



**SERIAL**  
新曄集團

# 1Q2014 Analyst Briefing

26 April 2014

Your Integral Component to Success

# Outline

1. Serial System Highlights
2. 1Q2014 Financial Highlights
3. Corporate & Business Update – Initial Results
4. 1Q2014 Results Overview
5. Outlook & Investment Merits



## Serial System Highlights



# Serial At a Glance



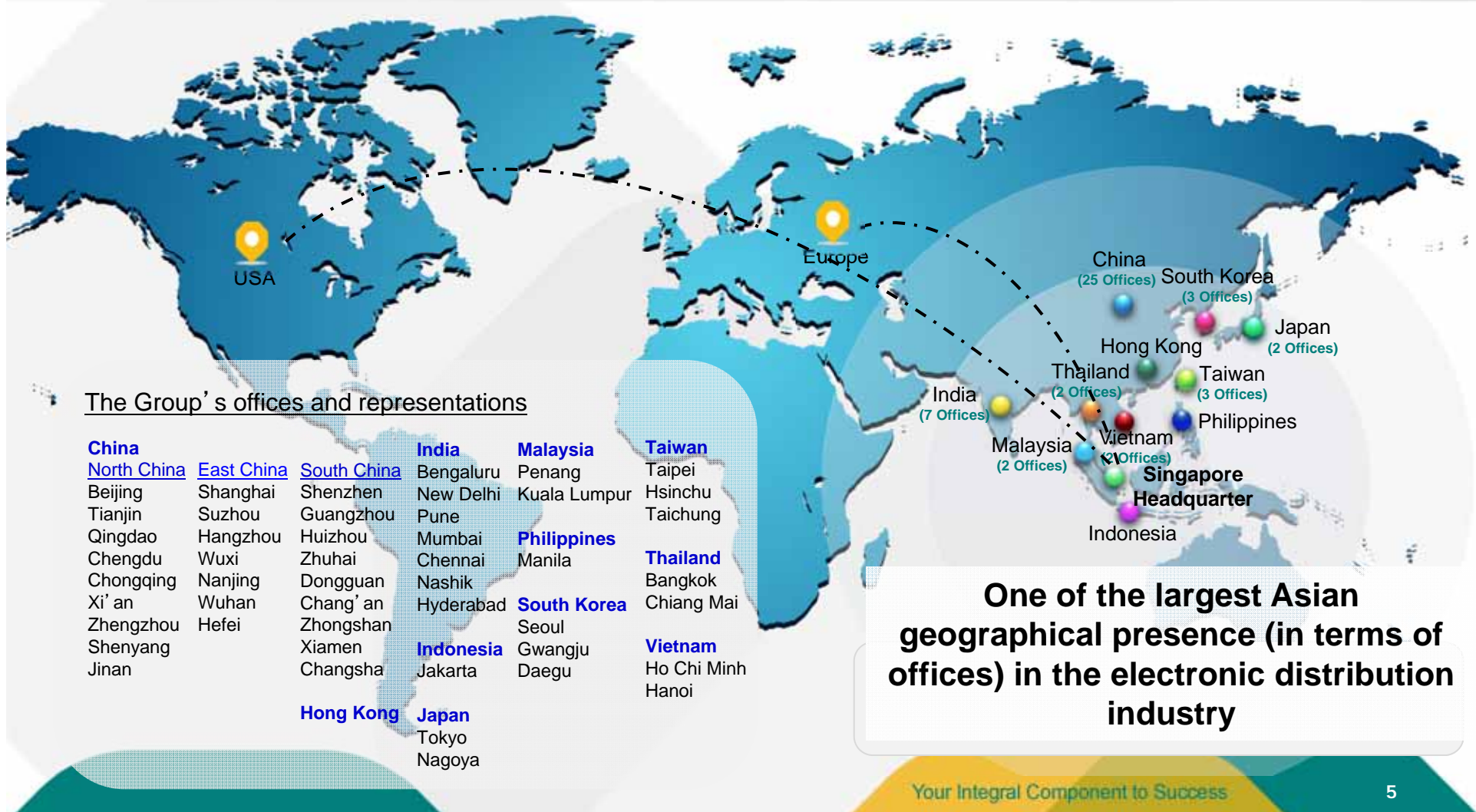


# Electronic Components Distribution

## Our Growth Drivers - Strong Asian Presence



**Extensive Distribution Network**  
**50 Sales Offices, 7 Warehouses & > 900 employees in Asia Pacific**



## OTHER BUSINESSES

### E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited (20%-stake)



- Australia-based progressive industrial laundry servicing hotels, resorts, hospitals, care centres, and restaurants in Melbourne, Sydney and country areas of Victoria
- Cutting-edge technology and efficient processes allows for linens to be washed, ironed and folded in record time
- Healthy gross margins
- Exploring opportunities to widen its network within Australia

### Contract Sterilization Services Pte Ltd (100%-stake)



- Assembly and distribution of medical devices in the medical industry
- Offers full-range standard and customised perfusion tubing packs marketed over the Asia-Pacific region

# OTHER BUSINESSES

## Serial MultiVision Pte. Ltd. (65%-stake)



- 2 core businesses: outdoor advertising media and hospitality solutions
- Outdoor advertising consists of large format outdoor LED and billboard advertising displays
- Hospitality solutions business consists of proprietary i-Connect® solution that include Intelligence Room Infotainment Solution (IRIS), Venue360 media content management system and Soft-based Solution (SBS).

## Bull Will Co., Ltd (43.03%-stake)



- Headquartered in Taipei, Taiwan, Bull Will has been listed on Taiwan Stock Exchange since 2003
- Designs and manufactures full-range of magnetic components for electronic products
- Owns six manufacturing facilities in China, supported by more than 2,100 staff



# 1Q2014 Financial Highlights



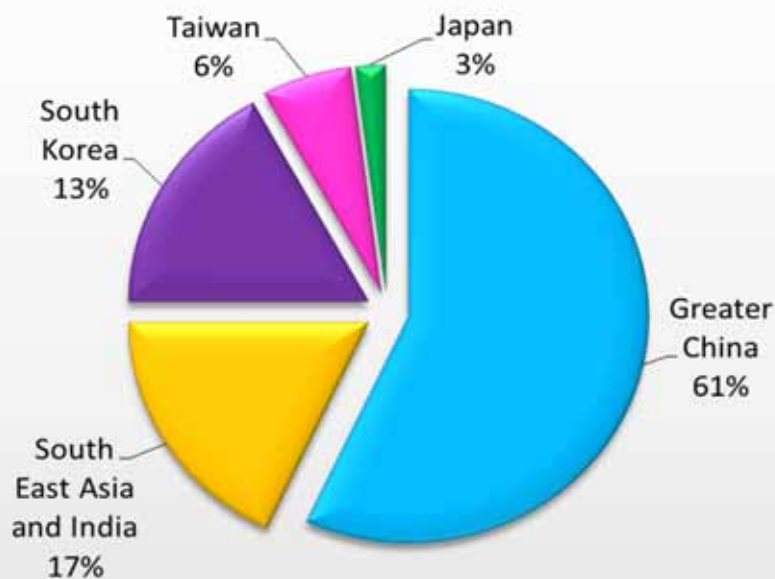


## 1Q2014 Financial Highlights

- Net profit soared 31% to US\$2.1 million outpacing revenue growth of 24% to US\$212.4 million – on track to achieve US\$1 billion sales target for FY2014
  - Propelled by higher sales due to expansion of product offerings and improved internal efficiencies
- Stronger 1Q2014 revenue and gross profit compared to 1Q2013
  - Gross profit rose 22% to US\$19.0M from US\$15.6M in 1Q2013 contributed by higher sales
  - Marginally lower gross profit margin of 9.0% compared to 9.1% last year, due to higher sales volume of lower-margin products and stiffer market competition in South Korea and Singapore
- Net margin improved to 1.0% in 1Q2014 compared to 0.9% in 1Q2013
- Greater internal efficiencies – total expenses as a percentage of turnover declined to 8.1% from 8.2% in 1Q2013
- Commenced profit-recognition of US\$30,000 from 20 March 2014 from newly acquired Australia-based industrial laundries, E-Laundry & Dry Cleaning Services Pty Ltd and SPL Investments Pty Limited (20%-stake each)

# Geographical Contribution

1Q2014



- North Asia (83% of 1Q2014 Group turnover) recorded 32% increase in 1Q2014 sales compared to 1Q2013
- Driven by 45% revenue growth in Greater China due to a surge in orders from a leading Chinese domestic smartphone, television and router manufacturer embarking on an accelerated product rollout
  - Led to volume of lower-margin components to exceed that of higher-margin modules → impacted Q12014 gross margins
  - Longer payment terms impacted 1Q2014 trade receivables average turnover days (expected to improve from next quarter when factoring facilities commence)

## 1Q2014 Results Snapshot



US\$ ('000)	1Q2014	1Q2013	Change (%)
<b>Sales</b>	212,360	171,573	24
<b>Gross Profit</b>	19,045	15,644	22
<b>Gross Profit Margin (%)</b>	9.0	9.1	(0.1 pt)
<b>Other Operating Income</b>	1,243	741	68
<b>Net Profit After Tax</b> <i>Attributable to Equity Holders</i>	2,110	1,608	31
<b>Net Profit Margin (%)</b>	1.0	0.9	0.1 pt
<b>EPS on a fully diluted basis (US cent) <sup>1</sup></b>	0.24	0.18	33
<b>NAV per share (US cents) <sup>2</sup></b>	12.30	12.27	0.24

<sup>1</sup> Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares during the period of 895,841,914 (1Q2013: 895, 583, 591)

<sup>2</sup> Net asset value per share based on issued share capital at the end of the current reported financial period ended 31 March 2014, and the immediately preceding financial year ended 31 December 2013

# Corporate & Business Update *Initial Results*





# Corporate & Business Update Recap



- Corporate & Business update announced on 27 Jan 2014
- Objectives:
  - Increase revenue,
  - Deepen value proposition
  - Improve internal efficiencies to improve margins

## Expand product portfolio & increase higher-value components

- Deepen penetration in Automotive segment, Mobile devices and Enterprise Cloud Solutions
- Component modules as a reference solution - higher margins & differentiator

## Improve internal efficiencies

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

## Deepen penetration in existing markets & widen geographical expansion

- Deepen footprint in emerging markets (e.g. Vietnam & Indonesia)
- Expand to U.S. and Europe (~40% of semiconductor business) via M&A / JV

# Corporate & Business Update

## Initial Results



### Expand product portfolio & increase higher-value components

- Established 3<sup>rd</sup> and 4<sup>th</sup> JV with Chinese total solution design houses → increased capabilities in automotives and surveillance and security segments

### Improve internal efficiencies

- 1Q2014 inventory turnover of 32 days outpaced industry average of 60 days
- Expenses as a percentage of turnover declined to 8.1% in 1Q2014
- 1Q2014 net margin improved to 1.0% (1Q2013: 0.9%)

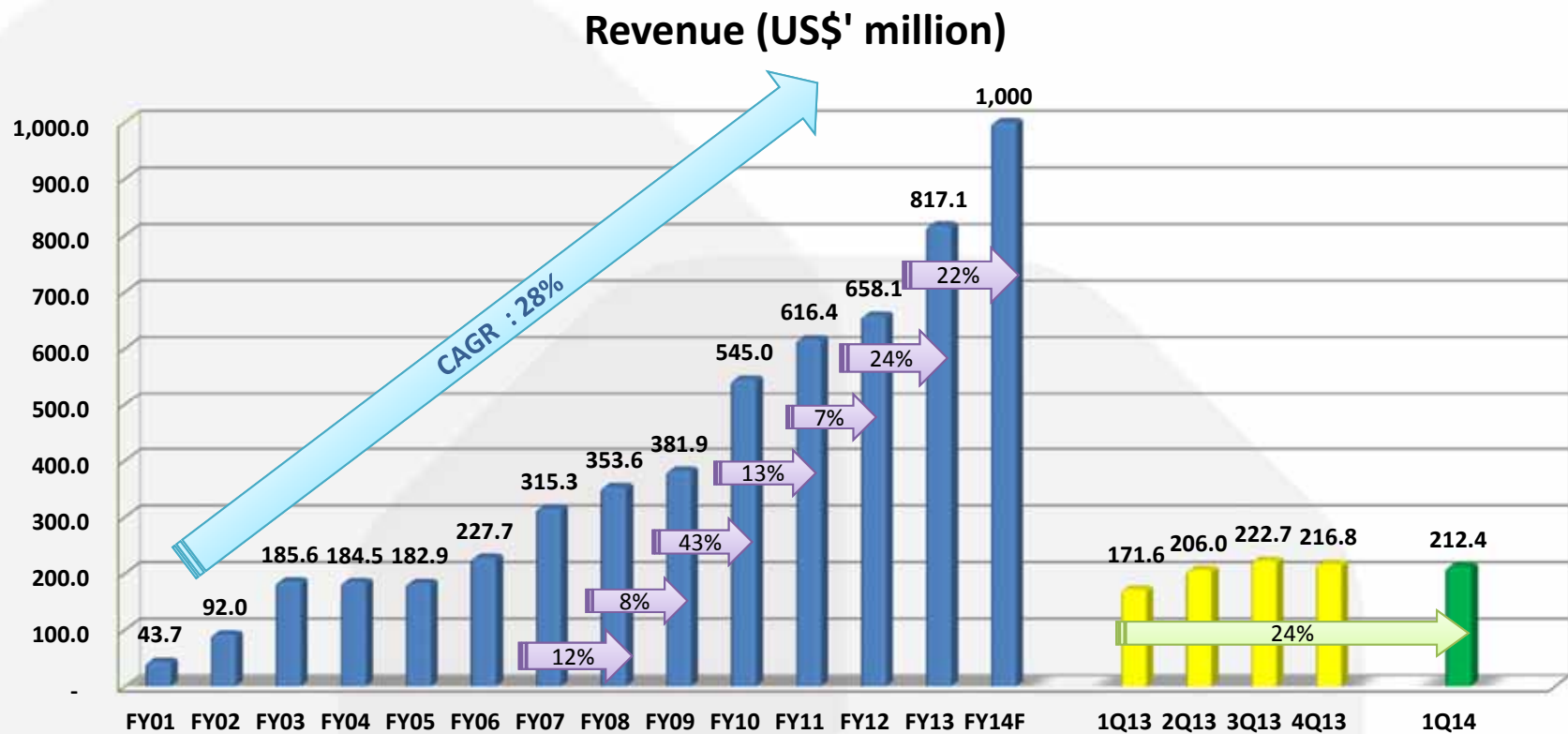
### Deepen penetration in existing markets & widen geographical expansion

- Solidified footprint in Asia via 60%-owned JV with Japanese electronic and electronic component distributor, Nippon Denka Kogyosho Co., Ltd
- Exploring opportunities for expansion into Europe and U.S. market

# 1Q2014 Results Overview



## Robust Revenue Growth



Target: US\$1Billion revenue in FY2014



# Our Performance – Asia Pacific Semiconductor Industry

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



Source : World Semiconductor Trade Statistics/  
Semiconductor Industry Association

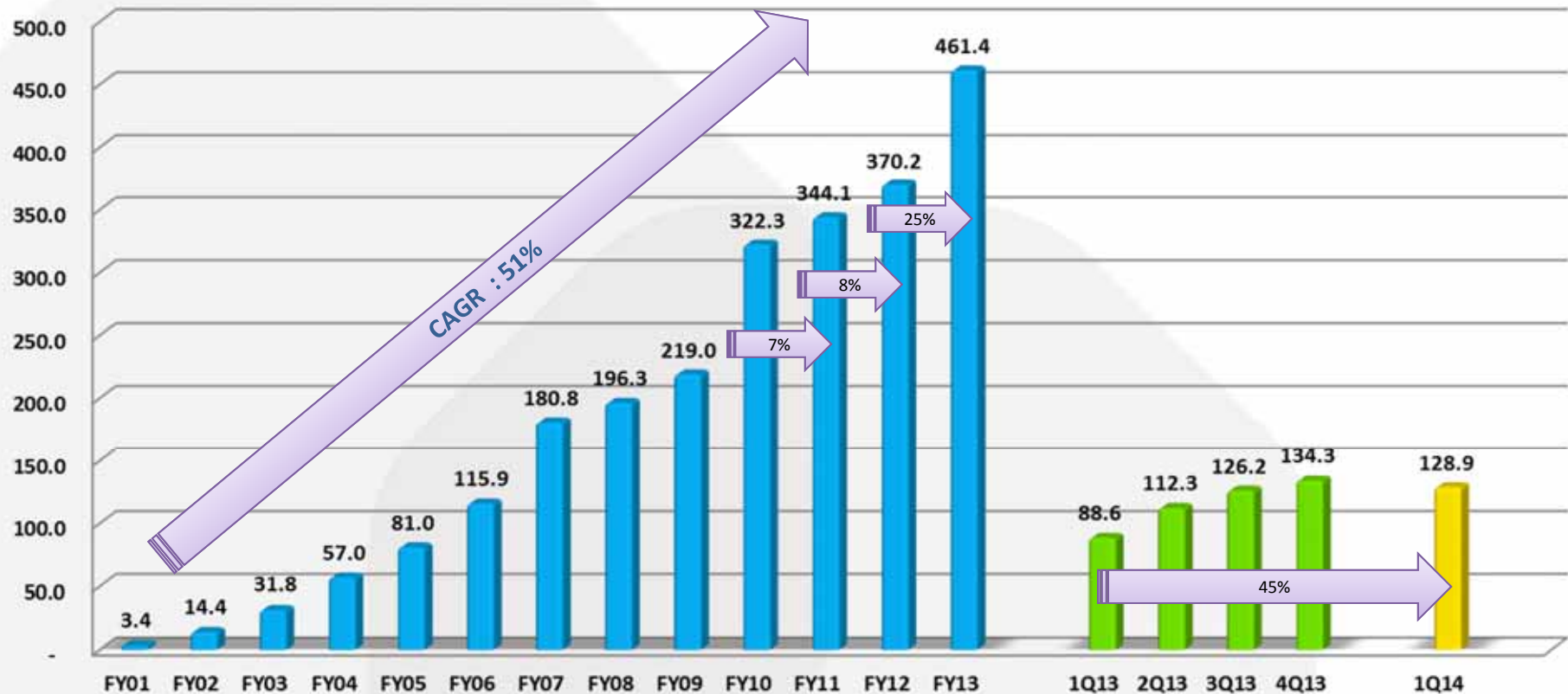
Serial System Revenue (US\$' million)



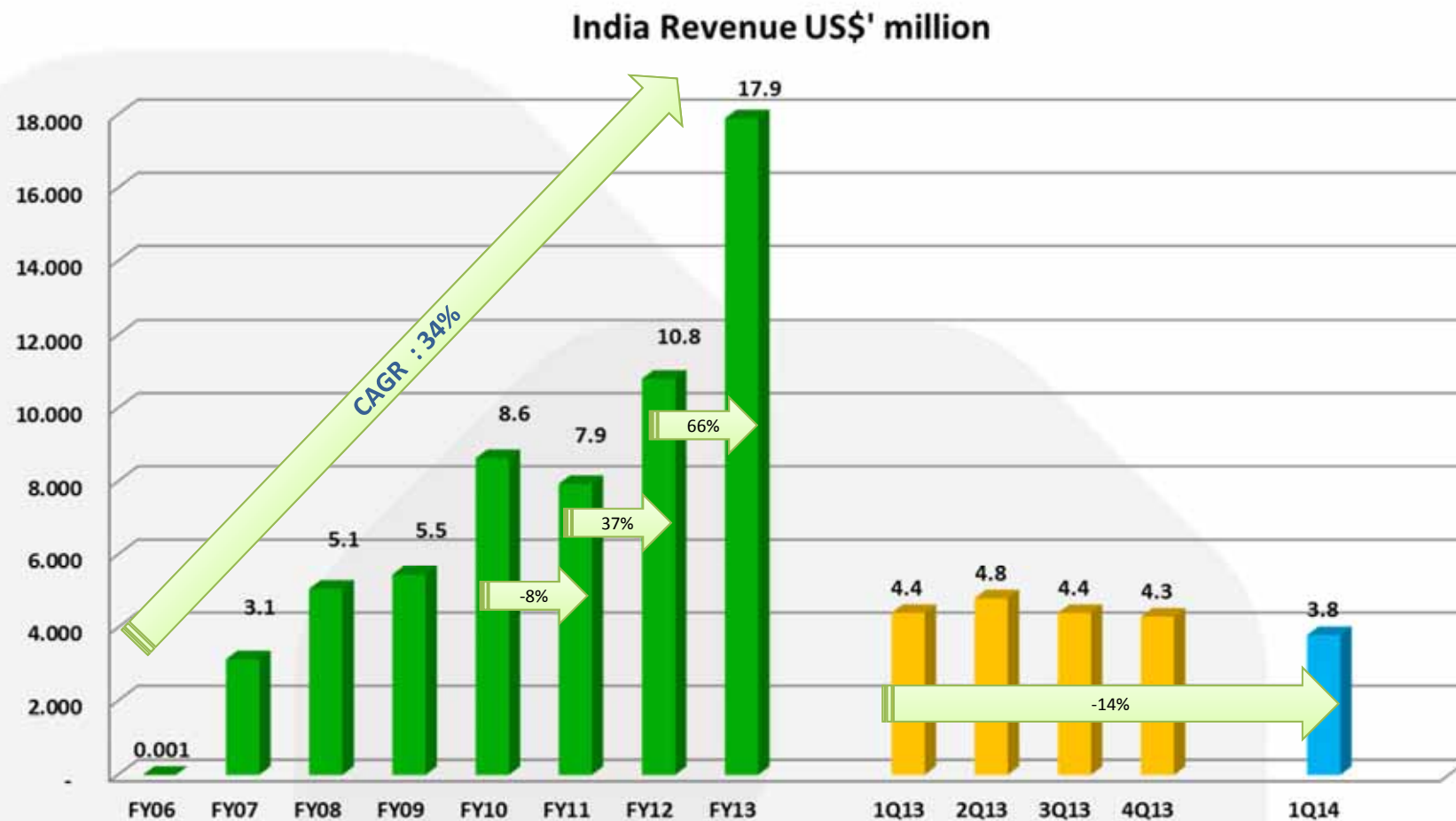
**Serial out-performing the Industry**

# Right Growth Strategies

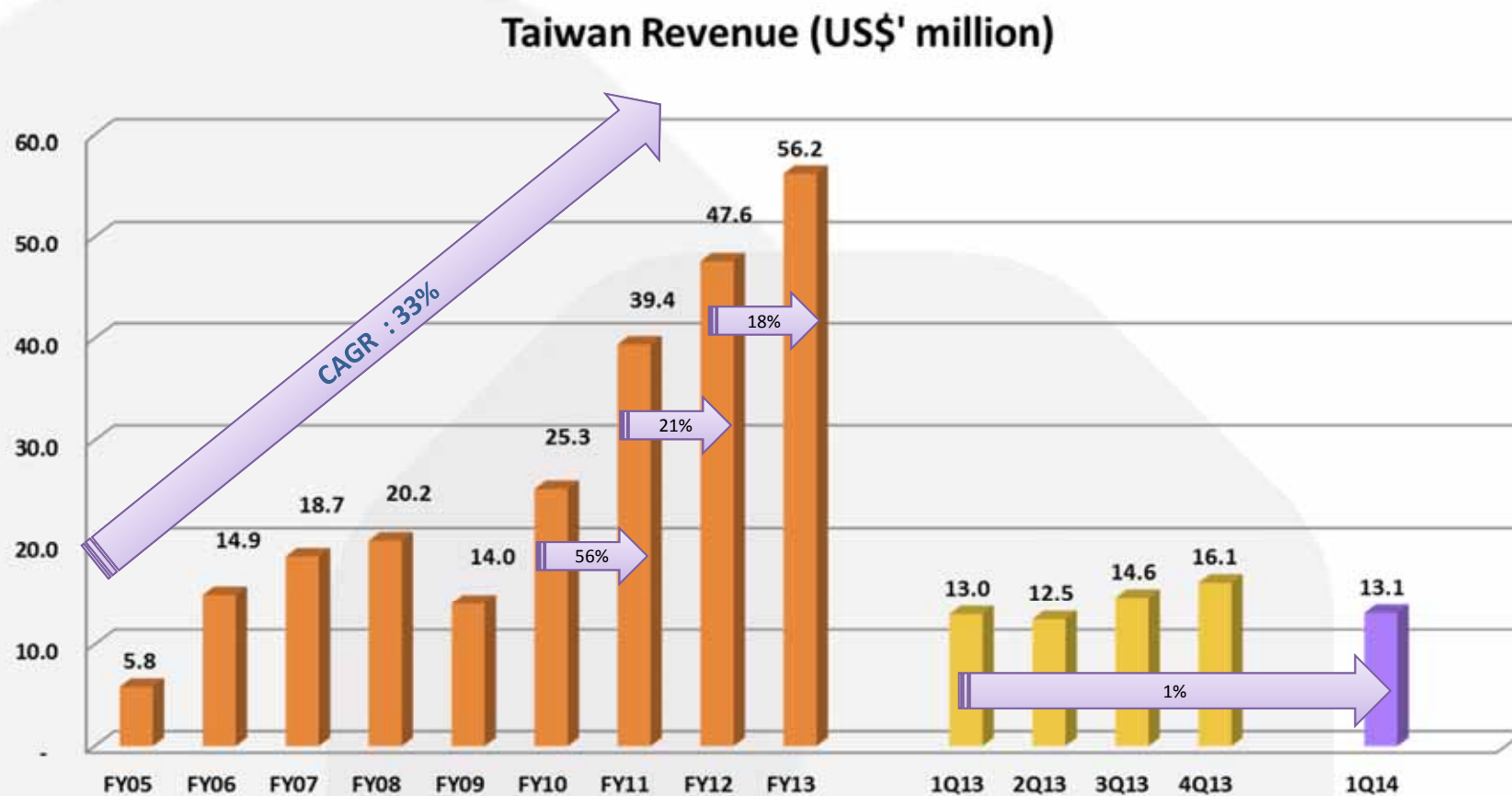
Greater China Revenue (US\$' million)



## Right Growth Strategies



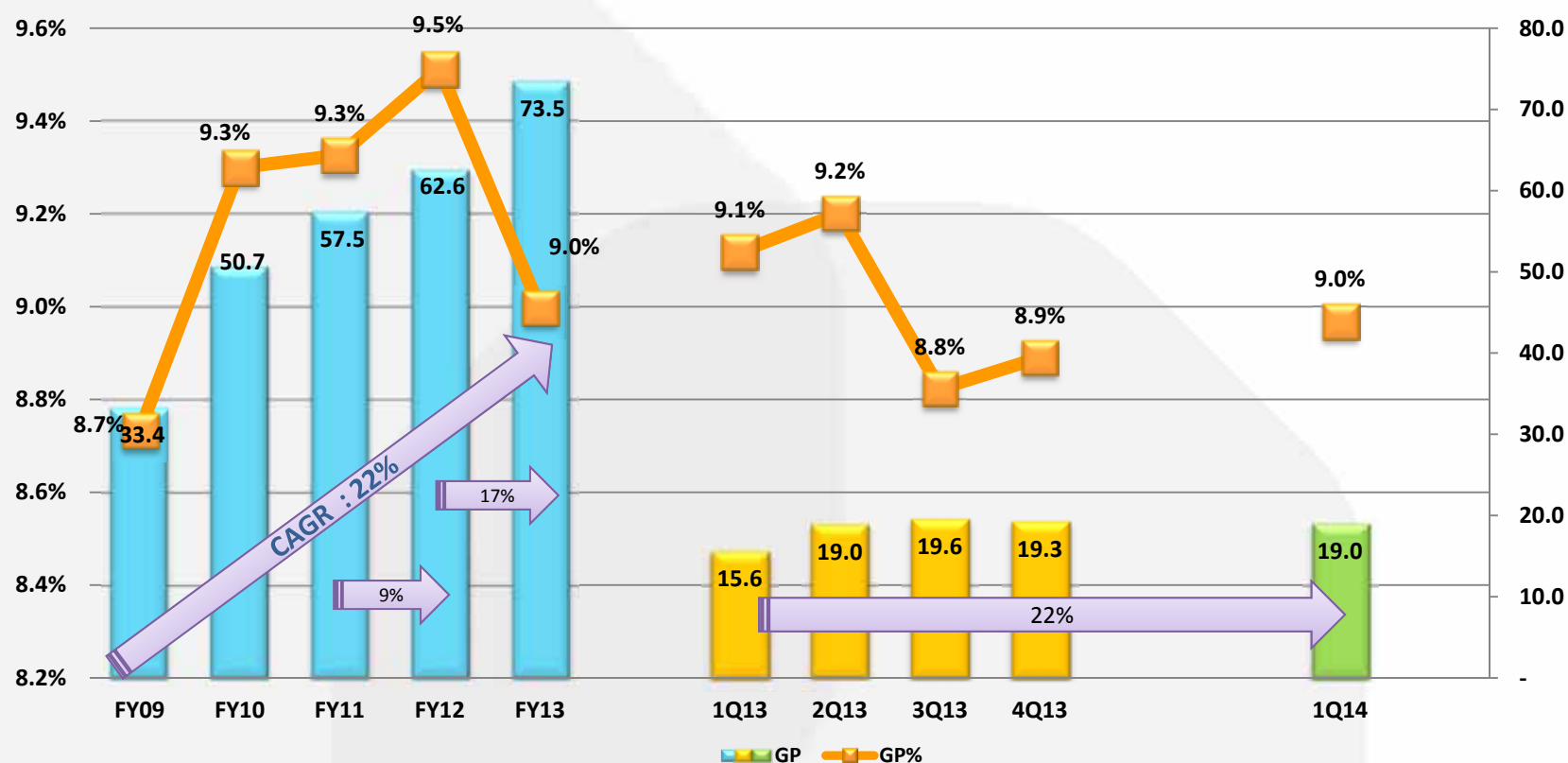
## Right Growth Strategies





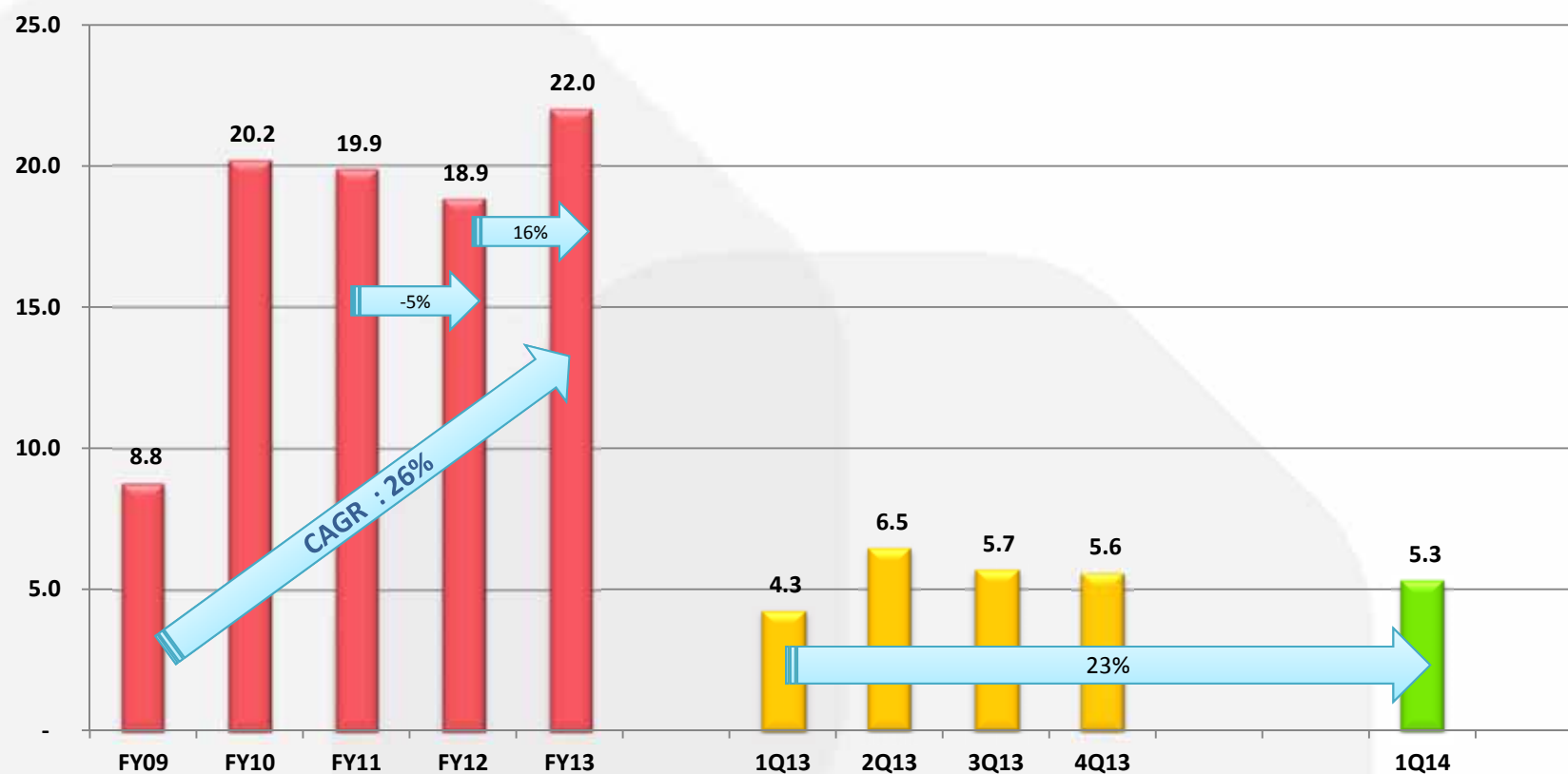
# Profitability Potential

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



# Profitability Potential

EBITDA (US\$' million)



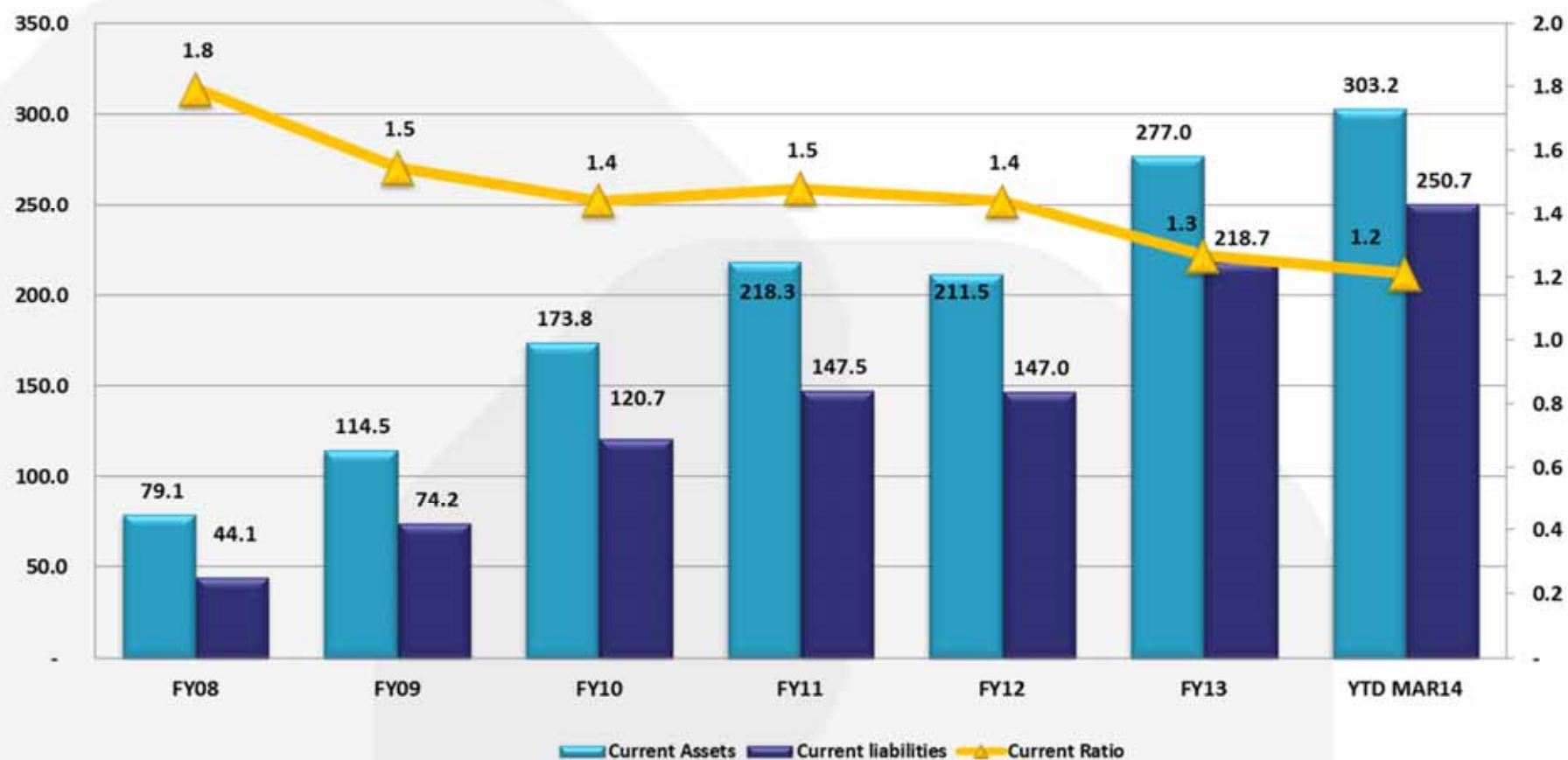
# Profitability Potential

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



# Healthy Balance Sheet

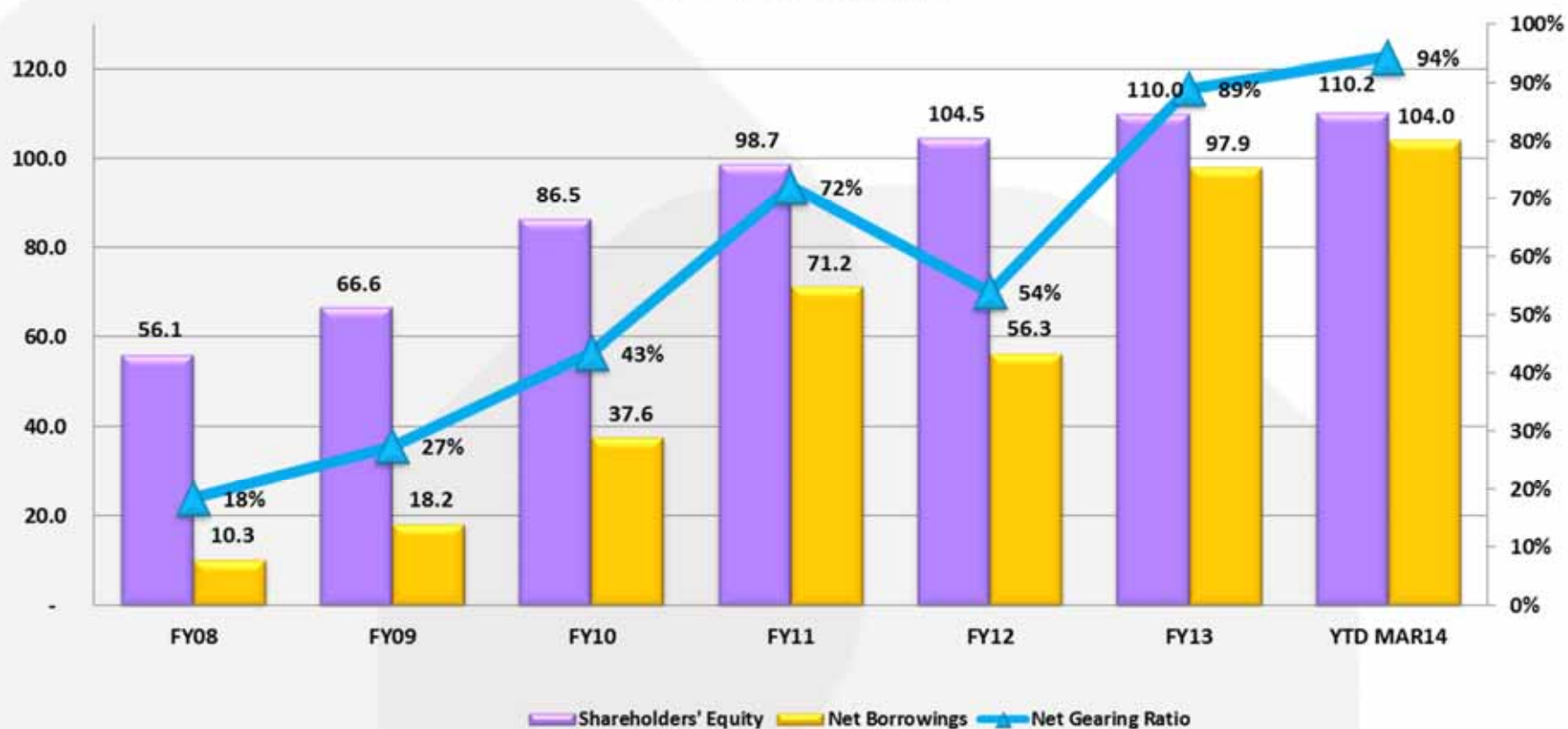
## Maintaining Healthy Current Ratio





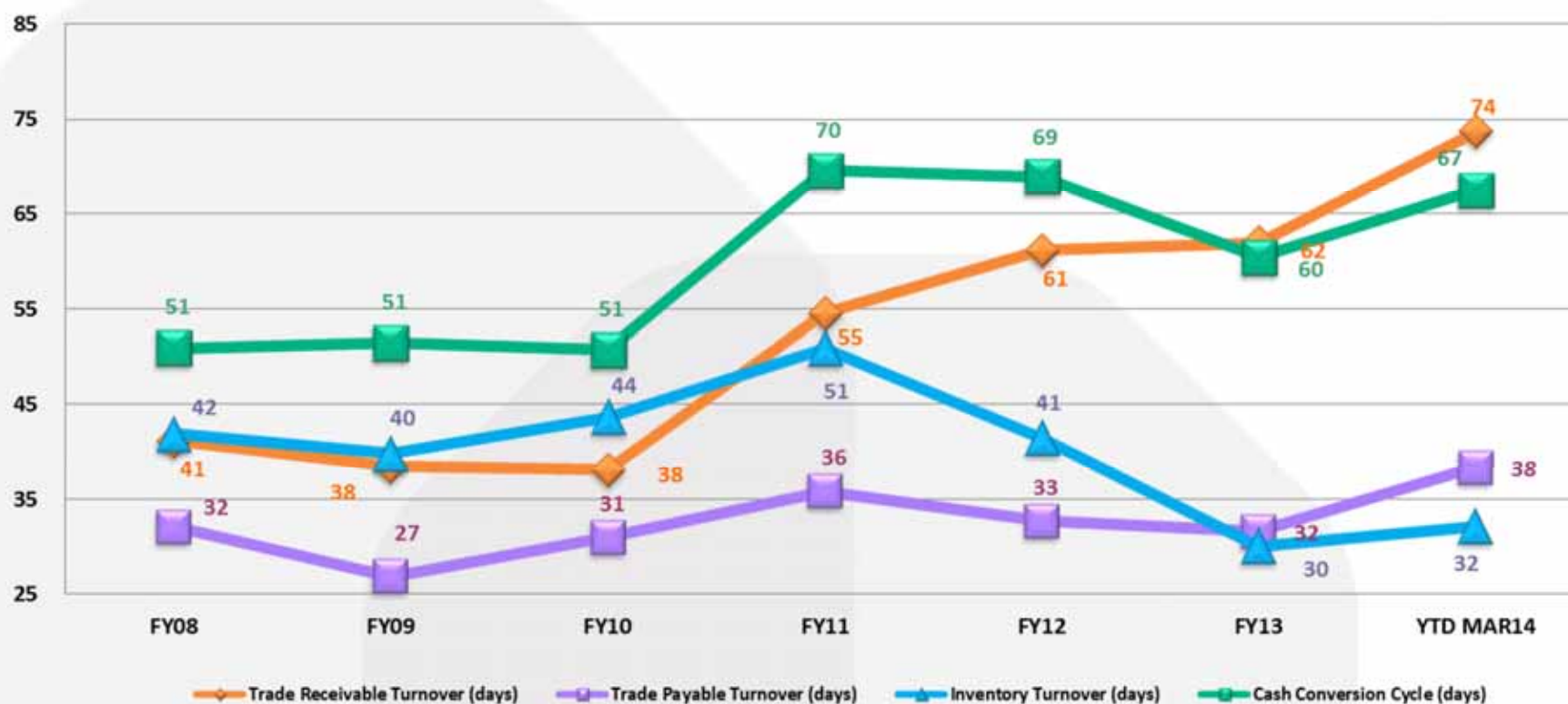
# Healthy Balance Sheet

## Net Gearing Ratio



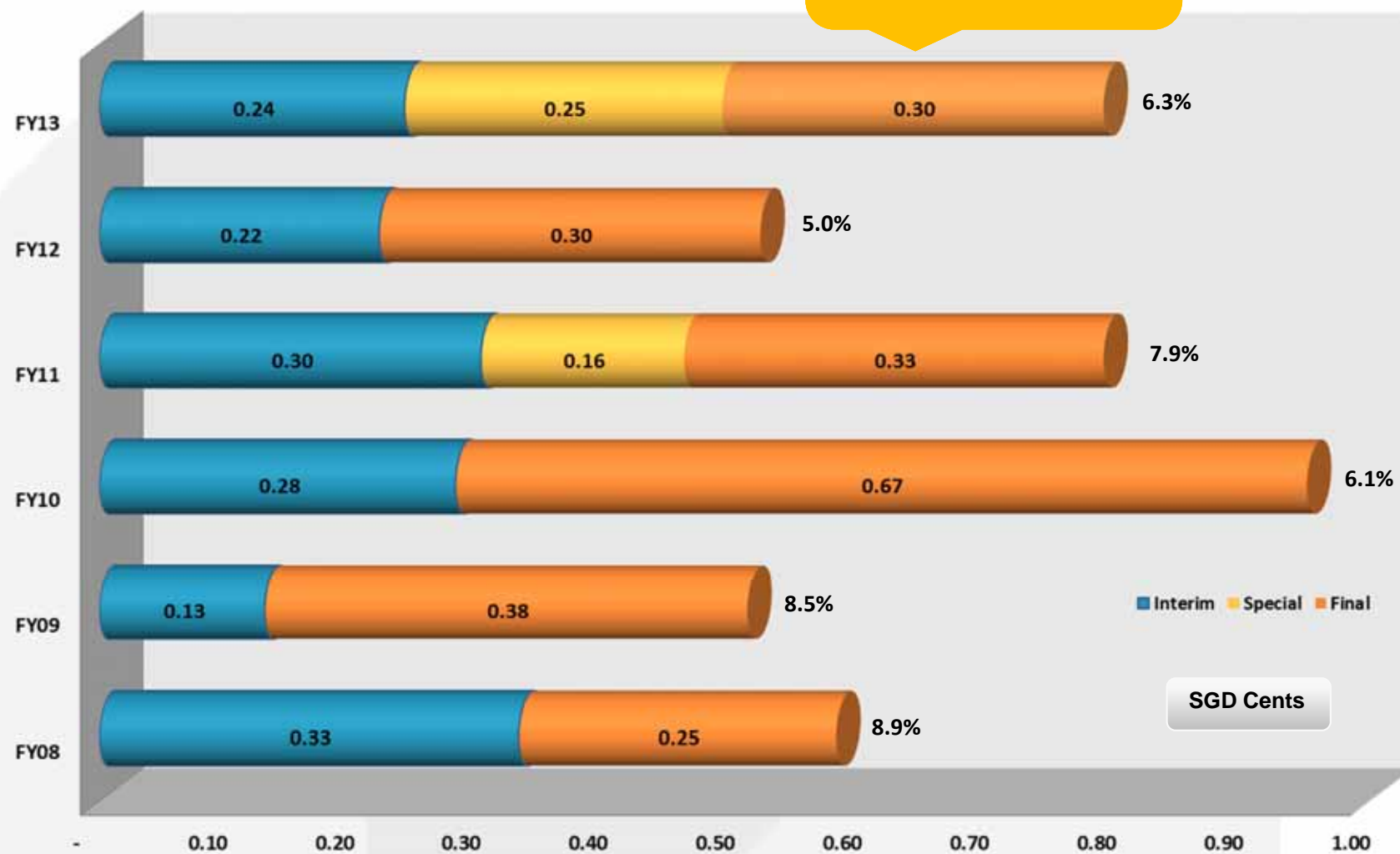
# Healthy Balance Sheet

## Cash Conversion Cycle (days)



## Attractive Dividend Yield

At least  
Two Dividend payout  
(Interim & Final) each year



# **Outlook & Investment Merits**



## Outlook



On track to achieving FY2014 revenue target: US\$1B



1H traditionally weaker than 2H; continue to expand customer base and product lines and drive internal efficiencies



Reasonably confident that 1H2014 will exceed 1H2013 in both revenue and gross profit on year-on-year basis



# Investment Merits

## Why Serial

- Consistently strong revenue growth
- High gross profit margin amongst distributors
- Low P/E & P/B amongst distributors
- Attractive dividend yield of 5%-9% p.a.
- Solidified footprint in Asia – huge electronic component distribution market
- Expansion plans to Europe and USA
- Diversification into investment in high-margin companies
- Healthy balance sheet
- Good corporate governance

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# Thank You

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