

Serial Systems (SERL SP : S\$0.13)

FYE Dec

(S\$m)	2004	2005F	2006F
Turnover	313.6	329.5	346.0
Net Profit	-4.0	0.3	0.1
EPS (cts)	-1.3	0.9	0.9
PE (x)	nm	159	433
Div Yield (%)	0.8	0.0	0.0

Difficult business conditions, poor set of results – Maintain Fully Valued

SERL reported a poor set of 1H05 earnings. Key semiconductor distribution business registered a 25% decline in sales. According to the company, the decrease was due to the rescheduling of orders by customers of a subsidiary but we believe the weaker semiconductor sales in 1H05 was another factor behind the fall in sales. Group's consumer digital appliances also registered a sharp 65% decline in turnover due to weaker than expected demand in US.

At the net profit level, the semiconductor segment posted a net loss of S\$2.8m due to lower turnover and less commission income business. Losses at the consumer digital appliance and other business fell due to reduction in operating costs and a lower provision for inventories.

Group plans to focus its efforts in North Asia such as China, Taiwan and Korea. It is currently reviewing its consumer digital appliances business. Maintain Fully Valued, revised target price of S\$0.13, based on P/BV multiple of 0.5x.

Serial Systems Results Summary

FY Dec (S\$m)	1H05	1H04	% Y-o-Y
Turnover	126.695	171.045	-26%
Gross Profit	14.6	14.6	0%
S, G & A	-18.7	-18.2	3%
EBITDA	-0.4	3.8	nm
Depreciation	1.8	1.1	58%
Operating profit	-2.2	2.7	nm
Associates	0.9	2.2	
Pretax profit	-2.4	4.4	nm
Tax	-1.3	-0.2	498%
Minority Interest	-0.3	-0.2	43%
Net Profit	-2.8	2.8	nm
Gross margin (%)	11.5%	8.6%	
Operating margin	-1.7%	1.6%	
Net margin	-2.2%	1.6%	
EBITDA margin (%)	-0.3%	2.2%	
Tax rate (%)	56.0%	-5.0%	

Source: DBS Vickers, Company

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