

Analyse This...

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Serial System Limited

Powering up for the future

 SERL SP
 BUY; TP:\$0.24

 Price @9/5/11: S\$0.14
 52-week range (SGD): 0.095 – 0.17
 Market cap: S\$115.0m

Unaudited 1Q11 in line

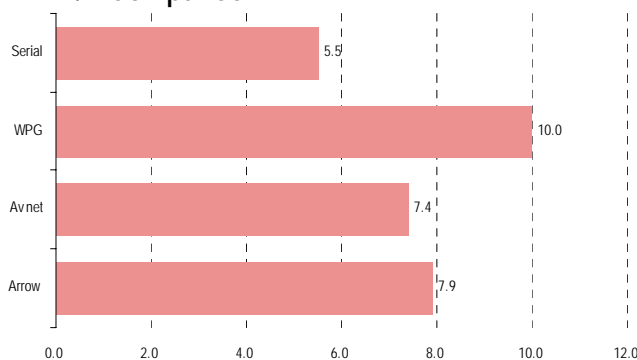
- **Fundamental** – BUY, TP S\$0.24, set at 9.0x CY12 P/E, a 10% discount to Taiwanese leader WPG.
- **Technical** – Keep stop below key support of S\$0.14. Breakout above S\$0.165 to confirm a new rally which could take price toward S\$0.185/S\$0.20.
Unaudited 1Q11 performance unveiled at its AGM recently was in line with our expectations. 1Q11 revenue was S\$189.8m, with gross profit margin at 9.0% and net profit at S\$3.2m.
- **Outlook** – various new principals and new product lines will help cement growth in FY11. Serial is also investing into JEL Corporation which will give it a presence into the Middle East and additional non-electronics components product lines

Asia Pacific Semicon Revenue Forecast



Source: World Semiconductor Trade Statistics

CY12 P/E Comparison



Source: Company, CIMB Research

Peer Valuation

	Mkt cap (US\$ m)	Core P/E (x)		PBV (x)	ROE (%)	Div yield (%)
		CY11	CY12			
Arrow Electronics Inc	5,214.0	8.4	7.9	1.2	16.4	-
Avnet Inc	5,567.2	8.1	7.4	1.1	16.5	-
US peer average		8.3	7.7	1.2	16.5	-
WPG Holdings Co Ltd	2,774.0	12.2	10.0	2.0	18.4	5.1
Taiwanese peer average		12.2	10.0	2.0	18.4	5.1
Sector average		9.6	8.4	1.4	17.1	5.1

Source: Company, CIMB Research

Financial analysis

FYE Dec	2009	2010	2011F	2012F	2013F
Revenue (\$\$ m)	556.5	746.2	895.5	1,029.8	1,158.5
yoy growth (%)	9.0	34.1	20.0	15.0	12.5
EBITDA (\$\$ m)	10.2	24.2	29.3	35.8	39.6
EBITDA margins (%)	1.8	3.2	3.3	3.5	3.4
Pretax profit (\$\$ m)	9.1	22.4	26.4	32.0	35.5
Net profit (\$\$ m)	7.5	16.2	18.3	21.7	24.2
yoy growth (%)	24.1	116.4	12.8	18.5	12.0
EPS (\$ cts)	1.1	2.2	2.2	2.6	3.0
EPS growth (%)	11.3	96.0	2.1	18.5	12.0
P/E (x)	13.0	6.7	6.5	5.5	4.9
Gross DPS (\$ cts)	0.51	0.95	1.11	1.32	1.48
Dividend yield (%)	3.5	6.6	7.7	9.1	10.2
P/NTA (x)	1.3	1.2	1.1	1.0	0.9
NTA/sh (\$ cts)	10.9	12.0	12.7	14.0	15.4
BVPS (\$ cts)	12.7	13.2	13.7	15.0	16.5
ROE (%)	8.7	16.2	16.5	18.4	18.7
Net gearing (%)	27.8	44.7	69.5	70.9	69.9
P/CF (x)	11.4	6.3	5.6	5.1	4.6
EV/EBITDA (x)	16.1	6.8	5.6	4.6	4.1

Source: Bloomberg, Company, CIMB Research

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- **Located in:** Singapore at 8 Ubi View #05-01 Serial System Building Singapore 408554. Presence in the following countries –



- **Surf:** www.serialsystem.com
- **Contact:** 6510-2408 (O)
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- **Key principals represented:**



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SELL: The stock's total return is expected to be -15% or worse over the next three months.

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