



NEWS RELEASE

MEGACHEM REPORTS 14.4% DECLINE IN FY2023 REVENUE TO S\$123.0 MILLION

- ***Lower revenue attributed to softening chemical prices and demand;***
- ***Fire incident led to first ever net loss of S\$5.8 million***
- ***Adjusted net profit after tax at S\$1.9 million excluding a one-off net impact of S\$7.7 million from fire incident***
- ***Maintains healthy balance sheet with low net gearing ratio of 0.3 times¹***
- ***Remains focused on building diversified and resilient business model to position for recovery in the near term***

Singapore, 21 February 2024 – 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 14.4% decline in revenue to S\$123.0 million for the full year ended 31 December 2023 (“**FY2023**”), mainly due to inventory overhang, falling chemical prices and weak demand. Impacted by a fire incident which happened on 5th July 2023 at its warehouse in Singapore, the Group recorded its first ever net loss of S\$5.8 million for FY2023.

Mr. Sidney Chew (“**Mr Chew**”), Managing Director of the Group, said: “The fire incident has resulted in a negative impact on the Group’s financial performance for FY2023. Excluding the impact of the fire, the Group continued to be profitable. Nonetheless, Megachem’s robust business model and sound financial position will continue to be the cornerstone for the recovery in the near term.”

“Looking ahead, although the excess inventory situation in the industry has improved slightly following a period of destocking, the recovery in demand for chemicals may remain sluggish in line with benign economic conditions. We will continue to build on

¹ As at 31 December 2023.

our strong foundations of a diversified geographic and product base, as well as capabilities in providing value-added solutions to a global customer base, to capitalise on opportunities when conditions improve.”

Performance Review

For FY2023, Megachem recorded a revenue of S\$123.0 million, a decrease of 14.4% as compared to the S\$143.7 million recorded in the previous financial year ended 31 December 2022 (“FY2022”). The decline in revenue reflects the weaker market conditions as evident in the broad-based fall in revenue across its geographic markets and business activities.

In terms of geographical segment, revenue from ASEAN, the Group’s largest market, declined by a 13.1% to S\$72.2 million in FY2023 compared to FY2022. Meanwhile, revenue from Europe, which is the Group’s second largest market, saw a decline of 14.4% to S\$15.7 million in FY2023 compared to FY2022. The other market segments of Middle East, Australia, America, Africa, North and South Asia also registered decrease in sales between FY2023 and FY2022.

Total operating expenses increased by S\$3.4 million or 12.3% year-on-year, largely due to the various expenses incurred from the fire incident such as customer compensation claims, demolition and disposal costs as well as write-off of fixed assets destroyed by the fire. Adjusting for the impact of the fire incident, total operating expenses for FY2023 would be lower by S\$1.7 million or 6.1% year-on-year.

Insurance claims of S\$3.2 million from our insurer as compensation for damages during the fire resulted in an increase in other income.

As a whole, Megachem recorded a net loss of S\$5.8 million in FY2023 as compared to a net profit after tax of S\$6.1 million in FY2022. Excluding the one-off net impact of the fire incident, Megachem would remain in the black, with a net profit after tax of S\$1.9 million.

The Group's liquidity continued to improve, with cash and bank balances increasing by 14.3% to S\$13.6 million as at 31 December 2023. Net gearing ratio remains low at 0.30 times, declining from 0.42 times as at 31 December 2022 in line with lower borrowings.

Losses per share for FY2023 came in at 4.43 cents as compared to earnings per share of 4.41 cents in FY2022. Net asset value per share decreased to 37.48 cents as at 31 December 2023, from 43.96 cents as at 31 December 2022.

Outlook

For 2024, it will likely be another year of uncertainties, given the ongoing geopolitical conflicts such as the on-going Russia-Ukraine war and the Israel-Hamas conflict. Even with the easing of global inflationary pressure in recent times, leading to a pause in interest rate hikes, high costs and tepid demand may continue to be a drag on the economy and business activities.

“Even though headwinds continue to weigh on the economy, Megachem's long-term growth strategy of building a diversified and resilient business model will continue to be well-grounded and reliable. Our strong customer and supplier relationship as well as our extensive network in Asia provide us a solid foundation to capture opportunities when business conditions improve,” concluded Mr Chew.

Updates on Fire Incident – Rebuilding the Group's Warehouse

On 5th July 2023, Megachem informed shareholders via an SGX announcement that a fire broke out on the same day at 132 Pioneer Road where its warehouse is located. Currently, the groundwork for rebuilding the warehouse has commenced. Various professionals required for the rebuilding have been appointed. The commencement of the rebuilding is pending regulatory clearance. Megachem expects the construction, which will take approximately 1 year to complete, to commence sometime in the middle of FY2024.

While the reconstruction of the warehouse will increase the Group's cost in the short term, the new warehouse, which is also safer and environmentally friendly, will lead to lower warehousing cost and enhance Megachem's competitiveness in the long term.

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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