

Serial System FY2021 Net Profit Rises 4,168% to US\$11.1 Million As Turnaround Strategies Gain Momentum Amid Global Chip Shortage; Proposes Final Dividend of 0.45 Singapore Cent Per Share

<i>US\$'000</i>	2H2021	2H2020	Change (%)	FY2021	FY2020	Change (%)
Sales	457,605	417,113	10	895,893	731,400	22
Gross Profit	38,042	26,616	43	72,973	45,896	59
Gross Profit Margin (%)	8.3	6.4	1.9 ppt*	8.1	6.3	1.8 ppt*
Net Profit After Tax <i>(Attributable to shareholders)</i>	5,302	4,744	12	11,139	261	4,168
Earnings Per Share - fully diluted <i>(US cents)</i>	0.59	0.53	11	1.24	0.03	4,033
NAV per share <i>(US cents)</i>	31/12/2021: 16.66			31/12/2020: 15.81		

*ppt – Percentage Points

Singapore, 23 February 2022 – Serial System Ltd (“**Serial System**” or the “**Group**”) said today that its net profit for the year ended 31 December 2021 (“**FY2021**”) rose 4,168% to US\$11.1 million on the back of higher revenue and improved margins as its turnaround strategies gained momentum amid the continued global chip shortage.

The SGX Mainboard-listed electronic components and consumer products distributor’s net profit rose sharply from US\$0.3 million a year ago on the back of a 22% increase in revenue to US\$895.9 million from US\$731.4 million over the comparative periods.

Its overall gross profit margin increased 1.8 percentage points to 8.1% in FY2021 from 6.3% in FY2020, reflecting success of its efforts in the last two years to increase its base of customers and suppliers amid the ongoing U.S.-tech war and chip shortage, expand its peripherals business and improve internal efficiencies despite COVID-19 disruptions.

For the six months ended 31 December 2021 (“2H2021”), revenue rose 10% to US\$457.6 million from US\$417.1 million in 2H2020 on the backs of higher turnover for the electronics components distribution and consumer products distribution business.

2H2021 gross profit rose to US\$38.0 million, a 43% increase from US\$26.6 million in 2H2020, while overall gross profit margin for the same comparative periods rose to 8.3% from 6.4% a year ago, as many firms rushed to stockpile high-demand chips.

Turnover for the Group's electronic components distribution business, its main revenue contributor, increased 22% in FY2021, with Hong Kong and China registering the largest growth as well as increased revenue contribution from South Korea, mainly due to contribution from two new product lines.

On the consumer products distribution business front, revenue contribution increased 40%, boosted mainly by higher sales in PC and gaming peripherals in Malaysia amid work-from-home measures, as well as maiden contribution from the Group's Japanese subsidiary.

Turnover for other business decreased 20% to US\$7.7 million, mainly due to lower sales in the Group's fast-moving consumer goods trading and distribution in the USA. The decline was offset by higher sales from the fast-moving consumer goods in Singapore, medical devices assembly and distribution, as well as hospitality and healthcare solutions segments.

Fully diluted earnings per share increased to 1.24 US cents in FY2021 from 0.03 US cent in FY2020, while the Group's net asset value per share rose to 16.66 US cents as at 31 December 2021 from 15.81 US cents as at 31 December 2020.

Serial System has proposed a final cash dividend of 0.45 Singapore cent a share. Together with an interim payout of 0.22 Singapore cent a share, shareholders can expect a total amount of 0.67 Singapore cent a share in FY2021 compared to 0.11 Singapore cent a share in FY2020.

On the outlook, the demand for semiconductor chips and memory storage will continue to remain strong in view of growing adoption of technologies such as 5G infrastructure, IoT and electric and autonomous vehicles, and Internet of Things, buoyed by the continued global shortage of chips.

The consumer peripherals business is also expected to see improvement, buoyed by robust demand as supply constraints on CPUs and VGAs are not expected to ease in the short term. The Group continues to maintain its edge as the leading motherboard and VGA distributor in Malaysia by growing its network and product portfolio offerings. The Group is also seeing progress in its foray into Japan, and intends to continue strengthening its foothold in the country.

The Group continues to see its turnaround strategies bear fruit, and will build upon the momentum achieved in the last two years to increase revenue and operating efficiency. With increased vaccination rates and gradual easing of travel restrictions, the Group intends to pursue expansion of customer base and product lines for its key business segments.

Dr Derek Goh, CEO of Serial System, said: “We are pleased that our combined strategies over the past two years have resulted in a strong recovery in FY2021. We continue to see opportunities amid the disruptions to the semiconductor sectors even as our peripherals and other business segments record encouraging growth despite the pandemic.

“Our turnaround is yet to complete. We continue to grow our customer and supplier base and further improve efficiencies. At the same time we intend to add value to some of our investments by taking on some manufacturing and distribution functions of these investee companies so as to shorten their own time to market and, in the process, enhance value for Serial System shareholders.”

End

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 20 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, OSRAM Opto Semiconductors, TE Connectivity, Micron, Allegro Microsystems, GigaDevice, Renesas and Molex. Its major suppliers for consumer products distribution include Hewlett-Packard, Intel, Canon, Samsung, Advanced Micro Devices and Gigabyte.

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