



NEWS RELEASE

MEGACHEM'S H1 2021 NET PROFIT AFTER TAX INCREASES 34.0% TO S\$3.8 MILLION

- ***Driven by a 26.7% growth in sales year-on-year, supported by higher sales across both business segments due to improved business conditions***
- ***Proposes interim dividend of 0.8 cent per share***
- ***Maintains healthy balance sheet with net gearing of 0.25 time and sound liquidity***

Singapore, 12 August 2021 – 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 growth in net profit after tax of 34.0% year-on-year to S\$3.8 million for the half year ended 30 June 2021 (“H1 2021”), supported by higher sales across both business segments due to improved business conditions.

Mr. Sidney Chew, Managing Director of the Group, said: “Having gone through two major financial crises before COVID-19 – 1998 Asian Financial Crisis and 2008 US Financial Crisis – we have continually reviewed and calibrated our business model to stay relevant and tenacious. This includes maintaining diversification and increasing depth in market penetration, as well as adopting a greater Asia-centric perspective. By doing so, we were able to emerge stronger from the COVID-19 pandemic, where our diversified supply chain only experienced minimal impact. We will leverage on our strengths to provide customers with continuity of supply, product quality and competitive pricing. Additionally, we will continue to practise strict financial discipline to retain our sound financial position, to weather any further crises in the future.”

Performance Review

In the first half of 2021, Megachem recorded S\$65.9 million in sales, an increase of 26.7% as compared to S\$52.0 million recorded in the previous corresponding period ended 30 June 2020 (“H1 2020”). This was largely due to the improved business conditions, following increased vaccination rates against COVID-19 and gradual easing of COVID-19 restrictions. Both the Distribution and Manufacturing segments recorded higher sales in the period under review as compared to H1 2020. Sales from the Distribution segment grew 25.7% to S\$63.4 million from S\$50.5 million, whilst the sales from the Manufacturing segment surged 57.6% to S\$2.5 million from S\$1.6 million.

In terms of geographical segment, the ASEAN market saw the strongest rebound following the recovery in global economic activities. Sales to ASEAN market grew by 18.0% or S\$6.0 million year-on-year to S\$39.1 million. Similar growth trends over the same comparative period were noted across the other markets, namely North Asia, Europe, Middle East, South Asia and Australia, of 35.6%, 64.4%, 6.0%, 33.5% and 88.6% respectively. Sales to America fell by a marginal S\$0.3 million.

The Group recorded a decrease in other income by 30.5% or S\$321,000 year-on-year, due to lower grant and interest income.

The Group’s share of profit of associated companies for H1 2021 decreased by 6.6% or S\$59,000 year-on-year due to the high base in H1 2020, boosted by higher demand for cleaning chemicals.

Total operating expenses increased by 13.6% in H1 2021 as compared to the previous corresponding period, largely due to higher employee compensation, net foreign exchange loss and professional fees related to recovery of bad debts and trademark expenses. A broad spectrum of increase in other operating expenses was generally in line with higher business activities. On the other hand, total finance costs decreased by 12.6% year-on-year due to a reduction in bank loans. This was partially offset by higher trade borrowings from bills payables.

As a result, Megachem achieved a higher net profit after tax of 34.0% from S\$2.8 million in H1 2020 to S\$3.8 million in H1 2021.

The balance sheet remained healthy in the period under review, with cash and bank balances of S\$14.1 million as at 30 June 2021. Net gearing ratio was healthy at 0.25 time and liquidity remained sound.

Earnings per share for H1 2021 grew 39.4% to 2.83 cents from 2.03 cents in H1 2020. Net asset value per share increased to 40.88 cents as at 30 June 2021, from 39.33 cents as at 31 December 2020.

Proposed Dividend

In appreciation of the support from shareholders, the Board of Directors has recommended an interim dividend of 0.8 cent per share for H1 2021, which will be paid on 28 September 2021.

Outlook

More than a year after the emergence of COVID-19, the gradual easing of lockdown measures and positive developments in vaccination, and continued government stimulus providing liquidity and a low interest rate environment have improved business sentiments. However, the global economic recovery is still contingent on developments on the COVID-19 front, such as emergence of new variants and tapering of government stimulus. In addition, the ongoing US-China trade tensions on the political front may pose risks to the recovery. Looking ahead, the Group expects economic recovery to be gradual and uneven.

The chemicals industry is closely tied to the global economy. As business sentiments improve, the chemical industry is also seeing an uptick in activities along with firmer chemical prices, although current supply shortage and high freight cost may cap its growth.

Megachem is pivoting itself for the next phase of growth while observing current markets for any possible obstacles. It will diligently execute its Asia-centric strategy by deepening its presence in high growth industries and maintaining a diversified business model, while strengthening relationships with suppliers and customers. Through streamlining operational processes and strict financial discipline, the Group seeks to preserve its healthy financial position.

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, 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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