

Serial System 2H2020 Revenue and Net Profit Increase 16% and 82% Respectively, Reflecting New Growth Strategies and Recovery from COVID-19 Impact

<i>US\$'000</i>	2H2020	2H2019	Change (%)	FY2020	FY2019	Change (%)
Sales	417,113	360,385	16	731,400	791,637	(8)
Gross Profit	26,616	24,105	10	45,896	54,191	(15)
Gross Profit Margin (%)	6.4	6.7	(0.3 ppt*)	6.3	6.8	(0.5 ppt*)
Net Profit After Tax (Attributable to shareholders)	4,744	2,603	82	261	8,032	(97)
Earnings Per Share - fully diluted (US cents)	0.53	0.29	83	0.03	0.90	(97)
NAV per share (US cents)	31/12/2020: 15.81			31/12/2019: 15.55		

*ppt - Percentage Points

Singapore, 23 February 2021 – Serial System Ltd (“**Serial System**” or the “**Group**”) reported today stronger revenue and net profit for the six months ended 31 December 2020 (“**2H2020**”), reflecting recovery from the initial impact of COVID-19 and the first fruits of its growth strategies to widen its base of suppliers and product portfolio and improve internal efficiencies.

The SGX Mainboard-listed distributor of electronic components and consumer products said 2H2020 revenue increased 16% to US\$417.1 million compared to 2H2019, and 33% higher than the preceding six months ended 30 June 2020 (“**1H2020**”) when the pandemic disrupted business activity and supply chains, particularly in China.

Outpacing revenue growth, the bottom-line reversed to a net profit in 2H2020 of US\$4.7 million from a loss of US\$4.5 million in 1H2020. On year-on-year basis, 2H2020 net profit increased 82% from US\$2.6 million in 2H2019, reflecting contributions from new product lines and suppliers as well as improvements in operational efficiency.

For the full financial year ended 31 December 2020 (“**FY2020**”) revenue declined 8% to US\$731.4 million compared to FY2019, reflecting the initial impact of COVID-19 which led to lockdowns and temporary production halts of some customers in China in 1H2020.

Serial System recorded a net profit of US\$0.3 million for FY2020 compared to US\$8.0 million in FY2019 (which included a US\$25.4 million received/receivable in relation to the transfer of its Texas Instrument (“TI”) distribution businesses following the cessation of its supplier agreement with TI at the end of 2018).

Overall gross profit margin declined to 6.3% in FY2020 from 6.8% in FY2019 amid fierce competition for distribution of electronic components and consumer products in markets where Serial System operates.

Fully diluted earnings per share amounted to 0.03 US cent in FY2020 (0.90 US cent in FY2019). The Group's net asset value per share rose to 15.81 US cents as at 31 December 2020 from 15.55 US cents as at 31 December 2019.

Following the cessation of the TI business and the initial impact of COVID-19, Serial System undertook strategic decisions to widen its supplier base and product portfolio, expand its consumer electronics and print service businesses and streamline operations even further.

Over the last two years the Group has reduced the number of offices, mostly in China, by over 20% to 36 and manpower by about 30% to 700 currently through delayering processes and leveraging on new technology applications.

The results have started to pay off since the third quarter of FY2020 and have gained further momentum.

While revenue from the electronic components distribution business declined 11% in FY2020 compared to FY2019, mainly due to the cessation of the TI relationship, Serial System has added significantly more suppliers from Western countries, Taiwan as well as domestic Chinese chip producers. These relationships are being added amid post-COVID-19 recovery of manufacturing activity in China.

Revenue for the consumer products distribution business increased 44% as demand for tele-conferencing and computer accessories in Malaysia rose amid pandemic-related travel restrictions. The Group is expanding its Managed Print Services business to Thailand and has secured Asian rights to represent Ultimaker, a Netherlands-based 3D printing company.

Turnover for Serial System's other businesses increased 104% to US\$9.6 million contributed mainly by its Singapore subsidiaries which are involved in the trading and distribution of fast-moving consumer goods.

Building on the growth recovery strategies and the momentum in 2H2020, the Group expects its business recovery strategies to contribute to higher revenue and overall better financial performance in FY2021 compared to FY2020.

Dr Derek Goh, Serial System's Executive Chairman and CEO said: "Our business recovery efforts have started to pay off amid volatility in the global semiconductor sector. Chinese manufacturing activity is recovering well from the pandemic. With leaner operations and a widened base of suppliers and products, we expect a stronger performance in 2021."

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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 36 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, automotive and medical.

Its major suppliers for electronic components distribution include ON Semiconductor, VARTA, OSRAM Opto Semiconductors, TE Connectivity and GigaDevice. Its major suppliers for consumer products distribution include Advanced Micro Devices, Gigabyte, Hewlett-Packard, Intel and Ultimaker.

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