

Serial System's 1H2022 Gross Profit Rises 14% to US\$39.9 Million on Revenue of US\$462.8 Million

<i>US\$'000</i>	1H2022	1H2021	Change (%)
Sales	462,768	438,288	6
Gross Profit	39,892	34,931	14
Gross Profit Margin (%)	8.6	8.0	0.6 ppt*
Net Profit After Tax <i>(Attributable to shareholders)</i>	384	5,837	(93)
Earnings Per Share - fully diluted <i>(US cents)</i>	0.04	0.65	(94)
NAV per share <i>(US cents)</i>	30/6/2022: 16.02	31/12/2021: 16.66	

*ppt – Percentage Points

Singapore, 13 August 2022 – SGX Mainboard-listed Serial System Ltd (“**Serial System**” or the “**Group**”) announced today that gross profit for the six months ended 30 June 2022 (“**1H2022**”) rose 14% to US\$39.9 million on revenue of US\$462.8 million, surpassing the revenue growth of 6%, amid the global chip shortage.

The electronic components and consumer products distributor said 1H2022 revenue increased 6% to US\$462.8 million from US\$438.3 million in 1H2021, due to improved performance in the electronic components distribution segment, the Group’s main revenue contributor, on the backs of higher sales across all regions.

Growth was led by industrial, renewable energy, artificial intelligence and automotive sectors in Hong Kong and China, as customers replaced old applications and ramped up inventories. The Group saw higher sales within Southeast Asia, as customers and suppliers shifted some of their production and allocation to the region from China to overcome COVID-related restrictions imposed by the Chinese government. Turnover in South Korea and Taiwan also improved amid higher demand for certain product lines in the industrial and automotive segments.

The revenue increase was offset by lower revenue contributions from the consumer products distribution business, which declined 31% to US\$25.1 million, mainly due to dampened consumer demand for computers, computer peripherals and video graphics cards in Malaysia as work-from-home measures and border restrictions gradually eased.

Turnover for other businesses declined 37% to US\$3.4 million, mainly due to lower sales in the Group's trading and distribution of fast-moving consumer goods in Singapore.

The electronic components and consumer products distribution business divisions saw higher margins amid the shortage of semiconductor chips, lifting gross profit margin to 8.6% in 1H2022 from 8.0% in 1H2021.

Net profit after tax stood at US\$0.4 million, compared to US\$5.8 million in 1H2021, mainly due to higher net foreign exchange loss of US\$3.4 million, allowances for inventory obsolescence of US\$1.0 million in 1H2022, as opposed to a write-back of allowances for inventory obsolescence in 1H2021 of US\$0.8 million and a fair value loss on financial assets of US\$0.9 million in 1H2022, as opposed to a fair value gain of US\$0.3 million in 1H2021.

Accordingly, fully diluted earnings per share declined to 0.04 US cent in 1H2022 from 0.65 US cent in 1H2021, while the Group's net asset value per share stood at 16.02 US cents as at 30 June 2022 compared to 16.66 US cents as at 31 December 2021.

On the outlook, earlier stockpiling of chips by customers, combined with the easing of the global chip shortage amid increased production by semiconductor chip manufacturers and suppliers, are expected to soften short-term demand, offset by the cyclical uptick in manufacturing activities in the coming months.

Long-term demand for electronic components is projected to continue increasing, given the rise of technologies such as 5G infrastructure, Internet of Things (IoT), artificial intelligence, electric and autonomous vehicles etc., that will require higher-quality chips capable of greater processing power and memory storage. Meanwhile, business momentum for consumer products is expected to recover gradually, driven by new product launches in the later half of the year. The Group will continue to expand its range of products while strengthening its network in Southeast Asia and Japan.

The Group expects the operating environment to grow increasingly challenging, as rising interest rates and inflation apply pressure on operating costs, increase currency volatilities, and impact consumer demand. Meanwhile, prolonged geopolitical tensions could result in supply chain disruptions. In response, the Group will continue to implement its growth strategies to grow revenue and capture new opportunities in the countries it operates.

Mr. Derek Goh, Serial System's Group CEO said: "Business momentum has continued to remain strong, despite currency translation lowering our net profit for the period. We will continue to execute our growth strategies, while implementing cost controls, to strengthen our long-term performance and add value to our shareholders."

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

Media & Investor Contact Information

WeR1 Consultants Pte Ltd
1 Raffles Place
#02-01, One Raffles Place Mall
Suite 332
Singapore 048616
Tel: (65) 6721 7161
Isaac Tang, serialsystem@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 21 offices and 13 warehouses throughout Asia Pacific. It also has a wide customer base of more than 5,000, spanning a diverse range of industries such as consumer electronics, household appliances, industrial, telecommunications, electronic manufacturing services, security and surveillance, automotive and medical.

Its major suppliers for electronic components distribution include ON Semiconductor, VARTA, OSRAM Opto Semiconductors, TE Connectivity, Micron, Allegro Microsystems, Gigadevice, Littelfuse and Molex. Its major suppliers for consumer products distribution include AMD, Hewlett-Packard, Intel, Gigabyte, MSI, AOC, Philips, Viewsonic and ASRock.

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.