



NEWS RELEASE

MEGACHEM REPORTS SURGE IN NET PROFIT AFTER TAX OF 52.0% TO S\$8.0 MILLION FOR FY2021

- *Achieves record revenue of S\$138.9 million in FY2021, supported by recovery in both business segments and higher sales volumes and prices*
- *Proposes final dividend of 1.2 cent per share, to make a total of 2.0 cents per share for FY2021, representing a payout ratio of 34.4%*
- *Maintains healthy balance sheet with sound liquidity and gearing of 0.51 time*

Singapore, 21 February 2022 – 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 52.0% growth in net profit after tax to S\$8.0 million for the full year ended 31 December 2021 (“FY2021”), on the back of a 32.0% growth in revenue to S\$138.9 million.

Mr. Sidney Chew, Managing Director of the Group, said: “We are heartened to have finished 2021 on a strong note, and achieved a new record in our revenue, as business sentiments improved and demand recovered. Notably, supported by higher sales volumes and chemical prices, revenue has rebounded strongly in FY2021 to better than pre-COVID levels.

“Looking ahead, we believe 2022 is the dawn of a new growth cycle for the chemicals industry that will provide many opportunities to elevate our business further, barring any unforeseen headwinds to the global economic recovery. We will continue building on our strong foundations to capitalise on opportunities and realise our potential.”

Performance Review

For FY2021, Megachem recorded a revenue of S\$138.9 million, an increase of 32.0% as compared to the S\$105.2 million recorded in the previous financial year ended 31 December 2020 (“FY2020”). This was largely due to higher sales volume and prices from improved business sentiments and recovery in demand. Both the Distribution and Manufacturing segments recorded higher sales in the period under review as compared to FY2020, to beyond pre-COVID-19 levels. Sales from the Distribution segment grew 31.6% to S\$133.9 million from S\$101.8 million, whilst the sales from the Manufacturing segment improved 43.8% to S\$5.0 million from S\$3.5 million.

Geographically, growth in sales was broad-based across the various markets. The ASEAN and Europe markets saw the largest improvements over FY2020 of S\$10.9 million or 16.6% and S\$9.0 million or 93.9% respectively. Other markets also saw better performance as compared to FY2020; namely North Asia, Australia, Middle East and South Asia, recorded higher revenues of 32.8%, 102.4%, 39.5% and 28.6%, respectively.

The Group recorded a decline in other income by 42.0% or S\$813,000 year-on year, due to lower grant income, lower interest income, lower trade receivables recovered and the absence of net foreign exchange gain.

The Group’s share of profit of associated companies for FY2021 remained flat at S\$1.6 million. The fall in demand for cleaning chemicals, which is provided by one of the Company’s associated company, following a surge in the previous year was offset by improvement in overall distribution business.

For FY2021, total operating expenses (excluding finance cost) increased by 14.9% year-on-year, largely due to higher employee remuneration in line with better performance, higher transport charges in line with higher sales, net foreign exchange loss, higher professional fees in relation to recovery of trade receivable and trademark expenses as well as higher depreciation of right-of-use assets. The increase was partially offset by lower fair value loss from forward exchange contract.

Correspondingly, Megachem achieved a higher net profit after tax of 52.0% from S\$5.3 million in FY2020 to S\$8.0 million in FY2021.

The balance sheet remained healthy in the period under review, with cash and bank balances of S\$11.5 million as at 31 December 2021. Gearing ratio remained healthy at 0.51 time, an increase from 0.37 time as at 31 December 2020, due to higher trade borrowings and short term bank loans to finance higher working capital requirements corresponding to increase in sales.

Earnings per share for FY2021 increased 51.2% to 5.82 cents from 3.85 cents in FY2020. Net asset value per share rose to 42.95 cents as at 31 December 2021, from 39.33 cents as at 31 December 2020.

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 FY2021, 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 FY2021 represents a total payout ratio of 34.4%.

Outlook

Accelerated vaccination against COVID-19 and a less severe Omicron variant may lead to further easing of border restrictions and lifting of social management measures, which in turn will lift business sentiments. However, potential headwinds in the form of tightening of global monetary policy, economic slowdown in China and resurgence in COVID-19 and its variants, may drag down the current economic recovery.

The chemicals industry is closely tied to the global economy. Along with the easing of border restrictions, issues such as product shortages and supply chain challenges are expected to gradually improve. As business sentiments improve, the demand for specialty chemicals, in particular from industries such as electronics, personal care and water treatment, is likely to remain buoyant. These allow for a more stable and conducive environment for the chemical industry to continue its growth trajectory.

With its extensive geographic footprint in Asia, comprehensive product range across a wide spectrum of industries and strong relationships with its customers and suppliers, Megachem is well-positioned ride on the new wave of growth in the chemicals industry. Additionally, to further strengthen its market presence, the Group will dedicate more resources to deepen its coverage in high-growth industries, and to reinforce its supply sources from key producers in China, USA, Europe, Japan and the rest of Asia.

“Our focus continues to be on Asia-centric markets, and on executing our strategy of deepening our presence in higher growth sectors, maintaining a strong customer base as well as strengthening supply sources from key producers. In this dawn of a new growth cycle, we will practise financial prudence, so as to be able to seize opportunities as they arise, while leveraging on our strengths and comprehensive product range to provide customers with one-stop solutions,” concluded Mr. Chew.

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.

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00, AIA Tower, Singapore 048542.

ISSUED ON BEHALF OF : Megachem Limited
BY : Citigate Dewe Rogerson Singapore Pte Ltd
105 Cecil Street
#09-01 The Octagon
Singapore 069534
CONTACT : Ms Dolores Phua / Ms Valencia Wong
at telephone
DURING OFFICE HOURS : 6534-5122
EMAIL : Megachem@citigatedewerogerson.com
