



SERIAL
新曄集團

3Q2018 & YTD3Q2018 RESULTS PRESENTATION

Monday, 5 November 2018

Your Integral Component to Success

AGENDA

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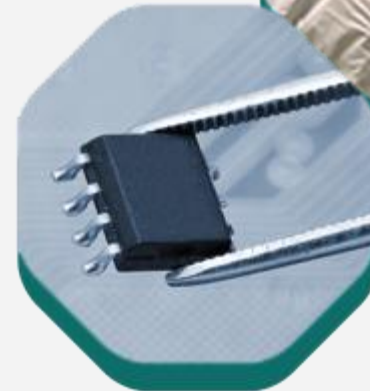
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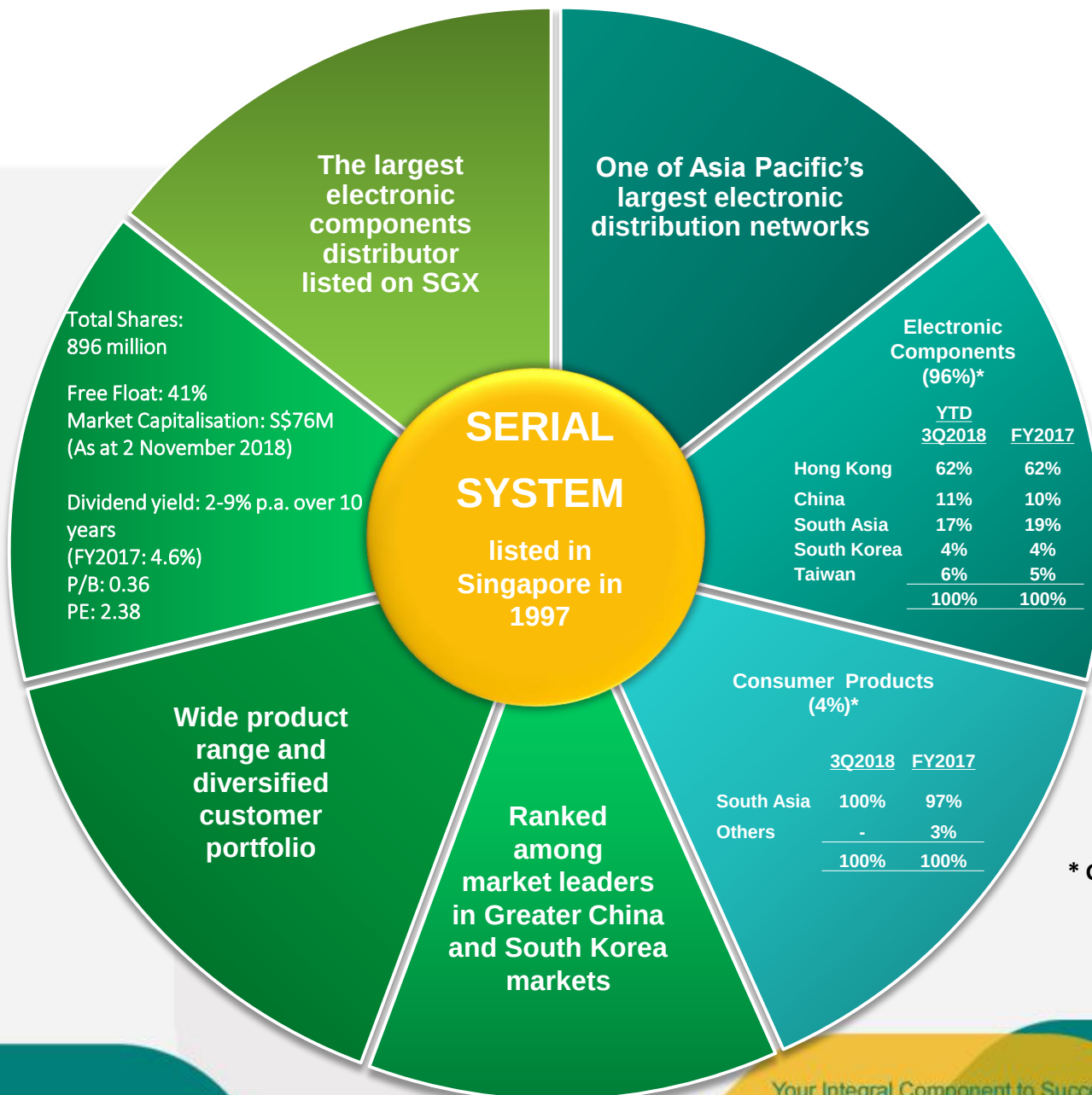
OUTLOOK & STRATEGIES



A photograph of a business meeting. In the center, two people are shaking hands over a table. On the table, there are several documents, including one with the word 'CONTRACT' printed on it. Other people in business attire are visible in the background, some holding pens. The overall scene suggests a formal agreement or partnership.

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 fast-growing dealer for a variety of consumer goods. It is also a strategic investor in businesses in healthcare, managed print services and durians.



**Electronic
Components
Distribution**



**Consumer
Products
Distribution**



**Hospitality
Solutions**

**Medical Device
Manufacturing
and Distribution**



**Managed
Print
Services**

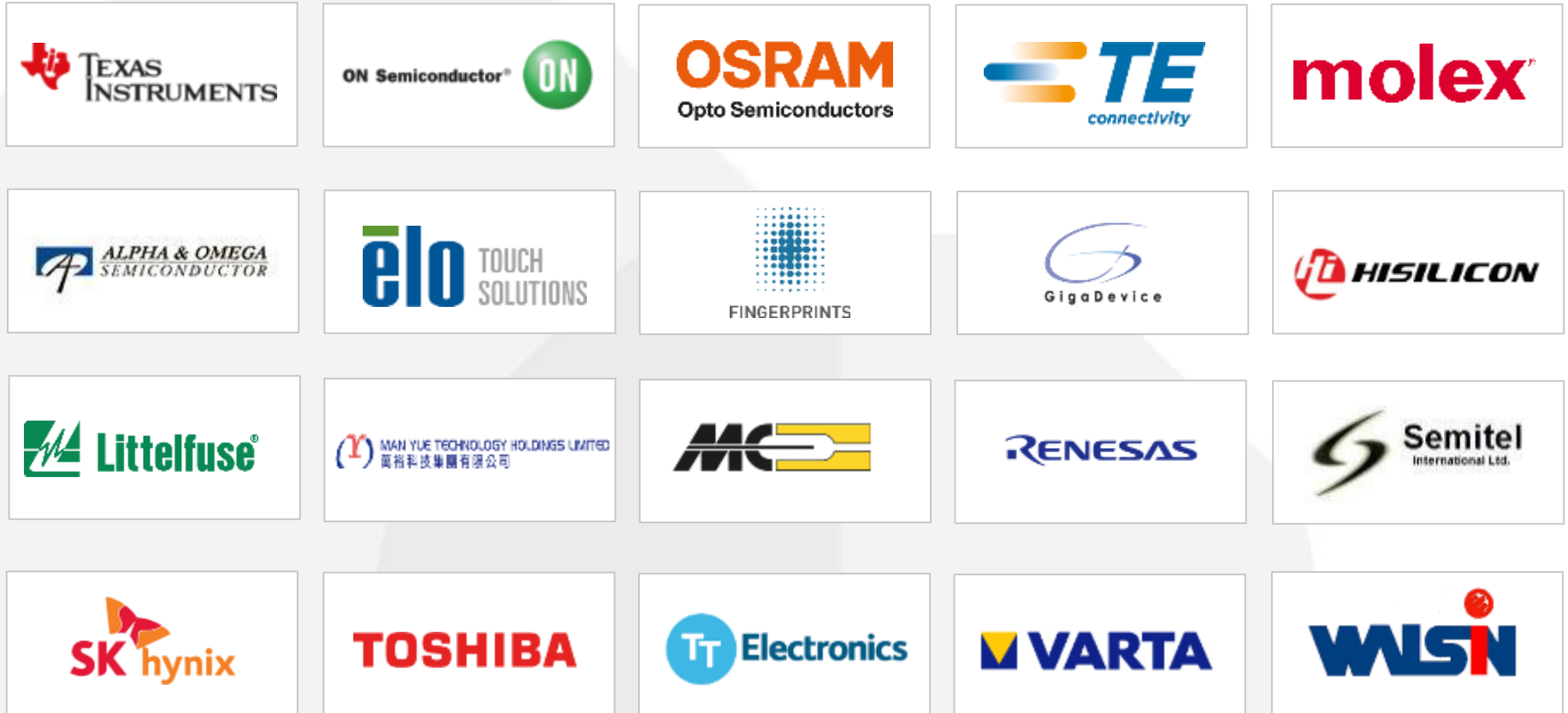


**Musang
King**



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



MARUMI

OKI

Panasonic

PowerColor



LUXA²
A Division of Thermalake

NIXON

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.

STRATEGIC INVESTMENT

Musang Durians Frozen Food (M) Sdn. Bhd.

The Group has an effective 27.5% stake in durian processing and distribution company Musang Durians Frozen Food (M) Sdn. Bhd.

Operates in 2 sites: Kuala Lumpur, Malaysia (office and warehouse) and Pahang, Malaysia (GMP-certified processing plant)

Processes Malaysia's freshest durians into puree and other related products (e.g. paste, ice cream, finger foods) to be sold locally and internationally, especially China



Participation in China's food exhibitions



A photograph of a business meeting. In the foreground, a person's hand is gesturing over a document with various charts, including a large bar chart and a pie chart. Another person's hand is holding a pen, ready to write. The background is slightly blurred, showing other participants and documents. The overall tone is professional and focused on financial analysis.

FINANCIAL RESULTS

SNAPSHOT OF 3Q2018 & YTD3Q2018 PERFORMANCE

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
Net Profit After Tax <i>(Attributable to shareholders)</i>	10,267	3,114	230	17,499	9,192	90
EPS - fully diluted <i>(US cents) ⁽¹⁾</i>	1.14	0.35	226	1.95	1.03	89
NAV per share (US cents) ⁽²⁾	30/9/2018: 16.10			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 (3Q2017/YTD3Q2017: 895,841,914) after adjusting assumed conversion of all potential dilutive ordinary shares. There were no potential dilutive shares for the financial period ended 30 September 2018 and 30 September 2017.

(2) Net assets value per ordinary share as at 30 September 2018 and 31 December 2017 are 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.

- **Revenue of US\$385.6M, a slight decrease of 2% from US\$395.2M in 3Q2017**
 - Revenue for electronic components distribution declined 3% to US\$369.5M mainly due to slowdown in demand for certain product lines in Hong Kong and China, and South Asia, which saw a decrease in turnover of 9% and 1% respectively
 - Turnover from Taiwan and South Korea increased 55% and 32% respectively on higher demand for certain product lines from existing and new customers
 - Revenue from consumer products distribution up 23% to US\$14.7M due to higher sales in Malaysia
- **Gross profit margin rose to 7.8% from 6.7% in 3Q2017**
 - Better margins for electronic components distribution as a result of continued emphasis on sales of higher-margin products
- **NPAT jumped to US\$10.3M from US\$3.1M in 3Q2017**
 - Higher gross profit contributed by higher gross margin
 - One-off gain on disposal of 27.34%-owned SPL Holdings (Australia) Pty Ltd
 - Net margin improved to 2.7% from 0.8% in 3Q2017

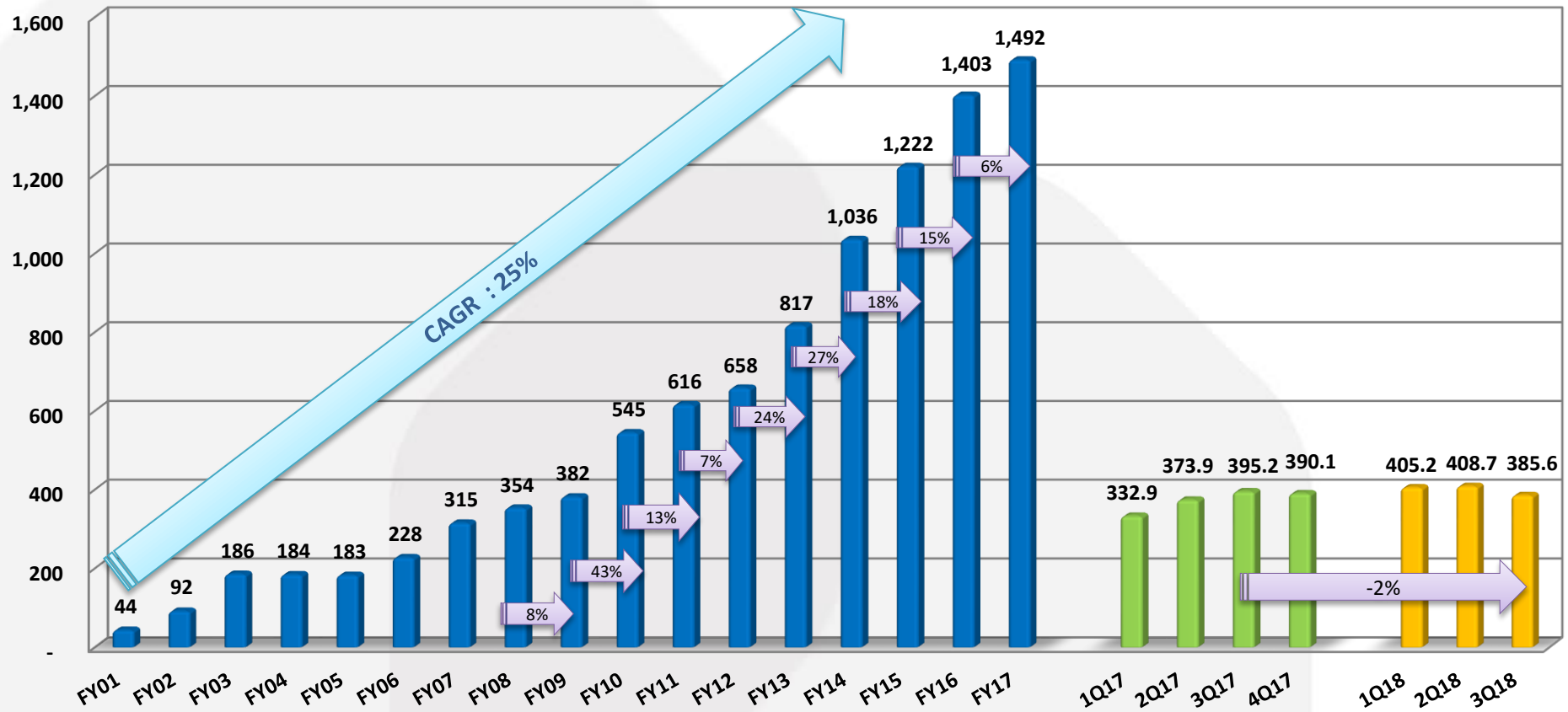
YTD3Q2018 HIGHLIGHTS

- **Revenue of US\$1.20B, an increase of 9% from US\$1.10B in YTD3Q2017**
 - Electronic components distribution rose 9% to US\$1.15B on higher sales in all markets except South Asia
 - Consumer products distribution increased 15% to US\$45.3M due to higher sales in Malaysia and Indonesia, and contributions from Print-IQ Singapore Pte Ltd
- **Gross profit margin increased to 7.9% from 7.0% in YTD3Q2017**
 - Focused sales and marketing efforts on higher-margin products in electronic components and consumer products distribution business
- **NPAT of US\$17.5M, a 90% increase from US\$9.2M in YTD3Q2017**
 - Higher gross profit from higher sales and margins
 - One-off gain on disposal of SPL Holdings and a write-back of inventory obsolescence
 - The increase was offset by an impairment loss on investment in Tong Chiang Group Pte. Ltd., professional fees from the proposed Hong Kong IPO, higher impairment losses on goodwill arising from acquisition of consumer products distribution subsidiaries, currency translation loss, fair value loss on financial assets, at FVPL and allowance for impairment losses on trade and other receivables.
 - Net margin increase to 1.5% from 0.8% in YTD3Q2017

REVENUE GROWTH TREND

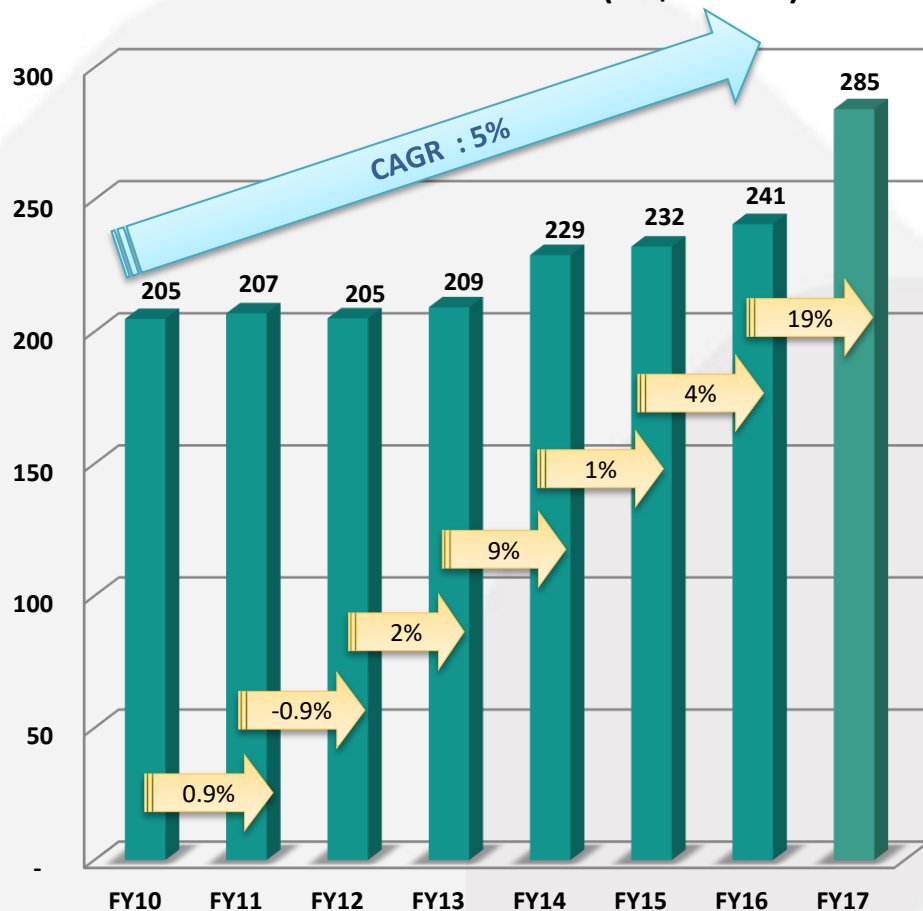
SERIAL SYSTEM GROUP

Revenue (US\$' million)



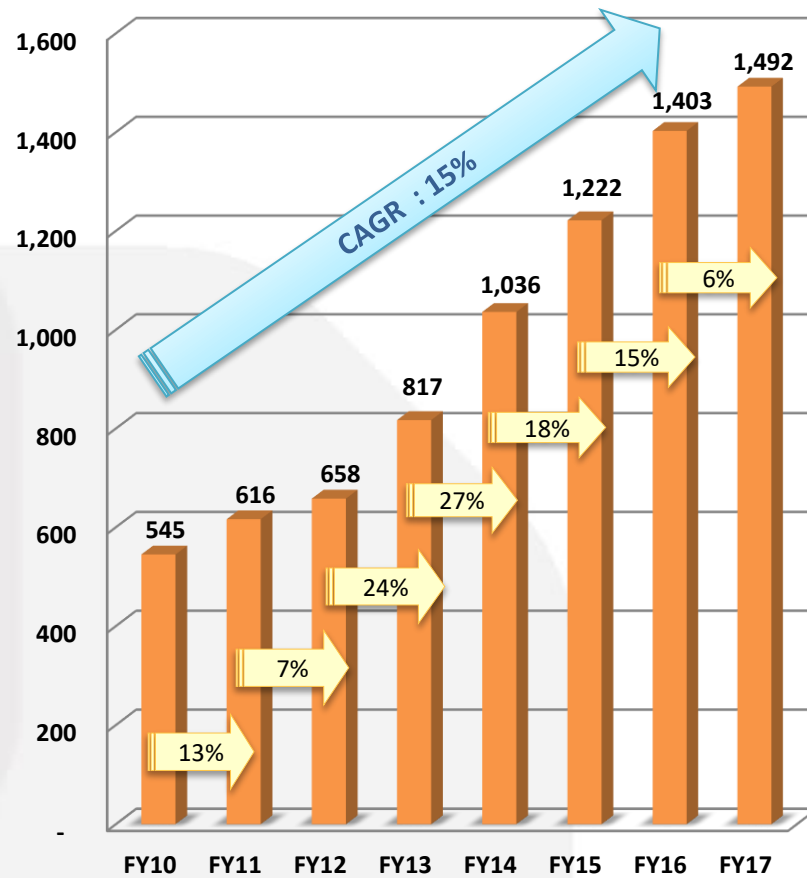
OUTPERFORMING THE INDUSTRY

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

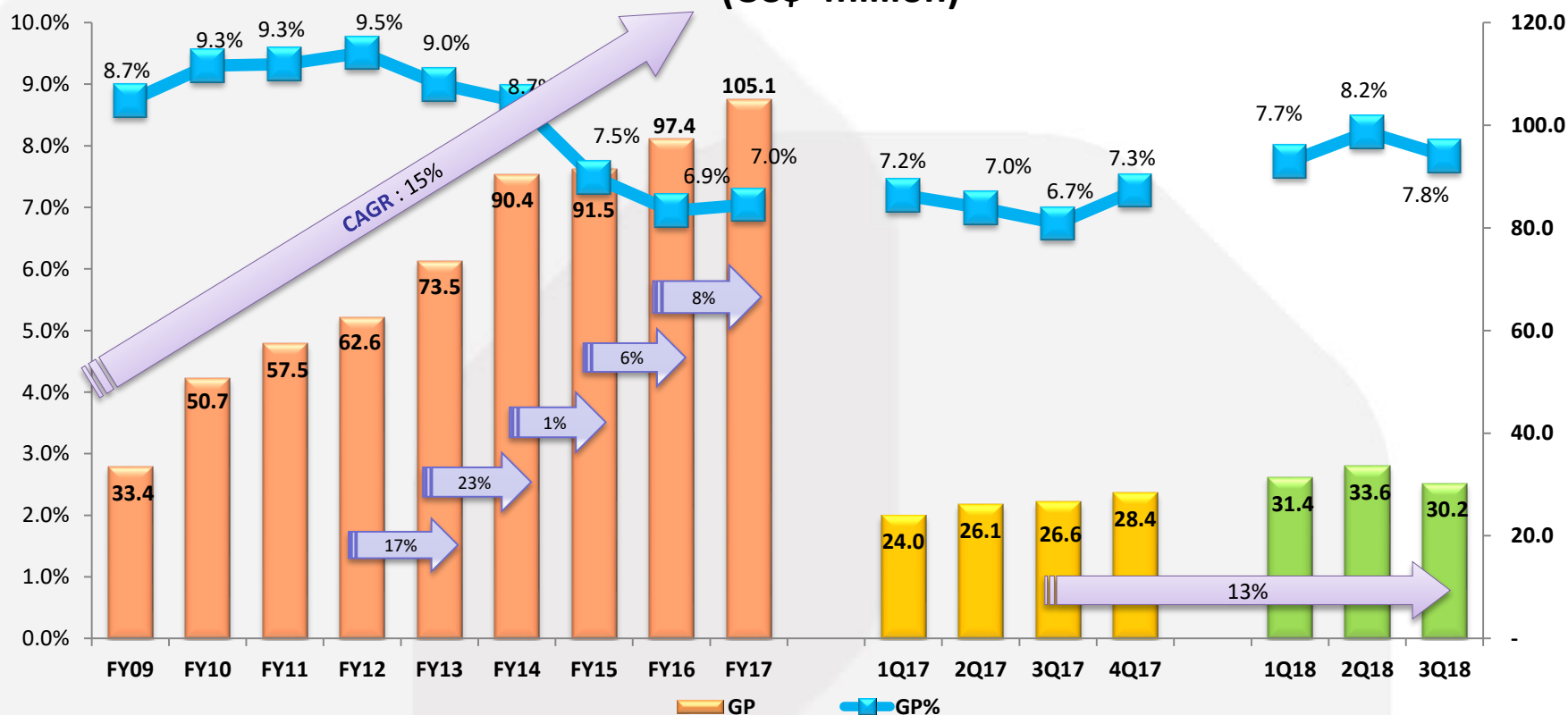


Source : World Semiconductor Trade Statistics/
Semiconductor Industry Association

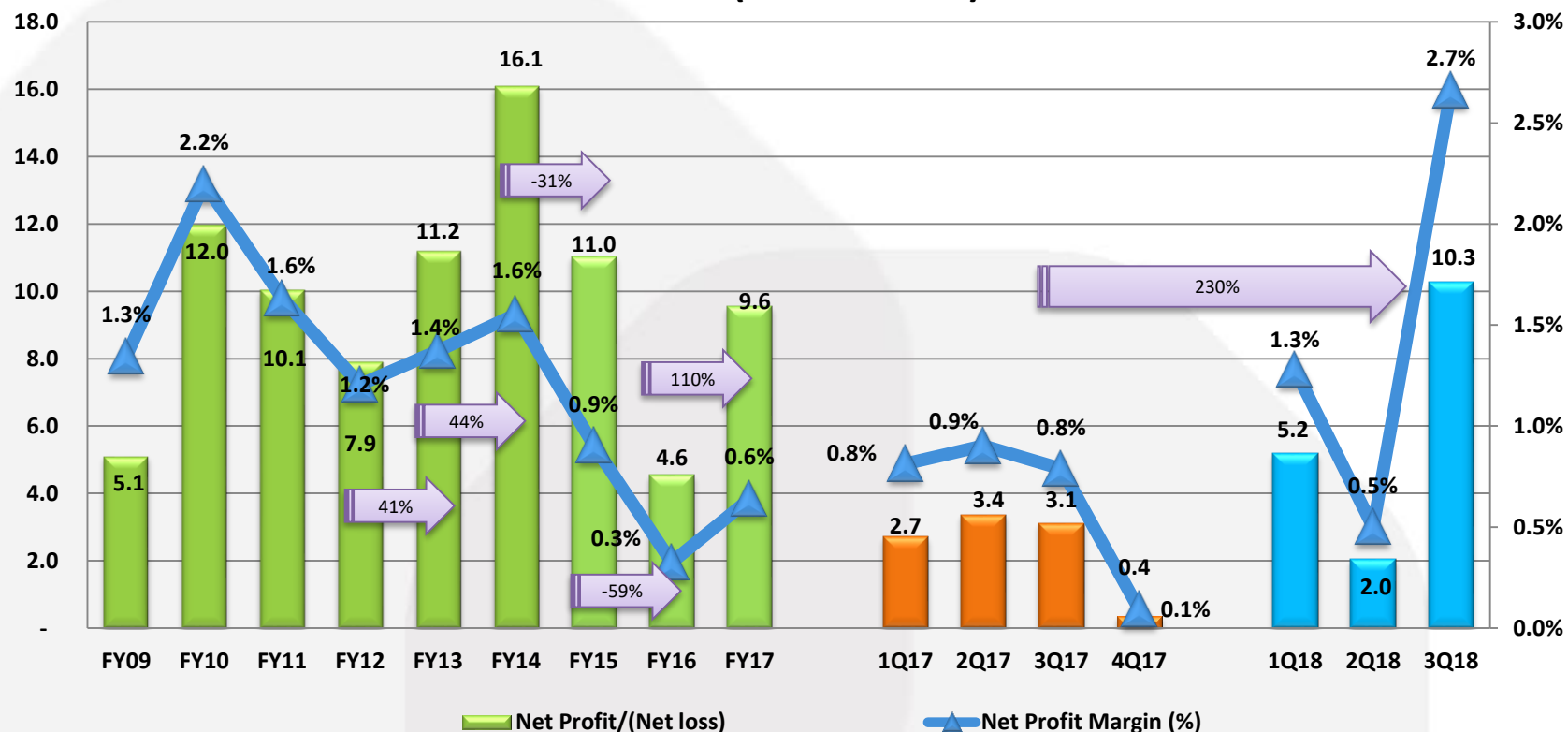
Serial System Revenue (US\$' million)



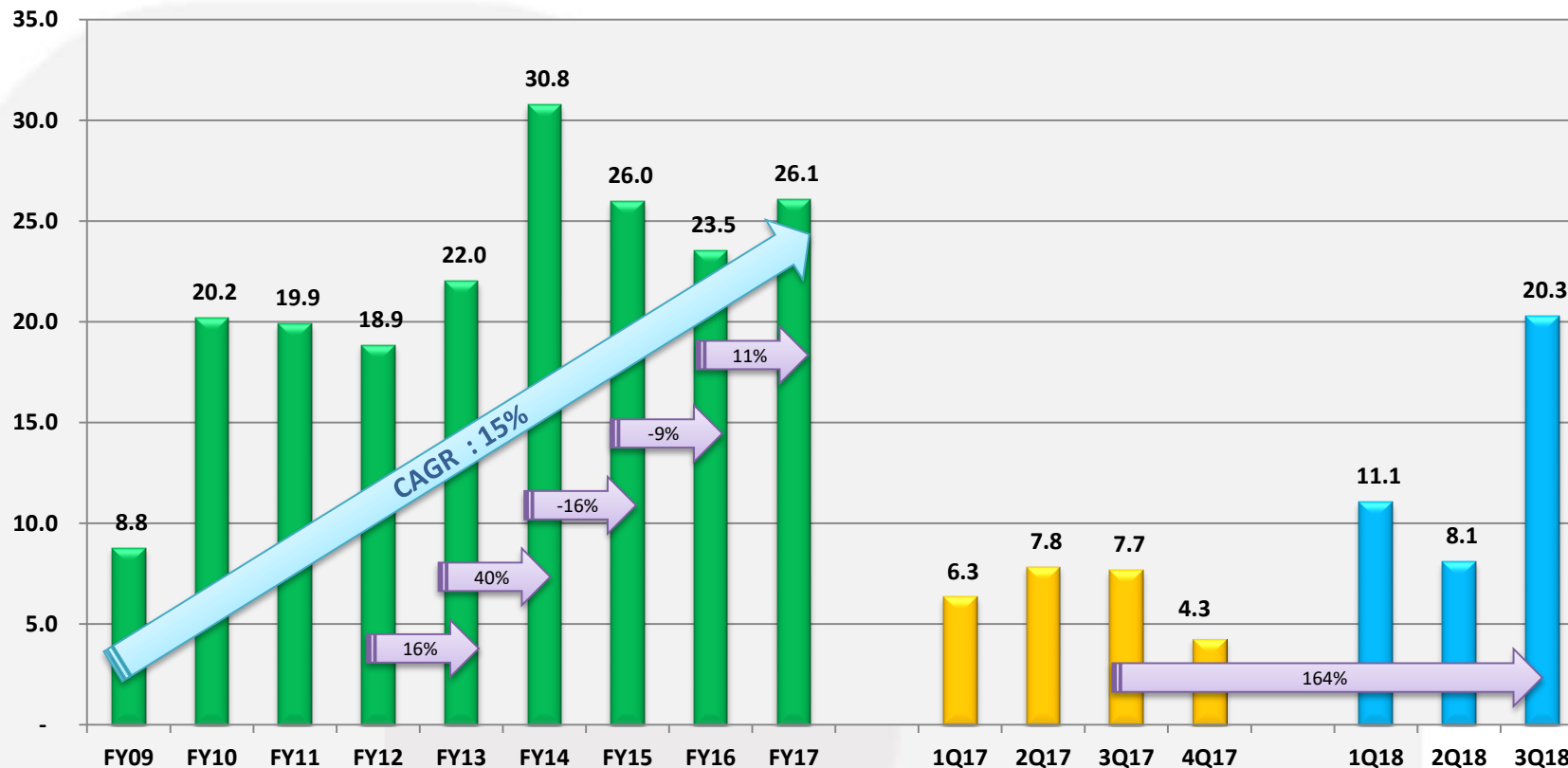
Gross Profit & Gross Profit Margin (US\$' million)



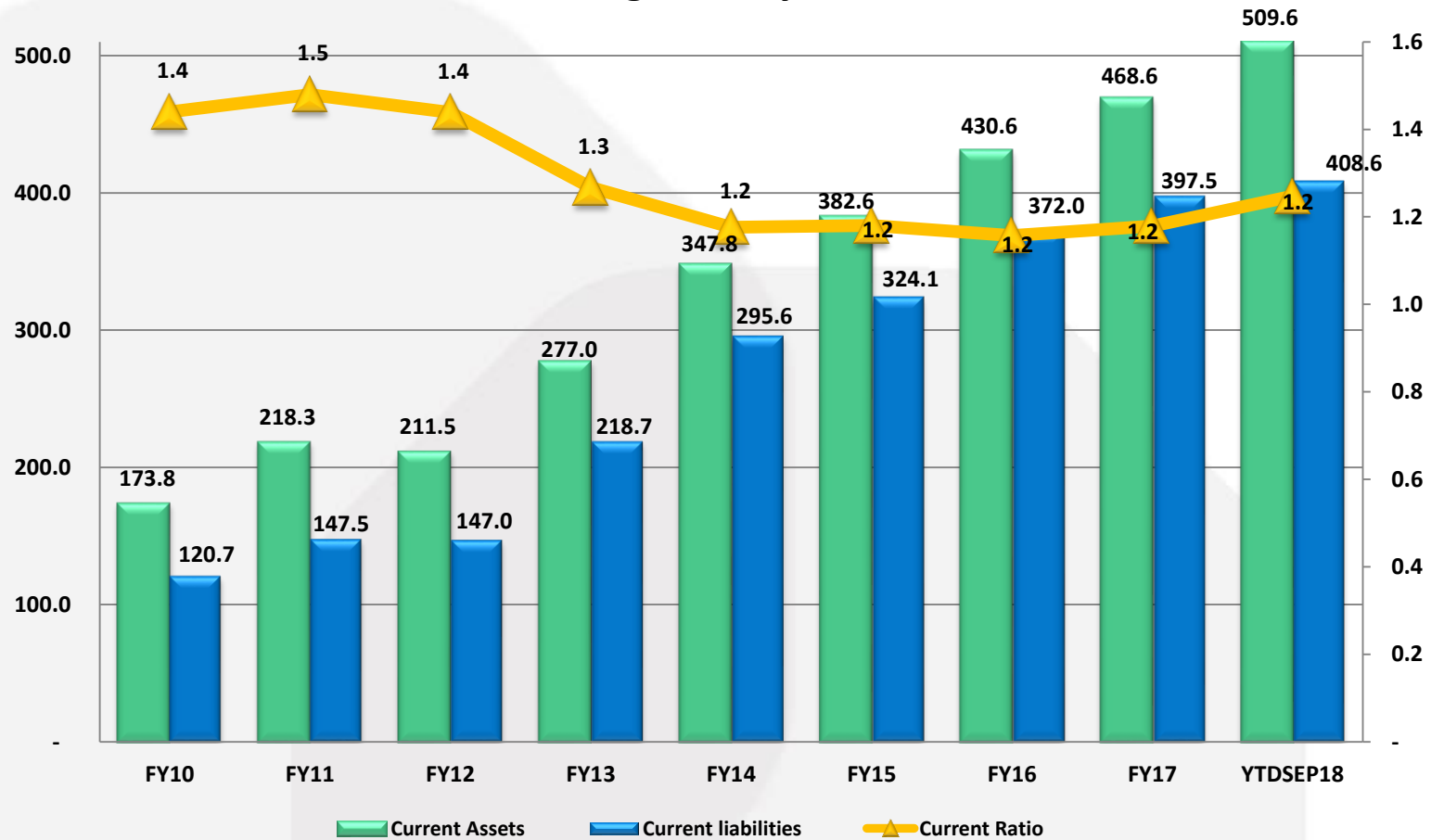
Net Profit & Net Profit Margin (US\$' million)



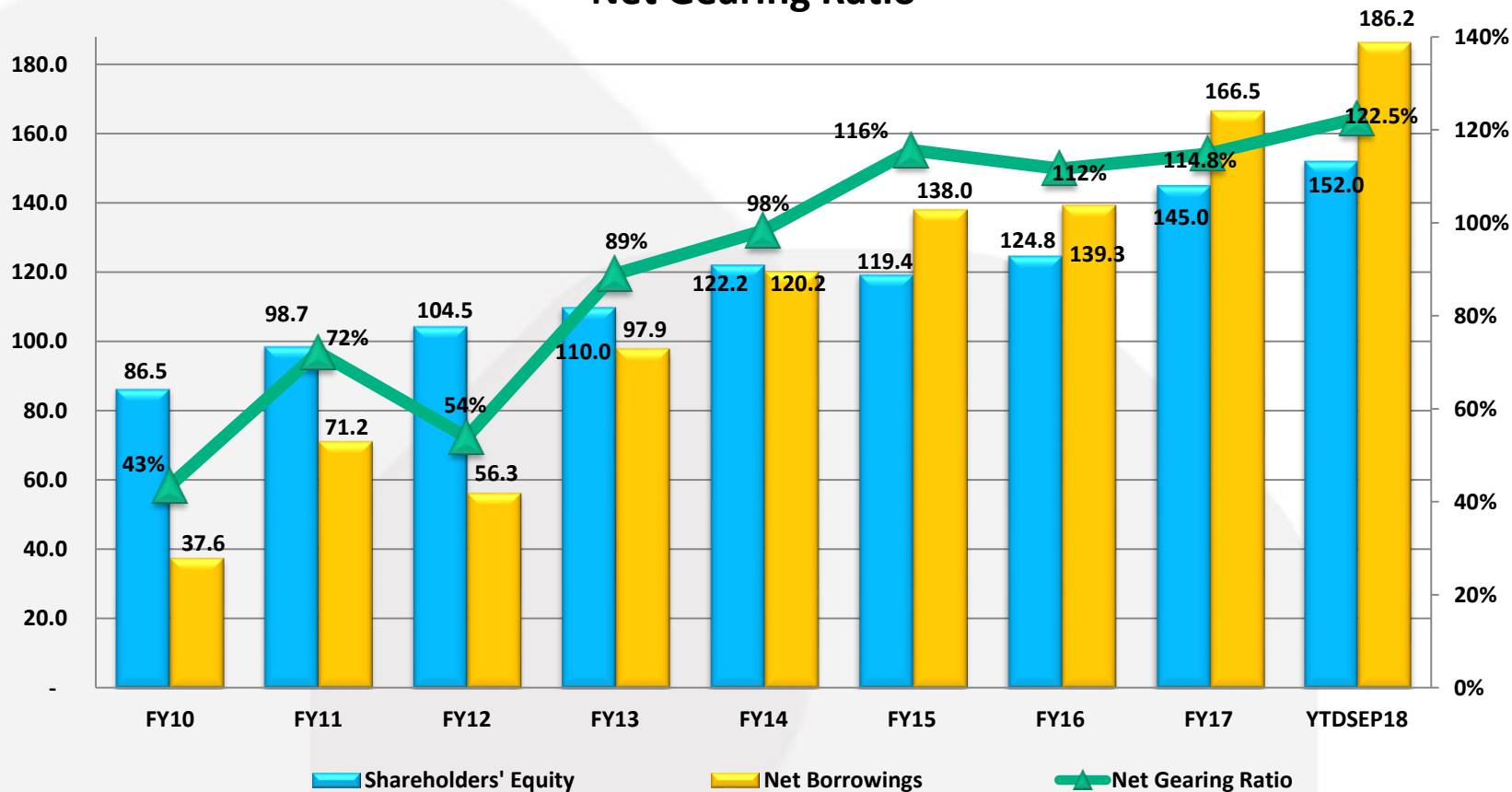
EBITDA (US\$' million)



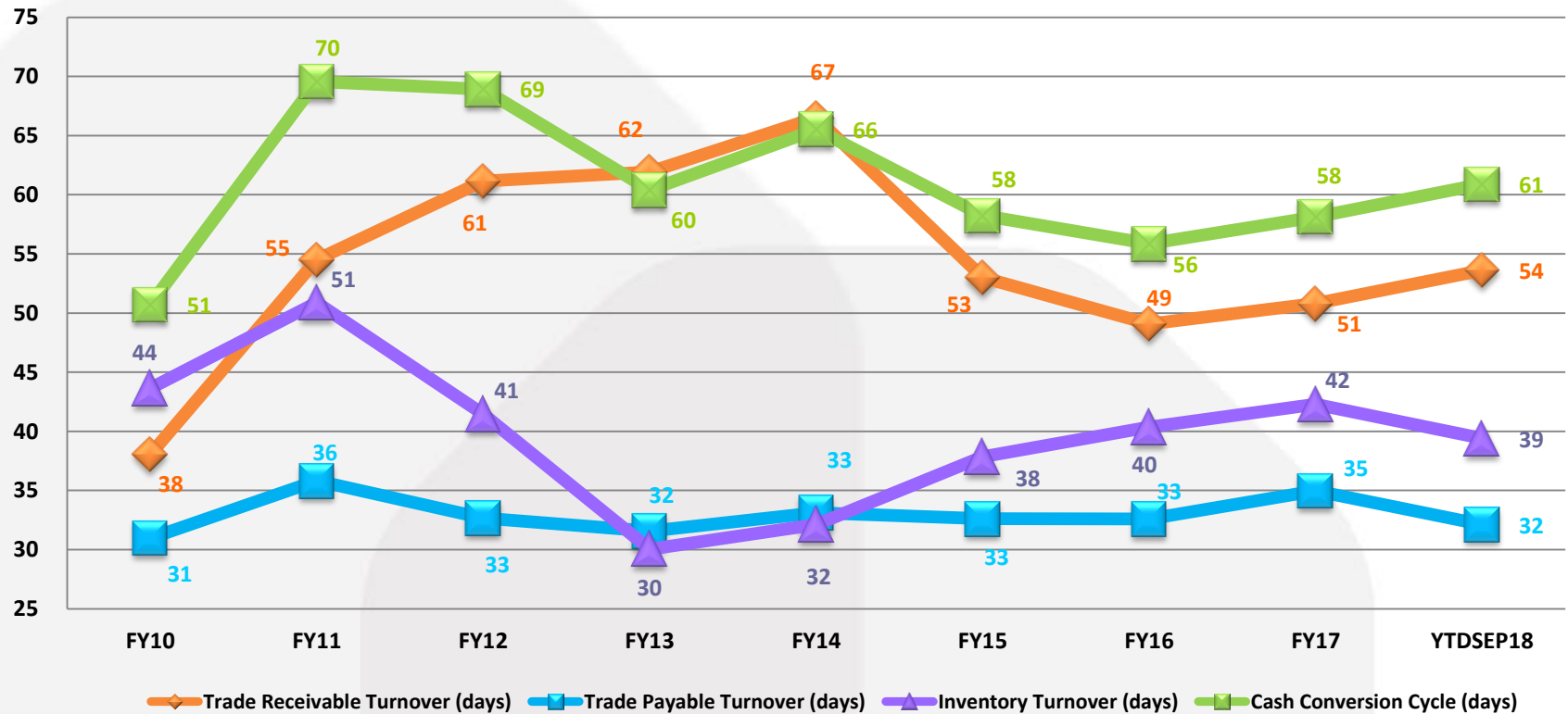
Maintaining Healthy Current Ratio



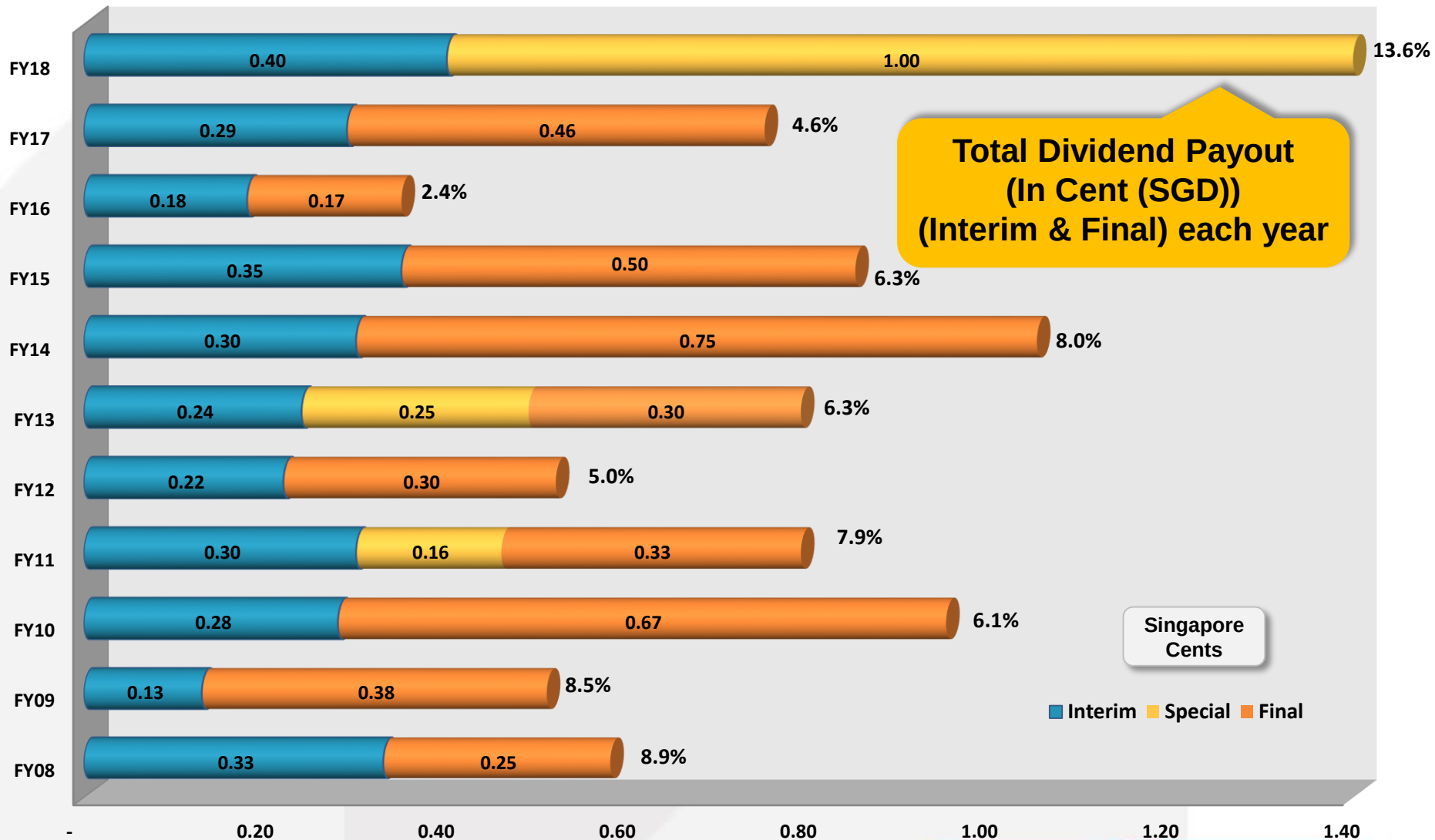
Net Gearing Ratio



Cash Conversion Cycle (days)



DIVIDEND YIELD



OUTLOOK & STRATEGIES



INDUSTRY OUTLOOK

Worldwide semiconductor revenue is expected to reach **US\$451 billion** in 2018, up from **US\$420.4 billion** in 2017, according to Gartner.

Demand from artificial intelligence, cloud, and IoT for semiconductor products is expected to have greater impact on revenue in 2018 vs prior years.

Wireless communications should be a top revenue driver **beyond 2018** as 5G networking begins to ramp up and roll out.



GROUP OUTLOOK

- Under a newly-signed 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
- Sale of TI distribution business expected to be completed by 1Q2019
 - ☐ Customers with TI products bought from Serial Microelectronics are expected to be migrated to the new distributor in 1H2019
- Will continue to grow the businesses with its existing suppliers by leveraging on its industry experience and extensive distribution network in Asia
- Begin to actively pursue relationships with new suppliers, channel partners and product lines
- Serial System will right-size workforce in line with the transition of the TI Distribution Business

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

The presentation herein may contain forward-looking statements by the management of Serial System Ltd (“Serial System”) that pertain to expectations for financial performance of future periods versus past periods.

Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. Such statements are not and should not be construed as management’s representation on the future performance of Serial System. Therefore, the actual performance of Serial System may differ significantly from expressions provided herein.

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Thank You

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