

Megachem Limited Results Presentation FY2015 Analyst Briefing



Financial Performance

- S\$5.4 mil (-4.6%) Sales
- + 2.7% pt Gross Profit Margin
- + S\$0.16 mil (2.6%) EBITDA
- + S\$0.09 mil (2.9%) Net profit after tax

Results in line with market trend.

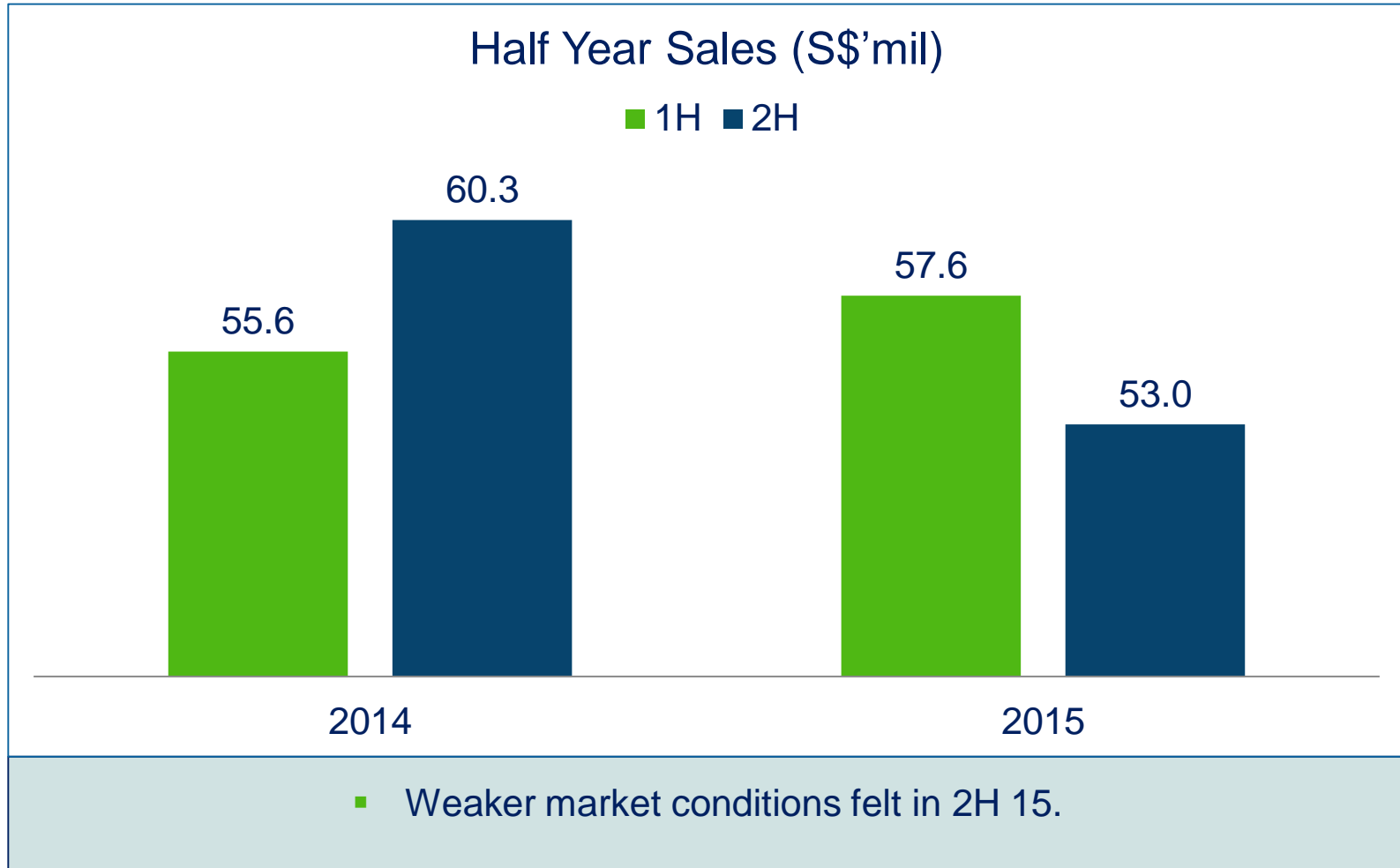
Profit & Loss Statement

S\$'mil	1H 14	2H 14	1H 15	2H 15	2H15 vs 1H15	Var %	2H15 vs 2H14	Var %
Sales	55.6	60.3	57.6	53.0	-4.6	-8.0%	-7.3	-12.1%
Gross Profit	11	12.5	12.8	12.6	-0.2	-1.7%	0.1	0.7%
Gross Profit Margin	19.7%	20.7%	22.2%	23.7%	1.5% pt		3.0% pt	
Expenses	10	10.7	11.3	10.9	-0.4	-3.6%	0.2	1.7%
Expenses/Sales %	17.9%	17.7%	19.6%	20.5%	0.9% pt		2.8% pt	
Other Income	0.13	0.34	0.2	0.09	-0.11	-54.5%	-0.25	-73.3%
Share of Assoc Profit	0.47	0.55	0.31	0.59	0.27	87.0%	0.04	7.3%
NPBT	1.6	2.7	2	2.4	0.4	17.4%	-0.3	-11.3%
NPAT	1.1	2.1	1.5	1.8	0.3	20.1%	-0.3	-12.6%
NPAT margin %	2.1%	3.4%	2.6%	3.4%	0.8% pt		0% pt	
EBITDA	2.5	3.7	3	3.4	0.3	10.6%	-0.3	-8.9%
EBITDA Margin %	4.6%	6.1%	5.3%	6.3%	1.0% pt		0.2% pt	
ROE %	5.0%	8.4%	6.4%	7.7%	1.3% pt		(0.7%pt)	
Interest Cover (times)	8.2	10.8	8.1	8.7	0.6		(2.1)	



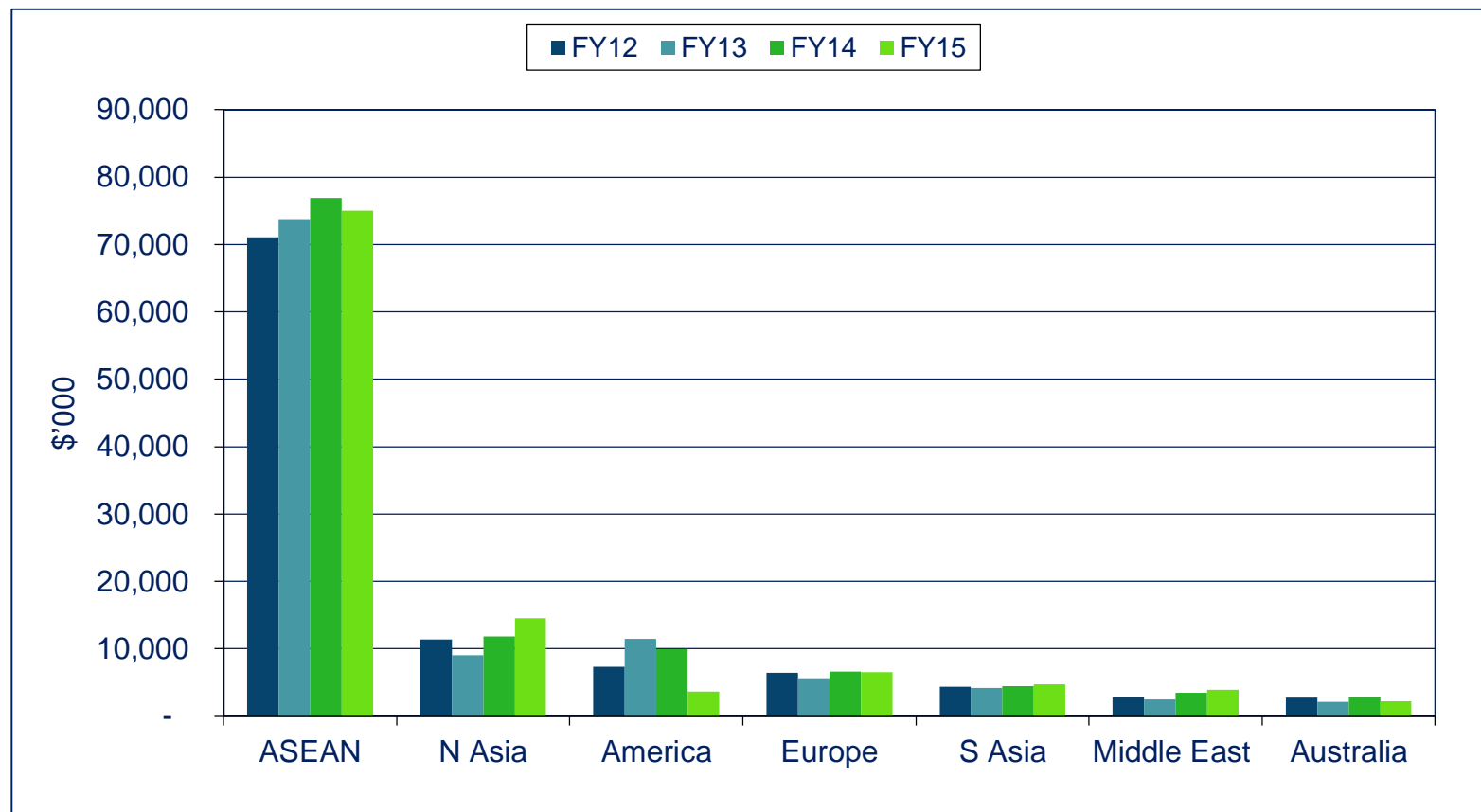
P&L Highlights

SS'mil	FY14	FY15	Var	Var %
Sales	115.9	110.6	(5.4)	(4.6%)
Gross Profit	23.5	25.4	1.9	8.2%
Gross Profit Margin %	20.2%	22.9%	2.7% pt	
Expenses	20.7	22.2	1.5	7.2%
Expenses/Sales %	17.9%	20.1%	2.2% pt	
Other Income	0.47	0.29	(0.18)	(38.7%)
Share of Assoc Profit	1.0	0.9	(0.1)	(11.3%)
NPBT	4.3	4.4	0.1	3.0%
NPAT	3.19	3.28	0.09	2.9%
NPAT margin %	2.8%	3.0%	0.2% pt	
EBITDA	6.2	6.4	0.2	2.6%
EBITDA Margin %	5.4%	5.8%	0.4% pt	
ROE %	6.6%	7.0%	0.4% pt	
EPS (cents)	2.08	2.22	0.14	6.7%
Interest Cover Ratio	9.7x	8.4x	(1.3x)	



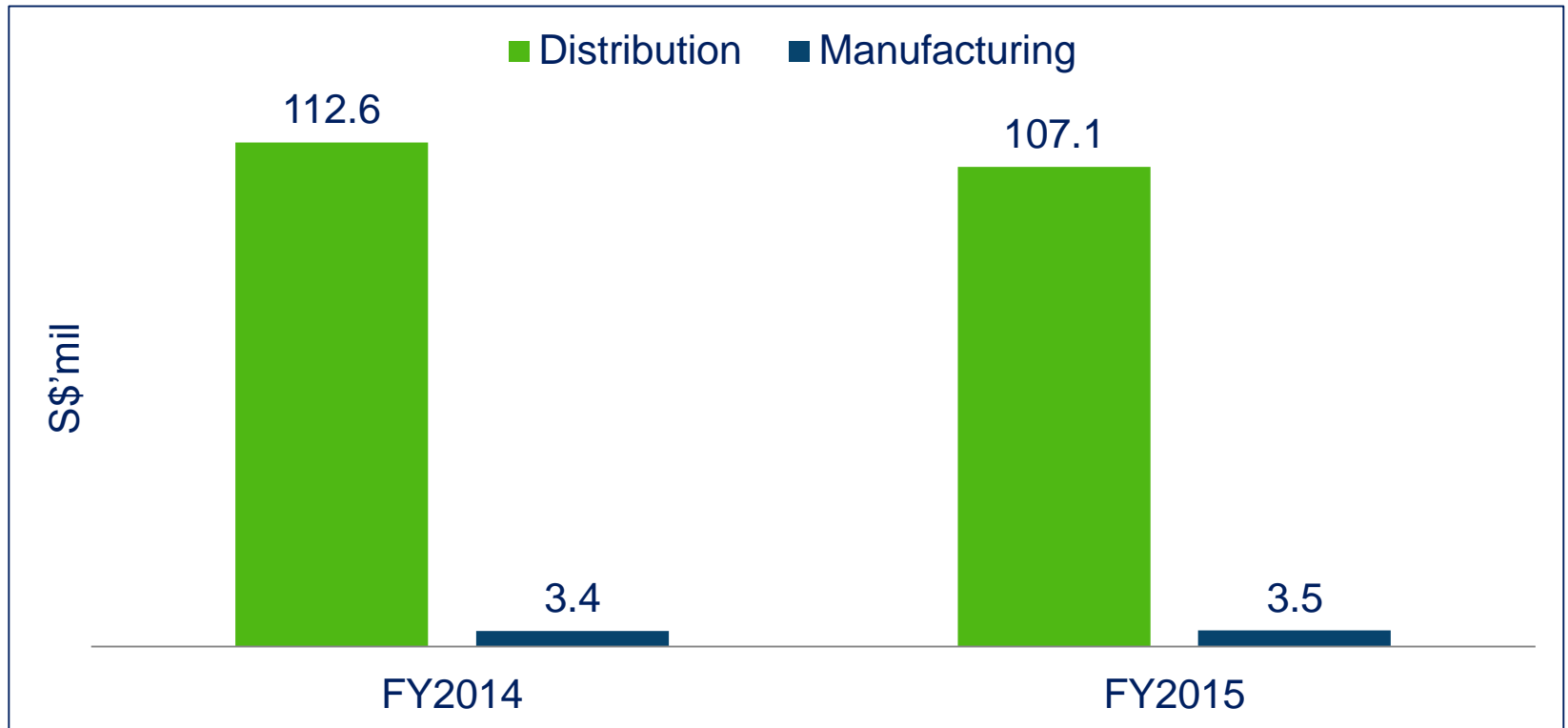


Sales by Geographic Markets



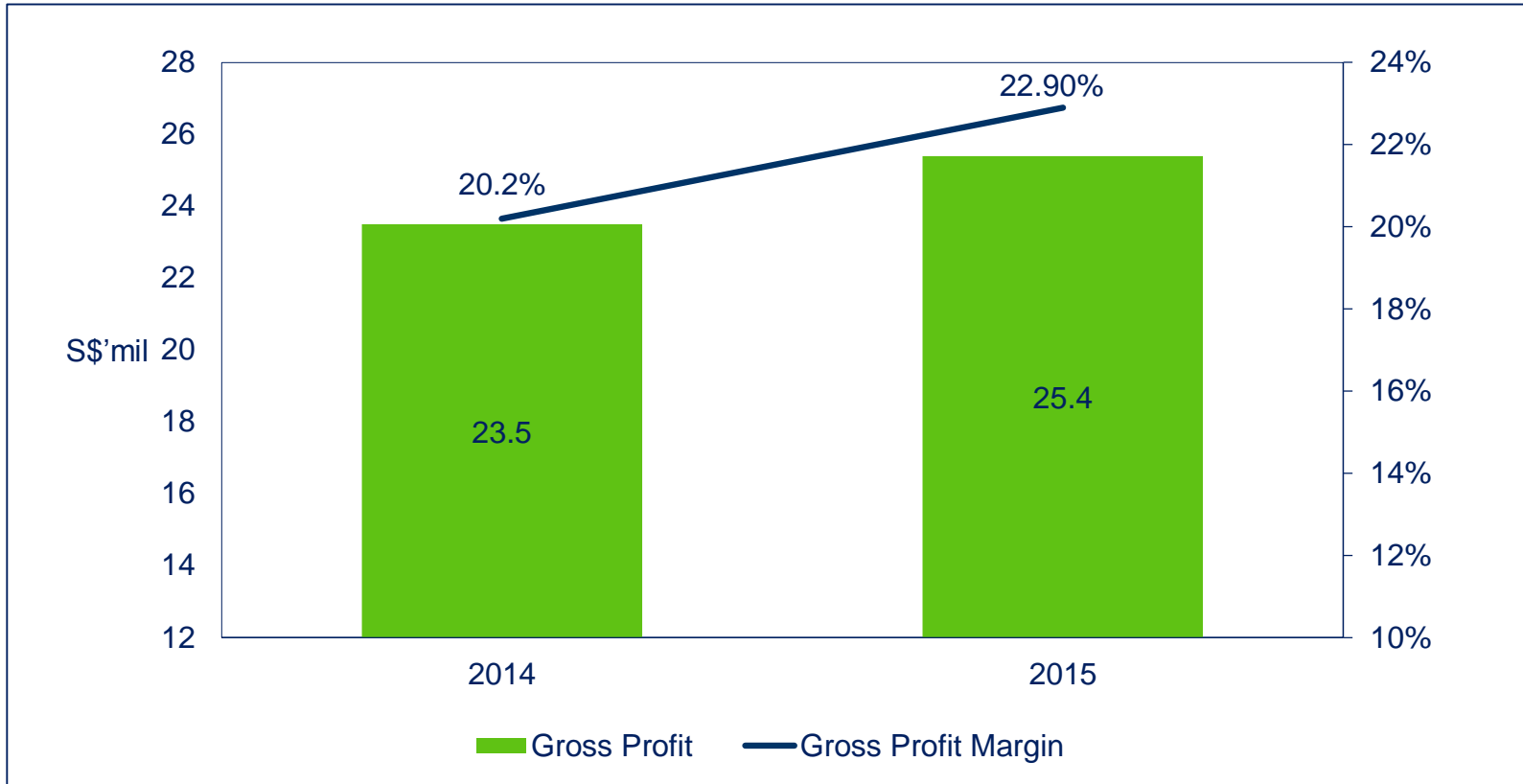
- Fall in sales due largely to revenue decline in America and ASEAN market.

Sales breakdown by Business Activity



- Fall in sales came mainly from lower Distribution activity while sales from Manufacturing activity remained relatively flat.

Gross Profit



- Improvement in gross profit margins due to better margins from ASEAN, America and the Middle-east markets and a lower write-off of inventory.

Expenses

- Total expenses increased by S\$1.5 mil or 7.2% to S\$22.2 mil. Excluding FX loss, increase would have been smaller at S\$1.4 mil or 6.8%.

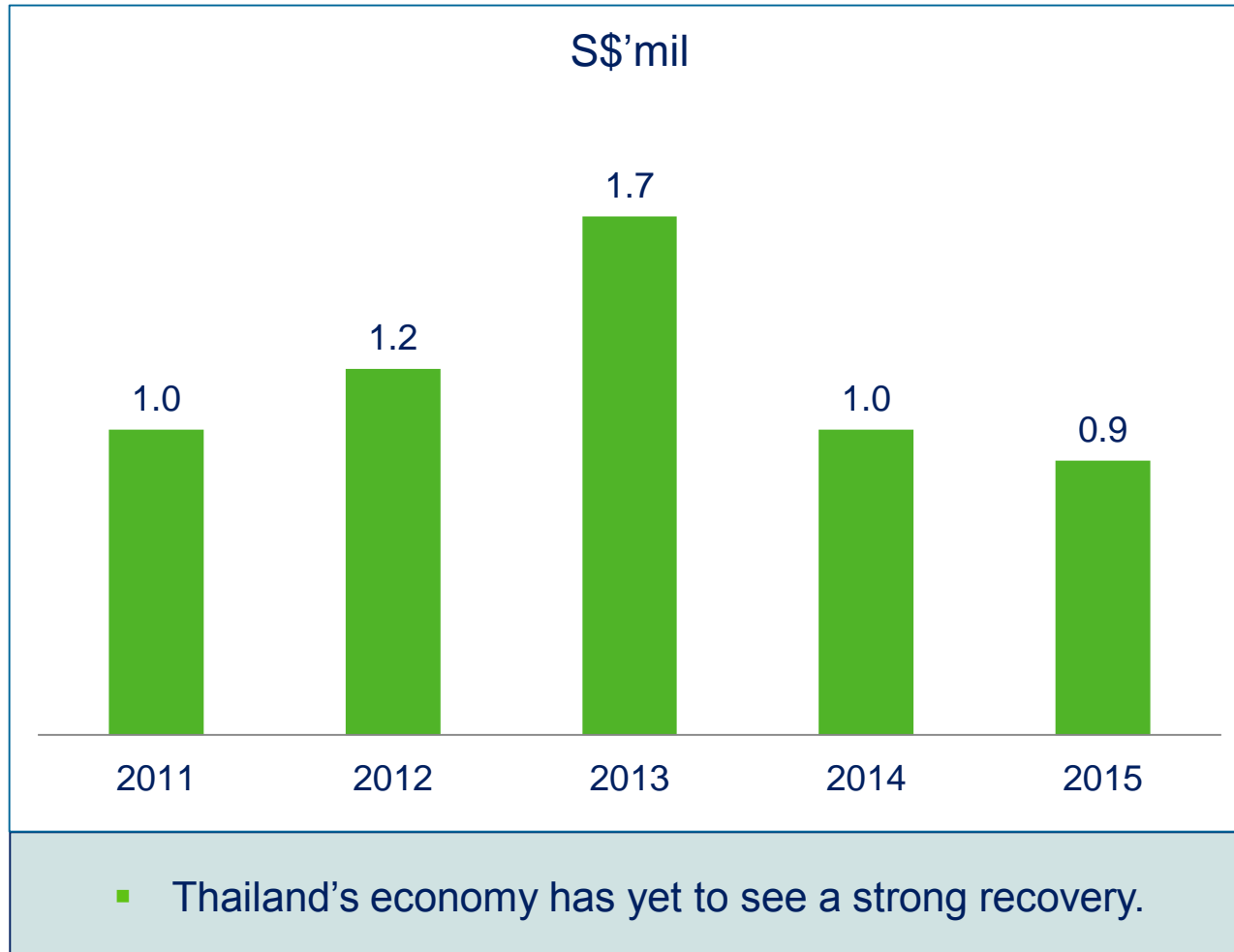
S\$'000	FY2014	FY2015	Var	Var %	
Staff Cost	11,711	12,563	852	7.3%	Increase in headcount and salary increment
FX loss	-	83	83	100%	Losses mainly in IDR, INR, RMB, A\$, VND.
FV loss of hedging contracts	51	51	-	-	Mark-to-market loss from FX hedging contracts. Note FV gain in other income.
Rental	2,098	2,698	600	28.6%	Higher warehousing rates and average inventory level
Professional Fees	689	616	(73)	(10.6%)	Lower tax consultancy and legal fees.
Finance cost	492	593	100	20.4%	Higher interest rates

Other Income

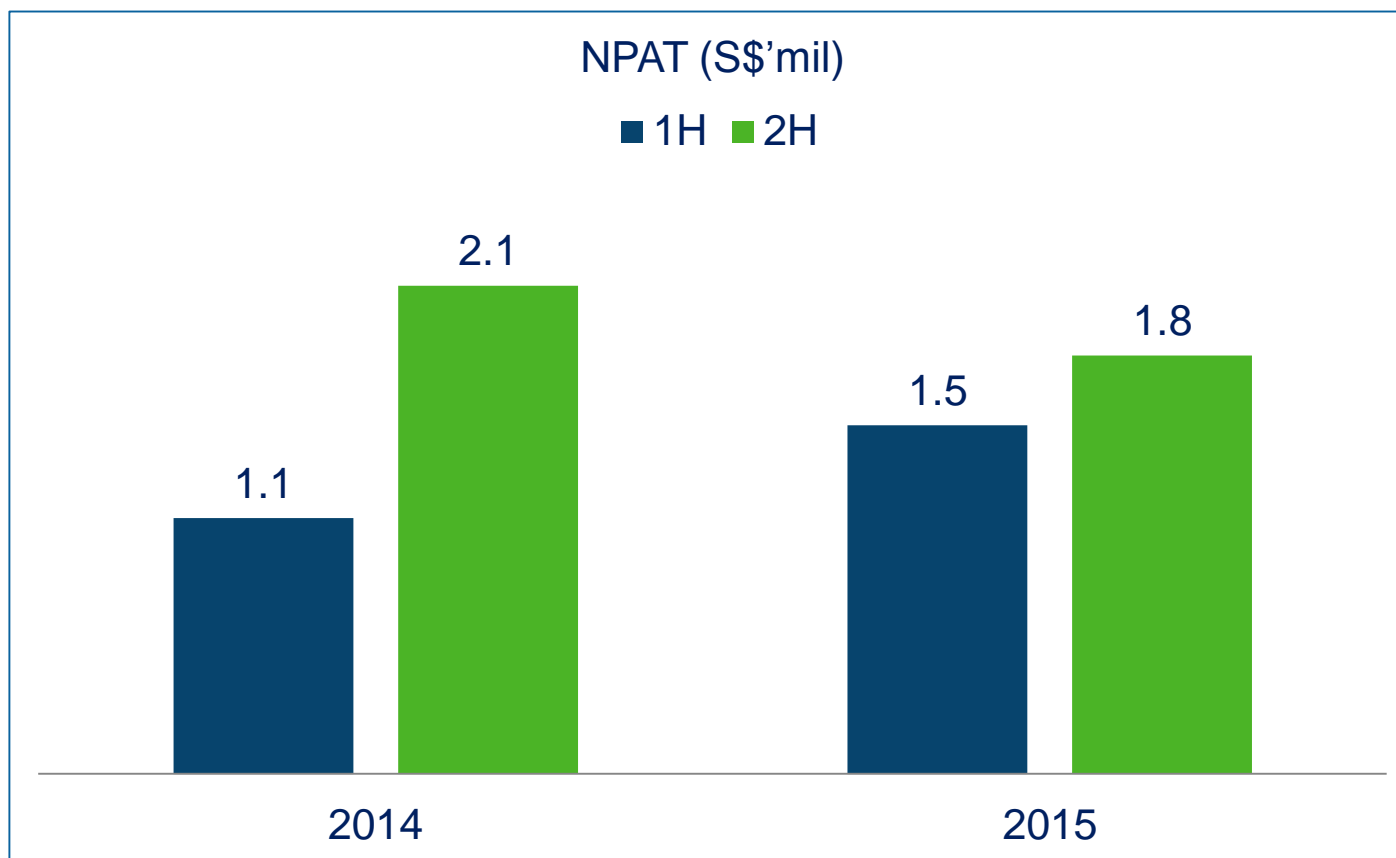
- Total other income decreased by S\$182,000 to S\$288,000.

S\$'000	FY2014	FY2015	Var	Var %
Bad Debt recovered	63	70	7	10.8%
Change in fair value of financial asset- FX contracts	47	32	(15)	(31.6%)
Change in fair value of financial assets-equity	60	10	(50)	(83.3%)
FX gain	190	-	(190)	(100%)
Grant Income	41	92	52	127%

Share of Associate's Profit

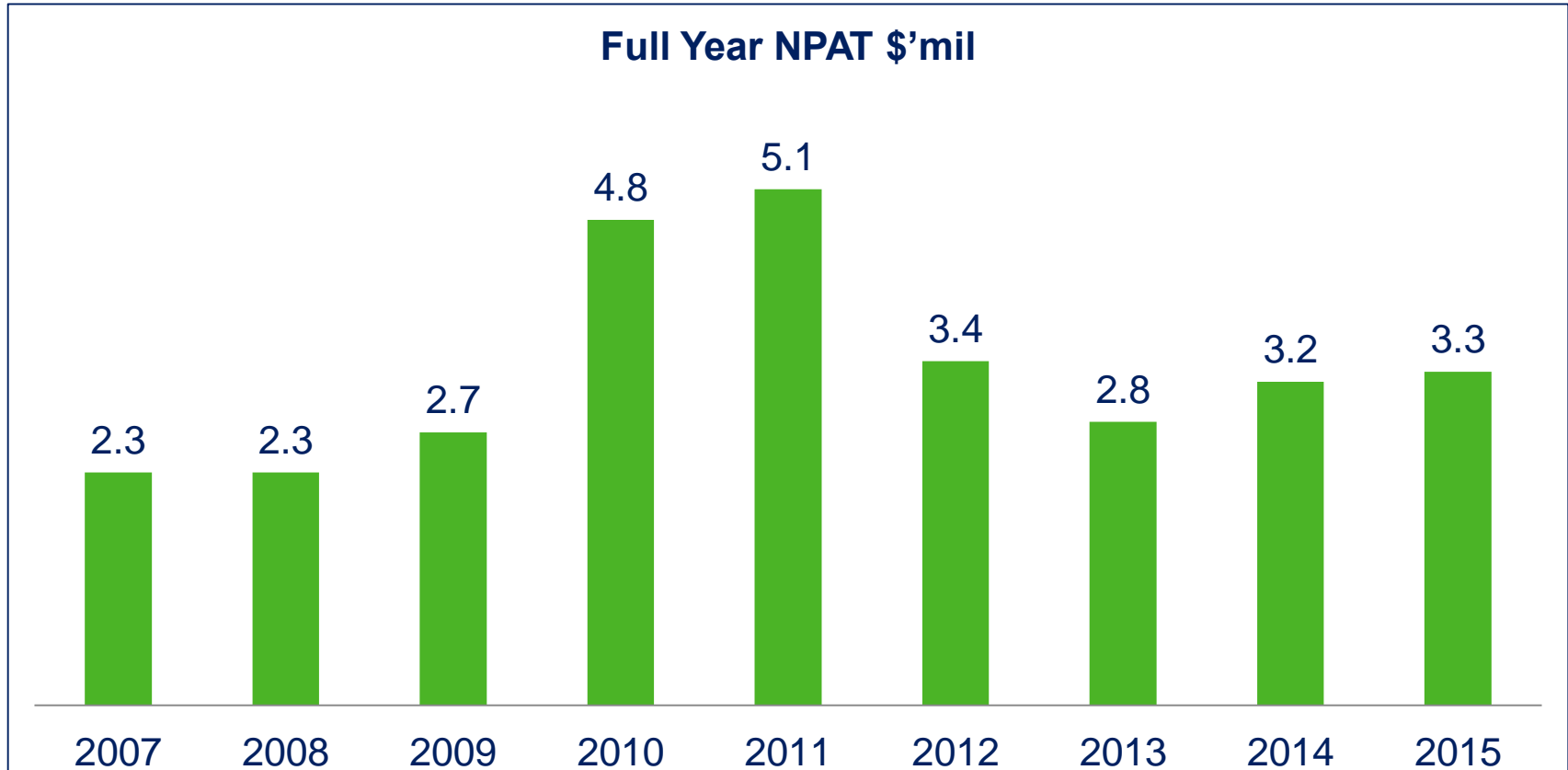


Net Profit After Tax("NPAT")



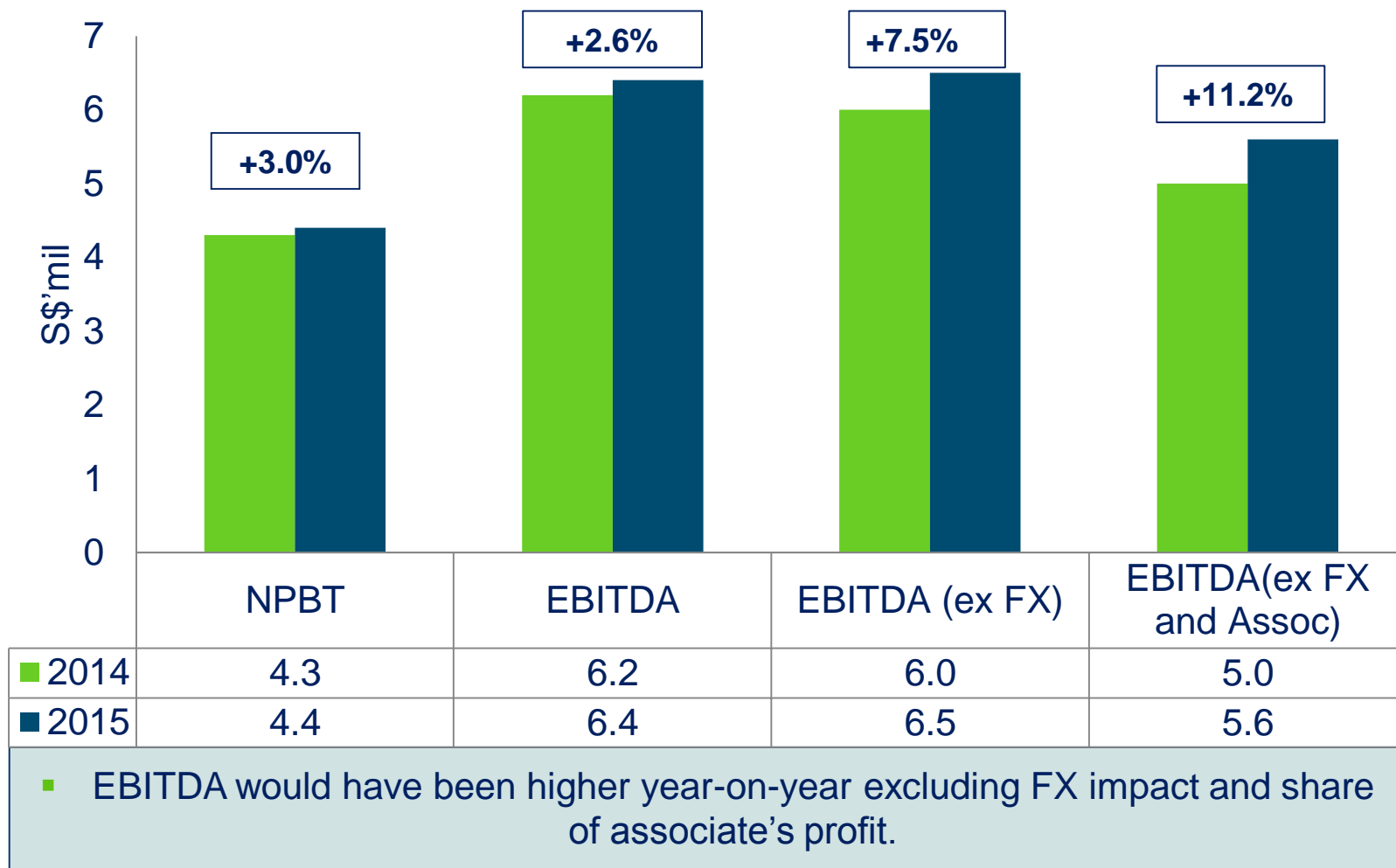
- 2H 15's NPAT higher than 1H 15 due mainly to better gross profit margin in spite of lower sales.

Net Profit After Tax



- Despite lower sales, higher expenses and FX loss, NPAT was higher by 2.9% due to higher GP margin.

EBITDA (ex FX and Associate)



Balance Sheet

S\$'mil	FY 2014	FY 2015	Var	
Cash	9.0	11.1	2.1	Positive operating cashflow partially offset by payments for land and dividend.
Borrowings	21.9	18.3	(3.6)	Drawdown of loan for land coupled with reduction in short term borrowings.
Shareholders Equity	41.9	42.2	0.3	Increase in retained earnings offset by dividend payment and translation losses.
Gearing (times)	0.52	0.43	(0.09)	In line with lower borrowings.
Current ratio (times)	1.74	2.07	0.33	Sound liquidity.
Inventory(net)	21.5	21.0	(0.5)	Reduced in line with sales.
Inventory T/O (days)	90	101	11	
Trade Debtors(net)	29.4	25.5	(3.9)	In line with lower sales.
Receivables T/O (days)	89	93	4	
Property, Plant & Equipment	14.0	12.4	(1.5)	
NTA/share (cents)	31.45	31.65	0.2	



Cashflow

S\$'000	FY2014	FY2015	
Cash from Operating activities	83	6,956	Positive cashflow from profitable operations.
Cash (used in)/from Investing activities	(2,075)	979	Progressive payments for land in Malaysia, net of dividends from associate.
Cash provided by/(used in) Financing Activities	2,538	(5,732)	Repayment of bank borrowings and dividend payments.
Net change in Cash	546	2,204	
Beginning Cash	8,439	8,999	
Ending Cash	8,999	11,060	

P&L Summary

- Marginal fall in sales on the back of slower market condition.
 - Higher expenses
 - FX losses
 - Associate's lower contribution
- but
- Higher gross profit margin
- => Marginal increase in profit

Balance Sheet Summary

- Sound liquidity.
 - Improved cashflow led to lower bank borrowings and gearing
- => Financial condition remains healthy



Outlook : Building Resilience

External Vulnerabilities => Building Resilience => Position for Long-term Growth.

- Pursue further diversification within business portfolio.
- Adjusting our portfolio with more emphasis on coverage of more resilient industries.
- Leveraging on our extensive network in Asia to capitalise on the long term growth of one of the largest markets for chemicals.
- Enhancing relationships with key global customers and suppliers.
- Improving operational excellence.

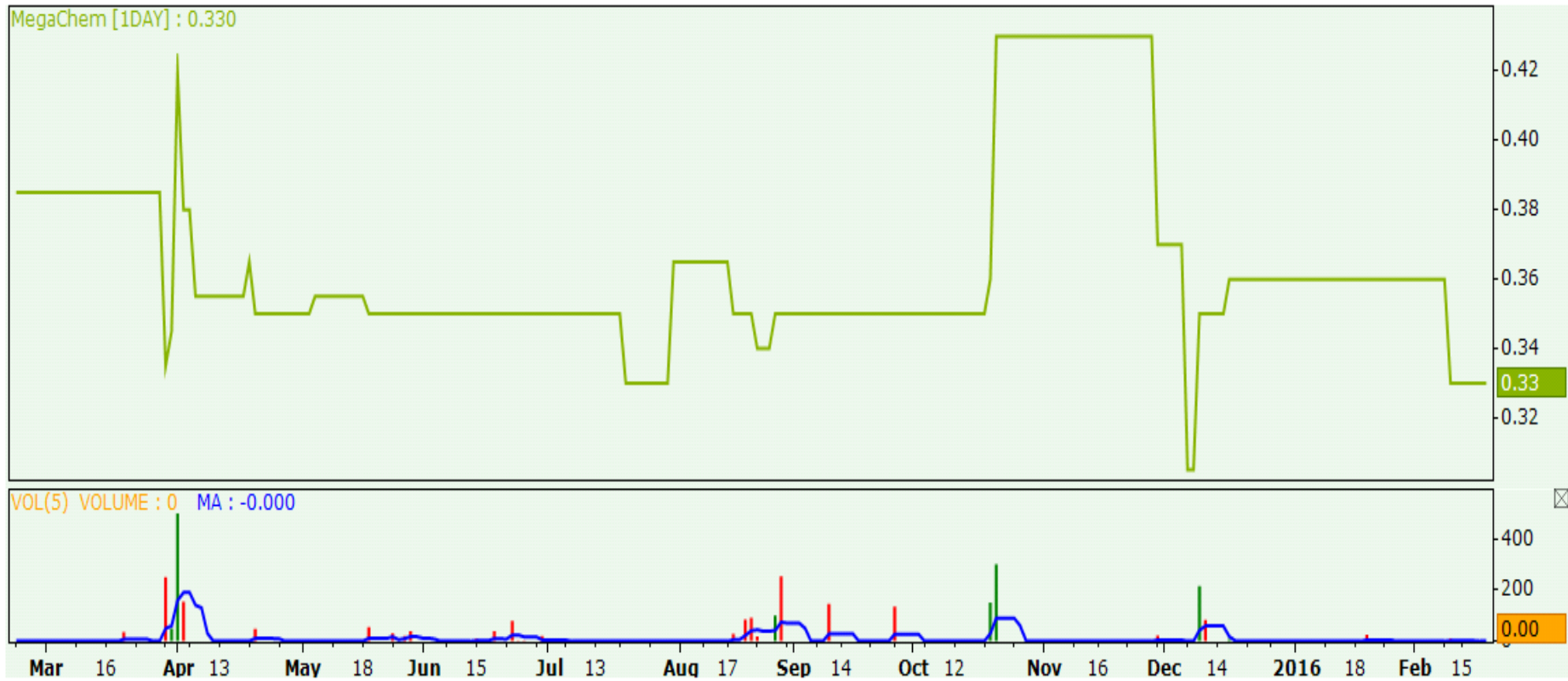


Share Performance :
Enhancing Shareholders' Long Term Value

Share Information (as at 19 Feb 2016)

Listing Date	17-Oct-2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	43.0 cents
52 weeks Low	30.5 cents
Price (as at 19 Feb 2016)	33.0 cents
No of Shares	133,300,000
Earnings per share FY2015	2.22 cents
Historical P/E	14.9 x
Market Capitalisation	\$43.99 mil
NTA/share	31.65 cents
Price/Book Ratio	1.04

Share Price Performance



Share Price Performance



Share Price Performance



2015 Final Dividend Proposal

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average price for the period (cents) *	31.5	28.75	21	16	18.75	22.5	21.5	19.75	19.9	22.9	28.0	33.0	36.0
Dividend / share (cents) - net	0.56	0.864	0.576	0.81	0.595	0.40	1.0	1.2	1.3	1.3	1.0	1.0	1.0
Dividend payout (%) - net	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	34.6%	35.7%	54.7%	53.3%	48.0%	45.0%
Dividend Yield (%) - Net **	1.8%	3.3%	3.6%	4.9%	2.8%	2.0%	5.1%	6.0%	6.6%	5.0%	3.3%	3.0%	2.8%

Interim Dividend Paid : 0.3 cts
Final Dividend Proposed : 0.7 cts
Total FY2015 : 1.0 cts

Final dividend for FY2015 is subject to shareholders' approval at the coming AGM

* Average price is the average of 31 Dec 2015 closing price of 36 cents/share and 31 Dec 2014 closing price of 36 cents/share.

** Dividend yield = dividend per share / average price.

Total Shareholder's Return

	%
Dividend Yield	2.8%
Capital Gain *	0%
Total Shareholders Return	2.8%

* Capital gain is calculated using 31 Dec 2015 closing price of 36 cents/share and 31 Dec 2014 closing price of 36 cents/share.

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