



Megachem[®]

Results Presentation FY2023
Analyst Briefing



Business Updates

Global Economy

- Inflationary pressure & high interest rates weighed on economy
- Weaker than expected post-Covid recovery in China
- Global economy sluggish

Chemical Industry

- Inventory restocking in 1H 2022 → destocking in 2023
 - Manufacturing 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
- Fire at 1 of our warehouses in July 23.

Weaker external environment derailed our growth.



Financial Performance



Profit & Loss Highlights

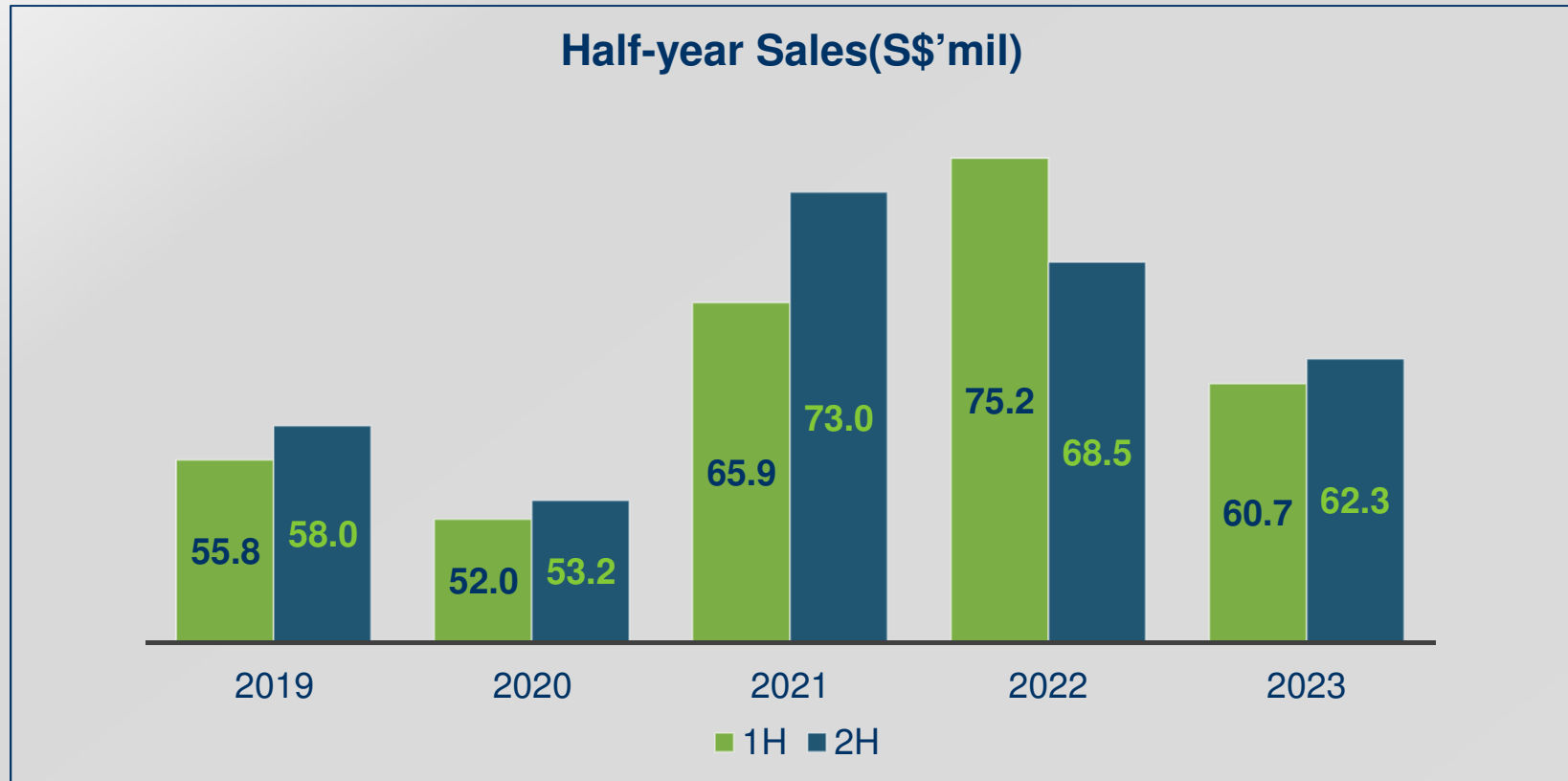
S\$'mil	1H 2023	2H 2023	Var	Var %
Sales	60.7	62.3	1.6	2.7%
Gross Profit	13.4	9.1	(4.2)	(31.7%)
GP Margin %	22.0%	14.7%	(7.3% pts)	-
Gross Profit(adj)	13.4	15.1	1.7	12.9%
GP Margin %(adj)	22.0%	24.2%	2.2% pts	-
Expenses	13.2	19.6	6.4	49.0%
Expenses(adj)	13.2	14.6	1.4	10.9%
Other Income	0.4	3.3	2.9	676%
Other Income(adj)	0.4	0.3	0.1	(25%)
NPBT	1.3	(6.6)	(7.9)	nm
NPAT	0.9	(6.7)	(7.6)	Nm
NPAT(adj)	0.9	1.0	0.1	8.9%
EPS(cents)	0.61	(5.04)	(5.65)	nm



Profit & Loss Highlights

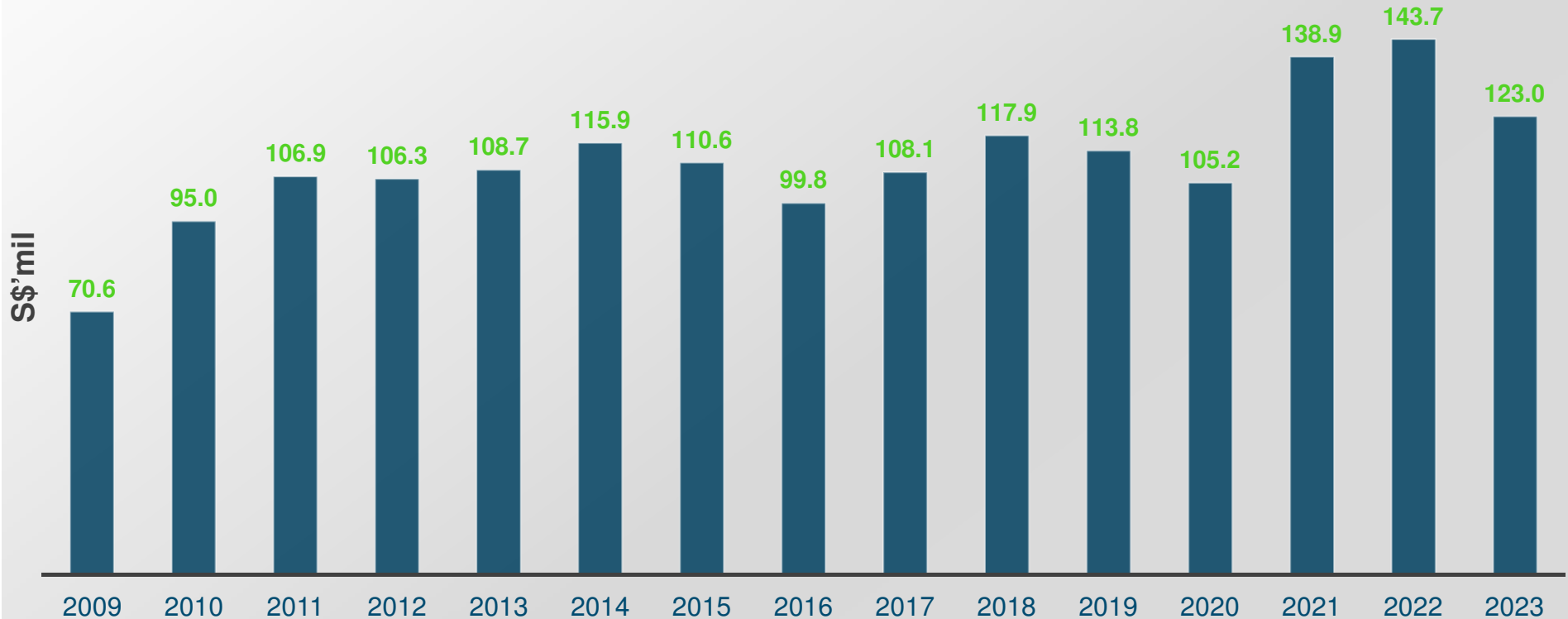
S\$'mil	FY22	FY23	Var	Var %
Sales	143.7	123.0	(20.7)	(14.4%)
Gross Profit	34.4	22.5	(11.9)	(34.6%)
GP Margin %	23.9%	18.3%	(5.6% pts)	-
Gross Profit(adj)	34.4	28.5	(5.9)	(17.3%)
GP margin %	23.9%	23.1%	(0.8% pt)	-
Expenses	28.7	32.7	4.0	14.1%
Expenses(adj)	28.7	27.7	(0.1)	(3.5%)
Other Income	1.0	3.7	2.7	270%
Other Income(adj)	1.0	0.7	(0.3)	(30%)
NPBT	7.8	(5.3)	(13.1)	Nm
NPAT	6.1	(5.8)	(11.9)	Nm
NPAT(adj)	6.1	1.9	(4.2)	(68%)
EPS(cents)	4.41	(4.43)	(8.84)	nm

Sales



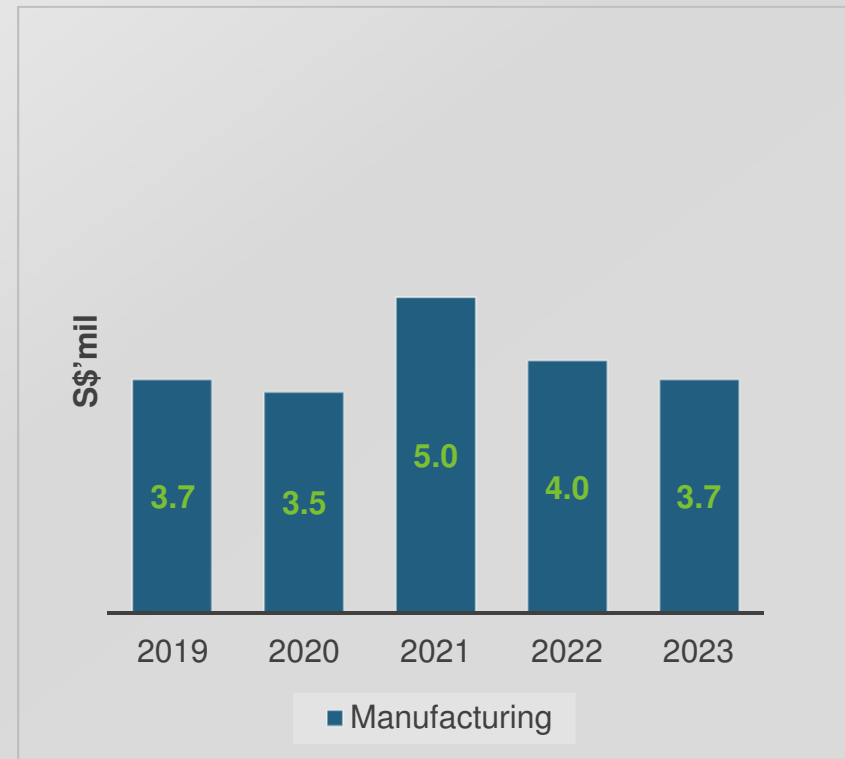
- Weaker demand and prices of chemicals continued into 2H 23.
- Sales in 2H 23 still higher than 1H 23 despite the fire incident in July.

Sales



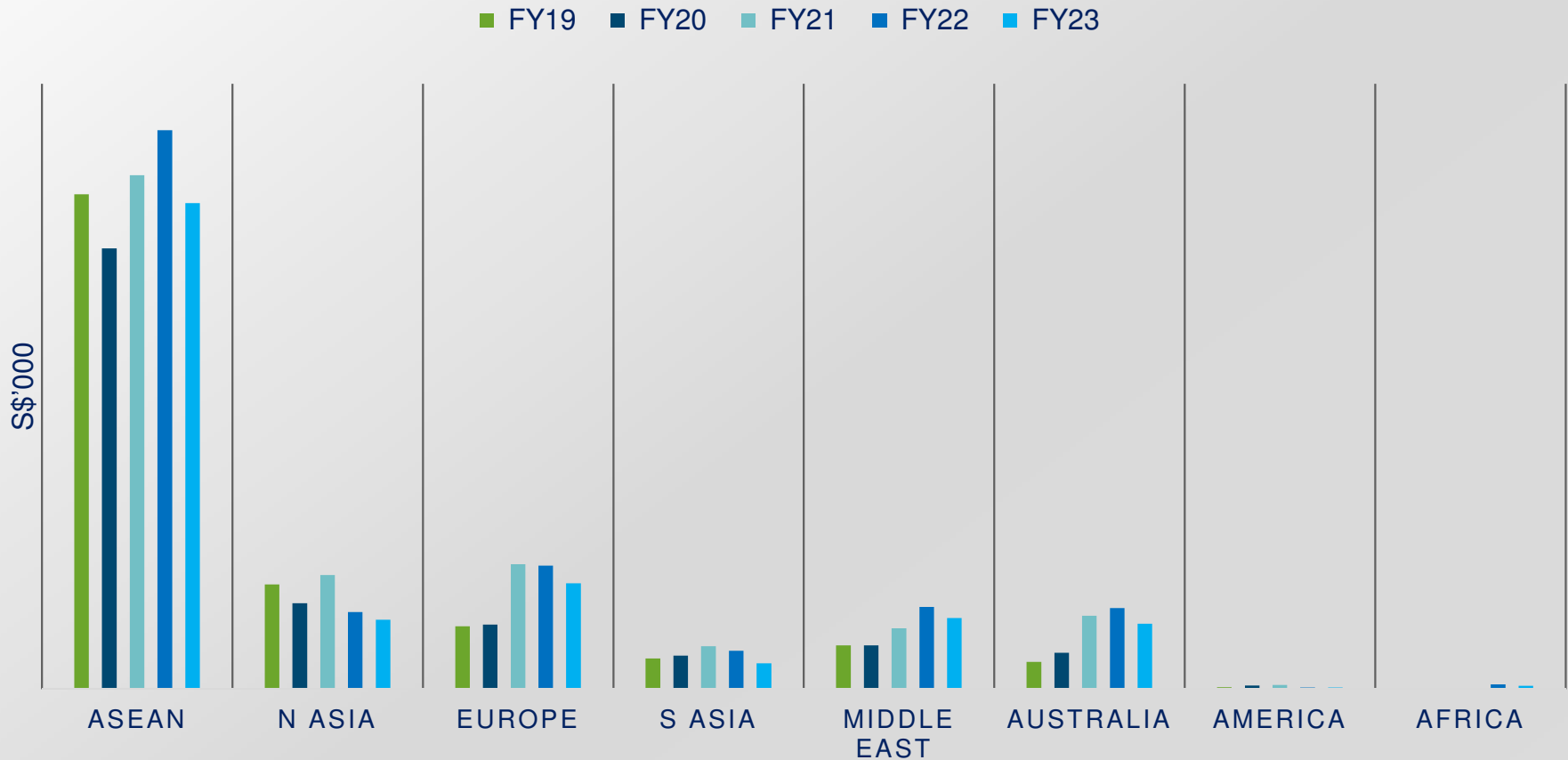
- After hitting a new record level in FY2022, sales decreased in FY23 due mainly to lower prices and weaker demand.
- Sales in 2023 higher than pre-Covid level.

Sales breakdown by Business Segments



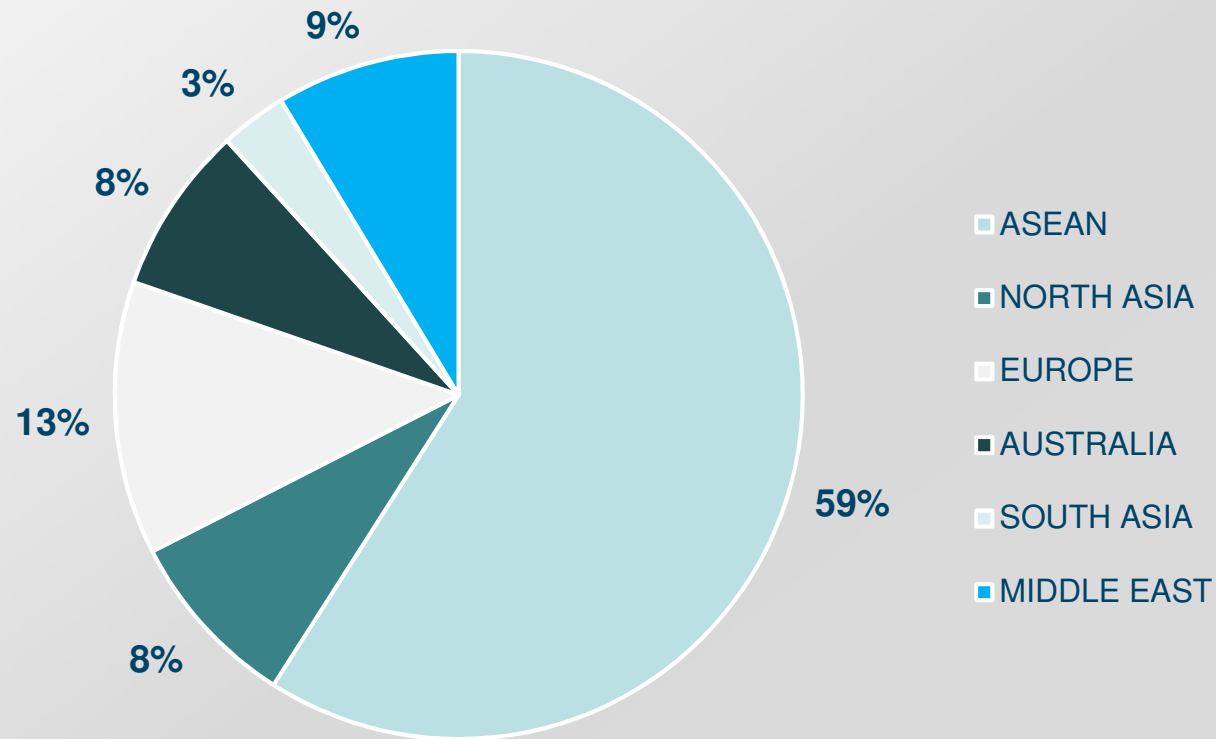
- Both Distribution and manufacturing activities experienced lower demand.

Sales Breakdown by Geographic Segments



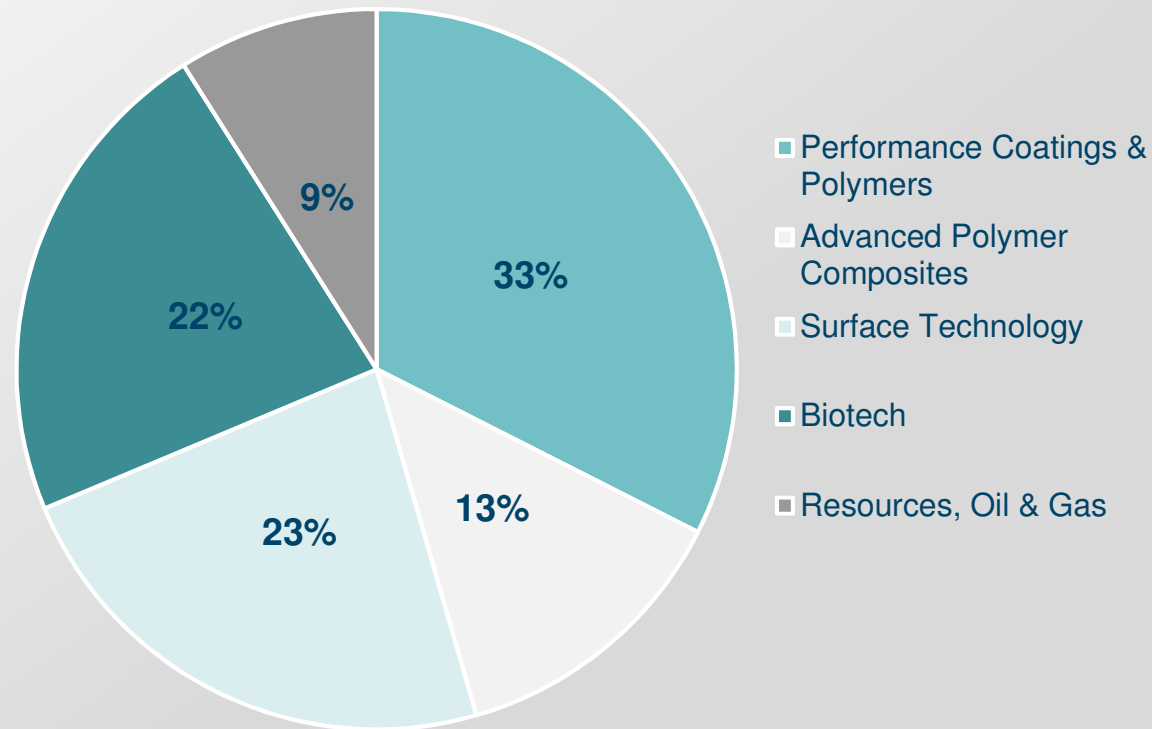
- Broad-based fall across our geographic segments reflecting the overall weaker market conditions.

Sales Breakdown by Geographic Segments



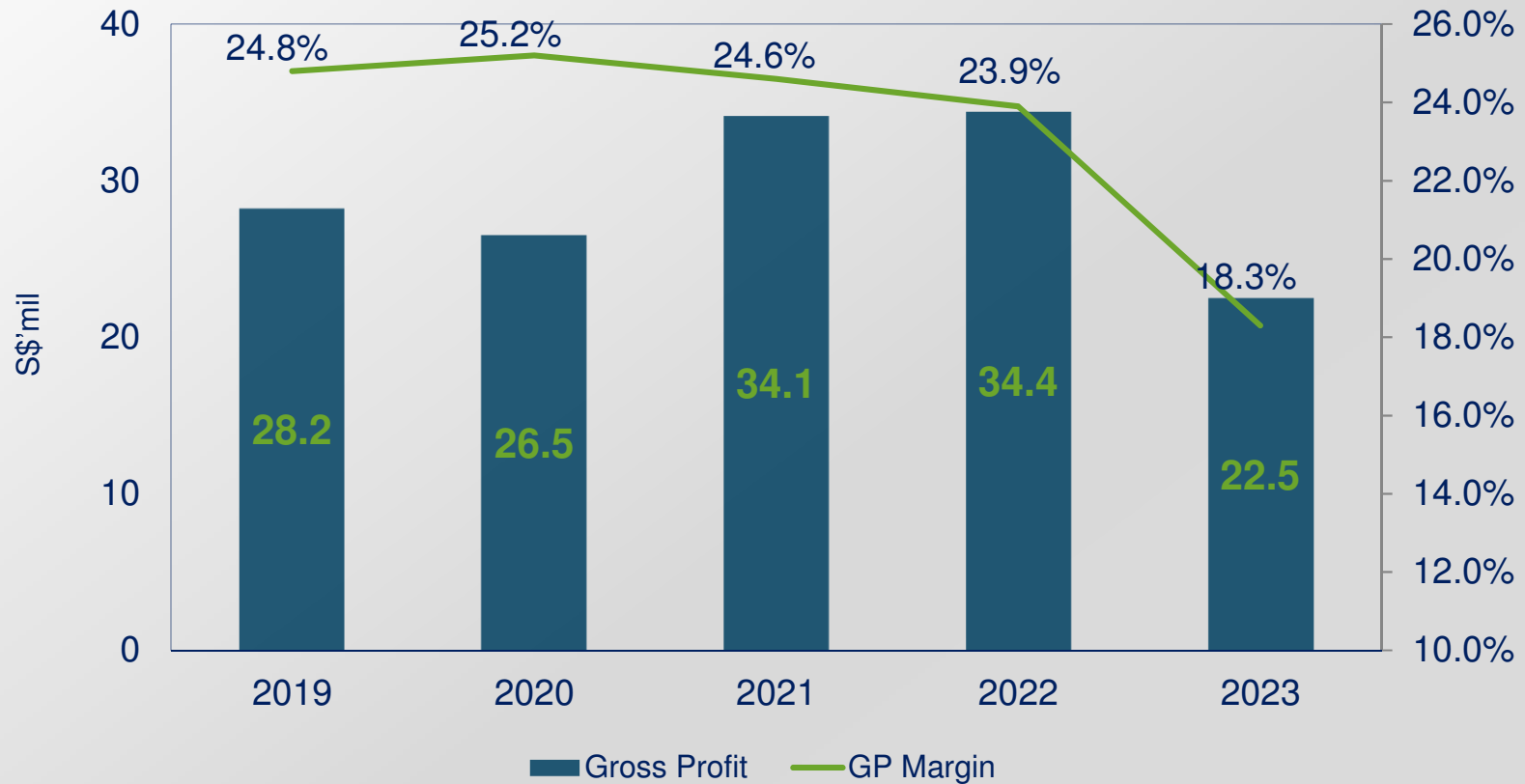
Asia-centric focus.

Sales Breakdown by Industry Coverage



Diversified Industry Coverage.

Gross Profit



- Gross profit and margin declined due mainly to write-off of inventory destroyed during the fire.
- Excluding the write-off of inventory (approximately S\$5.9 mil) due to the fire, GP margin would be 23.1%.

Expenses

- Total expenses increased S\$4.0 mil or 14.1% to S\$32.7 mil.
- Excluding expenses arising from the fire incident(S\$4.9mil), total expenses decreased \$1 mil or 3.5%

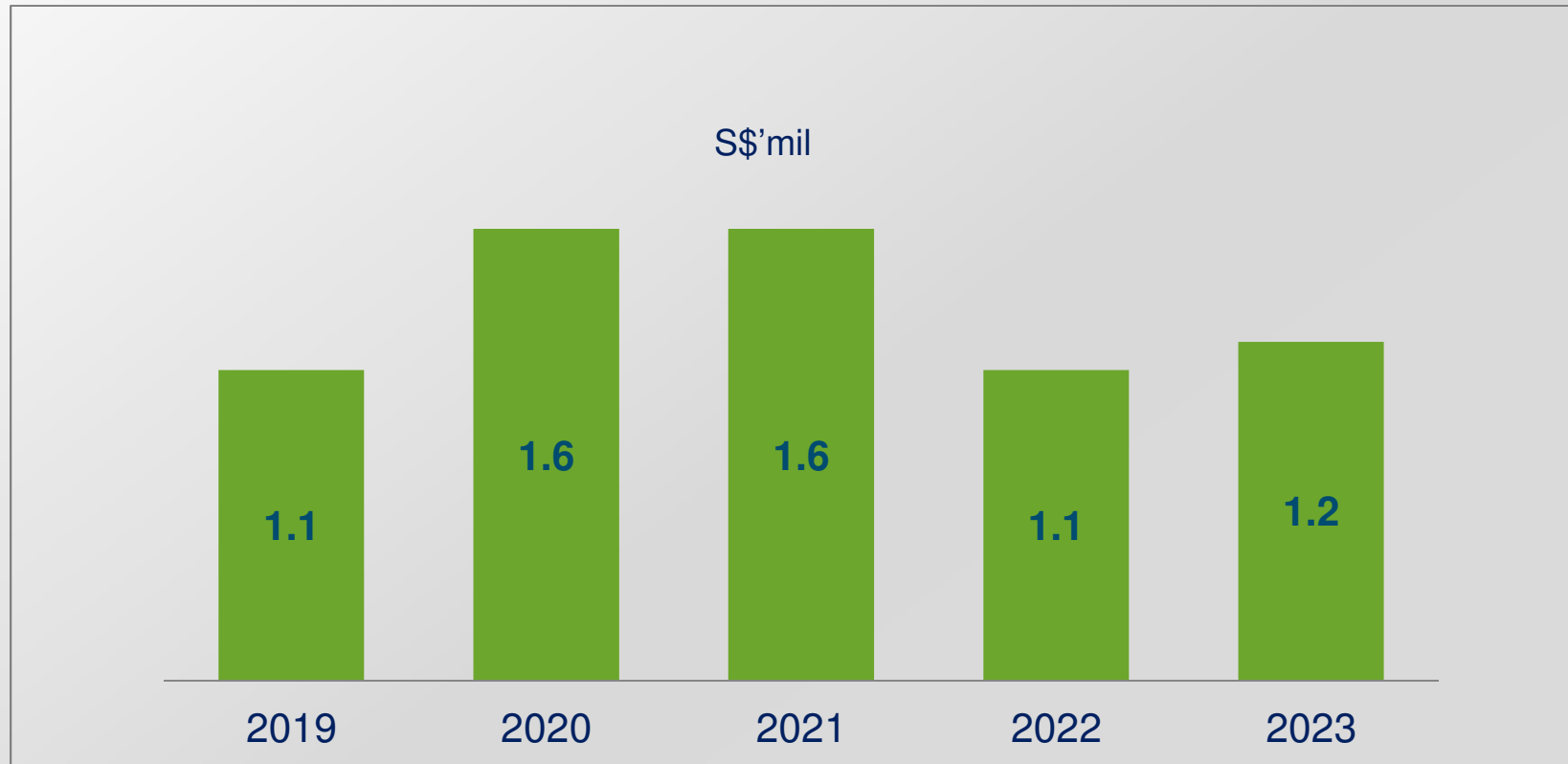
S\$'mil	FY22	FY23	Var	Var %	Remarks
Demolition cost	-	2.3	2.3	nm	Related to the fire incident.
Customers claim	-	0.8	0.8	nm	Related to the fire incident
Loss on property, plant, equipment	-	0.8	0.8	nm	Related to the fire incident.
Waste disposal	-	0.9	0.9	nm	Related to the fire incident
Finance cost	1.4	2.0	0.6	47.9%	Higher interest rates.
FX	0.9	0.1	(0.8)	(89.9%)	Lower net FX loss
Staff cost	16.4	15.5	(0.9)	(5.5%)	Lower performance-linked rewards in line with poorer results

Other Income

S\$'mil	FY2022	FY2023	Var	Remarks
Insurance claim	0.03	3.15	3.12	Insurance claim relating to the fire incident.
Trade receivables recovered	0.5	0.3	(0.2)	

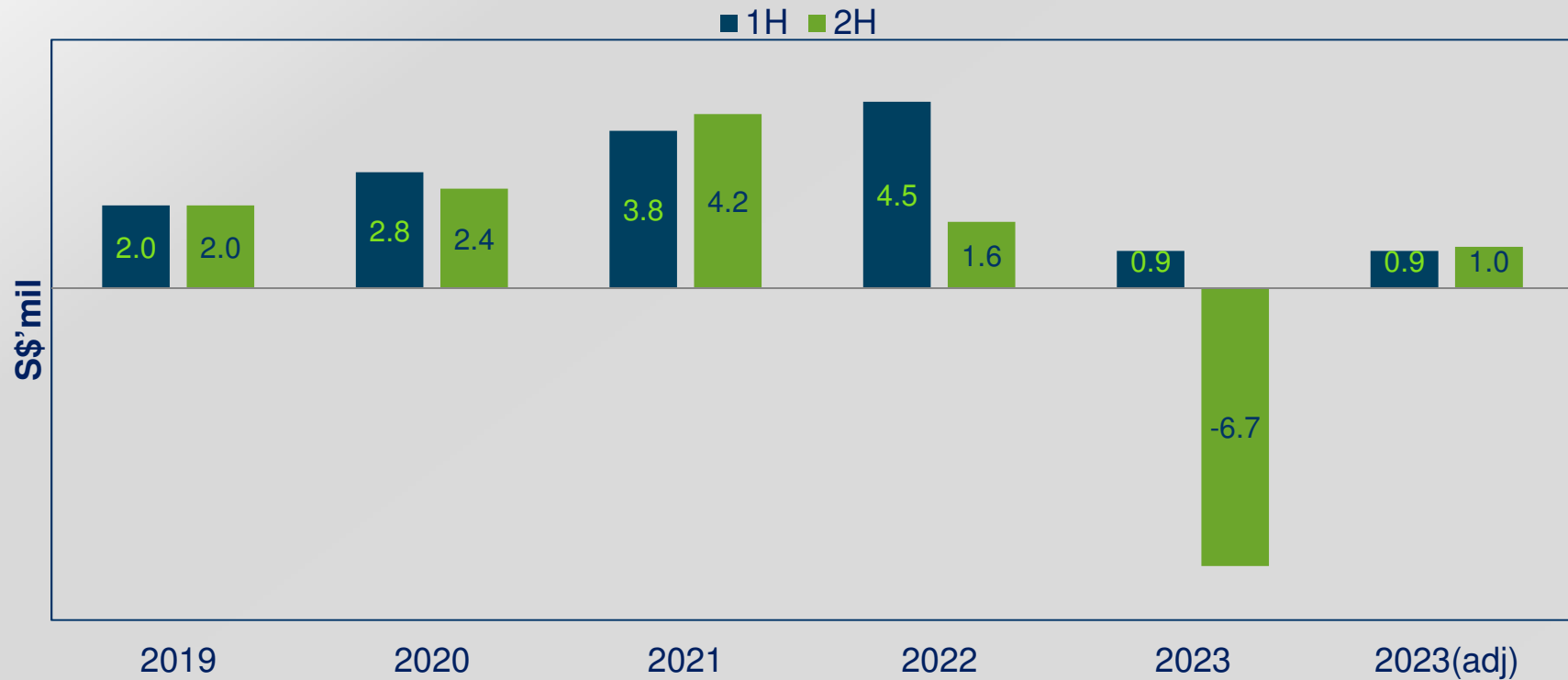
- Other income increased by S\$2.7 mil due to insurance claim received for the fire incident.

Share of Associate's Profit



- Marginal increase in profit contribution from our associated company in Thailand.

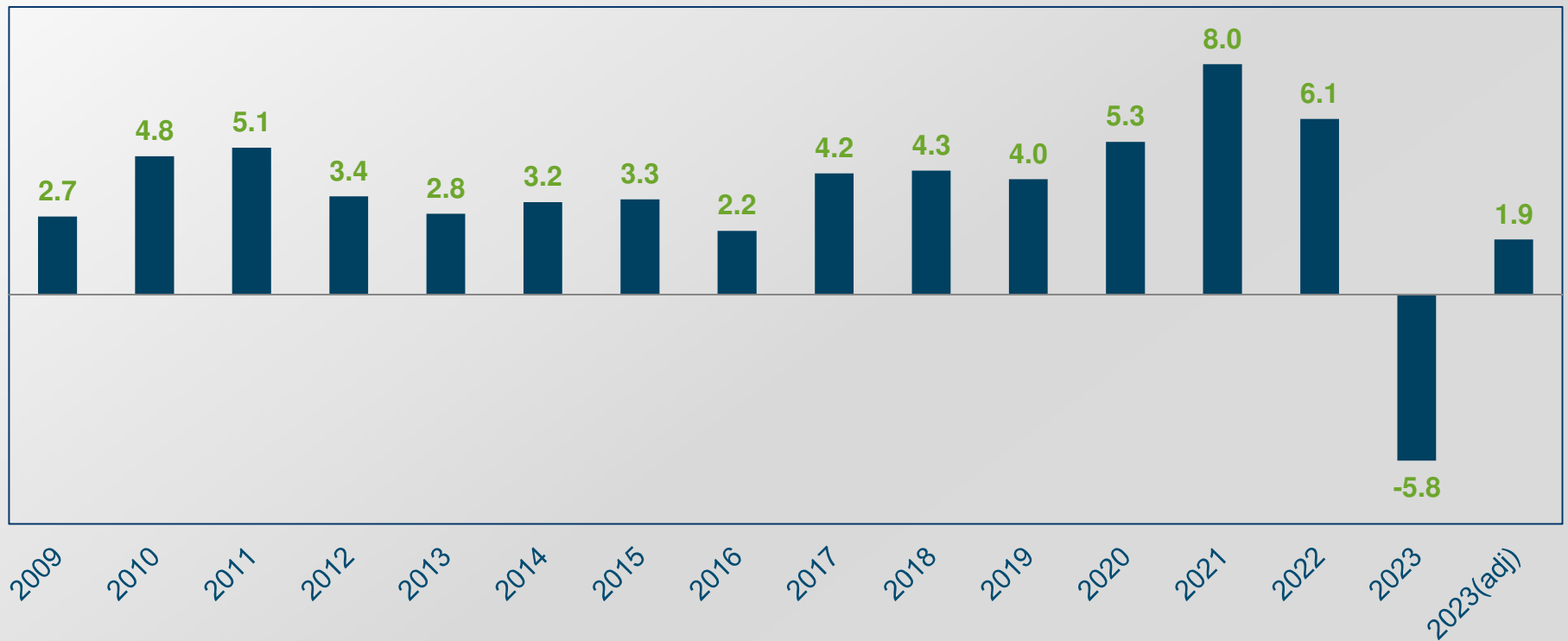
Net Profit After Tax



- Total impact of fire(net of insurance compensation) on 2H 23 P&L was \$7.7 million. Excluding this impact, net profit after tax would have been \$1.0 million in 2H 23.

Net Profit After Tax

Full Year NPAT \$'mil



- Excluding impact of the fire, NPAT in FY23 would have been \$1.9 million. The lower adjusted profit is mainly attributed to softer prices and weaker demand.

Balance Sheet

S\$'mil	31 Dec 22	30 Jun 23	31 Dec 23	Var 2023 vs 2022	
Cash	11.9	12.4	13.6	1.7	Lower working capital requirement
Borrowings	36.4	30.1	28.5	(7.9)	Prudent inventory management leading to lower borrowings.
Shareholders Equity (less MI)	58.6	57.1	50.0	(8.6)	Due to losses incurred in FY23 and dividend payment
Gearing (times)	0.62	0.53	0.57	(0.05)	Due to lower borrowings.
Net gearing (times)	0.42	0.31	0.30	(0.12)	In line with lower borrowings
Current ratio (times)	1.8	1.9	1.7	(0.1)	Sound liquidity.
Inventory (net)	49.3	40.9	33.6	(15.7)	Prudent inventory management.
Inventory T/O (days)	158	195	170	12	Slower sales.
Trade Receivables (net)	27.0	23.1	23.0	(4.0)	In line with lower sales
Receivables T/O (days)	75	77	76	1	No major deterioration in customers payment.
NTA/share (cents)	43.96	42.83	37.48	(6.48)	Write-off of assets due to the fire.



Cashflow

Heightened External Risk + Capital Commitment => Financial Prudence

\$'mil	FY2022	FY2023	
Cash (used in)/from operating activities	(3.0)	15.8	Positive cashflow mainly from inventory reduction.
Cash used in investing activities	(0.01)	(1.9)	USD1 mil Investment in EV component supplier
Cash from/(used in) financing activities	3.2	(11.6)	Positive cashflow from operating activities allow us to reduce bank borrowings and pay dividend.
Net increase in cash	0.1	2.3	
Beginning cash and cash equivalents	11.1	10.9	
Ending cash and cash equivalents	10.9	13.0	

Share Statistics

Share Information (as at 20 February 2024)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	55 cents
52 weeks Low	36 cents
Price (as at 20 Feb 2024)	48.5 cents
No of Shares	133,300,000
Earnings per share FY23	(4.43) cents
Historical P/E(a)	nm
Market Capitalisation (as at 20 Feb 2024)	\$64.6 mil
NTA/share	37.48 cents
Price/Book Ratio (b)	1.29

Note :

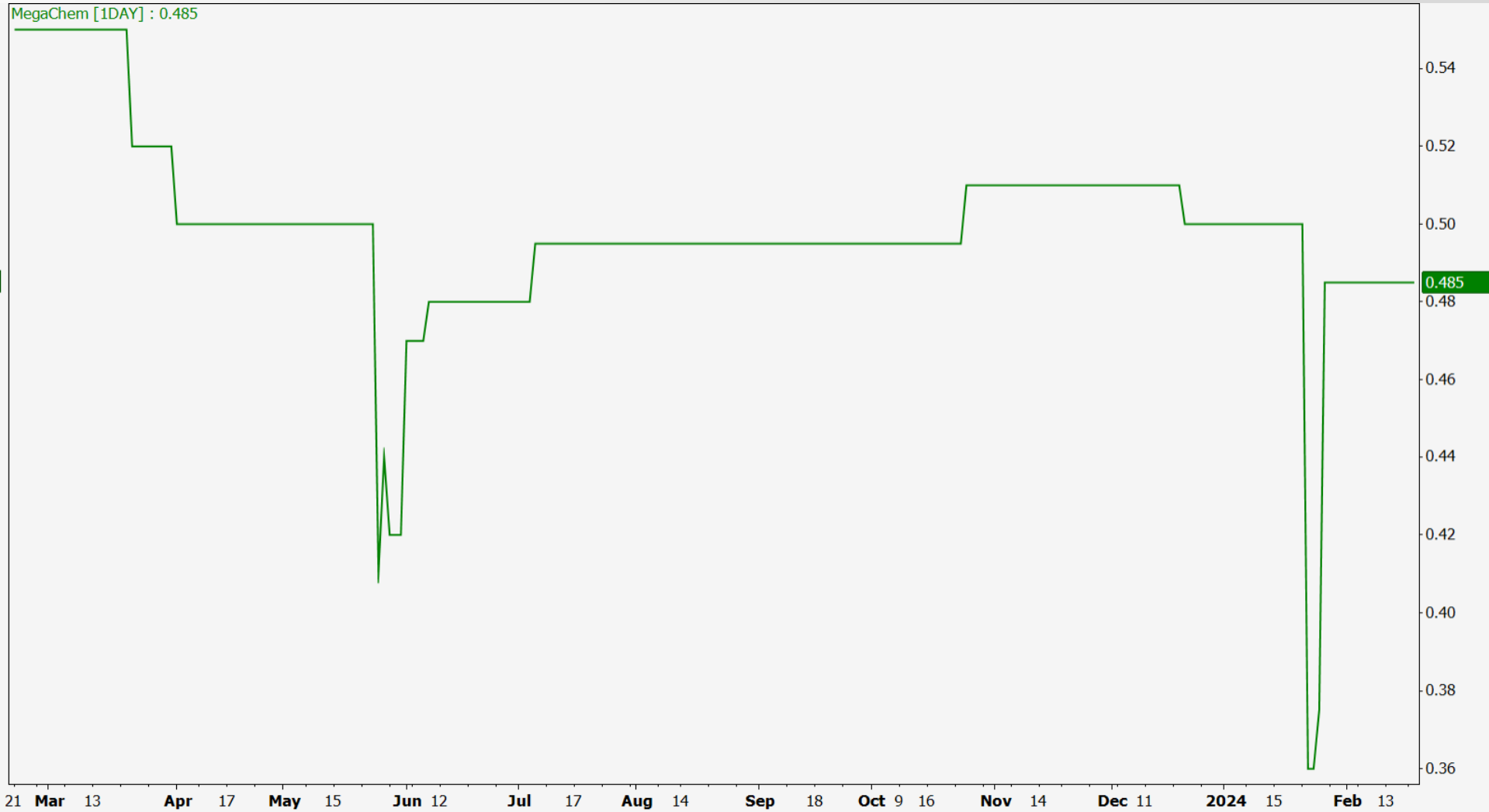
(a) P/E = price as at 20 Feb 2024 / EPS FY23=48.5/(4.43)= not meaningful

(b) Price/Book ratio = price as at 20 Feb 2024/NTA per share = 48.5/37.48 = 1.29.



Share Price Performance

Share price chart : 1 year to 20 February 2024



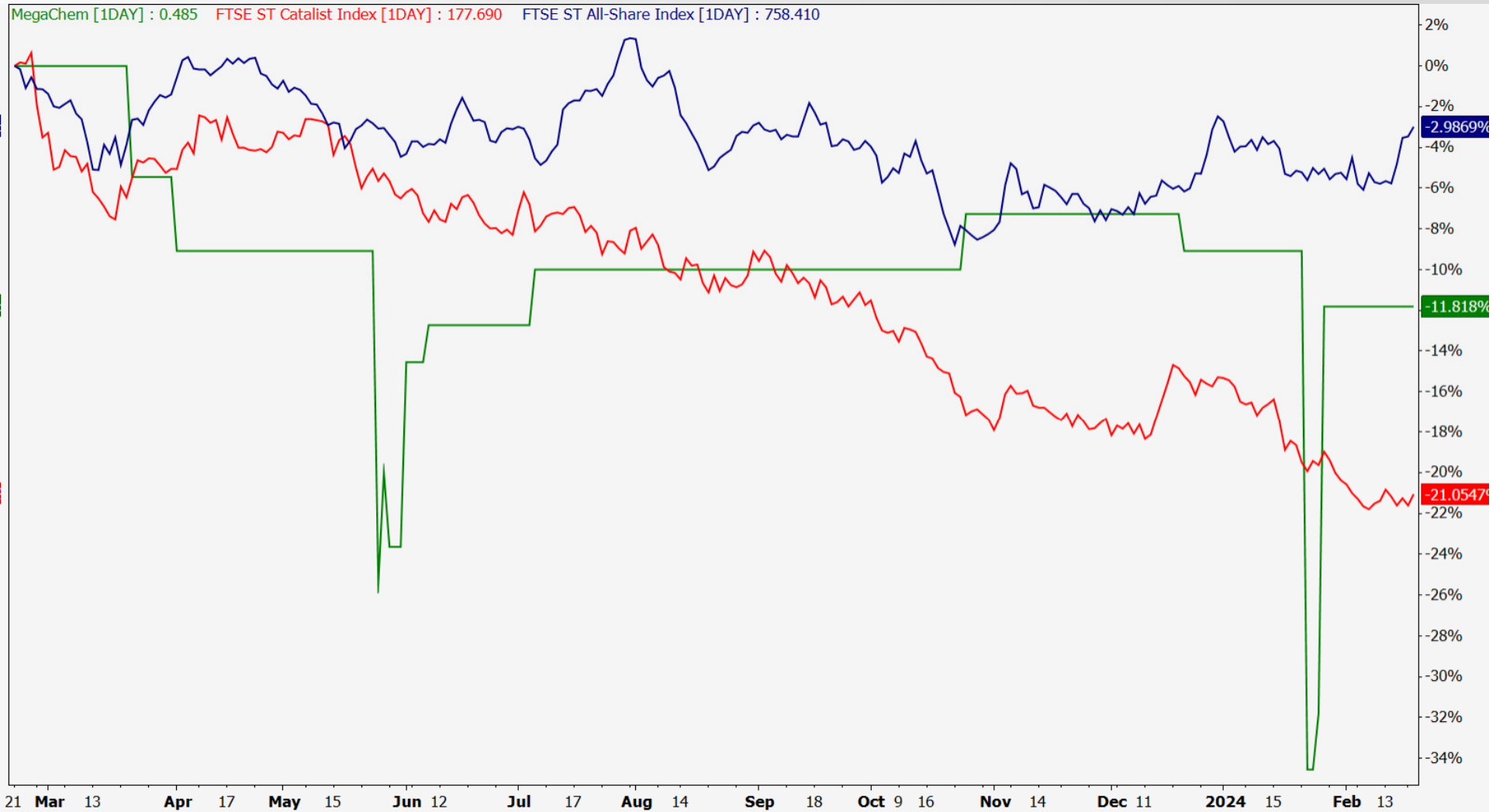
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Share Price Performance

Share price chart : 1 year to 20 February 2024

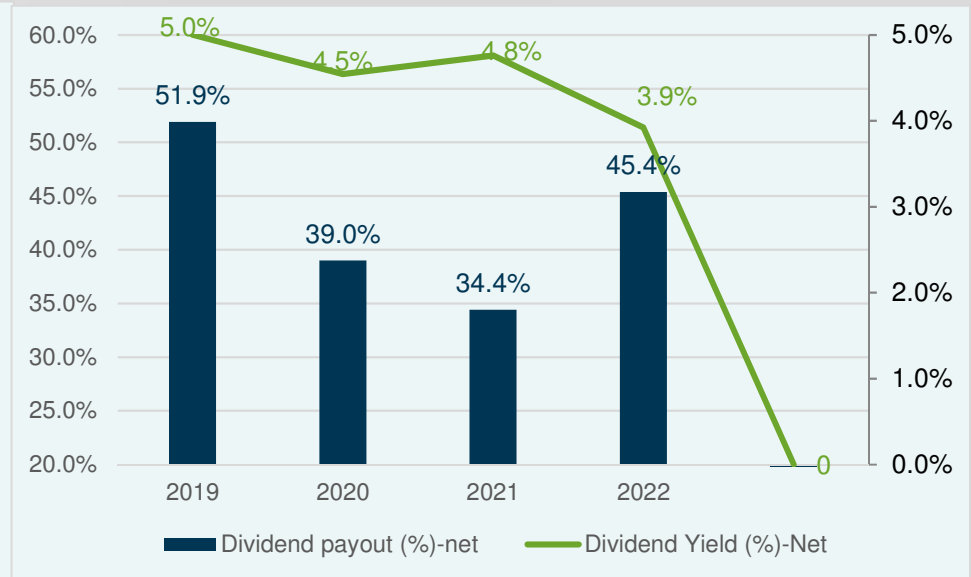
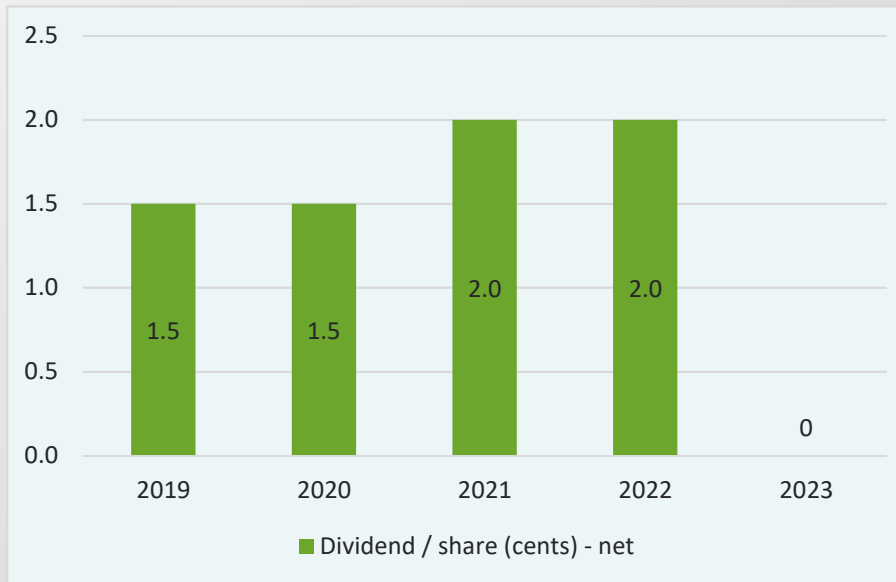


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FY2023 Final Dividend

	FY2023
Interim Dividend (cts/share)	Nil
Final Dividend (cts/share)	Nil



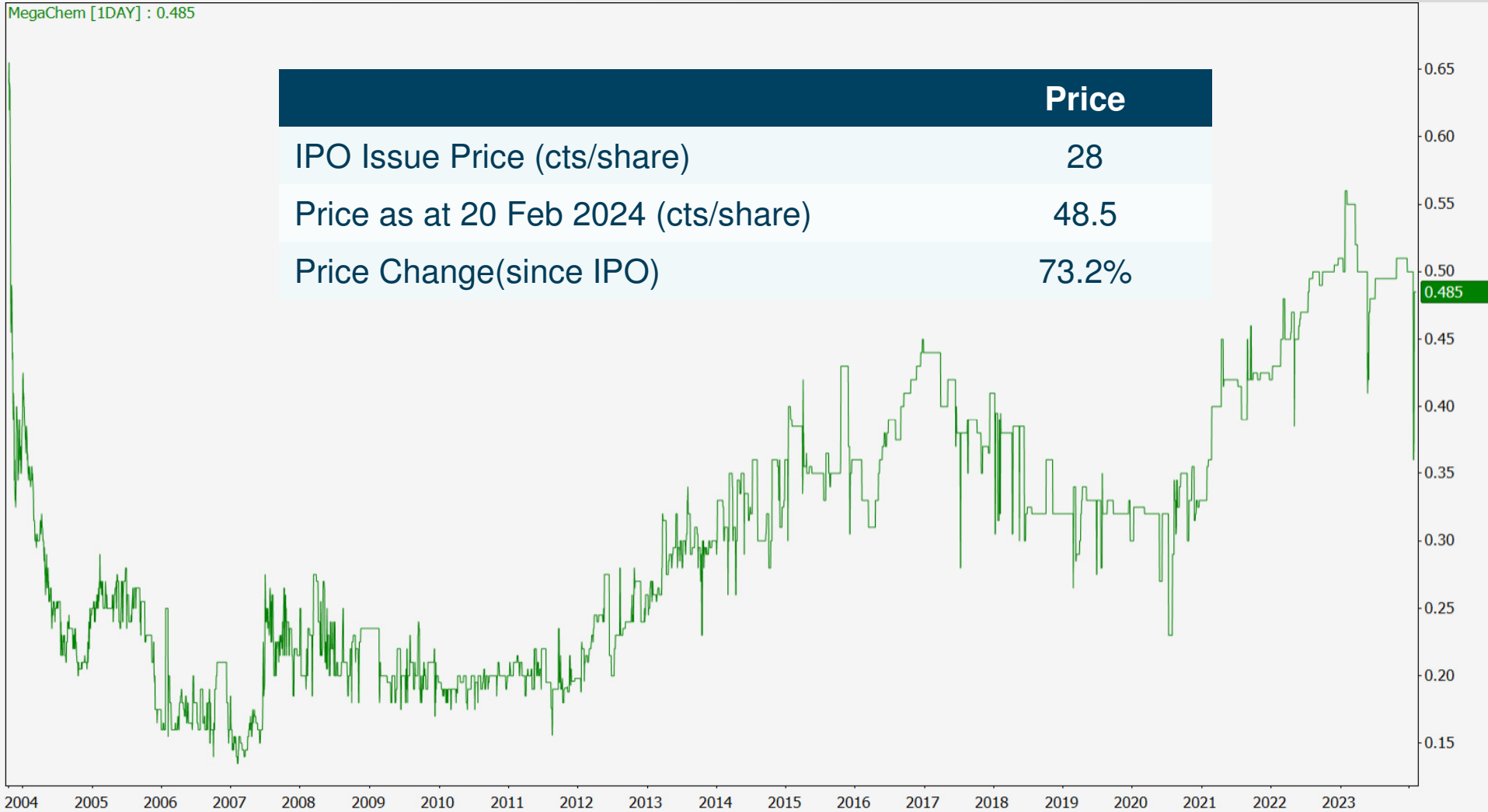
** Dividend yield = FY22 dividend per share / price as at 30 Dec 2022=2.0/51=3.9%.



Share Price(since IPO)

MegaChem [1DAY] : 0.485

	Price
IPO Issue Price (cts/share)	28
Price as at 20 Feb 2024 (cts/share)	48.5
Price Change(since IPO)	73.2%

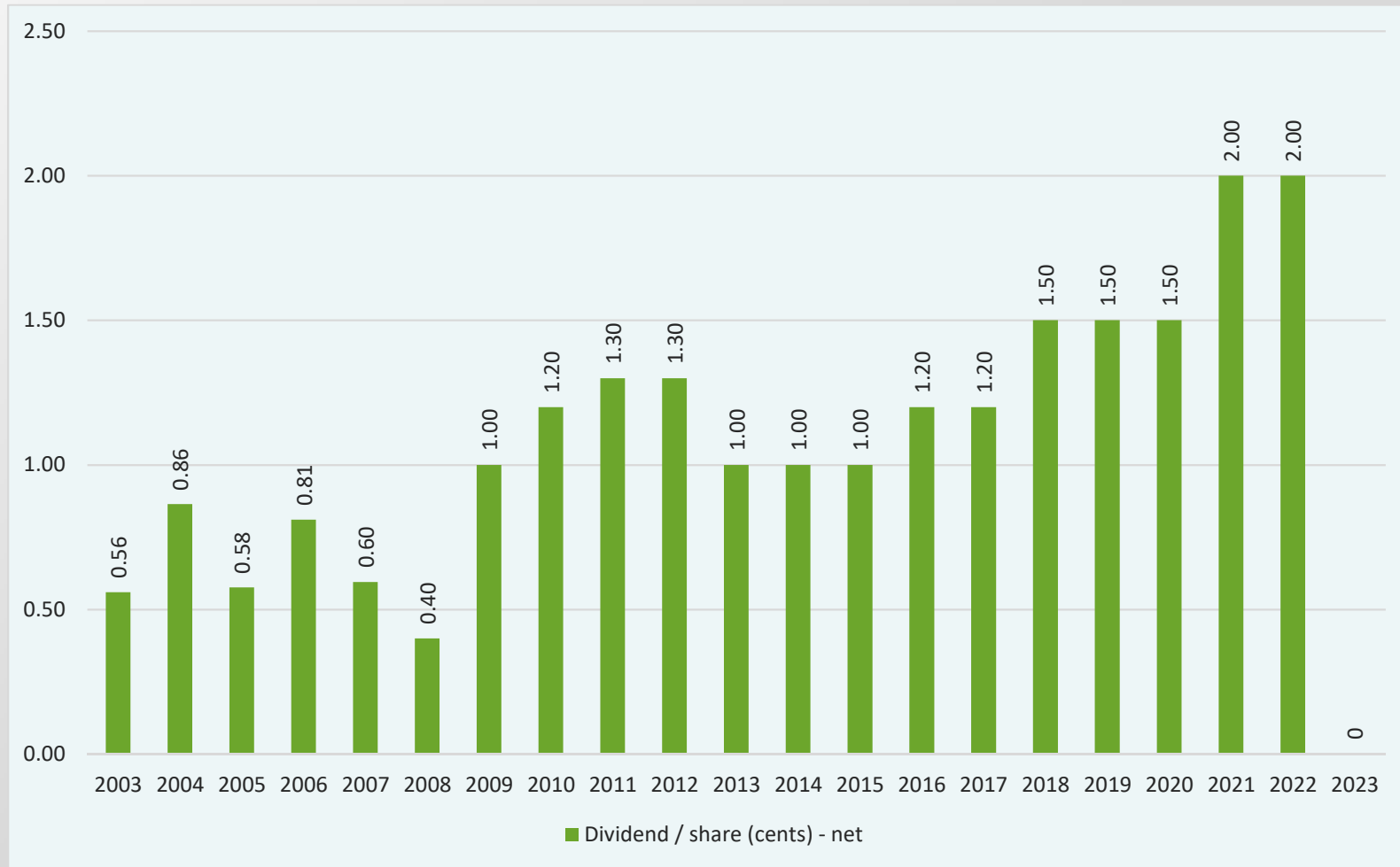


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Dividend(since IPO)

Dividend	
Total Dividend since IPO (cts/share)	22.5





FY2024 Outlook

Outlook FY2024

Global Economy

- Inflationary pressure has eased
- Interest rates hike has paused but interest rates remain elevated
- High business cost and tepid demand may continue to be a drag on business activities

Chemical Industry

- Excess inventory situation improving but demand recovery uncertain
- Supply chain disruption arising from Middle-east conflict also poses a risk to recovery
- Recovery in demand depends on economic growth

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- Cautious stance as business conditions remain uncertain
- Groundwork for rebuilding of warehouse commenced
- New warehouse will have bigger storage capacity thus reducing warehousing cost
- The new warehouse will also be safer and greener.

**Business prospects clouded by external uncertainties.
Strengthening Business Resilience to position for recovery.**

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