

# Serial System

**Reuters:** SERL.SI  
**Bloomberg:** SERL.SP

**Sector:** Technology

**Rating:**
**Price** S\$0.14

 Maintain **Underperform**

Y/E 31-Dec	2003A	2004A	2005F	2006F
Net Profit (S\$m)	3.2	-4.0	-6.5	0.4
EPS (S cent)	1.1	-1.3	-2.2	0.1
EPS Growth (%)	-	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Consensus EPS	-	-	0.2	0.3
PER (x) @ S\$0.14	13.3	-	-	107.7
NTA (S\$)	0.28	0.26	0.24	0.24

Performance (%)	1mth	3mth	12mth	Market Capitalisation :	S\$	41m
Absolute	-7	-18	-48	Issued Shares :		304m
Relative against STI	-7	-21	-73	30-day avg daily vol ('000) :		78

## Third quarterly loss

- Incurred third quarterly losses of **S\$2.4m** in 1Q05, down from S\$5.2m in 4Q04, but up from S\$1.6m in 3Q04
- Lack of earnings visibility or turnaround
- Maintaining UNDERPERFORM rating

Serial System Year Ended 31 Dec	1Q04 (S\$m)	1Q05 (S\$m)	Chg (%)
Turnover	77.1	56.2	-27.0
Cost of sales	-69.1	-50.2	-27.0
Gross profit/loss	8.0	6.0	-25.0
Other operating income	2.0	1.2	-41.0
Distribution & admin expense	-5.4	-5.7	5.0
Other operating expenses	-3.3	-3.9	16.0
Profits from operation	1.3	-2.4	-293.0
Finance cost	-0.2	-0.5	172.0
Associates	1.8	0.4	-77.0
Pre-tax profit	2.9	-2.5	-184.0
Net profit	1.8	-2.4	-236.0
EPS (cts)	0.6	-0.8	-236.0

**Summary:** Serial System sustained a third quarter of losses, as the group stayed in the red with losses of S\$2.4m in 1Q05 versus profit of S\$1.8m in 1Q04. This is after losses of S\$1.6m in 3Q04 and S\$5.2m in 4Q04. Revenue plunged 27% YoY to S\$56.2m. Management attributed the decline in revenue to the re-scheduling of orders by a client. In terms of divisional breakdown, the semiconductor distribution business sustained losses of S\$2.0m in 1Q05 versus profit of S\$2.0m in 1Q04. In addition, associate contribution also fell drastically from S\$1.6m in 1Q04 to S\$0.5m in 1Q05. With the lack of earnings visibility, and the generally weak semiconductor business, Serial stays as an **UNDERPERFORM**.

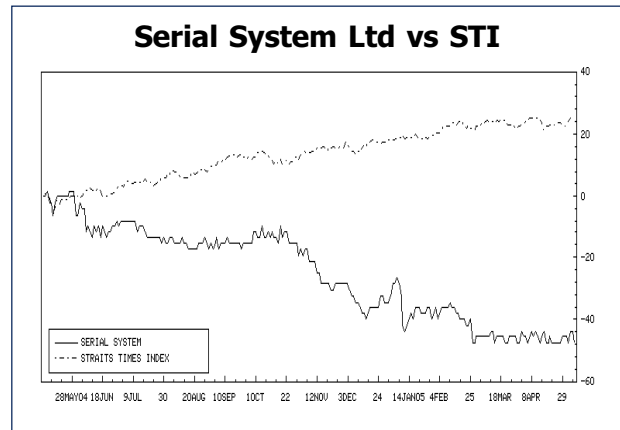
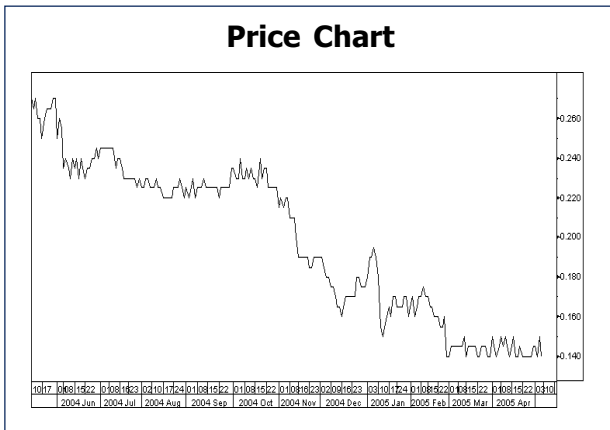
**1Q05 losses of S\$2.4m.** Serial System plunged from a profit of S\$1.8m in 1Q04 to a loss of S\$2.4m in 1Q05. This marked the third consecutive quarterly losses, effectively giving total cumulative losses over the past three quarters of S\$9.2m (3Q04 losses of S\$1.6m and 4Q04 losses of S\$5.2m).

Serial is not required to release quarterly results and the 1Q05 announcement is comparatively brief.

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**Valuation and outlook.** Having sustained losses for three consecutive quarters and with the lack of earnings visibility, lower sales and the generally lacklustre outlook for the semiconductor sector, we are slashing our FY05 estimate from losses of S\$1.8m to S\$6.5m. The current depressed share price is a reflection of the lack of price drivers, and this situation is likely to persist as there are still no signs of a turnaround. Serial stays as an **UNDERPERFORM**.



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