



Megachem<sup>®</sup>

Results Presentation FY2022  
Analyst Briefing



# Business Updates

# Year of Mixed Fortune

## Global Economy

### 1H 2022

- Resurgence of COVID-19 virus in China
- Russia-Ukraine war
- **Post-COVID lockdown recovery continued**

} Supply chain disruption

### 2H 2022

- Inflation & interest rates hike

} Threat to recovery

## Chemical Industry

### 1H 2022

- **Chemical demand recovered**

### 2H 2022

- Fears of recession led to weaker chemical demand in 4<sup>th</sup> quarter
- Inventory rebuilding → inventory destocking

## Megachem

### 1H 2022

- Managing inventory challenging due to supply disruption
- Maintaining supply continuity was key

### 2H 2022

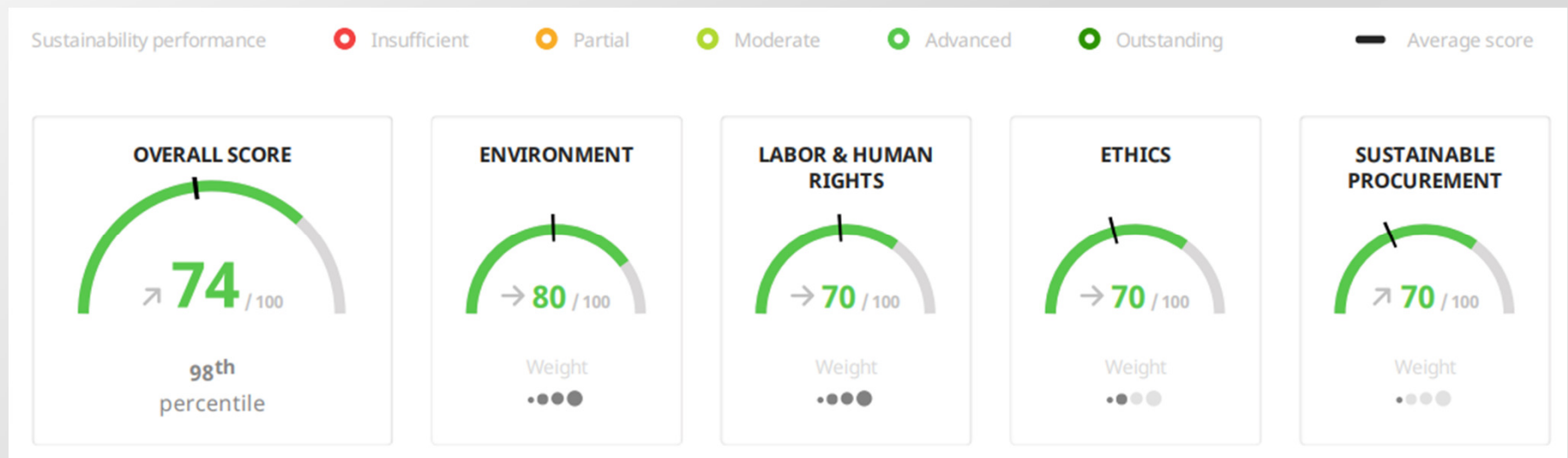
- Prudent purchasing policy in anticipation of slower demand
- Customers reducing inventory

**Post-COVID Recovery Derailed**

A photograph showing several small green seedlings with two leaves each, growing out of dark brown soil. Each seedling is planted in a small, cylindrical container made of stacked, golden-brown metal cans. The background is a soft, out-of-focus green, suggesting a natural outdoor setting. The overall image conveys a message of growth, sustainability, and environmental care.

# Sustainable Chemistry

# Sustainable Chemistry



- Solar panel installation – a step in our effort to reduce global warming
- Sustainability-linked financing - a recognition of our sustainability achievement

<http://megachem.listedcompany.com/sustainability.html>



Financial Performance



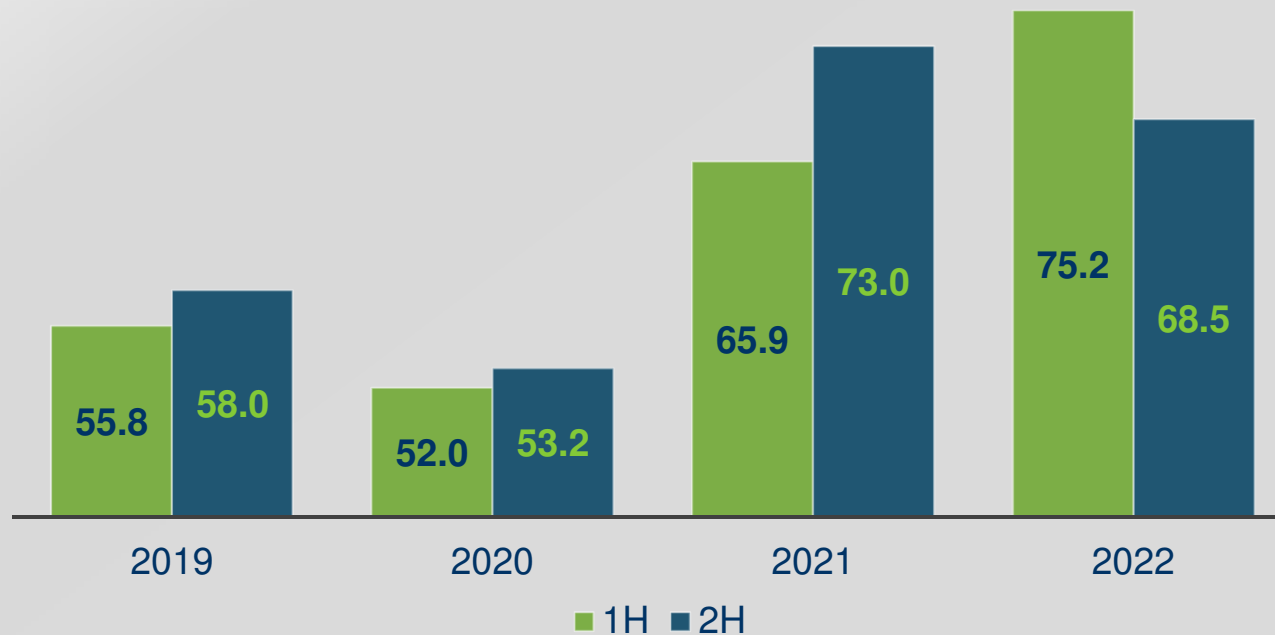
## Profit & Loss Highlights

Record Sales but Profit dipped

S\$'mil	FY21	FY22	Var	Var %	
Sales	138.9	143.7	4.8	3.5%	▲
Gross Profit	34.1	34.4	0.3	0.9%	▲
Gross Profit Margin %	24.6%	23.9%	(0.7% pt)	-	▼
EBITDA	11.1	10.5	(0.6)	(5.4%)	▼
NPBT	9.2	7.8	(1.4)	(14.8%)	▼
NPAT	8.0	6.1	(1.9)	(24.1%)	▼
NPAT Margin %	5.8%	4.2%	(1.6% pt)	-	▼
EPS(cents)	5.82	4.41	(1.41)	(24.2%)	▼

# Sales

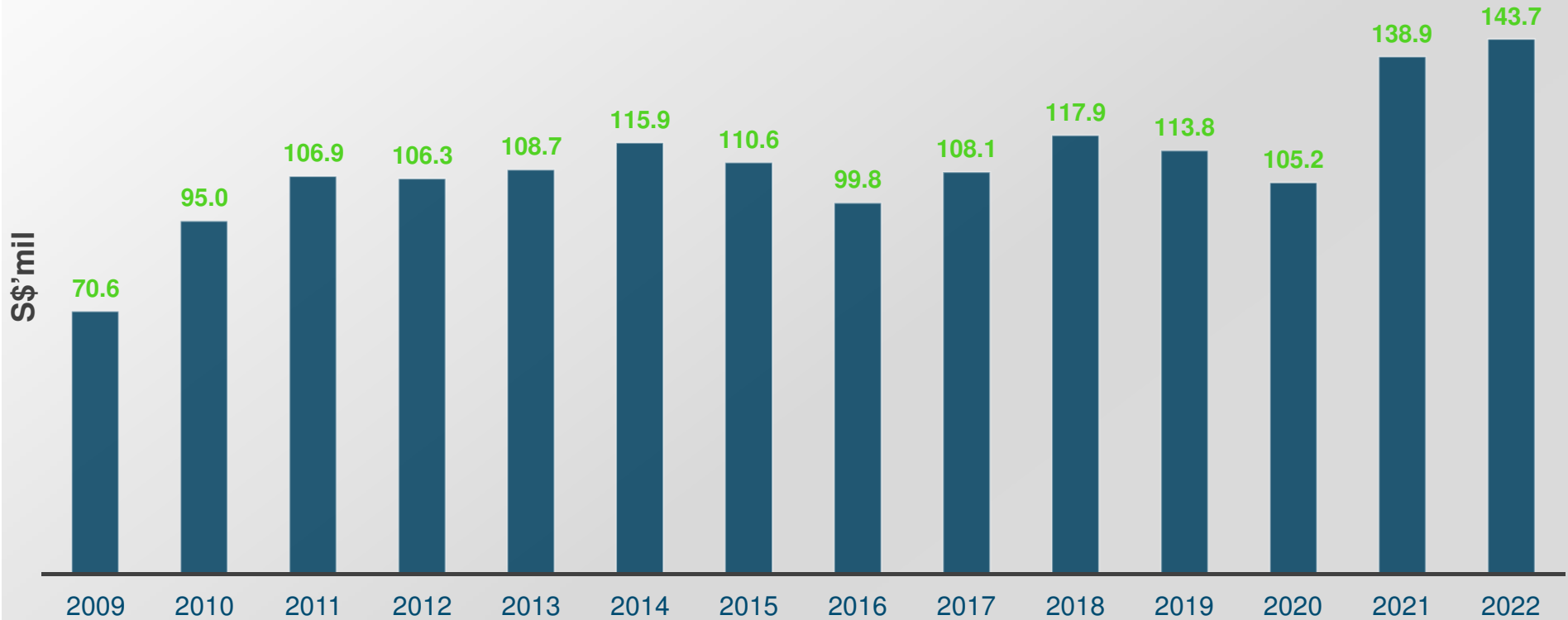
## Half-year Sales(S\$'mil)



- Strong recovery since 1H 21, following vaccination rollouts and gradual withdrawal of COVID-19 restrictions, but stalled in 2H 22.
- Concern over supply continuity in 1H 22 shifted to fear of recession in 2H 22.
- Sales in 2H 22 still higher than pre-pandemic level

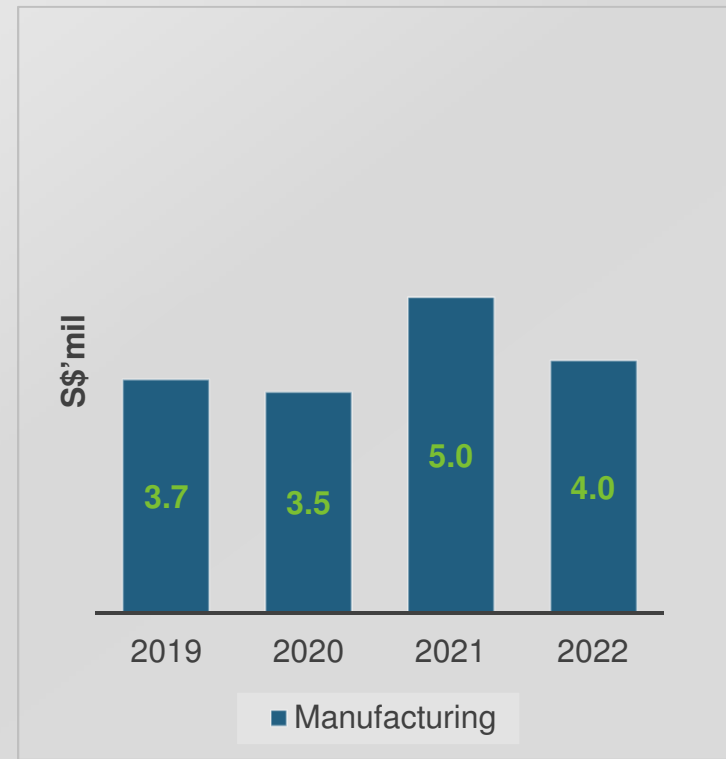
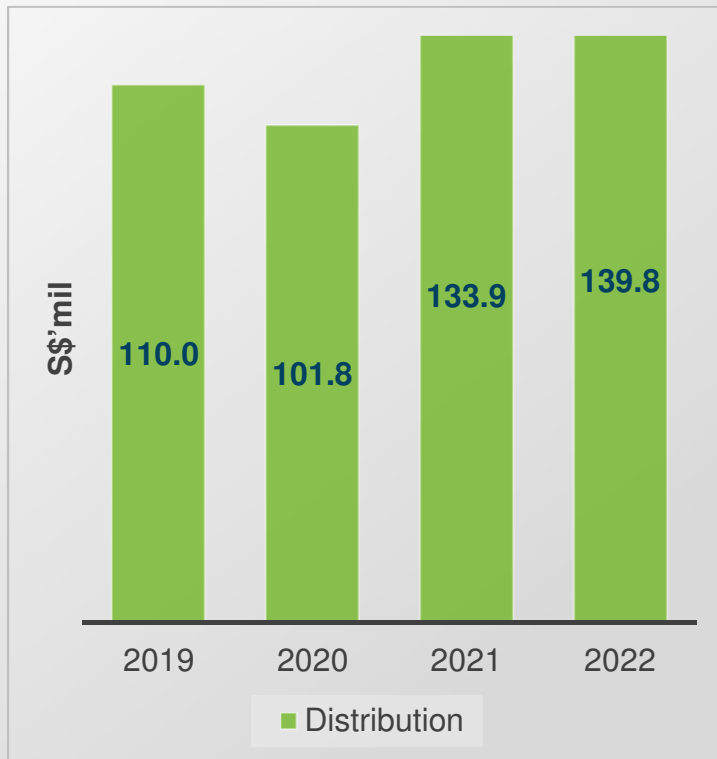


# Sales



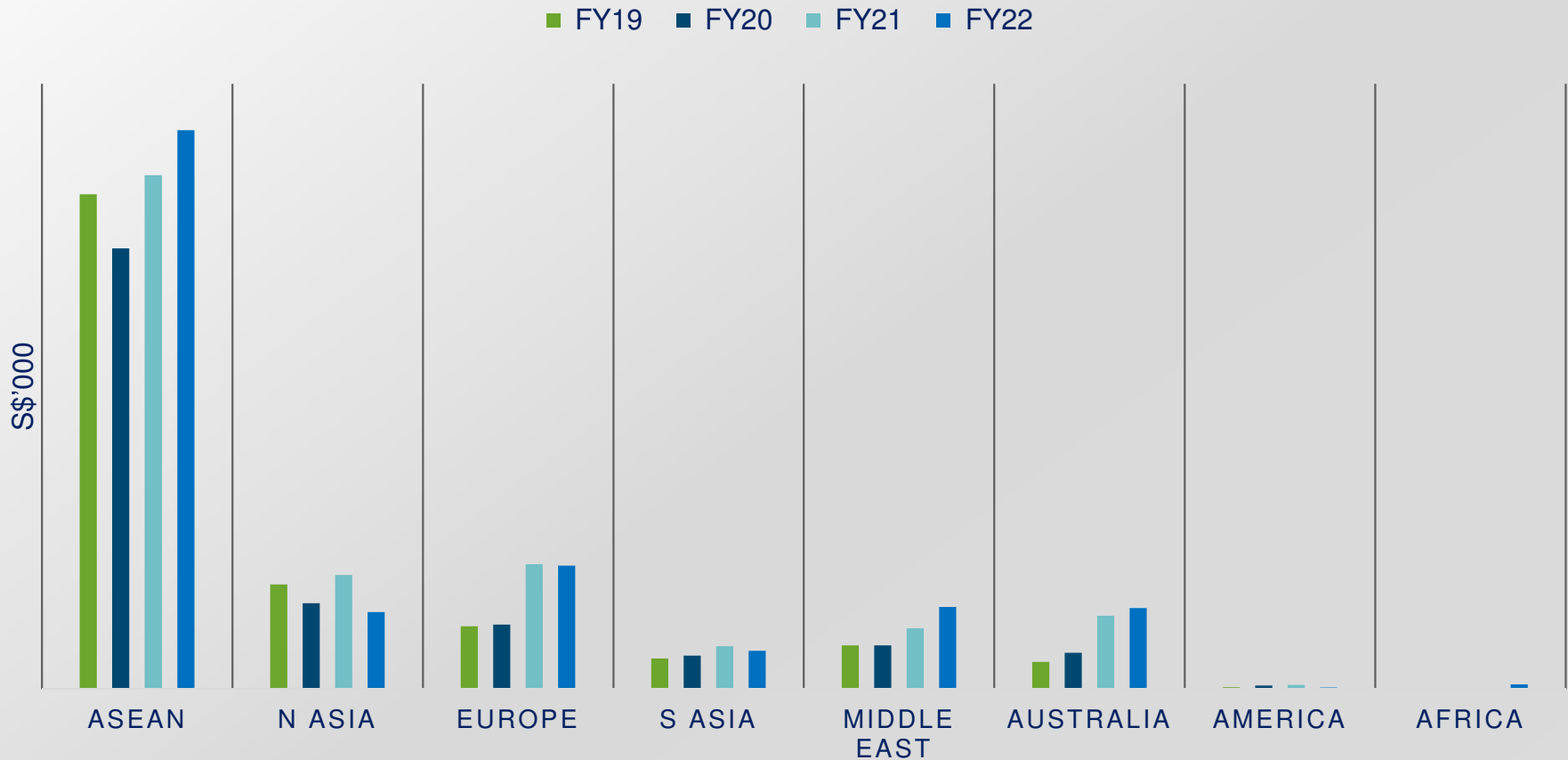
- Sales increased in FY22 due to strong demand in 1H 22.
- Hitting new record.
- Business elevated to a new level
- Seizing opportunities after each crisis.

## Sales breakdown by Business Segments



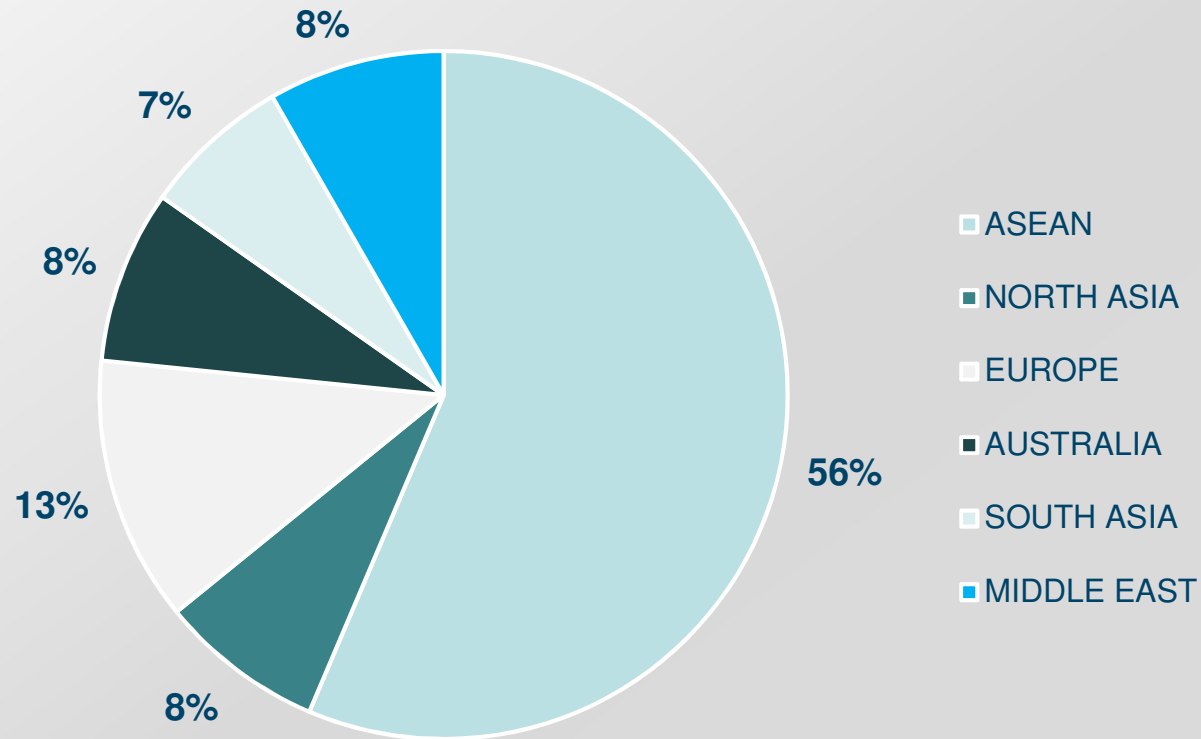
- Distribution activity expanded but manufacturing experienced lower blending volume.

# Sales Breakdown by Geographic Segments



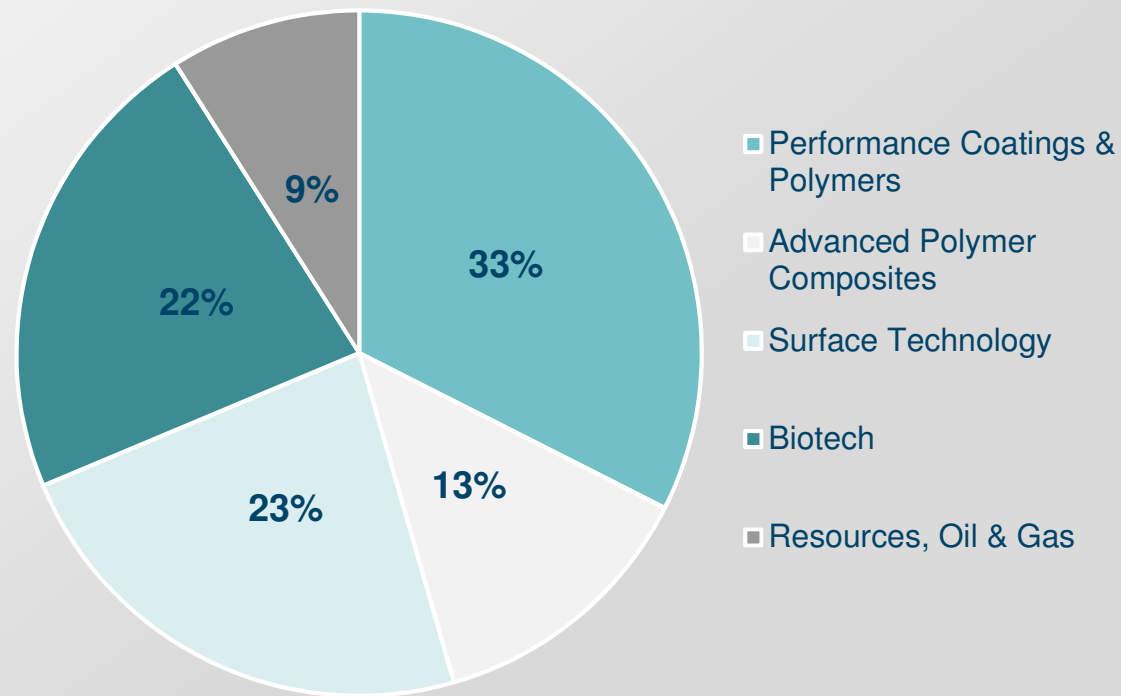
- Growth in major markets but lower sales from China, following resurgence of COVID, weighed on group sales.

# Sales Breakdown by Geographic Segments



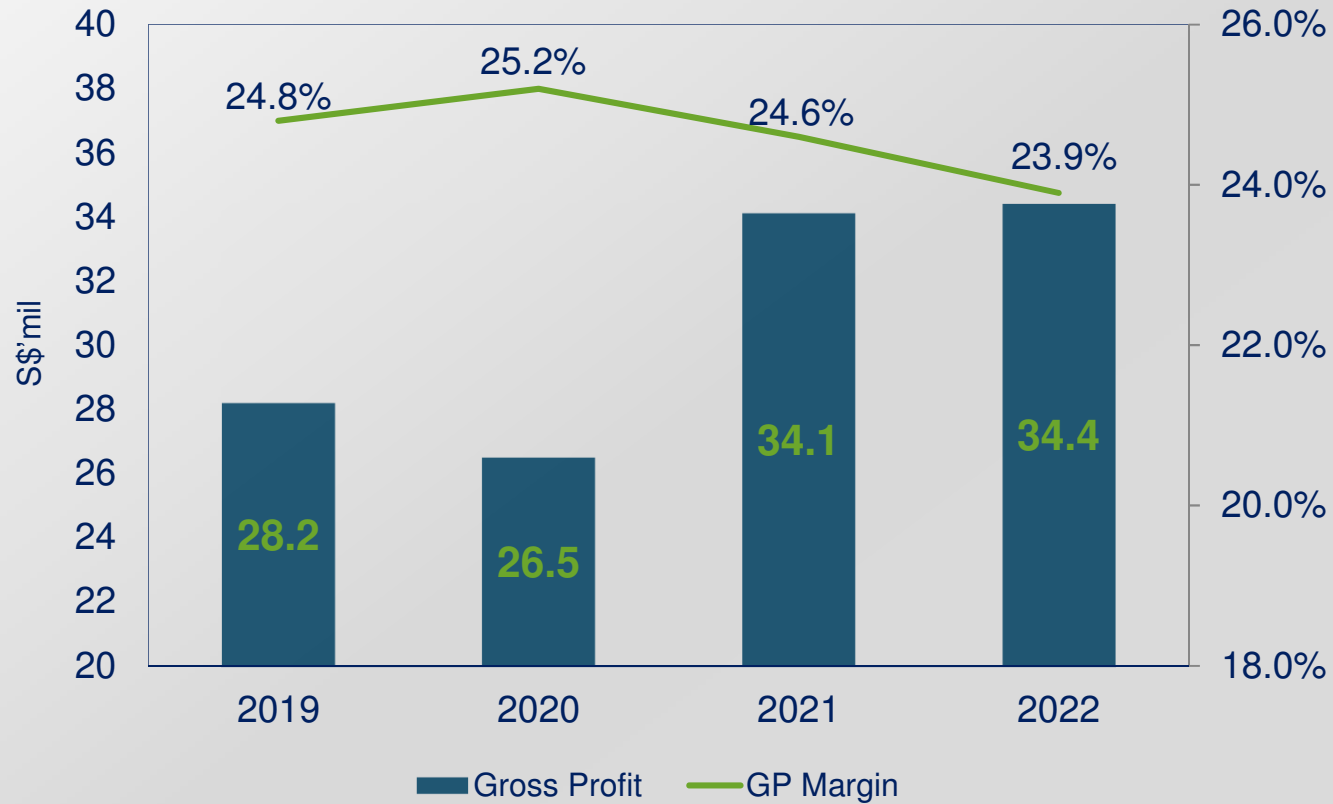
Asia-centric focus.

# Sales Breakdown by Industry Coverage



Diversified Industry Coverage.

# Gross Profit



- Gross profit margin declined partly due to higher inventory write-down

# Expenses

S\$'mil	FY2021	FY2022	Var	Var %	Remarks
Warehouse charges	2.6	2.9	0.3	10.4%	Higher inventory
FX/FV loss	0.2	1.0	0.8	400%	Stronger USD against most currencies
Travelling	0.4	0.7	0.3	56.9%	Higher travelling cost
Employee Remuneration	17.7	16.4	(1.3)	(7.2%)	In line with lower profits.
Finance cost	0.8	1.4	0.6	71.3%	Due to higher borrowings and higher interest rates to fund inventory.

- Total expenses increased S\$1.0 mil or 3.6%.

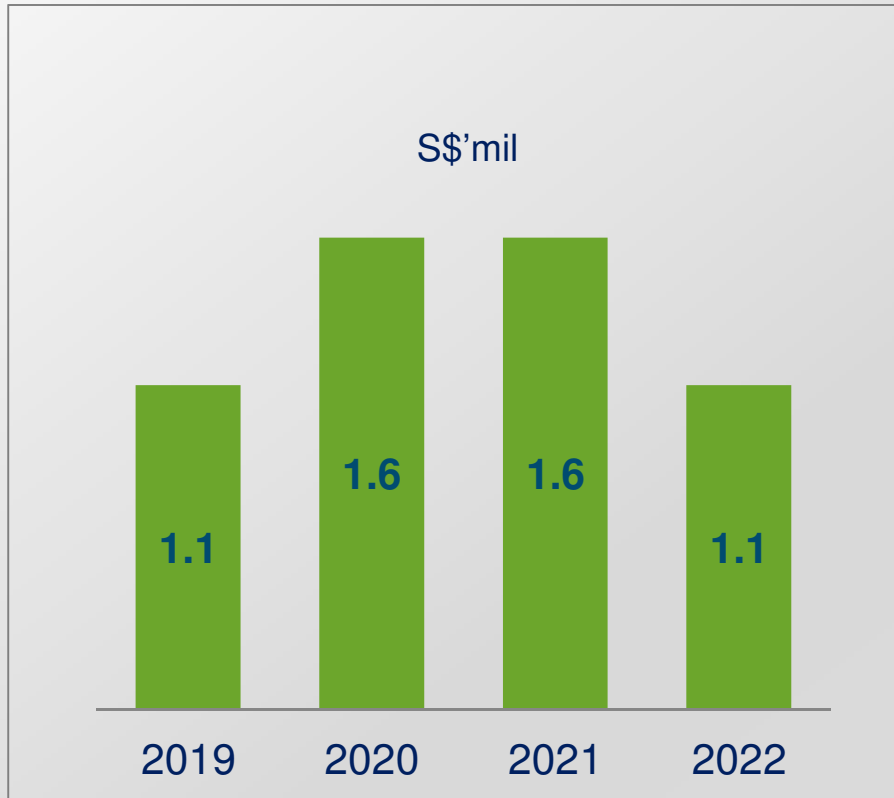
## Other Income

S\$'mil	FY2021	FY2022	Var	Remarks
Trade receivable Recovered	0.3	0.5	0.2	Includes recovery of debts from Sri Lanka and Venezuela.
Grant income	0.3	0.05	(0.25)	COVID-19 government assistance ceased.

- Other income decreased by S\$0.2 mil or 14.9% mainly due to lower grant income.



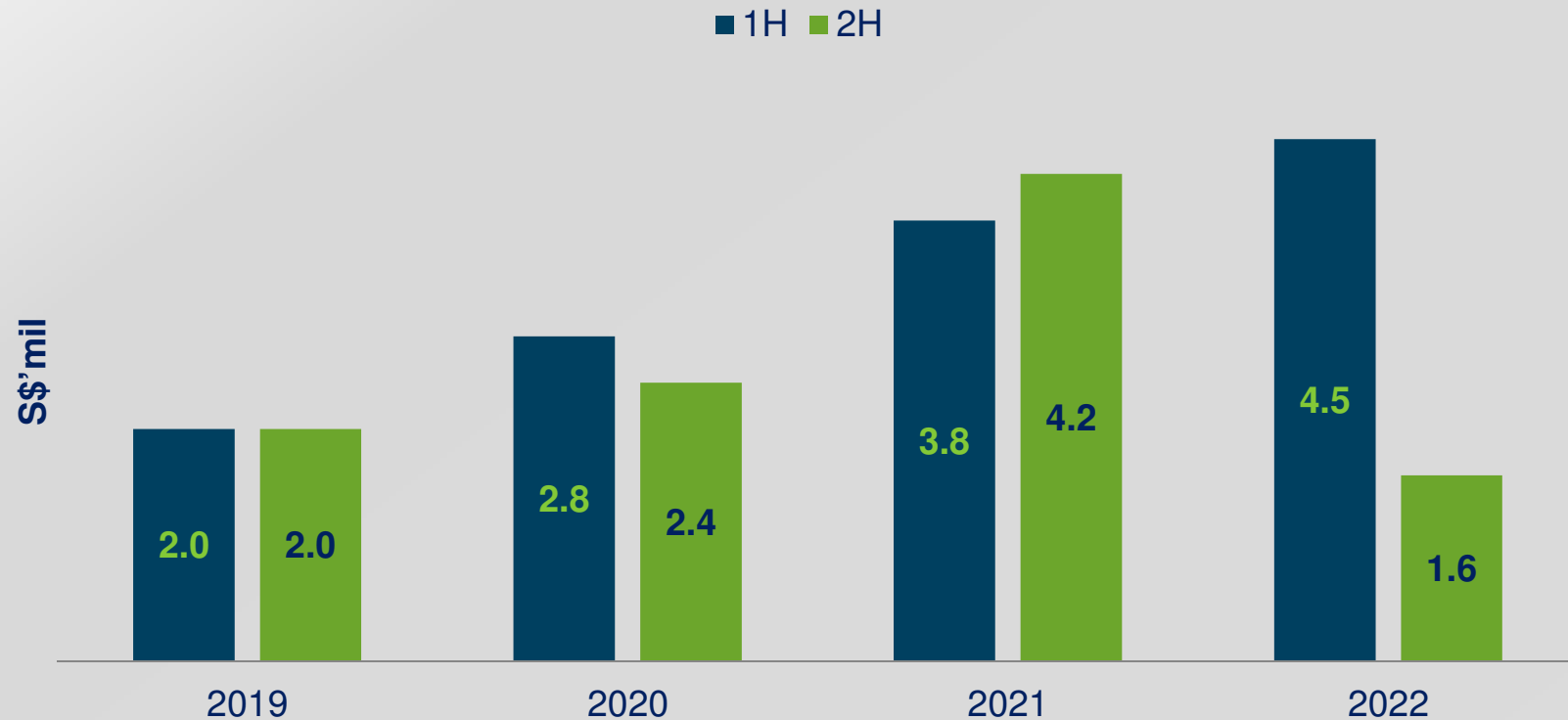
## Share of Associate's Profit



Lower contribution from our Thai associated company due to

- Surge in demand for cleaning chemicals during COVID retreated.
- Integration cost. In Sep 2021, acquired a distributor of chemicals used in the manufacturing of personal care products

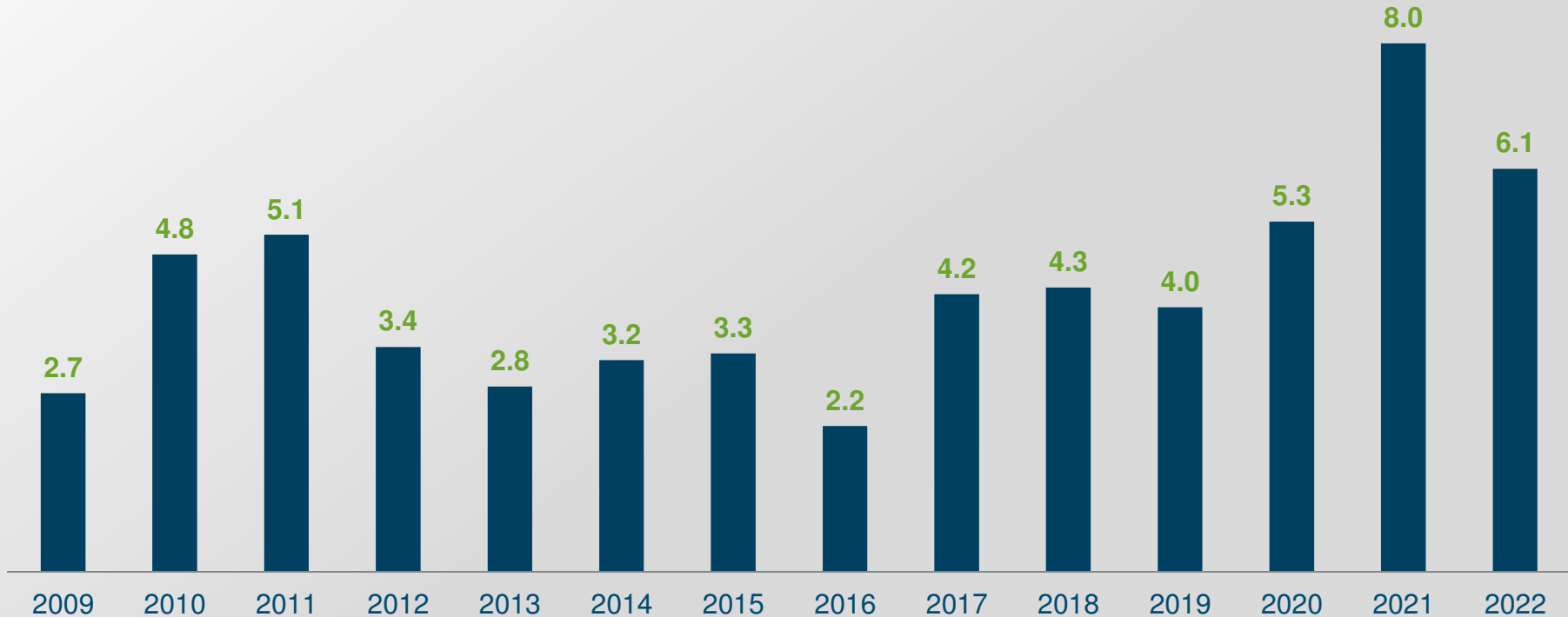
# Net Profit After Tax



- Net profit after tax has been increasing since 1H 21 following removal of COVID-19 restrictions but declined in 2H 22 on the back of weaker demand.

# Net Profit After Tax

Full Year NPAT \$'mil



- NPAT in FY22 declined despite marginal increase in sales due mainly to higher inventory write-down, higher expenses and lower contribution from associate.

# Balance Sheet

S\$'mil	FY2021	FY2022	Var	
Cash	11.5	11.9	0.4	
Borrowings	28.9	36.3	7.4	Higher borrowings to support higher sales.
Shareholders Equity(less MI)	57.3	58.6	1.3	Positive earnings less dividend
Gearing (times)	0.51	0.62	0.11	Due to higher borrowings.
Net gearing(times)	0.30	0.42	0.12	
Current ratio (times)	1.8	1.8	-	Sound liquidity.
Inventory(net)	36.4	49.3	12.9	Higher chemical prices. To ensure continuity of supply.
Inventory T/O (days)	120	158	38	Restocking in 1H to ensure continuity of supply to customers.
Trade Receivables(net)	30.6	27.0	(3.6)	In line with lower sales in 2H 22
Receivables T/O (days)	73	75	2	No major deterioration in customers payment.
NTA/share (cents)	42.95	43.96	1.01	

# Cashflow

\$'mil	FY2021	FY2022	
Cash used in operating activities	(7.9)	(3.0)	Positive cashflow from profitable operation offset by higher working requirement.
Cash used in investing activities	(2.8)	(0.01)	Warehouse in Malaysia internally funded. Payment for solar panels. Dividend income and sale of listed equity.
Cash from financing activities	5.8	3.2	Higher bank borrowings for higher working capital requirement. S\$2.7 mil dividend paid.
Net increase/(decrease) in cash	(4.8)	0.1	
Beginning cash and cash equivalents	15.9	11.1	
Ending cash and cash equivalents	11.1	10.9	



Share Performance :  
Enhancing Shareholders' Long Term Value

# Share Statistics

## Share Information (as at 17 Feb 2023)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	56 cents
52 weeks Low	38 cents
Price (as at 17 Feb 2023)	55.0 cents
No of Shares	133,300,000
Earnings per share FY22	4.41 cents
Historical P/E <sup>(a)</sup>	12.5 x
Market Capitalisation (as at 17 Feb 2023)	\$73.3 mil
NTA/share	43.96 cents
Price/Book Ratio <sup>(b)</sup>	1.25

Note :

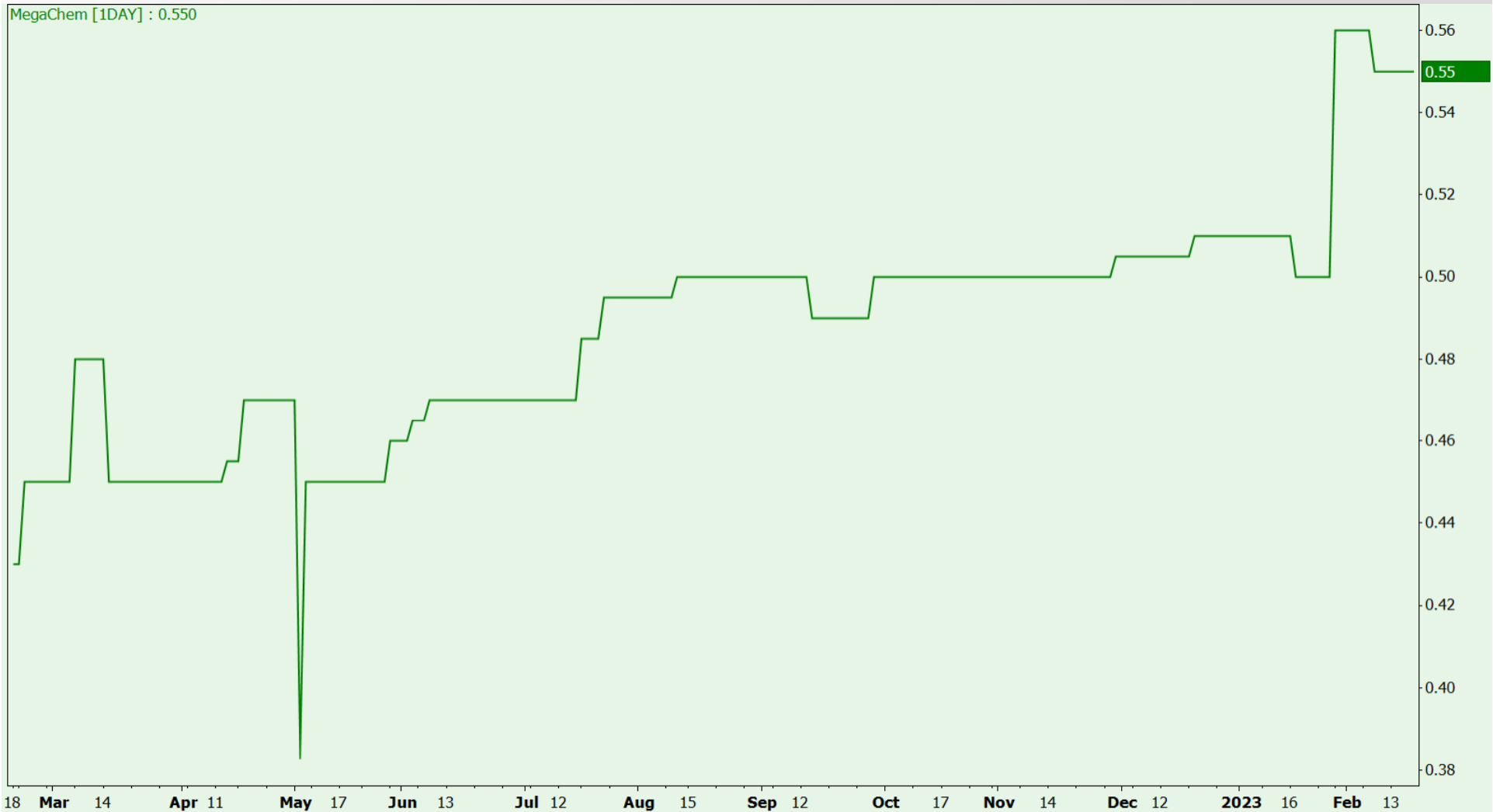
(a) P/E = price as at 2 Feb 2023 / EPS FY22

(b) Price/Book ratio = price as at 2 Feb 2023 / NTA per share.



# Share Price Performance

Share price chart : 1 year to 17 Feb 2023



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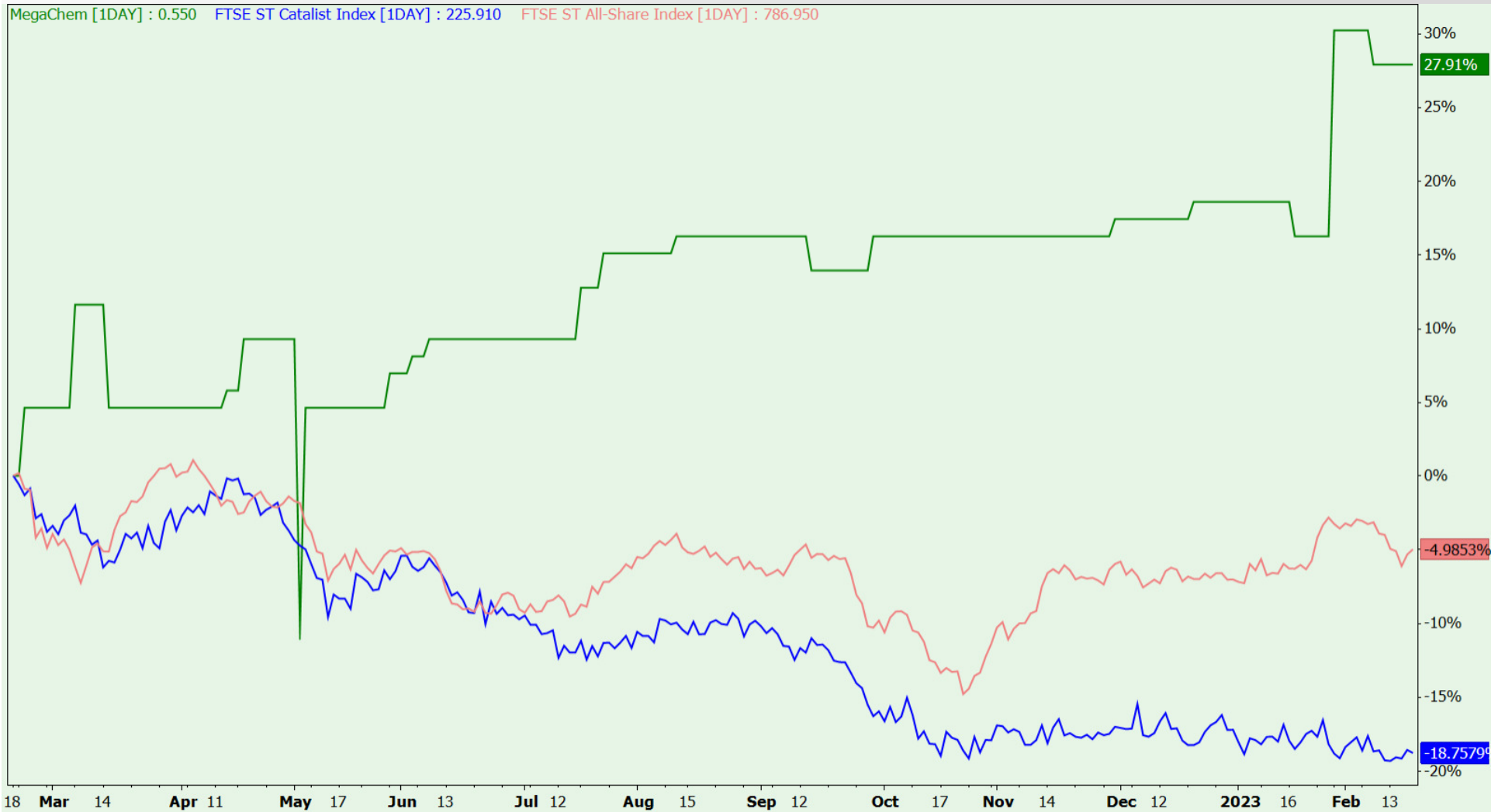
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# Share Price Performance

Share price chart : 1 year to 17 Feb 2023

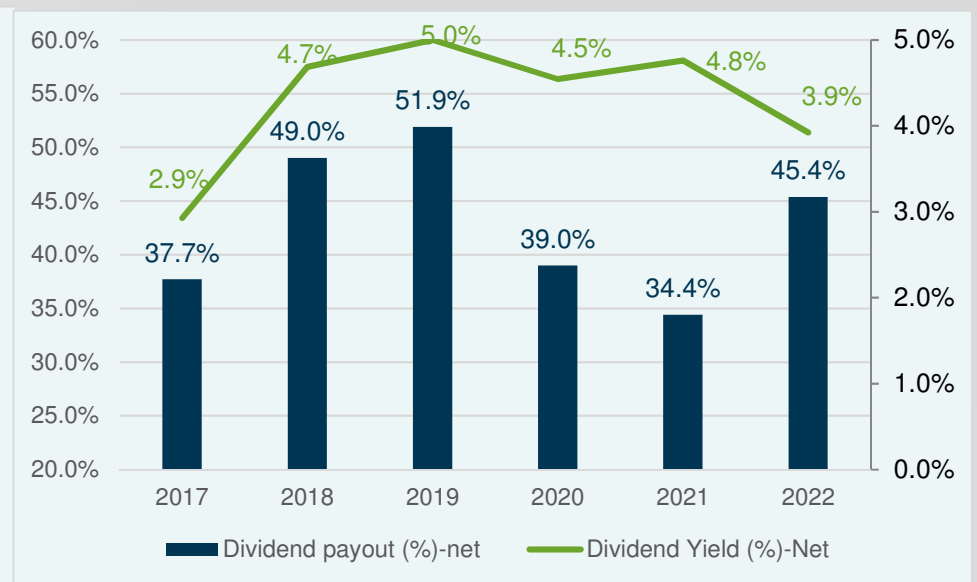
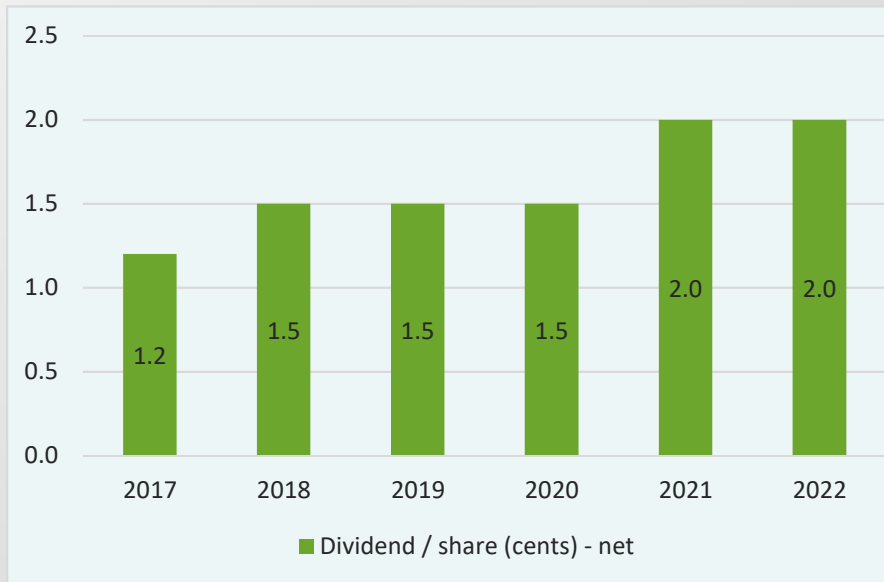


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# FY2022 Final Dividend

	FY2022
Interim Dividend (cts/share)	0.8
Final Dividend (cts/share)	1.2
Full Year Dividend (cts/share)	2.0
FY22 Dividend Payout	45.4%
Dividend Yield	3.9%



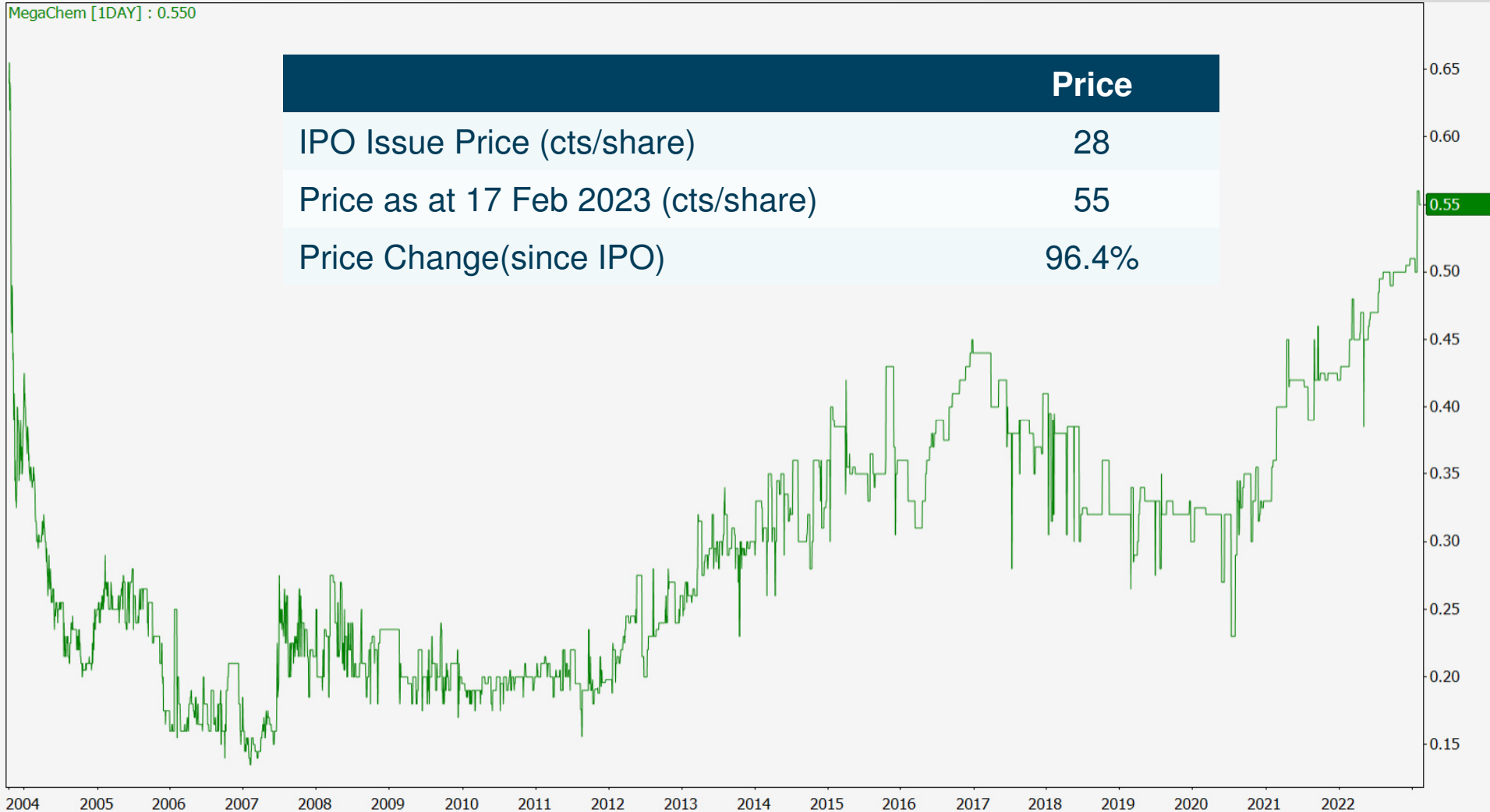
\*\* Dividend yield = FY22 dividend per share / price as at 30 Dec 2022=2.0/51=3.9%.



# Share Price(since IPO)

MegaChem [1DAY] : 0.550

	Price
IPO Issue Price (cts/share)	28
Price as at 17 Feb 2023 (cts/share)	55
Price Change(since IPO)	96.4%



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# Dividend(since IPO)

Dividend	
Total Dividend since IPO (cts/share)	22.5





# FY2023 Outlook

# Outlook FY2023

## Global Economy

### Risk

- Aggressive Monetary Policy Tightening -> fear of recession

### Opportunity

- China abandoning Zero COVID policy -> boost to economy

## Chemical Industry

- Manufacturing activity an important indicator for chemical demand.
- Weakness in production activities poses challenge to industry
- Destocking of inventory

## Megachem

- Elevated inflation puts pressure on business cost
- Customers destocking inventory may continue
- business prospects are inextricably linked to economic activities

**External factors hindering Growth**  
**Long term growth strategy remains sound**

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