

Serial System Achieves S\$395M Revenue, S\$3.1M Net Profit in 3Q2017

<i>US\$'000</i>	3Q2017	3Q2016	Change (%)	YTD 3Q2017	YTD 3Q2016	Change (%)
Sales	395,240	346,266	14	1,102,104	1,057,634	4
Gross Profit	26,636	24,524	9	76,739	71,756	7
Gross Profit Margin (%)	6.7	7.1	(0.4 pt)	7.0	6.8	0.2 pt
Net Profit After Tax (Attributable to shareholders)	3,114	3,789	(18)	9,192	510	1,702
Net Profit Margin (%)	0.8	1.1	(0.3 pt)	0.8	0.05	0.8 pt
Earnings Per Share - fully diluted (US cents)	0.35	0.42	(17)	1.03	0.06	1,617
NAV per share (US cents)	30/09/2017: 15.37			31/12/2016: 13.93		

Singapore, 3 November 2017 – Serial System Ltd (“**Serial System**” or the “**Group**”) reported today its highest quarterly revenue so far this year as demand for the electronic components it distributes for leading global chipmakers rose in almost all its markets.

The SGX Mainboard-listed distributor of electronic components and consumer products generated revenue of US\$395.2 million in the third quarter of 2017 (“**3Q2017**”), 14% more than in the same period last year (“**3Q2016**”). This was also higher than its overall sales of US\$373.9 million in 2Q2017 and US\$332.9 million in 1Q2017.

Revenue from electronic components distribution grew 20% to US\$382.1 million in 3Q2017, driven largely by higher demand from new and existing customers in Hong Kong and China, South Asia and Taiwan. Sales in these markets increased 23%, 36%, 8% and 6% respectively. South Korea was the only country that reported a drop in sales – down 4% – due to a market slowdown and keen competition.

The consumer products distribution business, which the Group has been streamlining in an effort to bolster its performance, contributed US\$12.0 million in revenue in 3Q2017. This was a 55% decline from 3Q2016 as Serial System scaled back operations in non-performing markets and reduced sales of low-margin products.

Overall gross profit margin slipped to 6.7% in 3Q2017 from 7.1% in 3Q2016 as a result of keen competition and higher sales of low-margin products for electronic components distribution in most markets. This offset a pick-up in margins for the consumer products distribution business.

The Group recognized US\$0.1 million in after-tax profits from its associated companies in 3Q2017, compared to a modest loss in 3Q2016. The improvement was driven mainly by laundry firm SPL Holdings (Australia) Pty Ltd and food caterer Tong Chiang Group, whose contributions offset a loss from Bull Will Co Ltd, which makes magnetic components for electronic products.

Based on its 27.5% stake in its new joint-venture firm, Serial System booked an after-tax profit of US\$0.03 million in 3Q2017 from Musang Durians Frozen Food (M) Sdn Bhd, which manufactures and sells durian puree and related products.

The Group ended 3Q2017 with a net profit of US\$3.1 million, 18% less than in 3Q2016. Besides lower gross profit margins, the reduced earnings also reflected a drop in rebates and commission income from suppliers associated with the consumer distribution business as well as the absence of a US\$1.4 million gain recorded in 3Q2016 from the partial sale of shares in South Korea-listed Unitrontech Co., Ltd, which distributes automotive semiconductors and display panel products. Fully diluted earnings per share amounted to 0.35 US cent in 3Q2017, compared to 0.42 US cent in 3Q2016.

For the nine months ended 30 September 2017 (“**YTD 3Q2017**”), net profit swelled to US\$9.2 million from US\$0.5 million a year earlier. The improvement came on the back of better gross profit margins, smaller losses from associated companies, lower currency translation losses and reduced allowances for inventory obsolescence.

Revenue for YTD 3Q2017 grew 4% to US\$1.1 billion, driven mainly by higher contributions from electronic components distribution in Hong Kong, China and South Asia. The Group’s net asset value per share rose to 15.37 US cents as at 30 September 2017 from 13.93 US cents as at 31 December 2016.

“Competition in many of the markets we operate in remains keen, but the overall business outlook is still favourable as global demand for semiconductors and electronics continues to be buoyant,” said Dr Derek Goh, Serial System’s Executive Chairman and CEO.

“In the meantime, our efforts to shore up the consumer products distribution business remain a work in progress. The priority is to reduce exposure to non-performing markets and low-margin consumer products and pursue more promising projects,” he added.

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

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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 distribution include Texas Instruments, Broadcom Limited, ON Semiconductor, Fairchild Semiconductor, SK Hynix, OSRAM Opto Semiconductors, TE Connectivity and Fingerprints. Its major suppliers for consumer products distribution include Hewlett-Packard, Intel, Asus, Canon, Samsung, Advanced Micro Devices and Fossil.

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 us at www.serialsystem.com