



NEWS RELEASE

MEGACHEM REPORTS 19.3% DECLINE IN H1 2023 REVENUE TO S\$60.7 MILLION

- *Lower revenue due to weaker demand and falling chemical prices*
- *No interim dividend declared for H1 2023 in view of the recent occurrence of fire incident*

Singapore, 10 August 2023 – Megachem Limited (“**Megachem**” or the “**Company**”, and together with its subsidiaries and associated companies, collectively the “**Group**”), a global one-stop specialty chemical solutions provider, today reported a 19.3% year on year decline in revenue to S\$60.7 million.

Mr. Sidney Chew, Managing Director of the Group, said: “The ongoing global uncertainties in the first half of 2023 has resulted in a decline in our financial performance. Furthermore, the chemical industry is currently facing multiple challenges such as inventory overhang as well as falling chemical prices and these headwinds do not bode well with the Group on a whole.”

Performance Review

For H1 2023, Megachem recorded a revenue of S\$60.7 million, a decline of 19.3% as compared to the S\$75.2 million recorded in the previous corresponding period ended 30 June 2022 (“**H1 2022**”). The decline in revenue was primarily due to a drop in the distribution business by 20.0% to S\$58.5 million in H1 2023, while the largely fee-based custom-blending manufacturing business saw a growth of 7.2% to S\$2.1 million from H1 2022.

In terms of geographical segment, revenue from ASEAN, the Group's largest market, fell by 22.1% to S\$35.6 million in H1 2023. Revenue from Europe, which is the Group's second largest market, declined by 11.6% to S\$8.3 million in H1 2023. On the other hand, revenue from Australia and Africa saw a revenue growth of 2.7% and 40.0% respectively.

Other income decreased by 41.4% to S\$431,122 in H1 2023, mainly due to the absence of both the fair value gain from forward contracts and gain on disposal of quoted listed shares, lower trade receivables recovered and lower gain on disposal of plant and equipment. Meanwhile, this was partially offset by net foreign exchange gains and higher interest income.

The Group's H1 2023 share of profit of associated companies declined by 14.9% to S\$616,323 due to lower demand.

For H1 2023, total operating expenses declined by 13.3% year-on-year, largely due to the absence of net foreign exchange loss and lower employee remuneration. Other expenses, such as warehouse storage charges and lower impairment of doubtful trade receivable also contributed to the lower total operating expenses.

Correspondingly, Megachem saw its net profit after tax decline by 79.1% from S\$4.5 million in H1 2022 to S\$929,900 in H1 2023. Earnings per share for H1 2023 decreased by 80.9% to 0.61 cents from 3.20 cents in H1 2022.

The Group's liquidity remains sound, with positive current ratio and cash and bank balances of 1.9 times and S\$12.4 million respectively. The net gearing ratio lowered to 0.31 times as of 30 June 2023 from 0.42 times as of 31 December 2022 on the back of lower borrowings and higher amount of cash and bank balances.

Proposed Dividend

In view of the recent fire incident and after considering the consequential additional working capital required, the board of directors decided that no interim dividend will be declared for H1 2023.

Outlook

The global economy is experiencing sluggish growth on back of tighter monetary policies and surging interest rates as central banks around the world are fighting against multi-decade high inflation. Against this backdrop, the International Monetary Fund (“**IMF**”), in its July 2023 report¹, indicated that global economic growth in 2023 will be lower than 2022.

For the chemical industry, the ongoing sluggish demand for chemicals since the later part of last year has not receded as companies are carrying out their inventory destocking. Also, the weaker industrial production plough on into 2023, causing significant challenges for the chemical industry.

“We are expecting global business environment to remain challenging for the rest of 2023 amid ongoing global geopolitical tensions, economic uncertainties, inflationary pressures and high interest rates. With these headwinds, Megachem will continue to maintain a cautious stance as these factors poses downside risks to our business operations,” added, Mr Chew.

¹ IMF, July 2023
<https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023>

Updates on Fire Incident

On 5 July 2023, Megachem announced via SGX that a fire broke out at the Company's warehouse located at 132 Pioneer Road. Fortunately, multiple stock-holding points has to a large extent enabled Megachem to continue its delivery to customers and minimise impact on its business.

The Group is currently in the process of replenishing the products that were destroyed during the fire so that its inventory level can return to the optimal level.

As a result of this fire incident, Megachem is expecting a certain degree of impact on its sales revenue due to a delay in delivering chemical products to the Group's customers. The Group could also incur higher expenses arising from environmental impact control, rental of delivery trucks and warehousing cost.

Finally, the Group will be writing off those assets that were destroyed in the fire incident, which includes, building and inventory etc. The insurer is currently in the process of conducting investigation and the compensation value cannot be ascertained at this juncture.

As a result of the above factors, the fire incident is expected to have material negative impact on our financial results for the second half and full year 2023.

About Megachem Limited

Established in 1988, Megachem is a one-stop specialty chemical solutions provider. We provide integrated value-added services including distribution and contract manufacturing of specialty chemicals to meet our customers' requirements.

The Group distributes its products globally through its extensive distribution network in Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, Myanmar, China, India, Middle East, Australia and the United Kingdom.

Megachem distributes over 1,000 different types and grades of specialty chemicals, with a wide range of applications to an established and diversified base of more than 2,000 industrial customers, comprising mostly well-known multinational companies. The Group serves a wide spectrum of industries including water treatment, metal finishing, construction, oil and gas, food, beverage, flavours, fragrance, pharmaceuticals, polymers, coatings, electronics, rubber and plastics.

To enhance the Group's competitive edge and complement its strength in distribution, Megachem provides integrated services such as the contract manufacturing of specialty chemicals and other ancillary services for its customers.

For more information, please visit www.megachem.com.sg.

This press release has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This press release has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.

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