



Megachem[®]

Results Presentation 1H FY2023
Analyst Briefing



Business Updates

Global Economy

- Global economy sluggish
- Inflationary pressure & interest rates weighing on economy

Chemical Industry

- Inventory rebuilding in 1H 22 -> destocking in 2H 22 continues
- Industrial production activity weakened
- Chemical demand dropped and prices fell.

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- Customers cautious in inventory planning
- Prudent purchasing policy in anticipation of slower demand => lower inventory level

Weaker external environment impacting our business



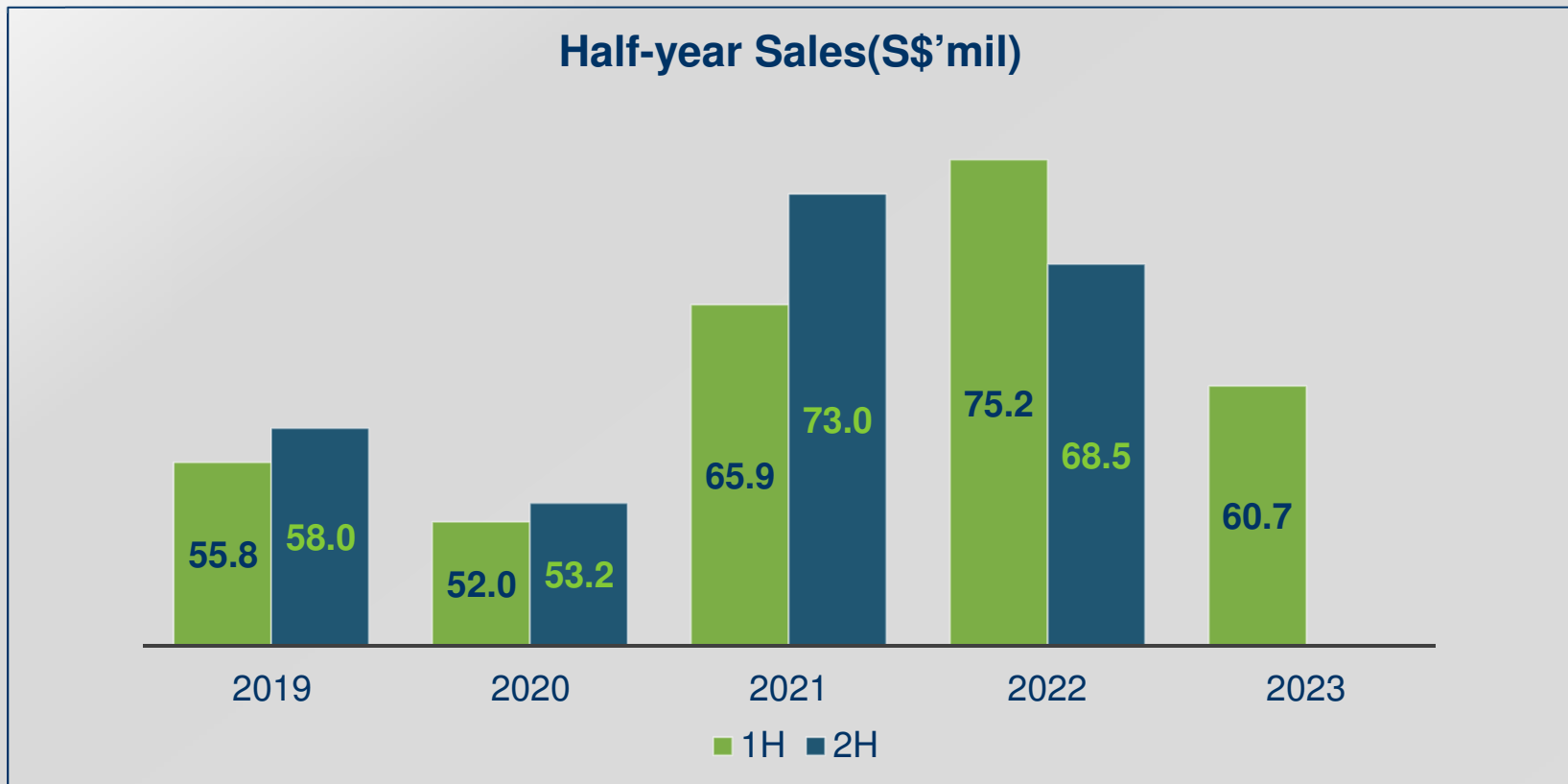
Financial Performance



Profit & Loss Highlights

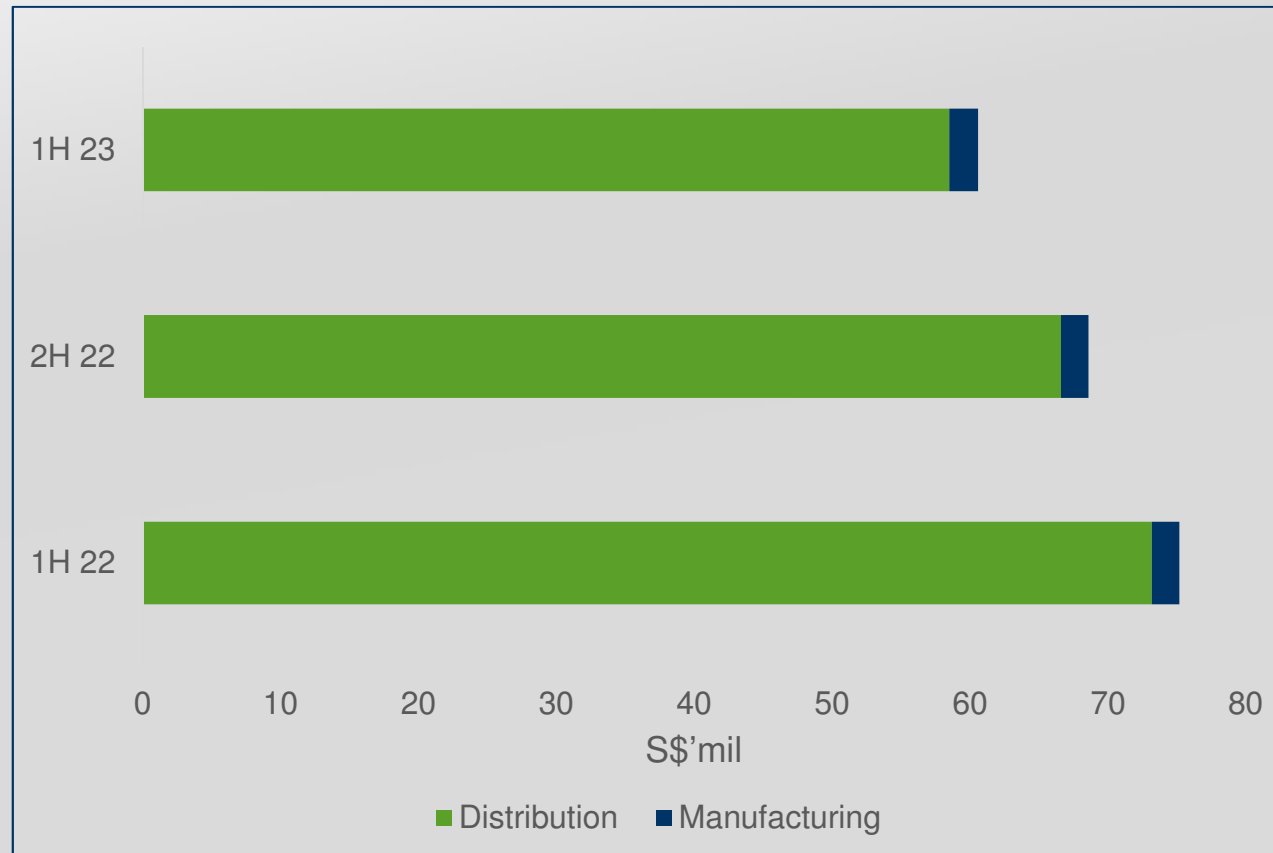
S\$'mil	1H 2022	1H 2023	Var	Var %	
Sales	75.2	60.7	(14.5)	(19.3%)	▼
Gross Profit	18.6	13.4	(5.2)	(28.2%)	▼
Gross Profit Margin %	24.8%	22.0%	(2.8% pts)		▼
EBITDA	6.7	3.0	(3.7)	(55.8%)	▼
NPBT	5.6	1.3	(4.3)	(77.5%)	▼
NPAT	4.5	0.9	(3.5)	(79.1%)	▼
ROE %	14.4%	2.8%	(11.6% pts)		▼
EPS(cents)	3.20	0.61	(2.59)	(80.9%)	▼

Sales



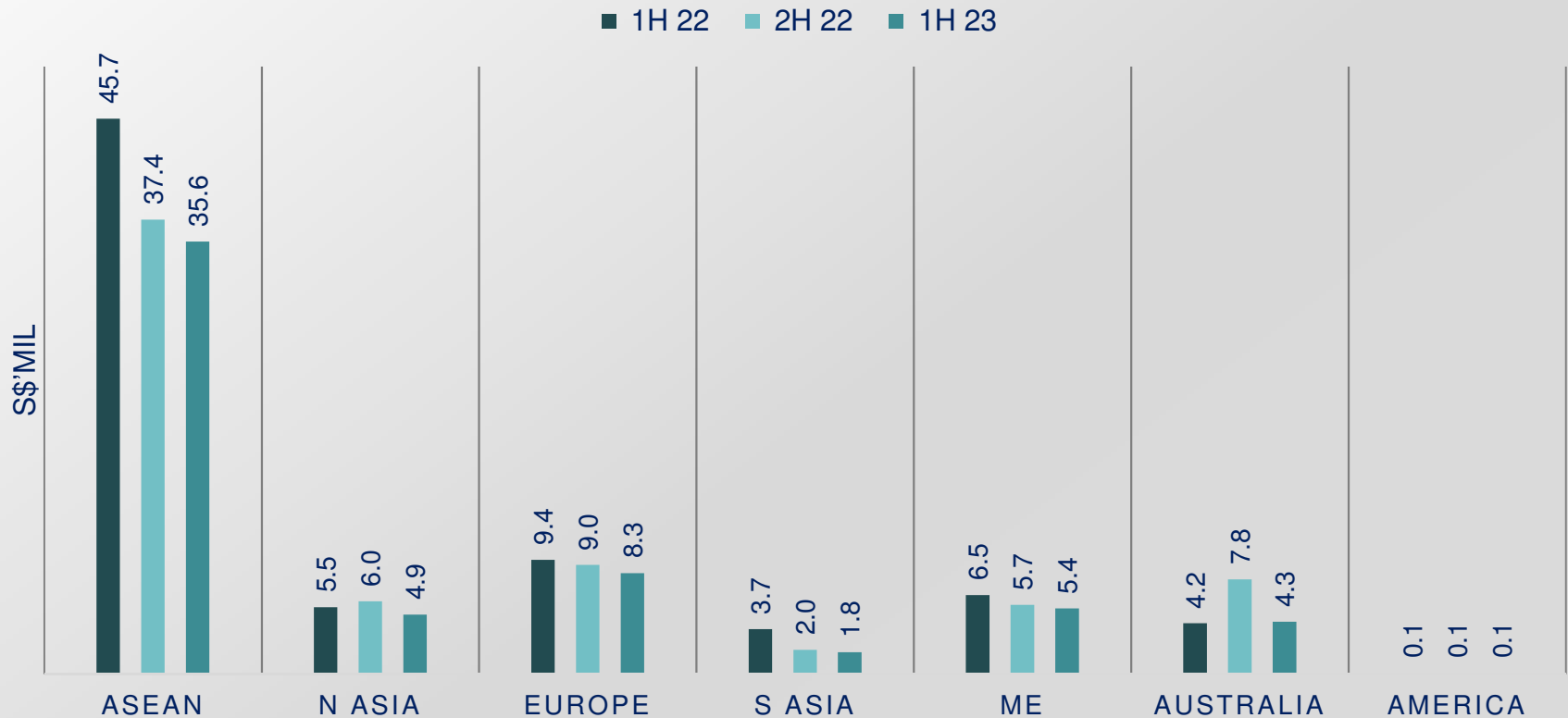
- Concern over supply continuity in 1H 22 shifted to fear of recession since 2H 22
- Weaker demand and prices of chemicals continued into 1H 23.
- Sales in 1H 23 still higher than pre-pandemic level

Sales breakdown by Business Activity



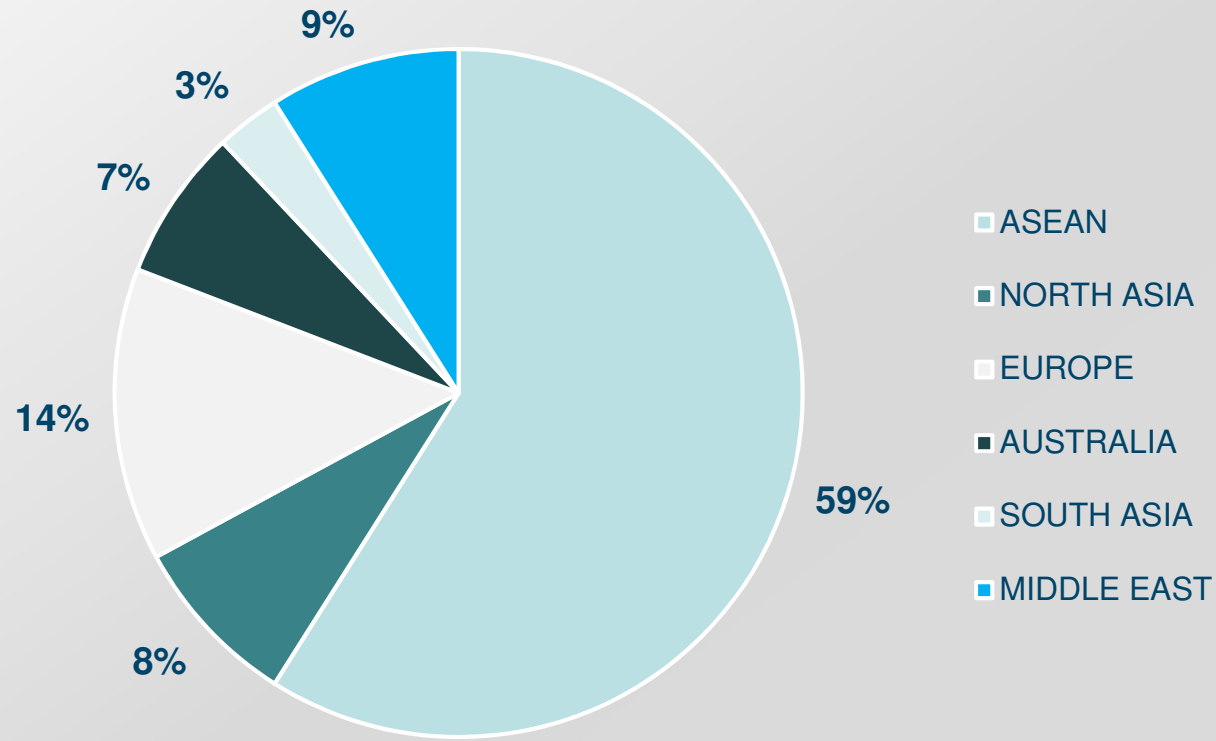
Fall in Sales came from Distribution activity.

Sales Breakdown by Geographic Markets



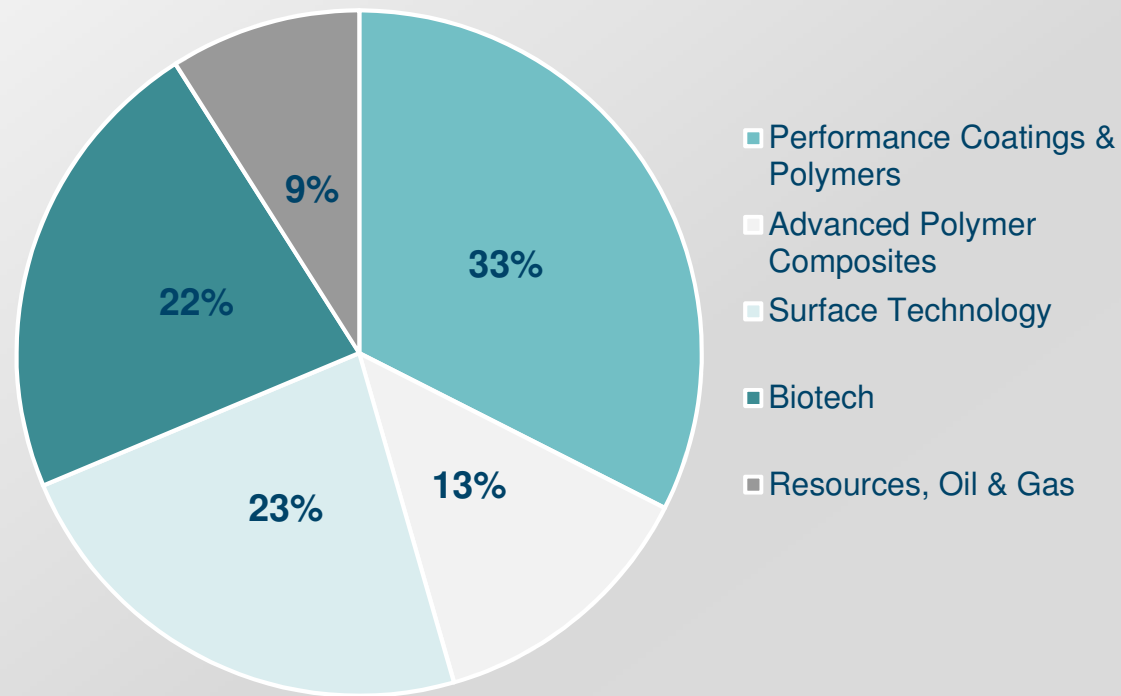
- Fall in sales across all markets.

Sales Breakdown by Geographic Segments



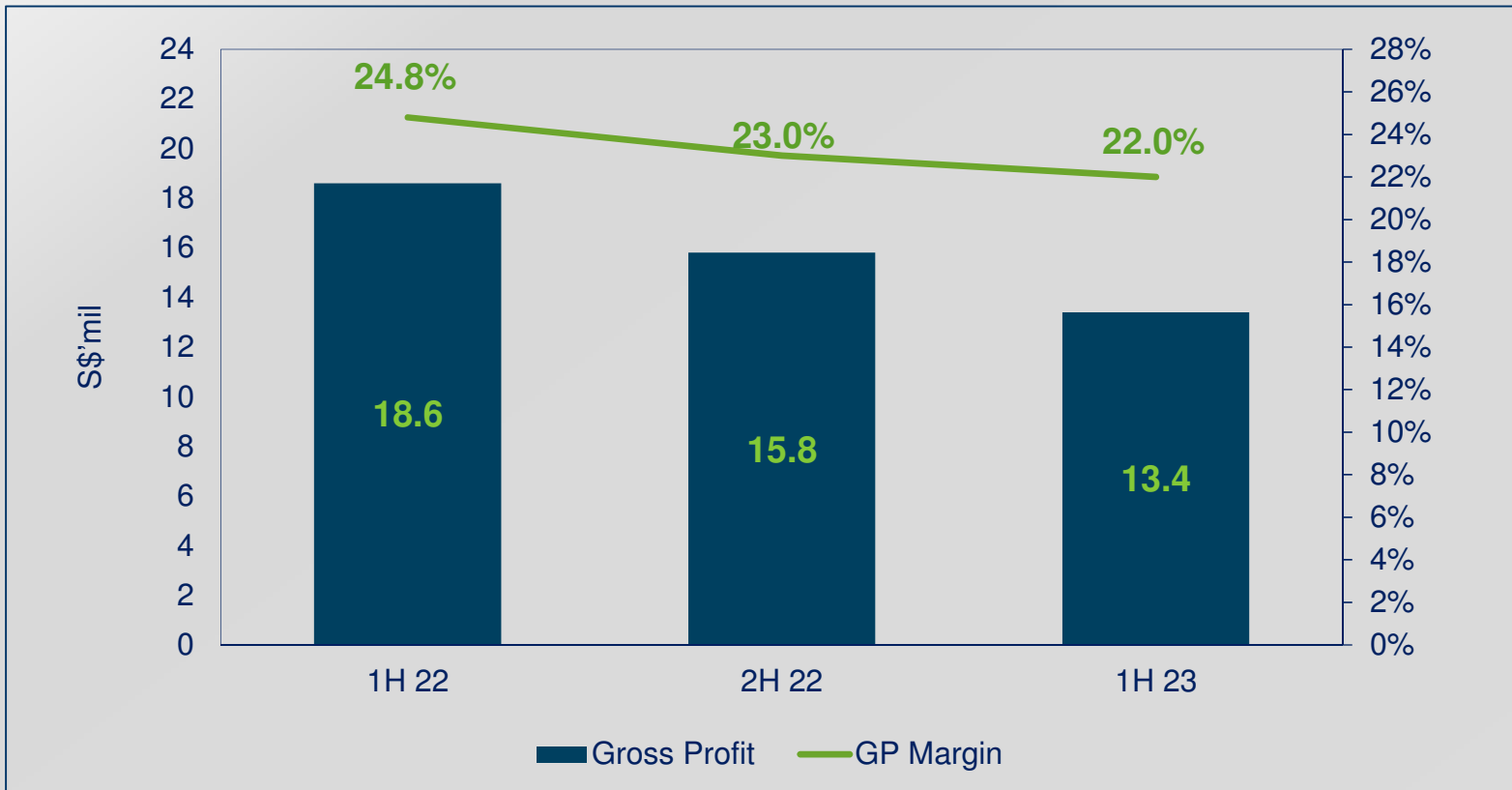
Asia-centric focus.

Sales Breakdown by Industry Coverage



Diversified Industry Coverage.

Gross Profit



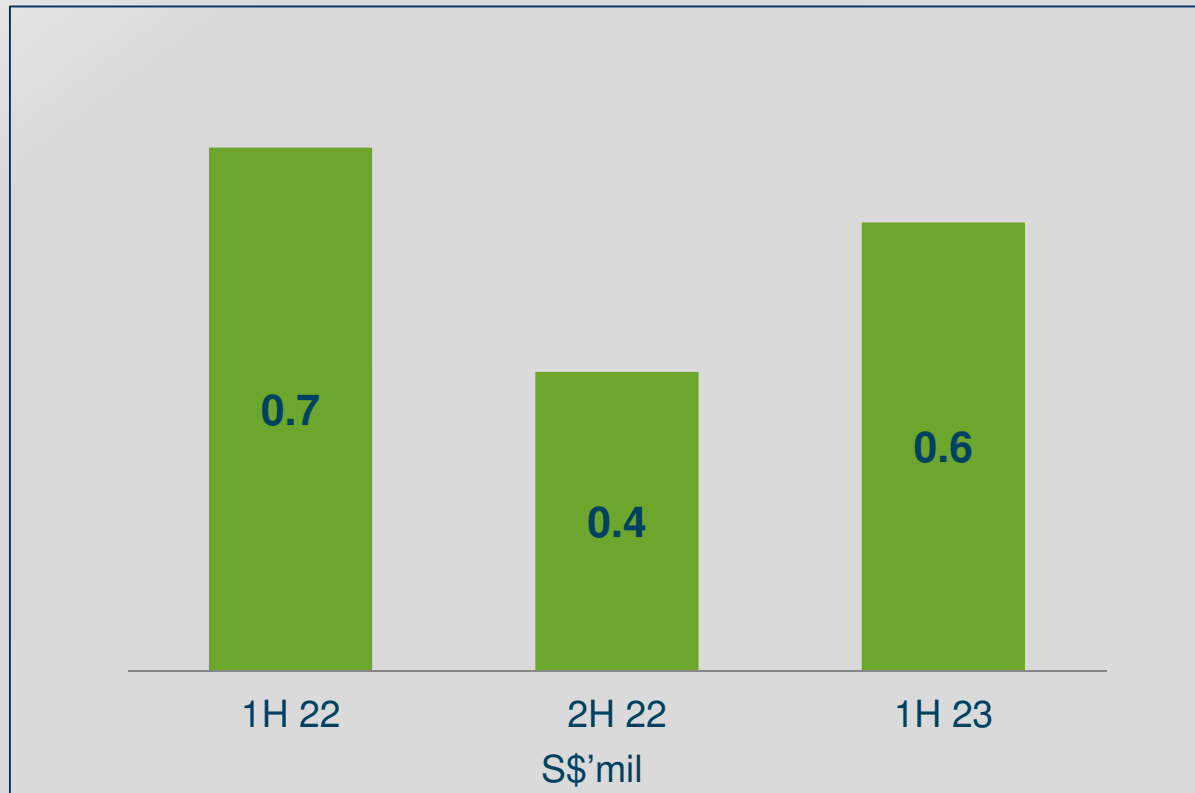
- Gross profit decreased in tandem with lower sales.
- Gross profit margin dipped due to higher inventory impairment.

Expenses

- Total expenses decreased S\$1.3 mil or 9.3% to S\$13.2 mil.

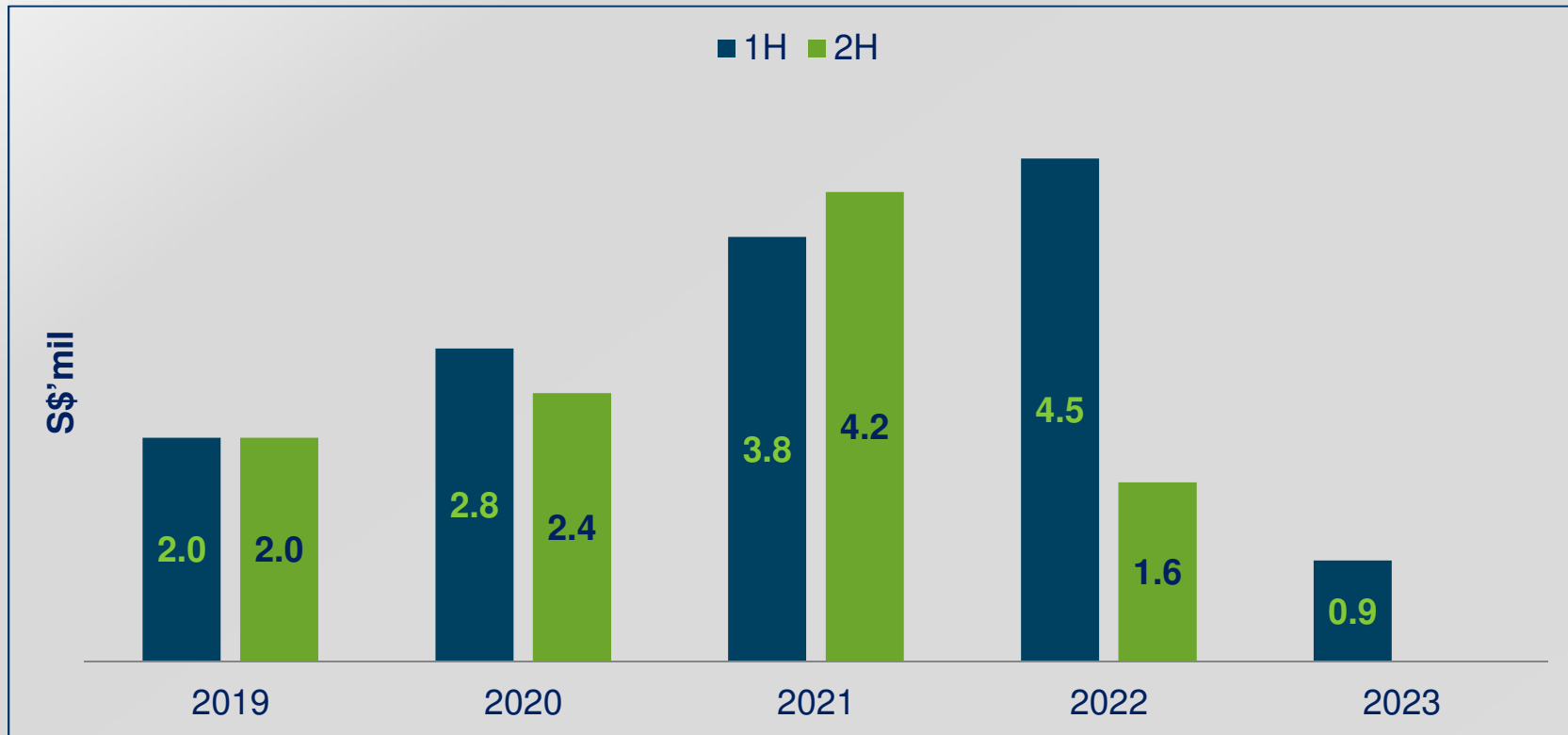
S\$'000	1H 22	1H 23	Var	Var %	Remarks
Receivables Impairment	194	13	(181)	(93.5%)	No major deterioration in customers credit quality.
Employee compensation	8,593	7,515	(1,078)	(12.5%)	Lower performance-linked rewards in tandem with poorer performance
FX loss	470	-	(470)	(100%)	Weaker USD in our favour.
Warehousing expenses	1,488	1,321	(167)	(11.3%)	Due to lower inventory level
Finance cost	493	996	503	102.3%	Higher borrowing and interest rates.

Share of Associate's Profit



- Lower profit in 1H 23 compared to 1H 22 from our Thai associate due to weaker market condition.

Net Profit After Tax



- Growth disrupted in 2H 22 and 1H 23 on the back of weaker demand and prices.

Balance Sheet

S\$'mil	31 Dec 22	30 Jun 23	Var	
Cash	11.9	12.4	0.5	
Borrowings	36.4	30.1	(6.3)	Prudent inventory management leading to lower borrowings.
Shareholders Equity(less MI)	58.6	57.1	(1.5)	Positive earnings less dividend paid for FY22
Gearing (times)	0.62	0.53	(0.09)	Due to lower borrowings.
Net gearing(times)	0.42	0.31	(0.11)	In line with lower borrowings
Current ratio (times)	1.8	1.9	0.1	Sound liquidity.
Inventory(net)	49.3	40.9	(8.4)	Prudent inventory management.
Inventory T/O (days)	158	195	37	Slower sales.
Trade Receivables(net)	27.0	23.1	(3.9)	In line with lower sales
Receivables T/O (days)	75	77	2	No major deterioration in customers payment.
NTA/share (cents)	43.96	42.83	(1.13)	In line with lower shareholders' equity

Cashflow

Heightened External Risk => Financial Prudence

\$'mil	FY2022	1H 23	
Cash (used in)/from operating activities	(3.0)	9.9	Positive cashflow from inventory reduction.
Cash used in investing activities	(0.01)	(0.3)	No major capital expenditure.
Cash from/(used in) financing activities	3.2	(8.8)	Positive cashflow from operating activities allow us to reduce S\$6.0 mil of bank borrowings and pay dividend of S\$1.6 mil.
Net increase in cash	0.1	0.8	
Beginning cash and cash equivalents	11.1	10.9	
Ending cash and cash equivalents	10.9	11.7	

Share Statistics

Share Information (as at 26 July 2023)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	56 cents
52 weeks Low	40 cents
Price (as at 26 July 2023)	49.5 cents
No of Shares	133,300,000
Earnings per share 1H FY23	0.61 cents
Historical P/E ^(a)	27.2 x
Market Capitalisation (as at 26 July 2023)	\$66.0 mil
NTA/share	42.83 cents
Price/Book Ratio (b)	1.16

Note :

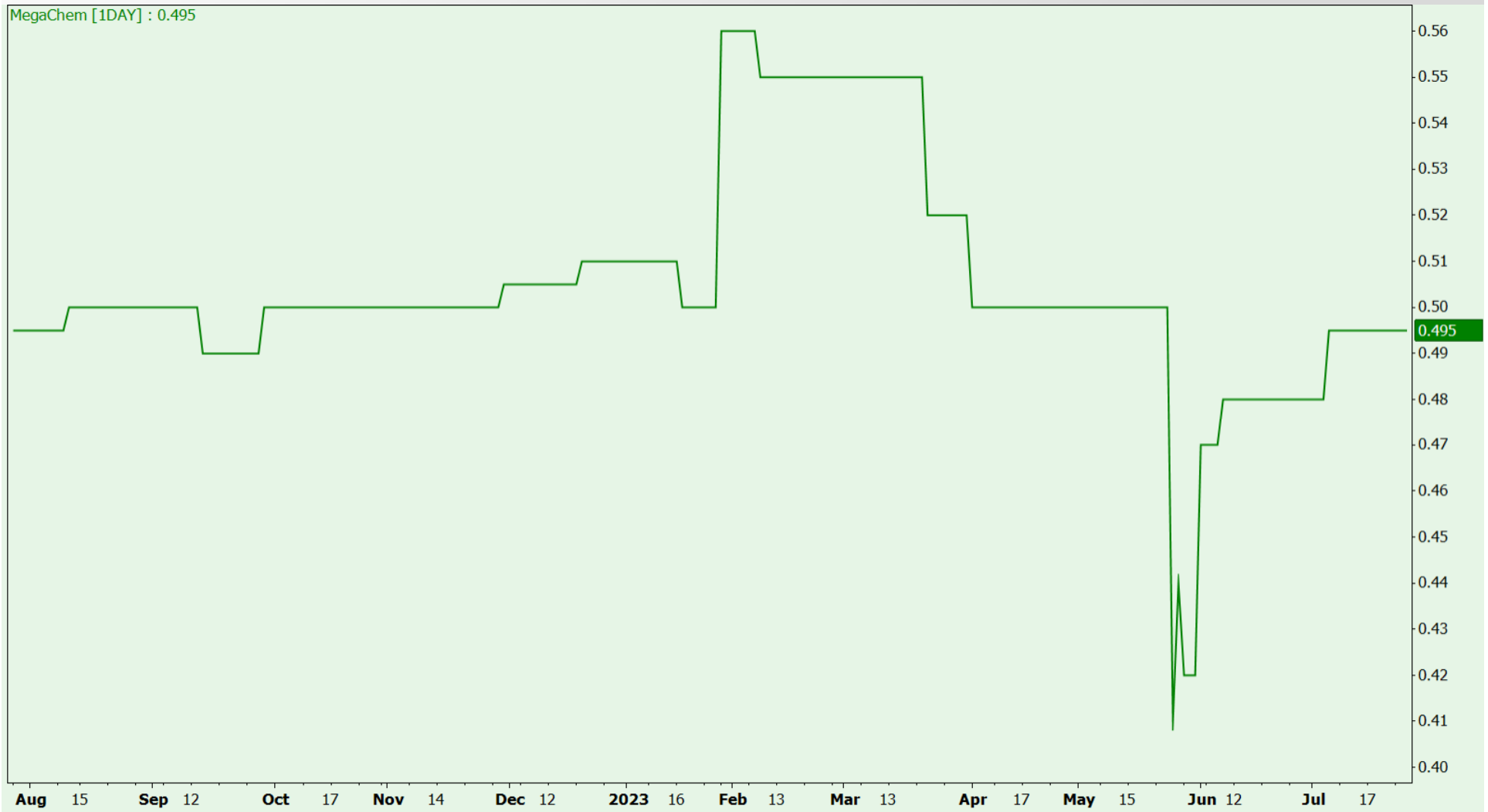
(a) P/E = price as at 26 July 2023 / (EPS 2H FY22 + EPS 1H FY23)=49.5/1.82=27.2x

(b) Price/Book ratio = price as at 26 July 2023 / NTA per share.



Share Price Performance

Share price chart : 1 year to 26 July 2023



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Share Price Performance

Share price chart : 1 year to 26 July 2023





2H FY2023 Outlook

Global Economy

- Global Economic growth moderating on the back of tighter monetary policies and surging interest rates

Chemical Industry

- Weaker manufacturing activities and inventory destocking posing challenges for the industry.

Fire incident to have negative impact on 2H 23 and FY23 results
Maintain cautious stance as external uncertainties weighing on performance

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The contact person for the Sponsor is Mr Bernard Lim (Tel : 65 6232 3210) at 1 Robinson Road #21-00 AIA Tower Singapore 048542.



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