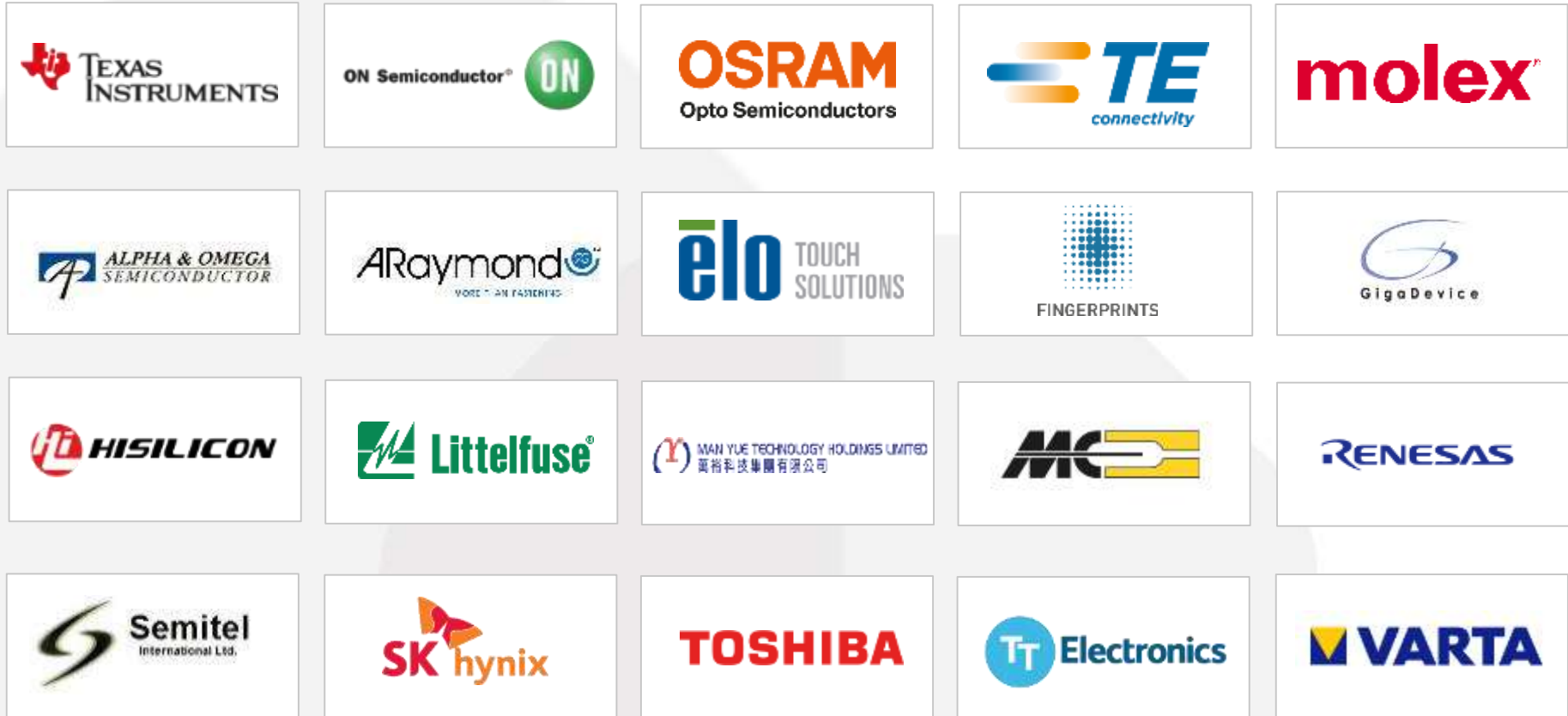


Musang King



PARTNERING LEADING SUPPLIERS

Electronic Components Distribution



... more than 90 Franchised Product Lines in Serial Group

PARTNERING LEADING SUPPLIERS

Consumer Products Distribution



AMD



ASUS®



Canon



EPSON®



FUJI XEROX



hp



intel



MARUMI



Panasonic



PowerColor



SAMSUNG



OKI

Achieva Technology

- The Group 100%-owned subsidiary: Achieva Technology Sdn. Bhd.
- Major suppliers include Intel, Samsung and Asus
- Achieva Technology works closely with partner brands to both fulfil their distribution needs and to create a one-stop solution for their customer needs in both end-user and enterprise markets.
- The modern e-commerce market, Achieva Technology already maintains key channels on online platforms such as Qoo10 and Lazada.



Swift-Value Business Pte. Ltd

- The Group 100%-owned subsidiary: Swift-Value Business Pte. Ltd.
- Major suppliers include Hewlett-Packard (HP), Epson and Canon products and also the authorized reseller of products from major brands such as Fuji Xerox, Samsung, Oki and Panasonic.
- Swift-Value is the largest HP printer supplies distributor, having captured over 45% of the Singapore market. They keep their top spot by maintaining close relationships with hundreds of customers, ranging from heartland operators to large retail superstores such as Popular.
- Providing fast and value-added service and having the ability to retain customer loyalties helps Swift-Value offer an extensive and consistent network for their suppliers and partner brands.



Consumer Products Distribution

Managed Print Services



- Set up in 2008, PT SMI is 20% owned by Serial System since November 2018
- Listed on Development Board of Indonesia Stock Exchange

- Started in 2014, Singapore-based Print-IQ is 70%-owned by Serial System since May 2017
- Provides managed print services and maintains and distributes copiers and printers
- Premier partner for HP copiers



Under the managed print services business model, companies outsource their printing, scanning and copying functions, as well as the management of the equipment, to external service providers like Print-IQ and PT SMI. This reduces their operating costs and wastage.

OTHER BUSINESSES

Part of Group's diversification into investment holding of high-margin companies

Serial MultiVision Pte. Ltd. (100%-stake)



- Core businesses: Hospitality and Healthcare solutions
- Hospitality solutions: Build based on a core venue management application suite known as Venue360.
- Leading edge modules within Venue360: Electronic meal ordering system (eMOS), Intelligence Room Infotainment Solution, Digital Media Content Management System, and Incident Tracking and Reporting System.
- Clients: Khoo Teck Puat Hospital, Ng Teng Fong General Hospital, Jurong Community Hospital, Changi General Hospital, Institute of Mental Health, St Andrew's Hospital, Gleneagles Hospital, Mount Elizabeth Orchard, Parkway East Hospital, Parkway Mount Elizabeth Novena, Yishun Community Hospital, Sengkang Hospital, Sengkang Community Hospital and Alexandra Integrated Health.

Contract Sterilization Services Pte Ltd (100%-stake)



- Assembly and distribution of medical devices
- Offers full range of standard and customised perfusion tubing packs marketed over the Asia-Pacific region:
 - Customized Heart Lung Pack
 - Blood Cardioplegia Set
 - Angio Pack
 - Sterile Procedural Pack
 - SurgiAid® Collagen Wound Dressing
- Company is ISO 13485-certified and its perfusion products bear the coveted CE certification mark.

A photograph of a business meeting. In the foreground, a person's hand is gesturing over a document with various charts and graphs. In the background, another person is holding a pen over a document. The scene is set in a professional office environment.

FINANCIAL RESULTS

SNAPSHOT OF 4Q2018 & FY2018 PERFORMANCE

US\$'000	4Q2018	4Q2017	Change (%)	FY2018	FY2017	Change (%)
Sales	327,617	390,100	(16)	1,527,107	1,492,204	2
Gross Profit	23,387	28,380	(18)	118,609	105,119	13
Gross Profit Margin (%)	7.1	7.3	(0.2) pt	7.8	7.0	0.8 pt
Net Profit After Tax (Attributable to shareholders)	156	358	(56)	17,655	9,550	85
EPS - fully diluted (US cents) ⁽¹⁾	0.02	0.04	(50)	1.97	1.07	84
NAV per share (US cents) ⁽²⁾	31/12/2018: 15.26			31/12/2017: 15.35		

(1) Earnings per ordinary share on a fully diluted basis are computed based on the weighted average number of shares in issue of 895,841,914 during the period (4Q2017/FY2017: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares. There were no potential dilutive shares for the financial period ended 31 December 2018 and 31 December 2017.

(2) Net asset value per ordinary share as at 31 December 2018 and 31 December 2017 is calculated based on the net assets value attributable to the owners of the Company as at the end of the respective period and the respective aggregate number of ordinary shares of 895,841,914.

4Q2018 HIGHLIGHTS

- **Revenue of US\$327.6M, a decrease of 16% from US\$390.1M in 4Q2017**
 - Revenue for electronic components distribution declined 15% to US\$316.6M mainly due to slowdown in demand for certain product lines in Hong Kong and China, which saw a decrease in turnover of 22% and 20% respectively. The trade tensions between China and United States and the termination of distribution business with Texas Instruments have impacted the growth of the electronic components distribution business in China and Hong Kong
 - Turnover from South Korea and Taiwan increased 25% and 12% respectively on higher demand for certain product lines from existing and new customers
 - Revenue from consumer products distribution declined 40% to US\$9.6M due to lower sales across most of the subsidiaries except Print-IQ which saw a growth of 61%
- **Gross profit margin slipped to 7.1% from 7.3% in 4Q2017**
 - Lower margin achieved by the China and South Korea electronic components distribution subsidiaries due to increased in sales of low margin products
- **NPAT down from US\$0.4M in 4Q2017 to US\$0.2M in 4Q2018**
 - Adjustment to gain on disposal of the Group's 27.34%-owned SPL Holdings (Australia) Pty Ltd
 - Off-set by reversal of over-provision of prior years' taxes for the Group's Singapore subsidiaries, lower impairment losses on trade receivables, decline in distribution expenses and reversal of professional fees related to proposed listing of Hong Kong subsidiary following the lapse of the listing application in November 2018

FY2018 HIGHLIGHTS



- **Revenue at all time high of US\$1.53B, up 2% from US\$1.49B in FY2017**

- Electronic components distribution rose 2% to US\$1.47B on higher sales in Taiwan, South Korea and China, which saw an increase of 43%, 24% and 7% respectively, boosted by higher demand for certain product lines from both new and existing customers
- The trade tensions between China and United States and the termination of distribution business with Texas Instruments have impacted the growth of the electronic components distribution business in China and Hong Kong in the third and last quarter of FY2018, which otherwise have grown strongly in the first half of FY2018.
- Consumer products distribution slipped 1% to US\$55.0M due to lower sales in Singapore and Indonesia

- **Gross profit margin increased to 7.8% from 7.0% in FY2017**

- Focused sales and marketing efforts on higher-margin electronic components and consumer products

- **NPAT of US\$17.7M, a 85% increase from US\$9.6M in FY2017**

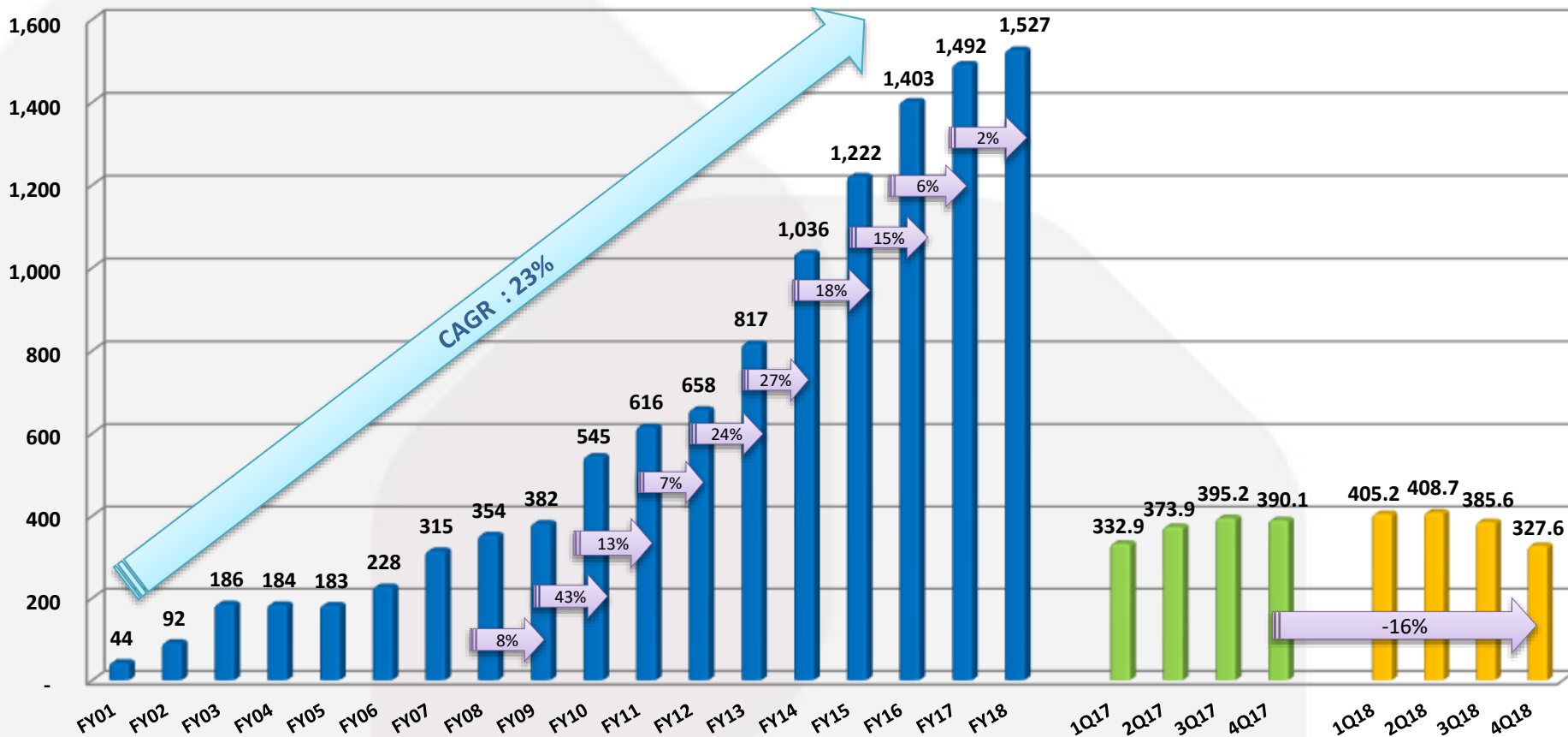
- Higher gross profit from higher sales and margins
- One-off gain on disposal of SPL Holdings
- Write-back of inventory obsolescence
- Lower allowance for impairment losses on trade receivables
- The increase was reduced by a full allowance for impairment losses on investment in Tong Chiang Group, higher impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries, currency translation loss and fair value loss on financial assets, at FVPL
- Net margin increased to 1.2% from 0.6% in FY2017

REVENUE GROWTH TREND

SERIAL SYSTEM GROUP

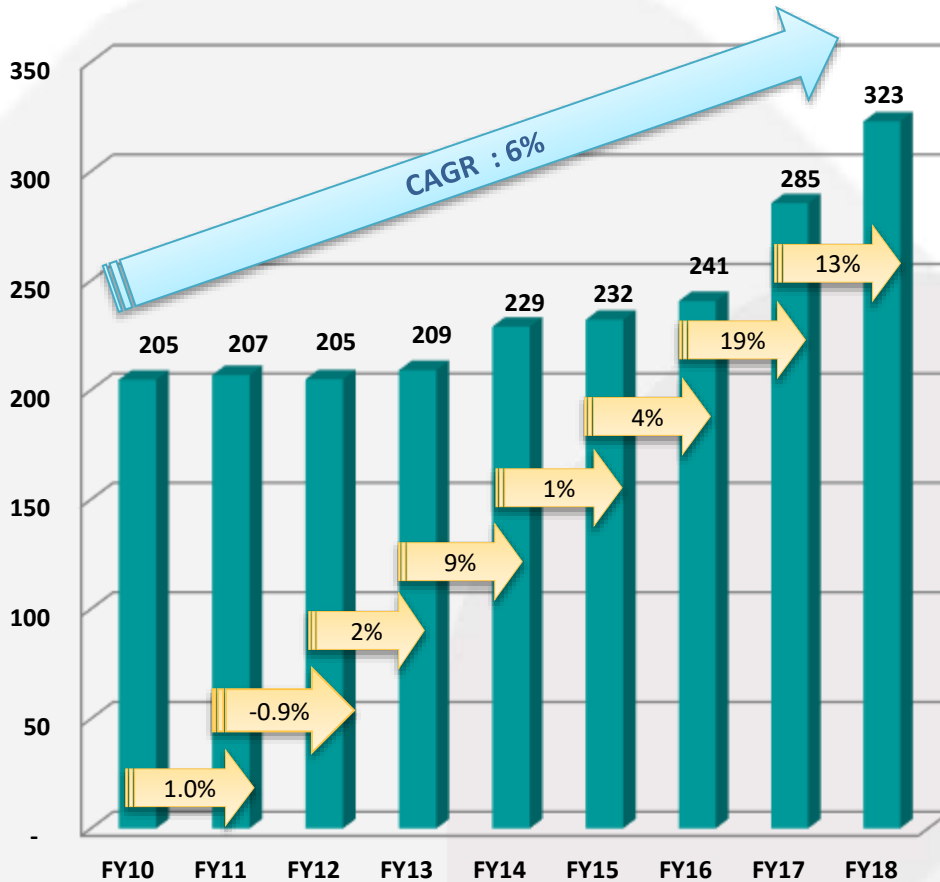


Revenue (US\$' million)

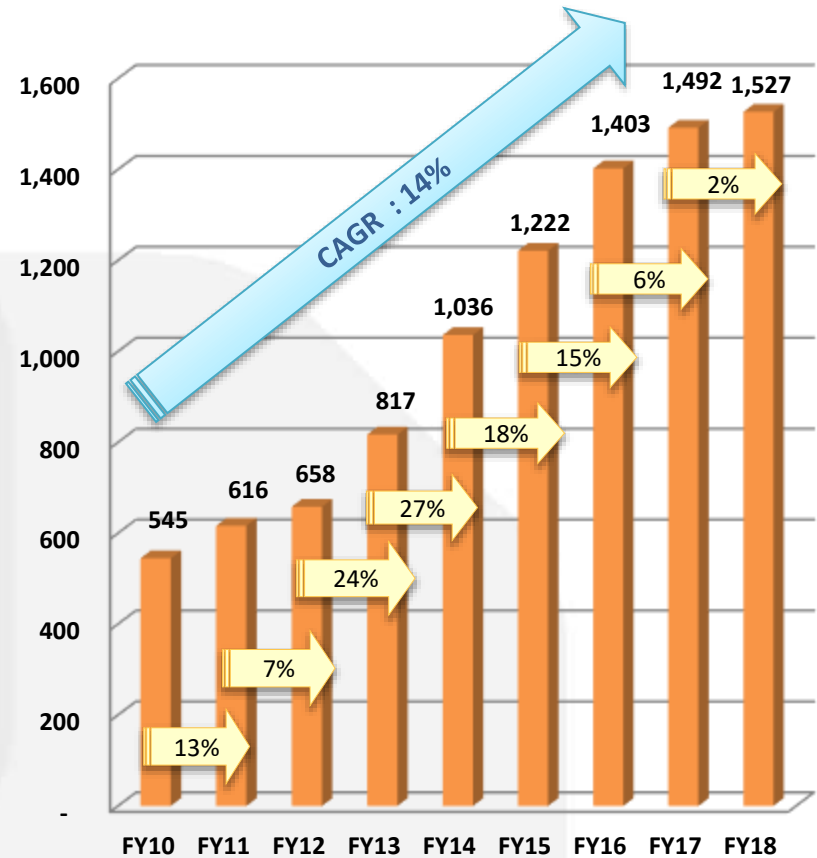


OUTPERFORMING THE INDUSTRY

Asia Pacific (including Japan)
Semiconductor Revenue (US\$' billion)

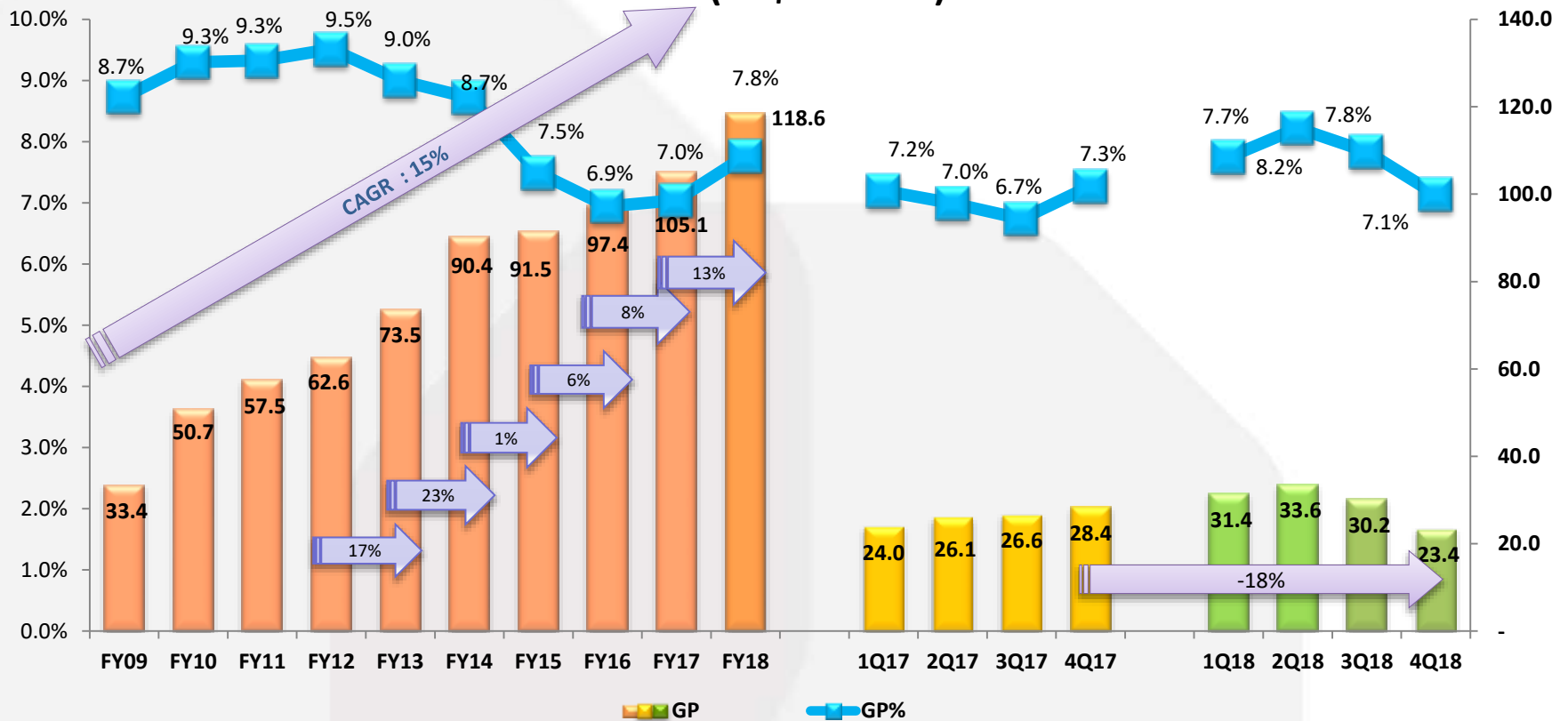


Serial System Revenue (US\$' million)

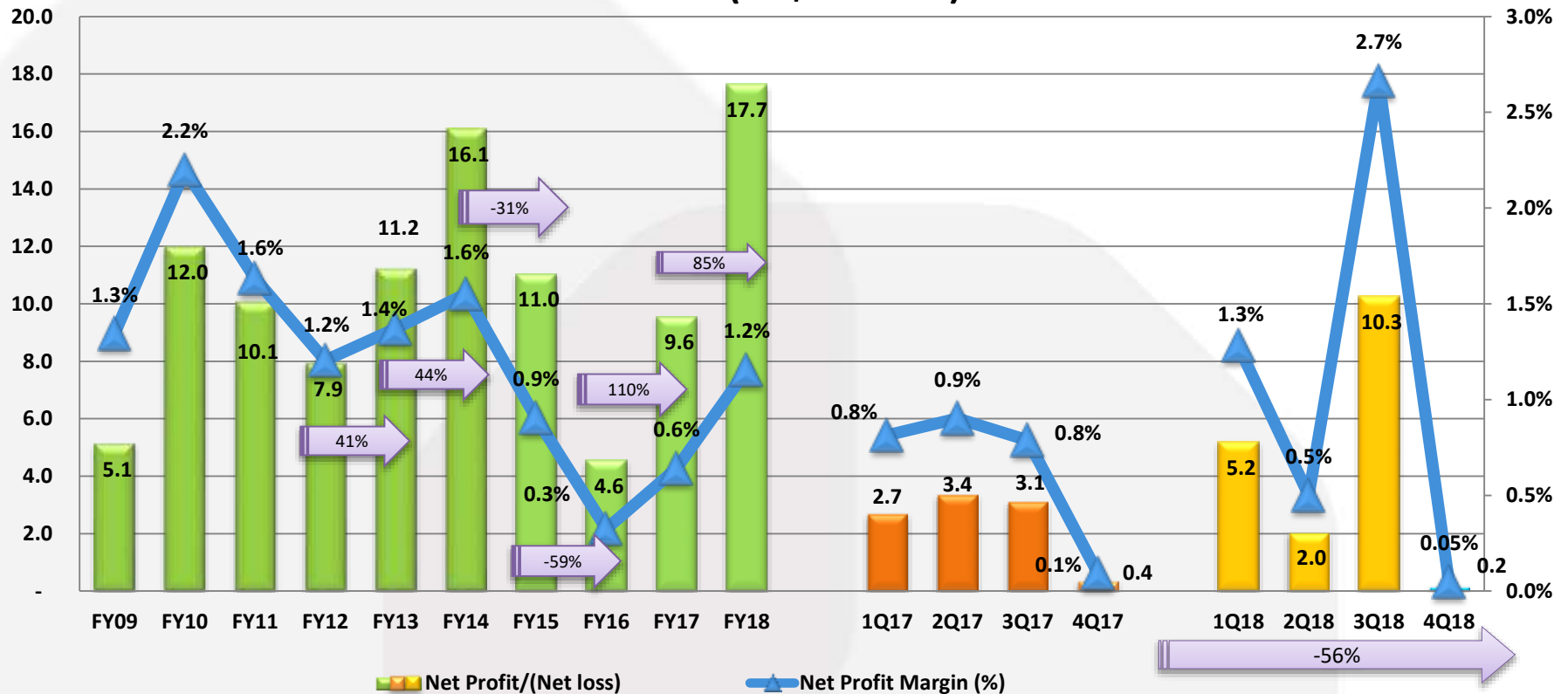


Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

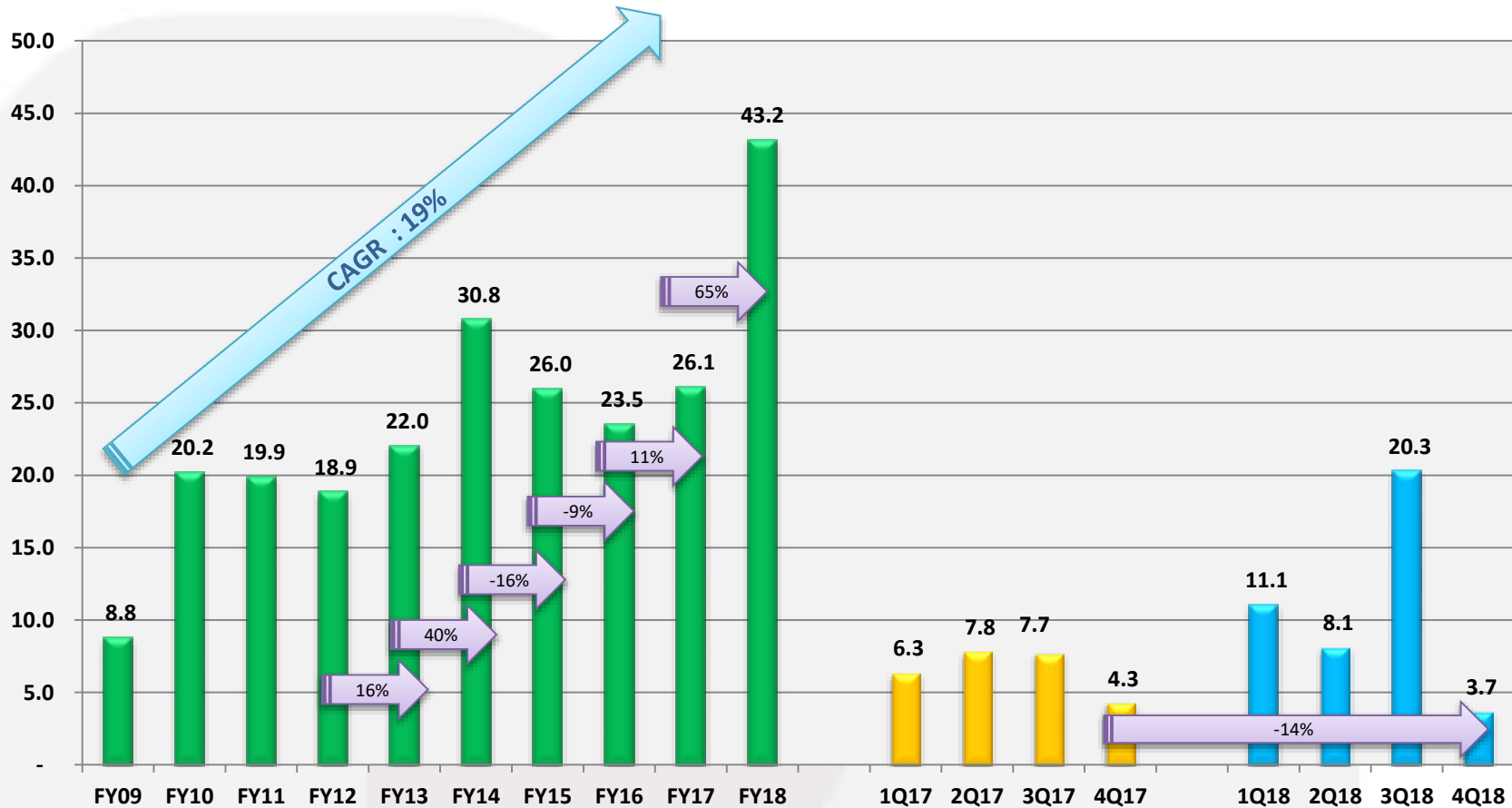
Gross Profit & Gross Profit Margin (US\$' million)



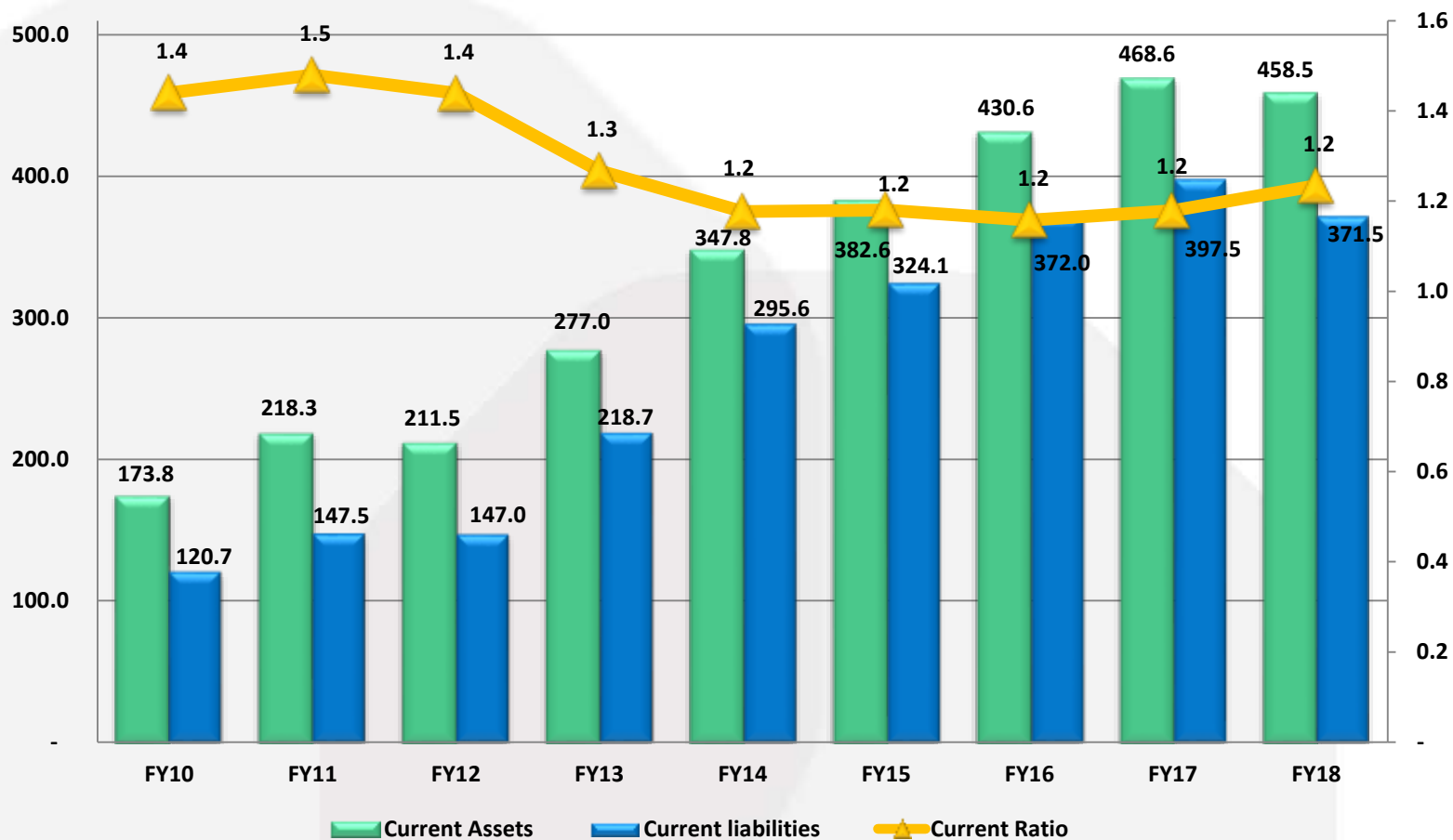
Net Profit & Net Profit Margin (US\$' million)



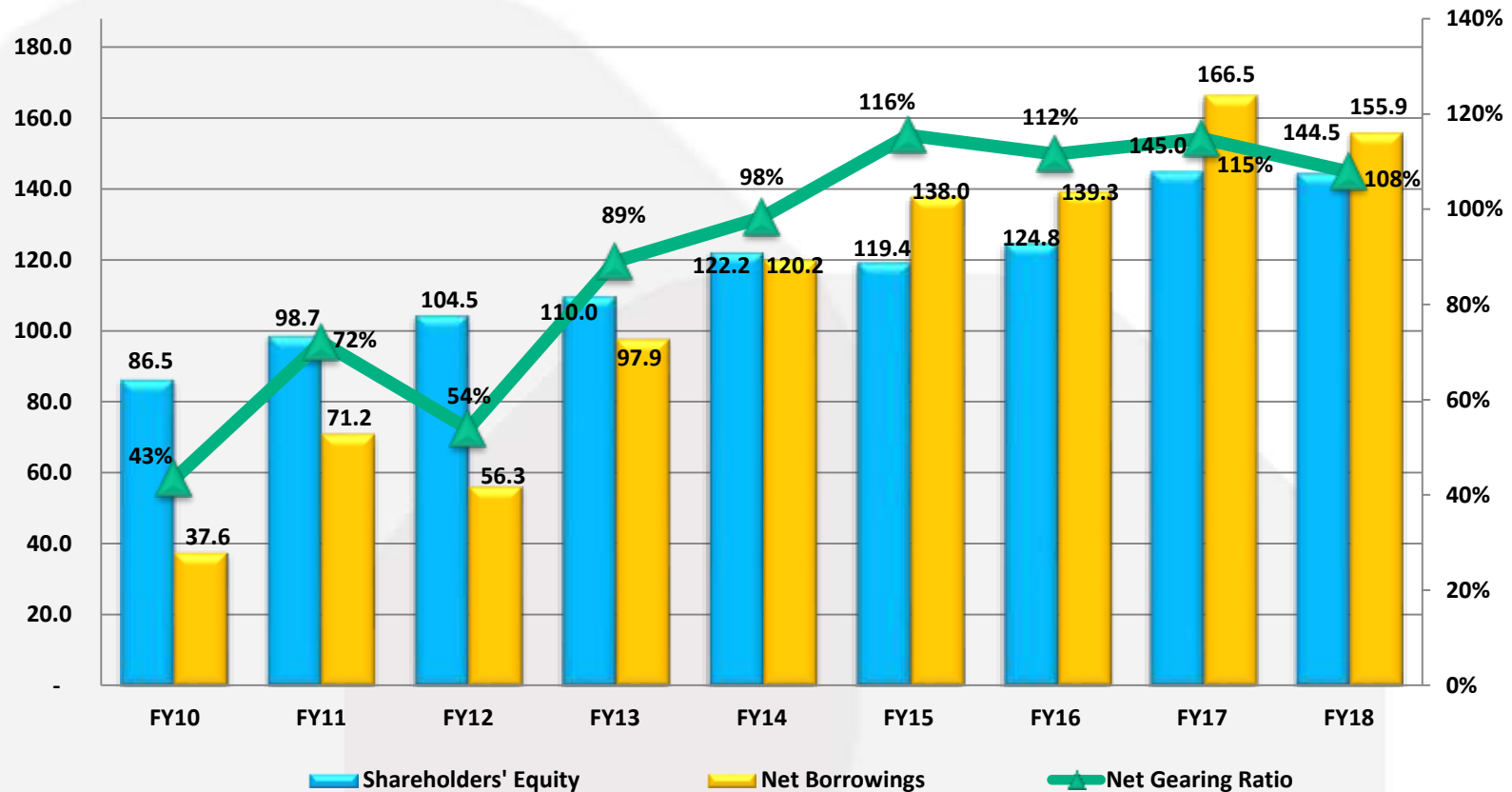
EBITDA (US\$' million)



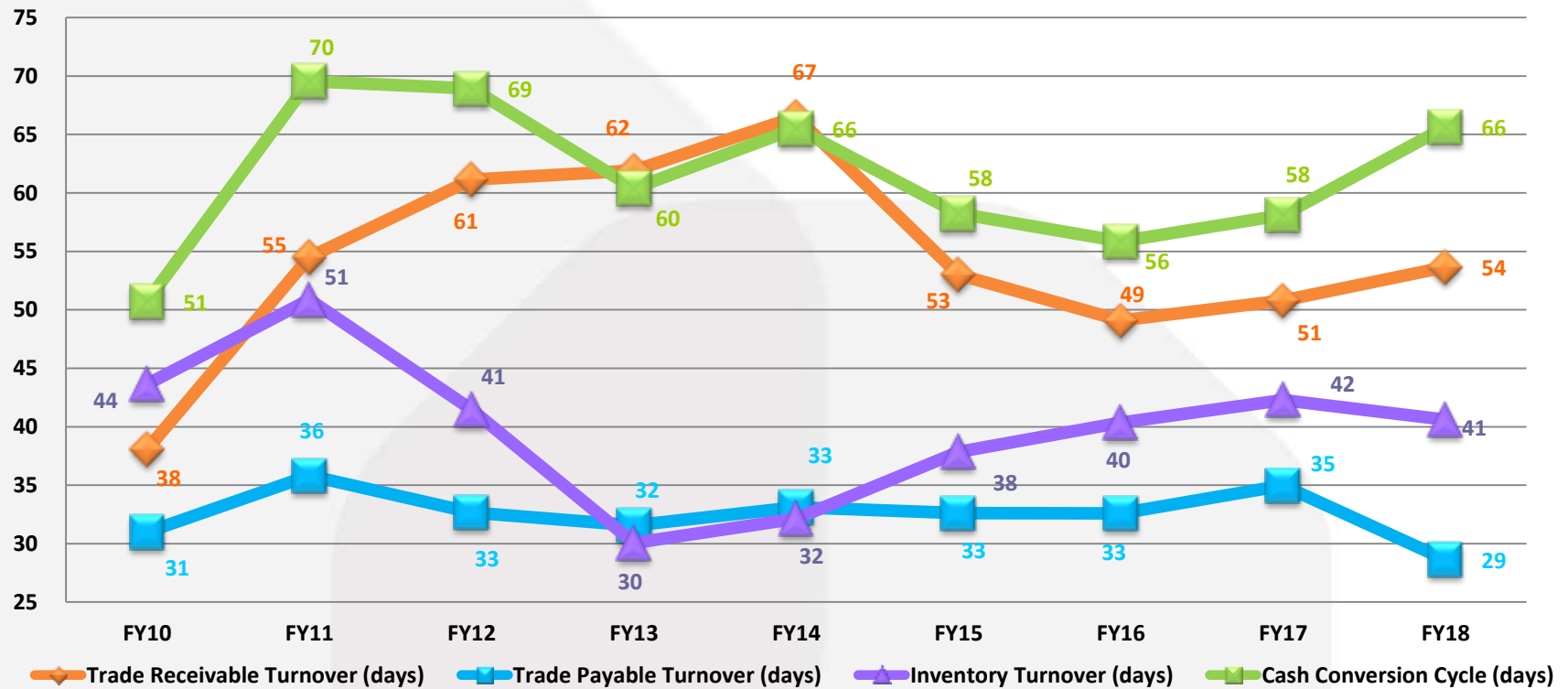
Maintaining Healthy Current Ratio



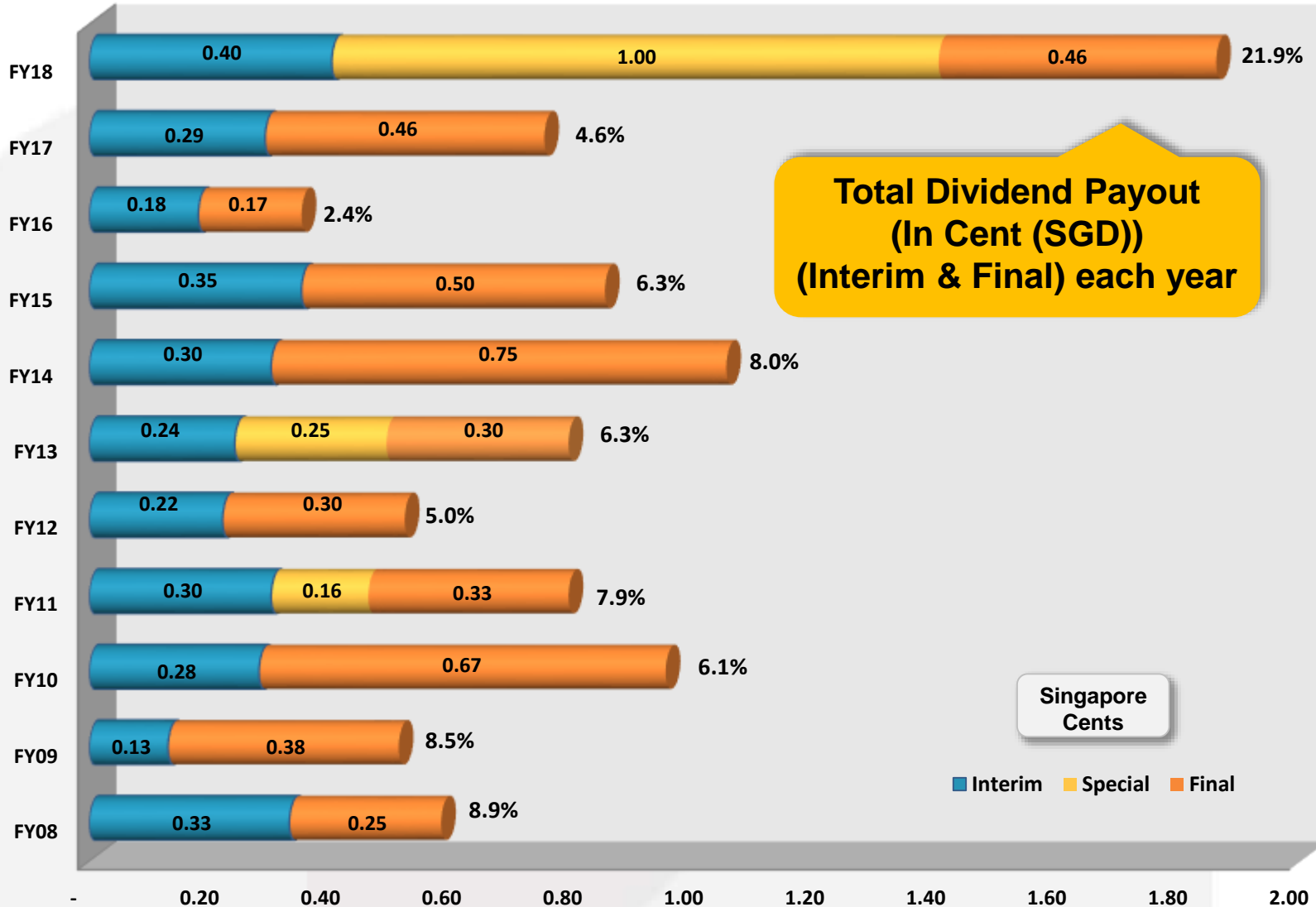
Net Gearing Ratio



Cash Conversion Cycle (days)



DIVIDEND YIELD



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK

Uncertainties

- ? Gartner: After a **13.4%** increase in worldwide semiconductor revenue to **US\$476.7 billion** in 2018 from 2017, sales in 2019 are likely to be less certain due to headwinds in global economy
- ? Uncertainty over progress of global 5G rollout amid challenges facing Huawei

Bright spots

- ✓ Launch of new smartphones in 2019 by Samsung, Huawei, Xiaomi, LG and other brands
- ✓ Growing acceptance of electric cars in Asia



GROUP OUTLOOK

- Reviewing its growth strategies with a view to enhance its value proposition as a distribution intermediary between chipmakers and manufacturers of electronic end-products, taking into account the current uncertainty in the global economy, the competitive operating environment for electronic components distribution and the trade tensions between China and United States
- Under a business transition agreement with Texas Instruments (“TI”), deadline for cessation of distribution agreement with TI has been extended to 30 June 2019 from 31 December 2018.
- Extension will facilitate:
 - An orderly winding down of Serial Microelectronics’ TI distribution business
 - A sale of Serial Microelectronics’ TI distribution business
 - Customers with TI products bought from Serial Microelectronics are expected to be migrated to the new distributor in 1H2019
- Continue to pursue other suppliers and channel partners
 - JV with LSD Science and Technology (Hong Kong) to distribute electronic components in Hong Kong and China
- Step up efforts to diversify income streams
 - Investment in Indonesia-listed PT SMI (20% equity stake)

OUR THREE-PRONGED STRATEGY

Objectives:

- Increase revenue
- Drive greater internal efficiencies to improve margins
- Deepen value proposition to increase margins

Deepen penetration in existing markets & widen geographical expansion

- Expand customer base, increase product lines, expand geographical coverage of product lines
- Deepen footprint in emerging markets (e.g. Vietnam & Indonesia)
- Expand outside Asia via M&A / JV

Improve internal efficiencies to achieve greater economies of scale

- Internal forecasting system
- Centralised asset management
- Greater adoption of electronic data interchange (“EDI”)

Expand product portfolio & increase higher-value components

- Deepen penetration in Industrial, Automotive, Mobile devices, Enterprise Cloud Solutions, Robotics, Consumer Electronics and Household appliances segments
- Component modules as a reference solution - higher margins & differentiator

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Thank You

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