



NEWS RELEASE

MEGACHEM ACHIEVES RECORD REVENUE OF S\$143.7 MILLION FOR FY 2022

- ***3.5% topline increase driven by growth in the distribution business across ASEAN, Middle East and Australia***
- ***Proposes final dividend of 1.2 cents per share, totalling 2.0 cents per share for FY2022, representing a payout ratio of 45.4%***
- ***Maintains healthy balance sheet with low net gearing ratio of 0.42 times¹***
- ***Focused on building a diversified and resilient business model backed by extensive presence in Asia***

Singapore, 21 February 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 3.5% growth in revenue to S\$143.7 million for the full year ended 31 December 2022 (“FY 2022”), driven by growth in distribution business across various regions. Impacted mainly by rising interest rate and cost increases, net profit after tax declined 24.1% to S\$6.1 million over the same period last year.

Mr. Sidney Chew, Managing Director of the Group, said: “We ended 2022 on a mixed note. We are encouraged to have achieved a new record in our revenue, buoyed by good growth in our largest ASEAN market, and other significant regions including Australia and the Middle East. Notably, the chemical industry saw escalated demand in the first half of 2022 but showed signs of slowdown towards the end of 2022 as companies started to destock their inventory. Nonetheless, the global-wide high interest rate and inflation environment has caused a dip in our bottom line.

¹ As at 31 December 2022.

“Looking ahead, we believe 2023 could be a difficult year for the chemical industry due to the weakness in industrial production, persistent high inflation environment and economic uncertainty. We will continue building on 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 business conditions improve.”

Performance Review

For FY 2022, Megachem recorded a revenue of S\$143.7 million, an increase of 3.5% as compared to the S\$138.9 million recorded in the previous financial ended 31 December 2021 (“FY 2021”). The revenue growth was primarily driven by the distribution business that grew 4.4% to S\$139.8 million in FY 2022, while the manufacturing business declined 20.7% to S\$4.0 million primarily due to lower blending volume.

In terms of geographical segment, revenue from ASEAN, the Group’s largest market, increased by a healthy 8.7% to S\$83.1 million in FY 2022. Other markets such as Middle East and Australia saw better performance as compared to FY 2021, which recorded higher revenues of 35.1% and 10.3% respectively. Meanwhile, revenue from Europe, which is the Group’s second largest market was held relatively steady at S\$18.3 million in FY 2022. On the other hand, revenue from North Asia declined by 32.6% to S\$11.4 million while revenue from both South Asia and America recorded lower sales of S\$0.7 million and S\$0.4 million respectively.

The Group recorded a decline in other income by 14.9% or S\$0.2 million year-on-year, mainly due to lower grant income, absence of fair value gain on quoted equity shares, lower compensation claims and lower interest income.

The Group's FY 2022 share of profit of associated companies declined by 30.7% to S\$1.1 million, mainly due to slowing of demand and partly due to integration costs being incurred on the acquisition of a distributor back in October 2021.

For FY 2022, total operating expenses increased by 1.5% year-on-year, largely due to higher net foreign exchange loss and fair value loss from forward contract. Other expenses such as warehouse storage charges and higher depreciation costs also led to the higher total operating expenses. However, this was partially offset by lower employee remuneration. Due to higher interest rates and borrowings, finance costs increased by S\$573,000 or 71.3% over FY 2021.

As a whole, Megachem recorded a 24.1% decline in net profit after tax from S\$8.0 million in FY 2021 to S\$6.1 million in FY 2022.

The Group's liquidity remained sound, with cash and bank balances of S\$11.9 million and current ratio of 1.8 times as at 31 December 2022. Net gearing ratio remains low at 0.42 times, though increased from 0.30 times as at 31 December 2021.

Earnings per share for FY 2022 declined by 24.2% to 4.41 cents from 5.82 cents in FY 2021. Net asset value per share rose to 43.96 cents as at 31 December 2022, from 42.95 cents as at 31 December 2021.

Proposed Dividend

In appreciation of the support from the valued shareholders of Megachem, the Board of Directors has recommended a final dividend of 1.2 cents per share for FY 2022, subject to the approval by shareholders at the next Annual General Meeting to be convened. Including the interim dividend of 0.8 cents per share, the total dividend of 2.0 cents per share for FY 2022 represents a total payout ratio of 45.4%.

Outlook

Fears of recession have been surfacing lately on the back of concerns that tighter monetary policies and higher interest rates to tame inflation may push the global economy into a recession. IMF's view in its January 2023 report is that the global economy is likely to be slower this year. A recovery in global economic growth will depend on whether the easing of COVID-19 restrictions in China recently can provide support to the global economy and enable it to avert the risk of a recession. In this backdrop, IMF in its January 2023 World Economic Outlook report² slashed their global growth estimate for this year to 2.9%.

“Even though headwinds to growth are emerging, Megachem’s long-term growth strategy of building a diversified and resilient business model remains sound and robust. Our strong customer and supplier relationship as well as our extensive network in Asia provide us a solid foundation to capitalise on opportunities when business conditions improve,” concluded Mr Chew.

² IMF, Inflation Peaking amid Low Growth – January 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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