



*No Boundaries  
Only Possibilities*



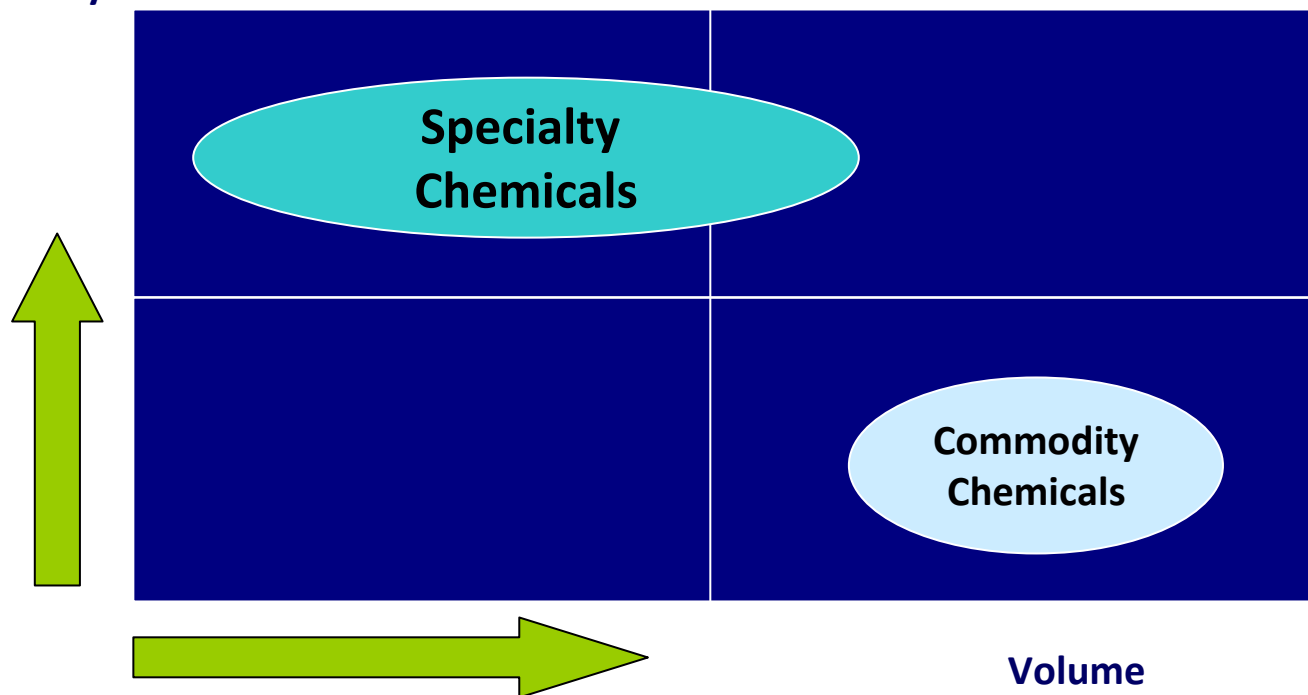
# **MegaChem Limited**

## **Results Presentation**

Half Year Ended 30 June 2010

Value and  
Profitability

## Industry Positioning



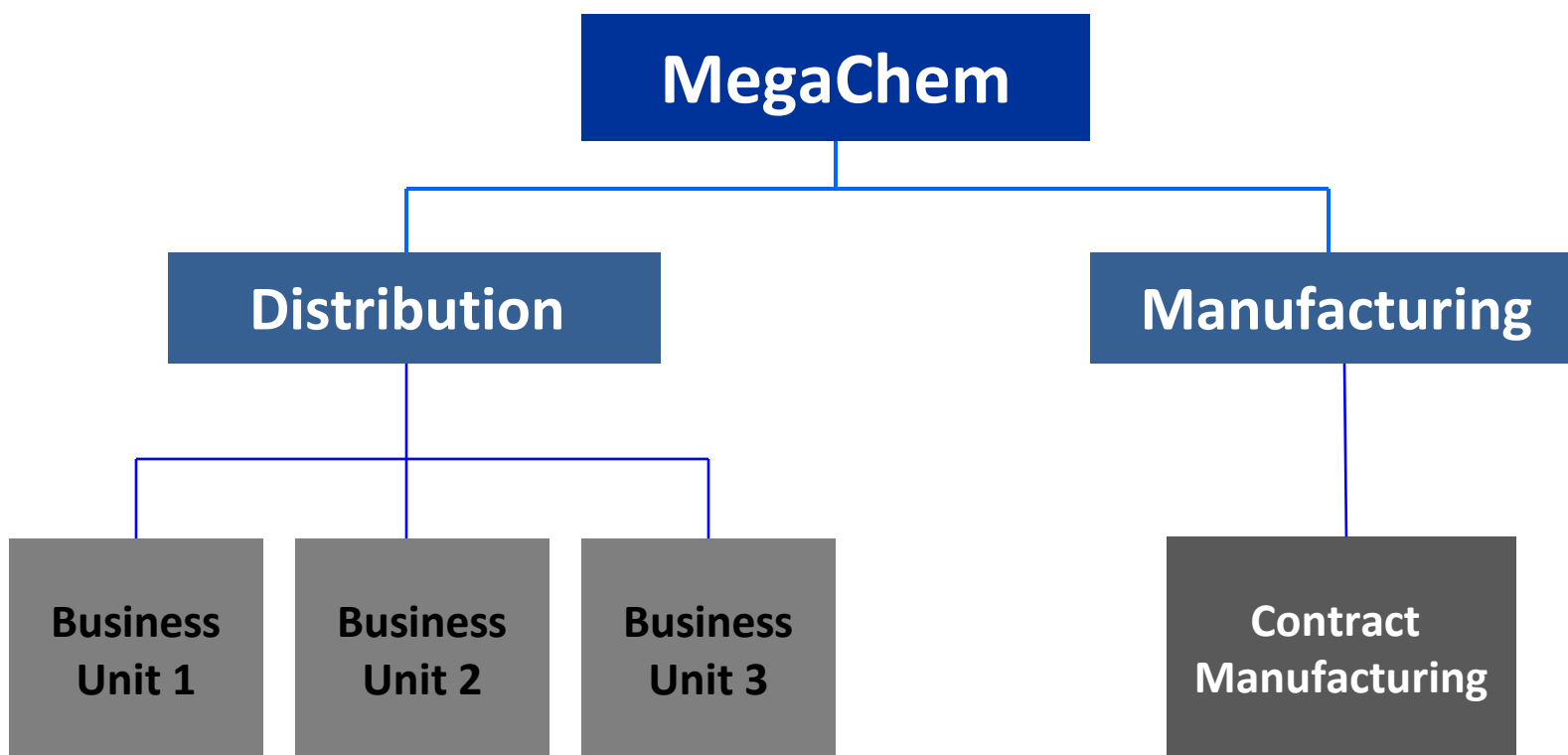
### Specialty vs Commodity Chemicals

- Higher value than commodity chemicals;
- Less price volatility;
- Demand less sensitive to price changes.



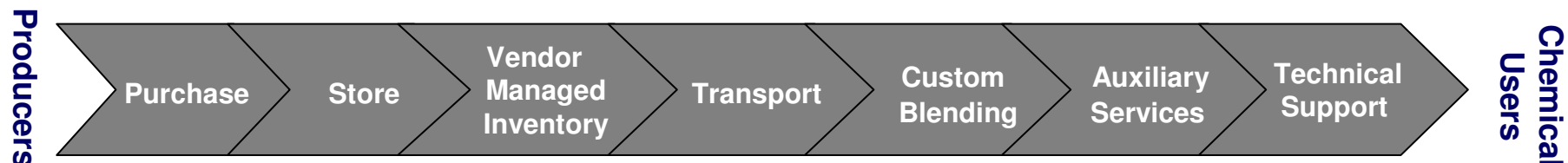
# Our Business Model

**An Integrated Solutions Provider**





# Our Business Model

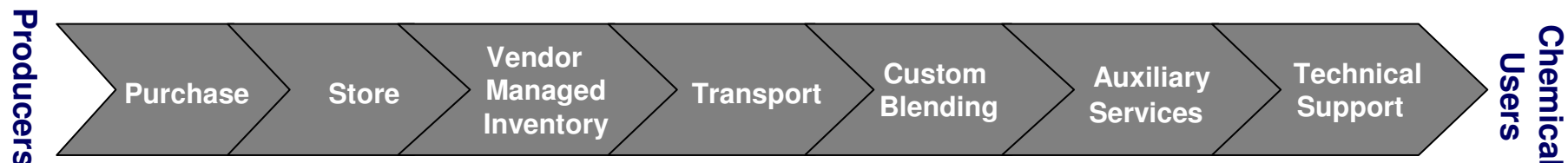


## Value-Adding in the Chemical Supply Chain

- Wide product range – more than 1000 types and grades of chemicals
- Strong supply sources from Europe, US, Japan, China
- Global reach – inventory holding in 10 countries around the world
- Strong customer base – majority MNCs
- Providing Just-in-Time delivery and Vendor-Managed Inventory Service



# Our Business Model



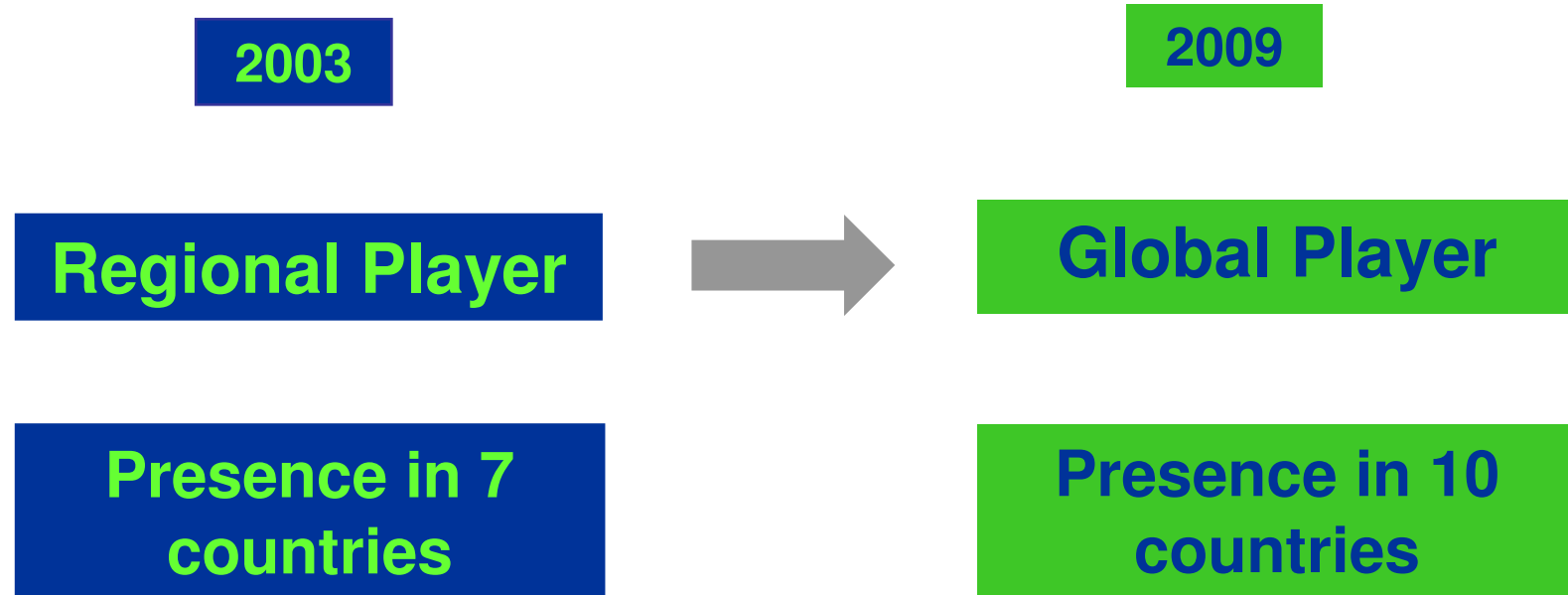
## Value-Adding in the Chemical Supply Chain

- Mixing and Blending according to customers' formulations
- Repackaging from bulk to smaller packaging
- Filling, packaging and labeling
- Technical support from dedicated application laboratories



# Transforming our DNA



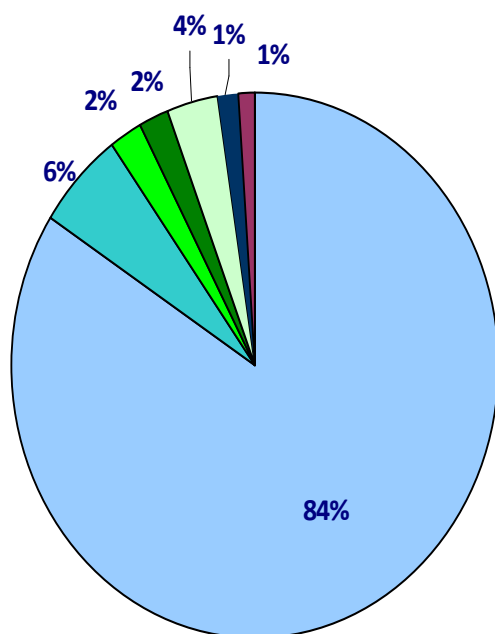


- **Presence in 10 countries** - Singapore, Malaysia, Indonesia, Thailand, the Philippines, China, Vietnam, India, UK, ME;
- **Selling to more than 30 countries** around the world – ASEAN, N Asia, S Asia, Middle East, America, Europe and Australia.



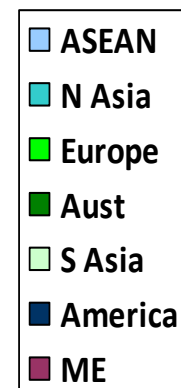
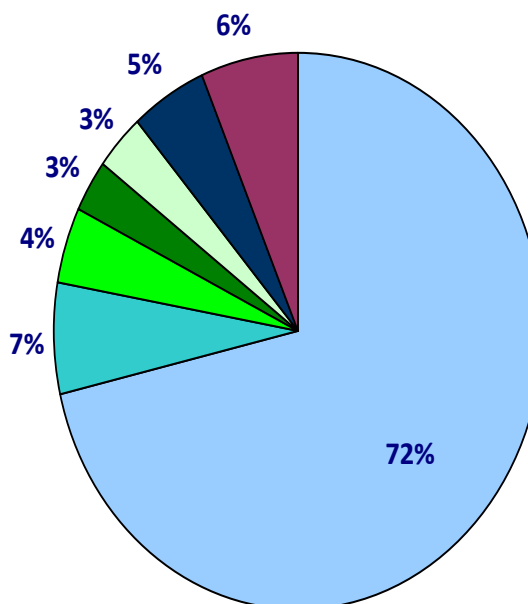
2003

## Regional Player



2009

## Global Player



Globalisation taking shape

2003

Distributor

Manufacturing  
Nil



2009

Integrated Solution  
Provider

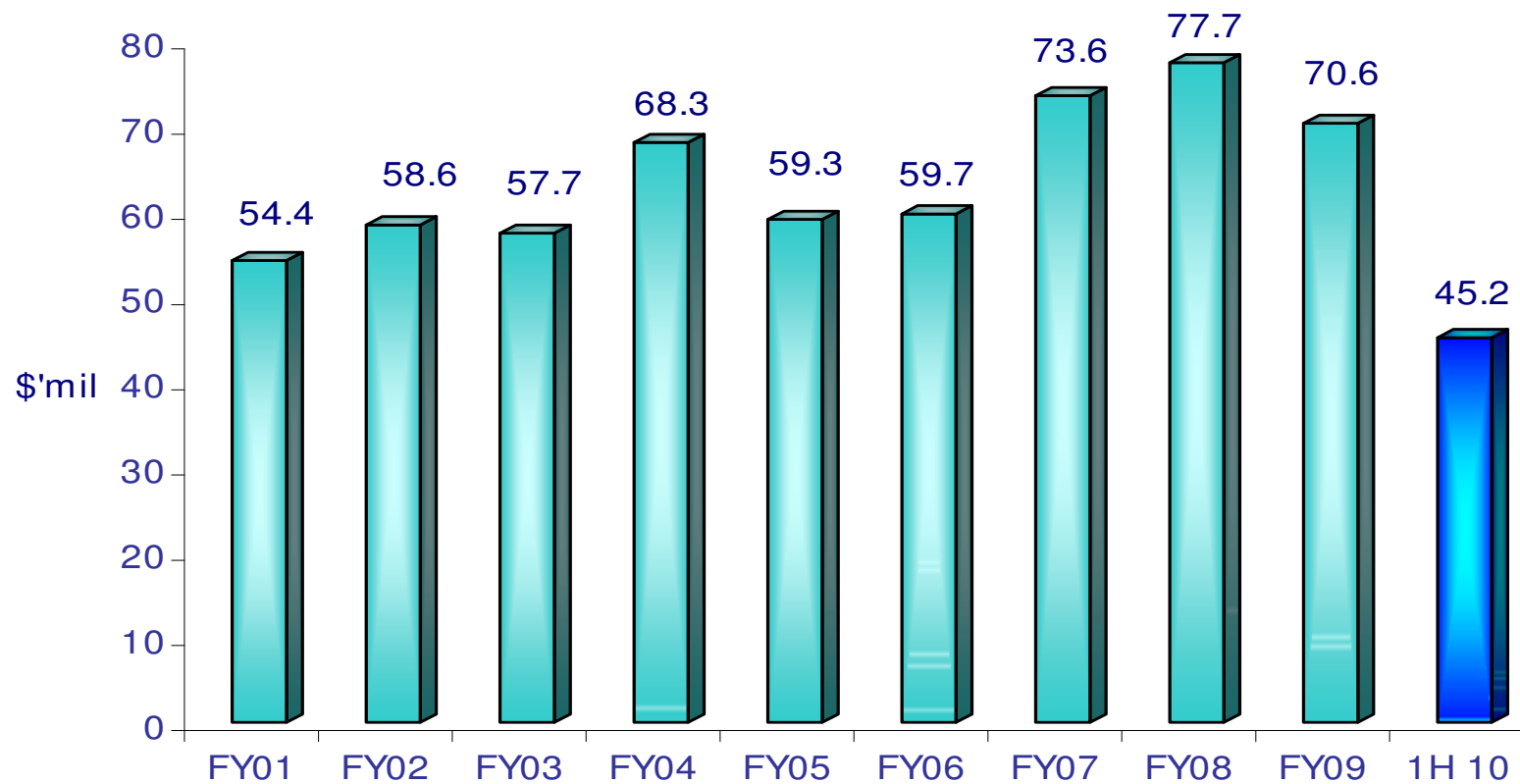
Manufacturing  
7% of NPBT



## P&L Highlights

S'mil	H1 08	H2 08	H1 09	H2 09	H1 10	H1 10 vs H1 09	Var %		H1 10 vs H2 09	Var %	
Sales	40.9	36.8	31.9	38.7	45.2	13.3	41.7%	▲	6.5	16.8%	▲
Gross Profit	7.9	7.9	6.8	8.5	9.8	3.0	44.6%	▲	1.3	15.2%	▲
GPM (%)	19.3%	21.4%	21.3%	22.0%	21.7%	0.4% pts		▲	-0.3% pts		▼
Expenses	6.6	7.2	6.2	6.8	7.1	0.9	14.5%	▲	0.3	5.0%	▲
Other Income	0.24	0.26	0.37	0.14	0.39	0.02	5.8%	▲	0.25	186.7% %	▲
Assoc Profit	0.46	0.1	0.23	0.45	0.46	0.24	104.8%	▲	0.01	1.5%	▲
NPBT	2.0	1.1	1.1	2.3	3.5	2.4	208%	▲	1.2	52.8%	▲
NPAT	1.6	0.8	0.8	1.9	2.8	2.0	244.9%	▲	0.9	49.2%	▲
ROE	10.0%	4.3%	5.0%	11.1%	15.1%	10.1% pts		▲	4.0% pts		▲
EPS(cents)	1.15	0.51	0.59	1.39	1.99	1.40	237.3%	▲	0.60	43.2%	▲

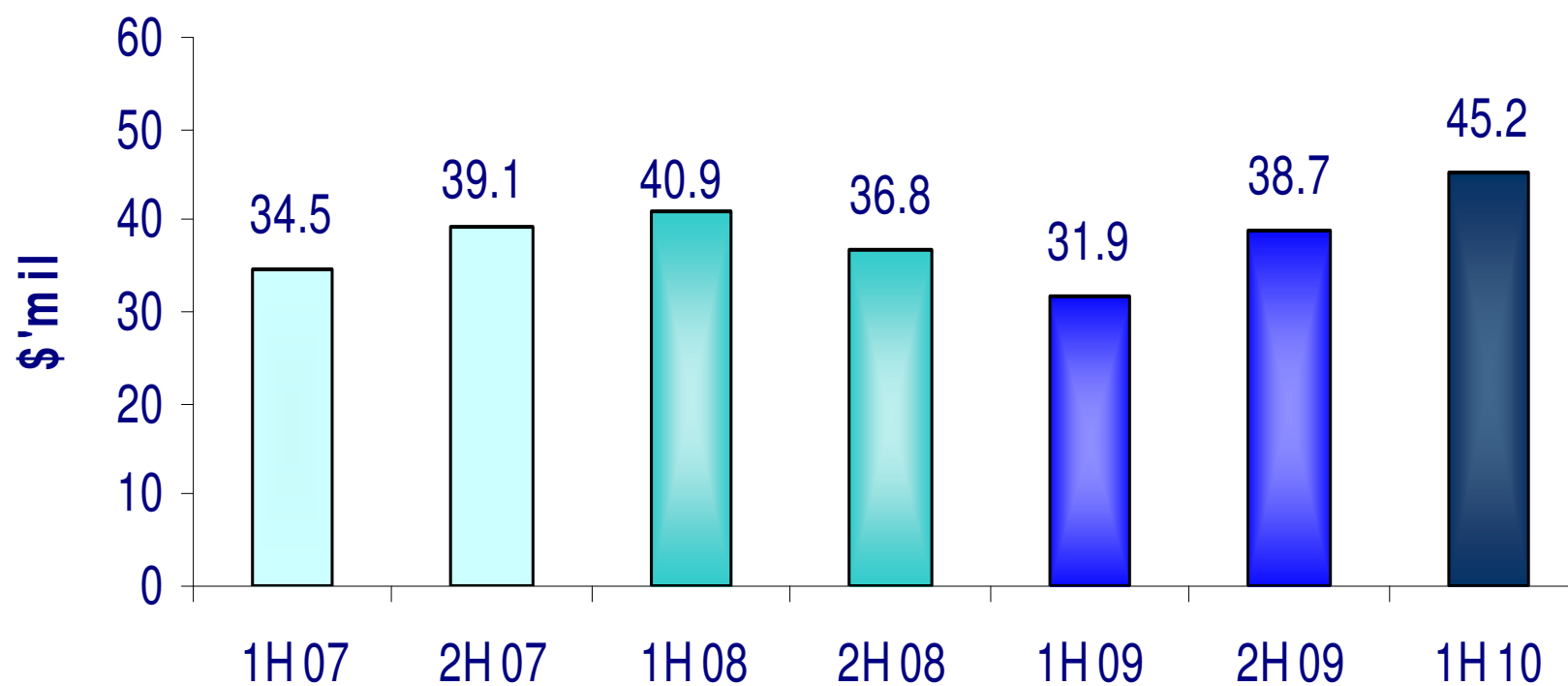
## Sales



**On track for record full year sales**

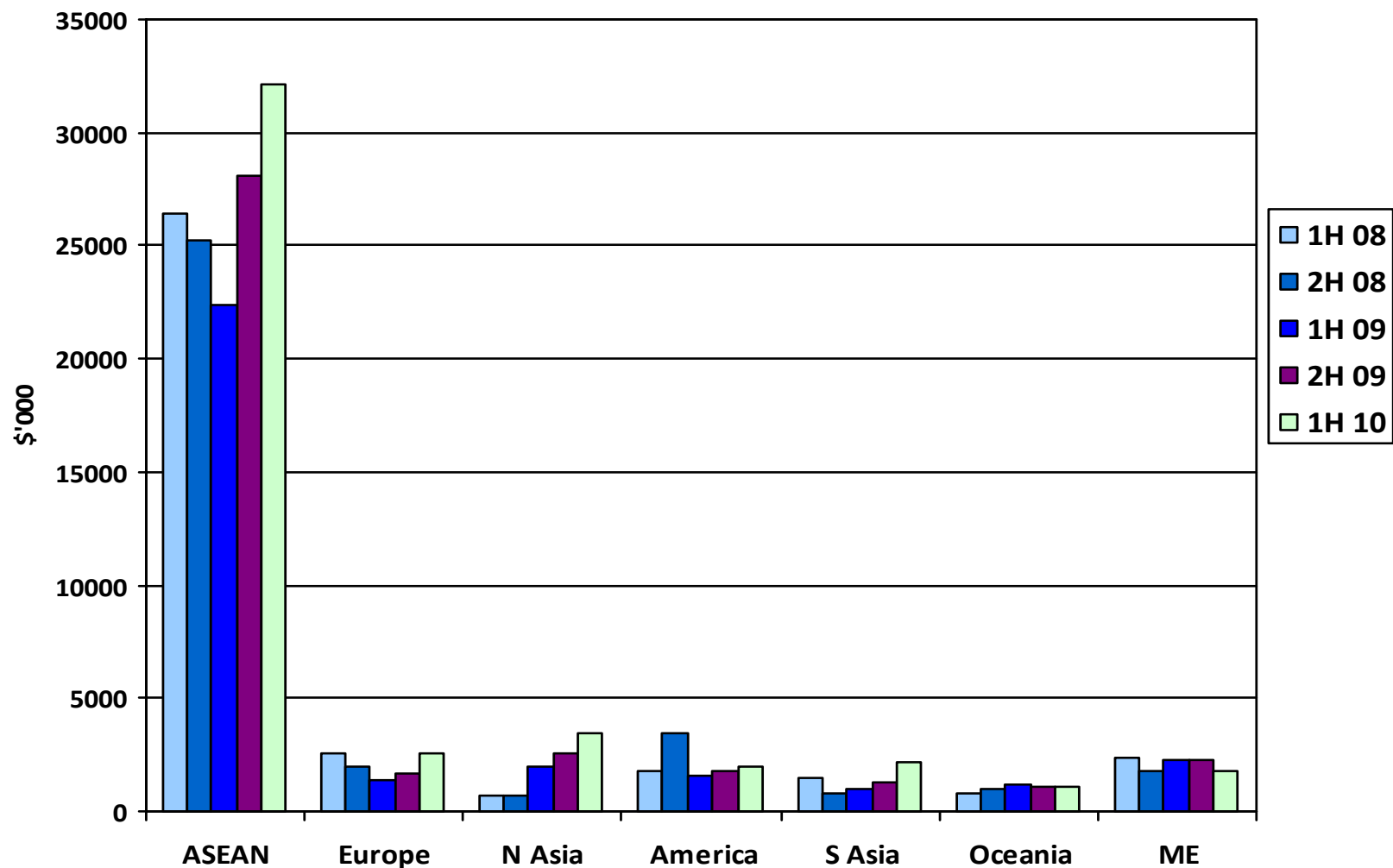


## Sales



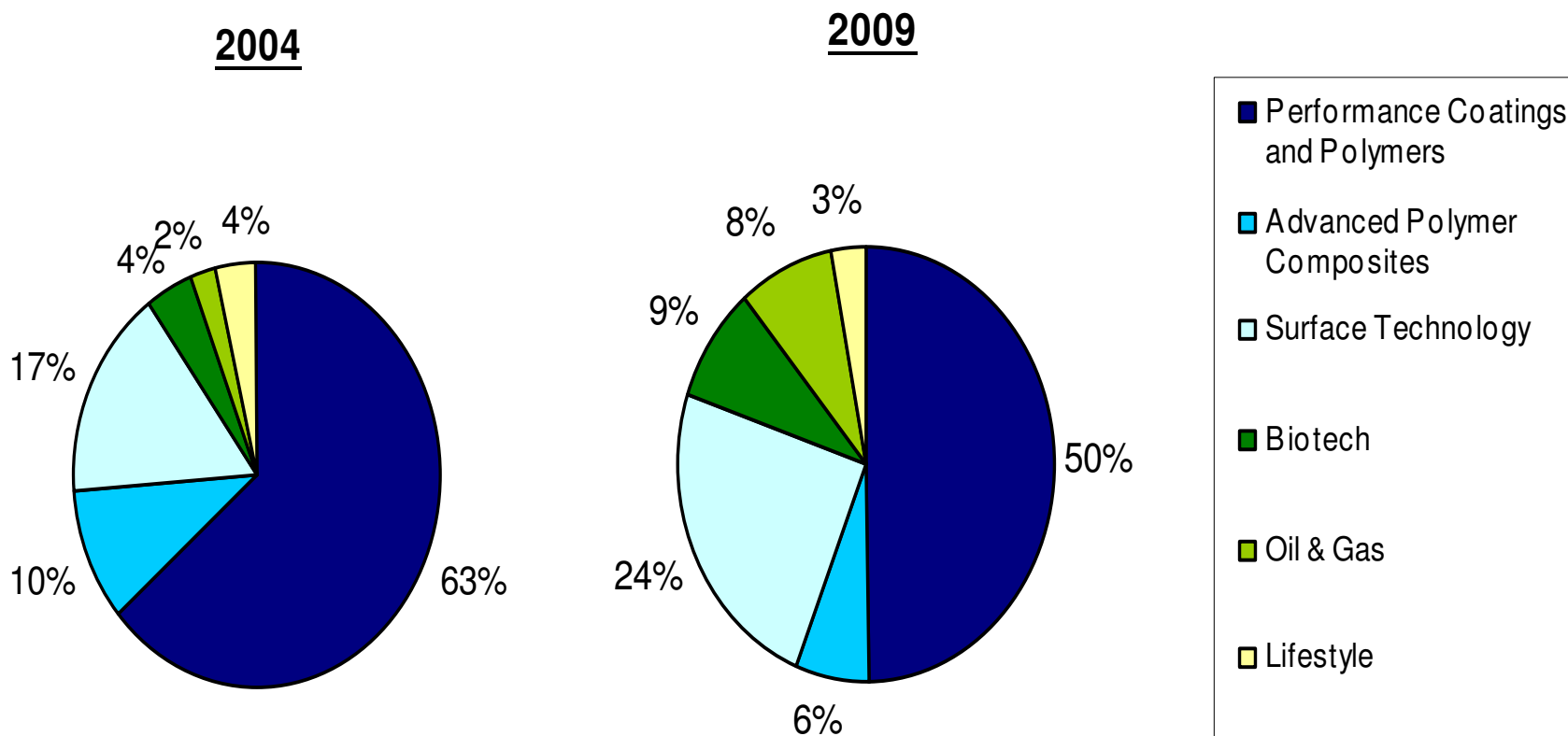
**Exceeded pre-crisis sales level. Record Half-year Sales**

## Sales Breakdown by Geographic Markets



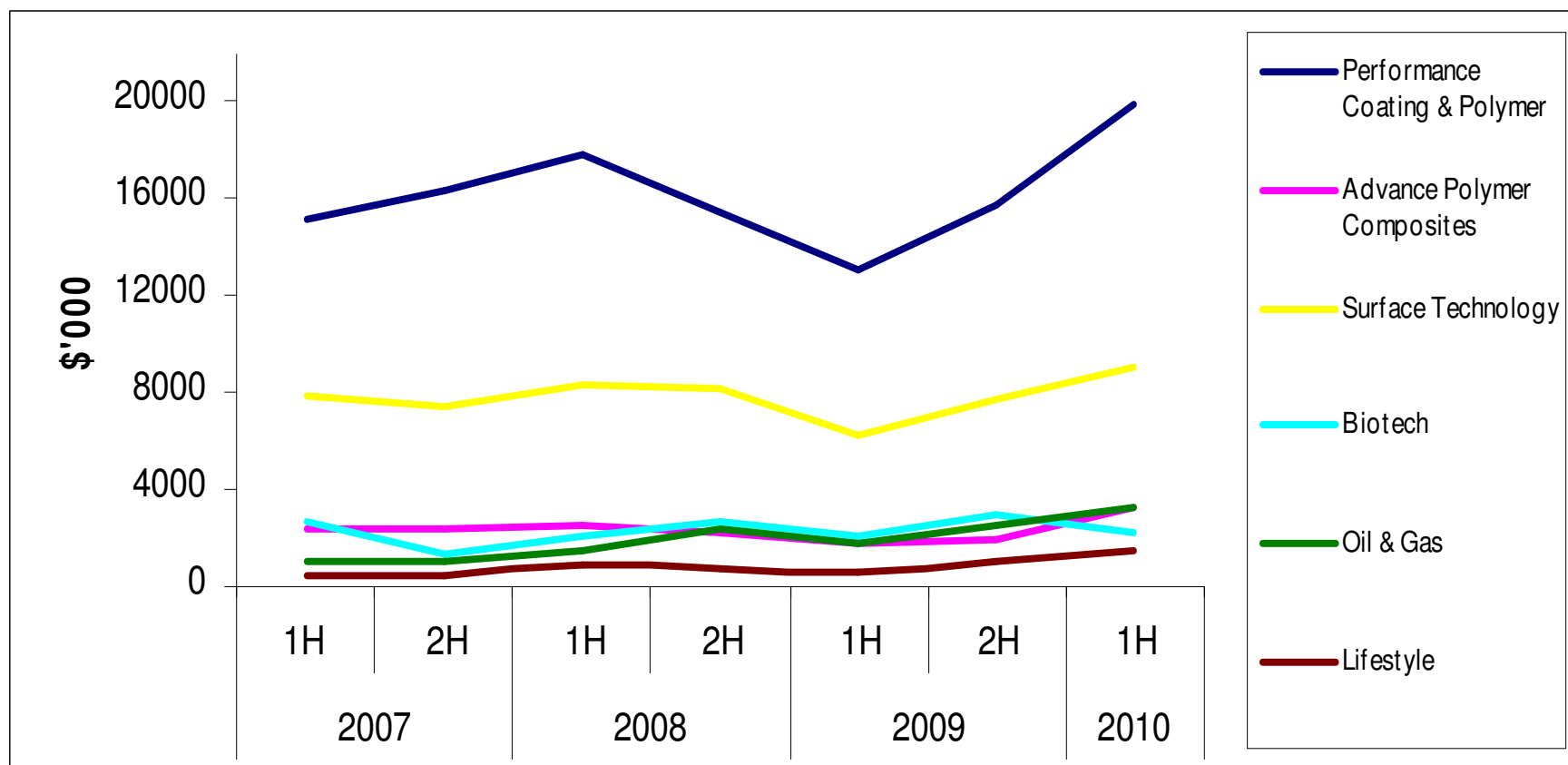
**Higher 1H 10 across all market segments except Middle-east**

## Sales Breakdown by Industries



**Industry Coverage becoming more diversified**

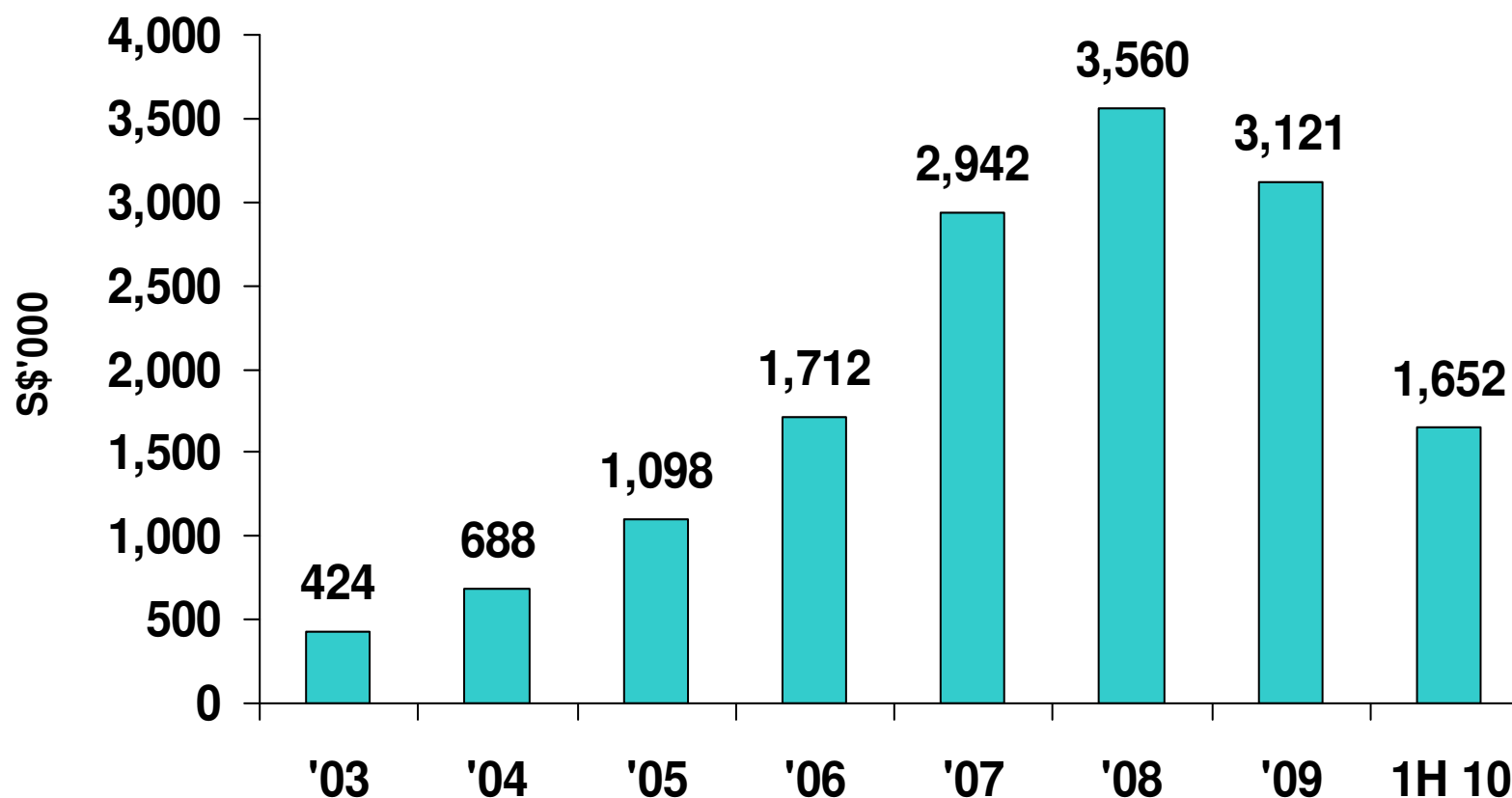
## Sales Breakdown by Industry



**Broad-based Increase in Sales across major industry coverage**

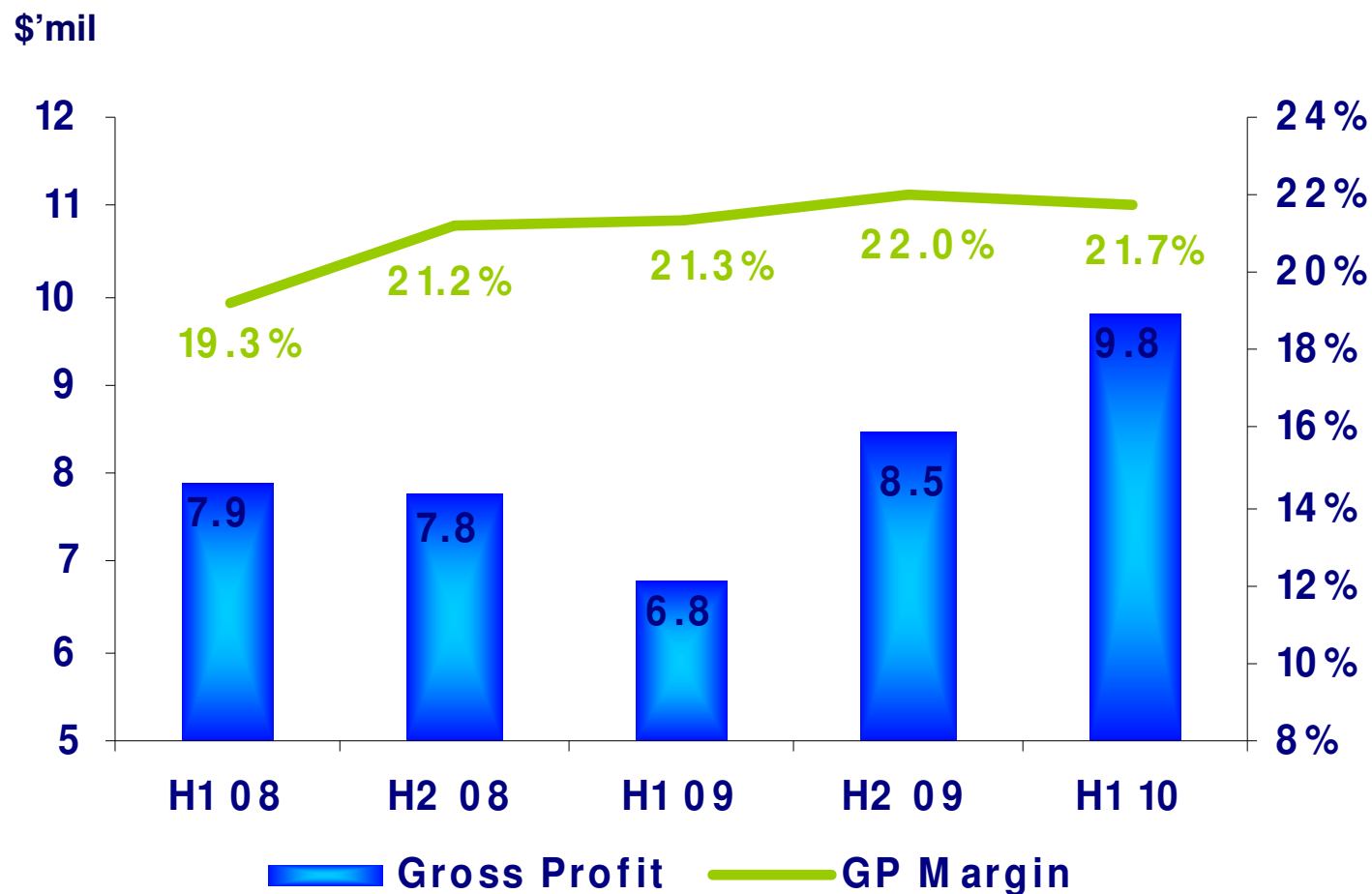


## Sales - Manufacturing



**Manufacturing activity back to pre-crisis level**

# Gross Profit



Gross Profit margin remained at healthy level

# Expenses

S'000	1H 08	1H 09	1H 10	Var	Var %	
Staff Cost	3,500	3,538	4,179	641	18.1%	Higher accruals for bonus
Rental	507	581	663	82	14.1%	Higher inventory level
Bad Debt	153	226	43	(183)	(81.0%)	Customers in Singapore and Venezuela
Professional Fees	216	144	267	123	85.4%	Incorporation expenses, listing sponsor fees
Finance cost	216	102	42	(60)	(58.8%)	Lower borrowings in Q1
Advertising and entertainment	169	68	140	72	105.9%	Recruitment and advertising
Travelling and transport	391	230	272	42	18.1%	In line with higher business activities
Loss on fair value	57	10	36	26	260%	FX contracts

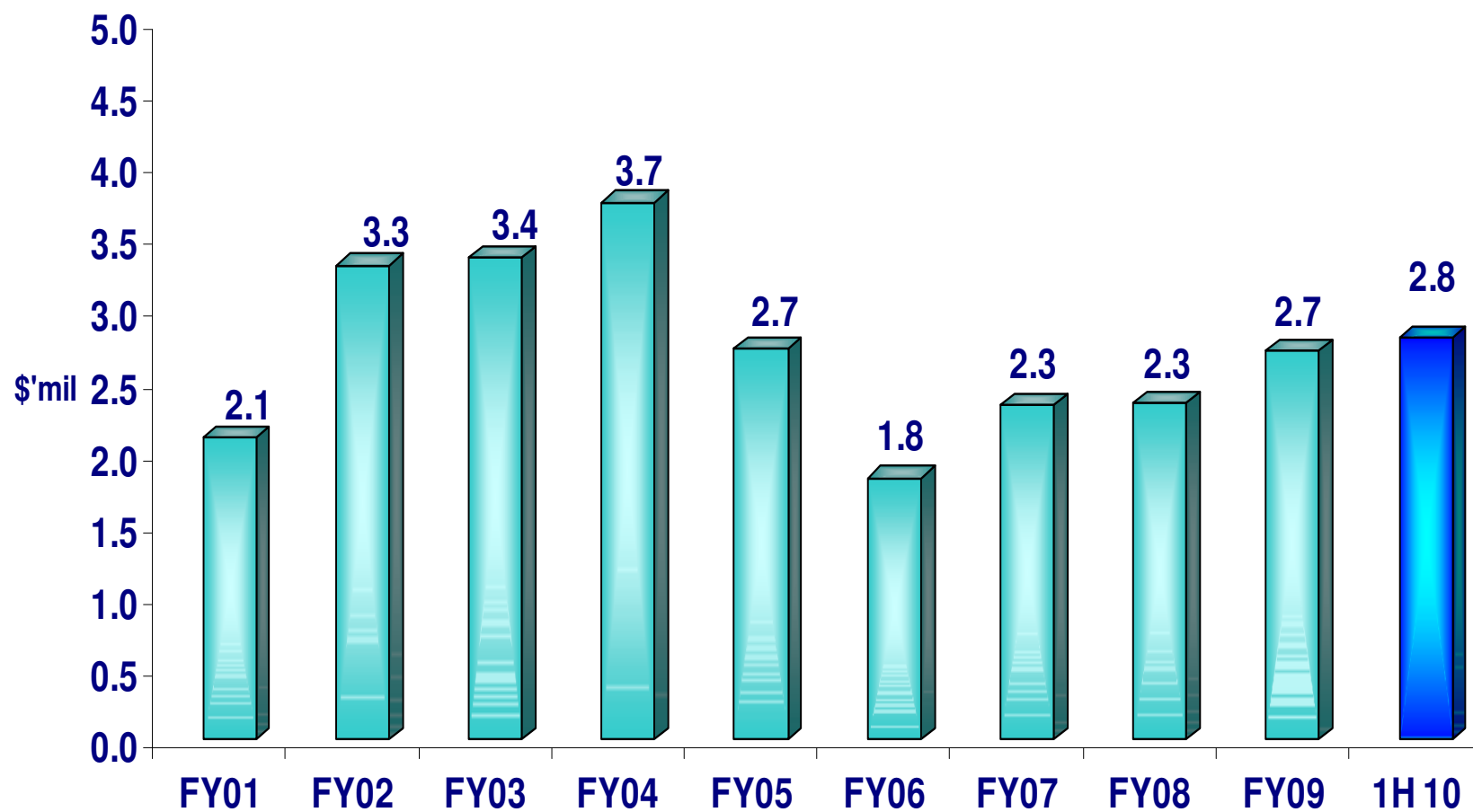
**Total Expenses increased \$0.9 mil or 14.5%**

## Other Income

\$'000	H1 09	1H 10	Var	
Bad debt recovered	16	138	122	Debts recovered in China, Malaysia and Indonesia
Changes in fair value	98	20	(78)	Meghmani shares
Gain on disposal of fixed assets	-	19	19	
Grant income	121	48	(73)	Job Credits
Interest income from banks	14	26	12	
Foreign exchange gain	106	125	19	Stronger USD@GBP
Rental income	6	-	(6)	
	366	387	21	

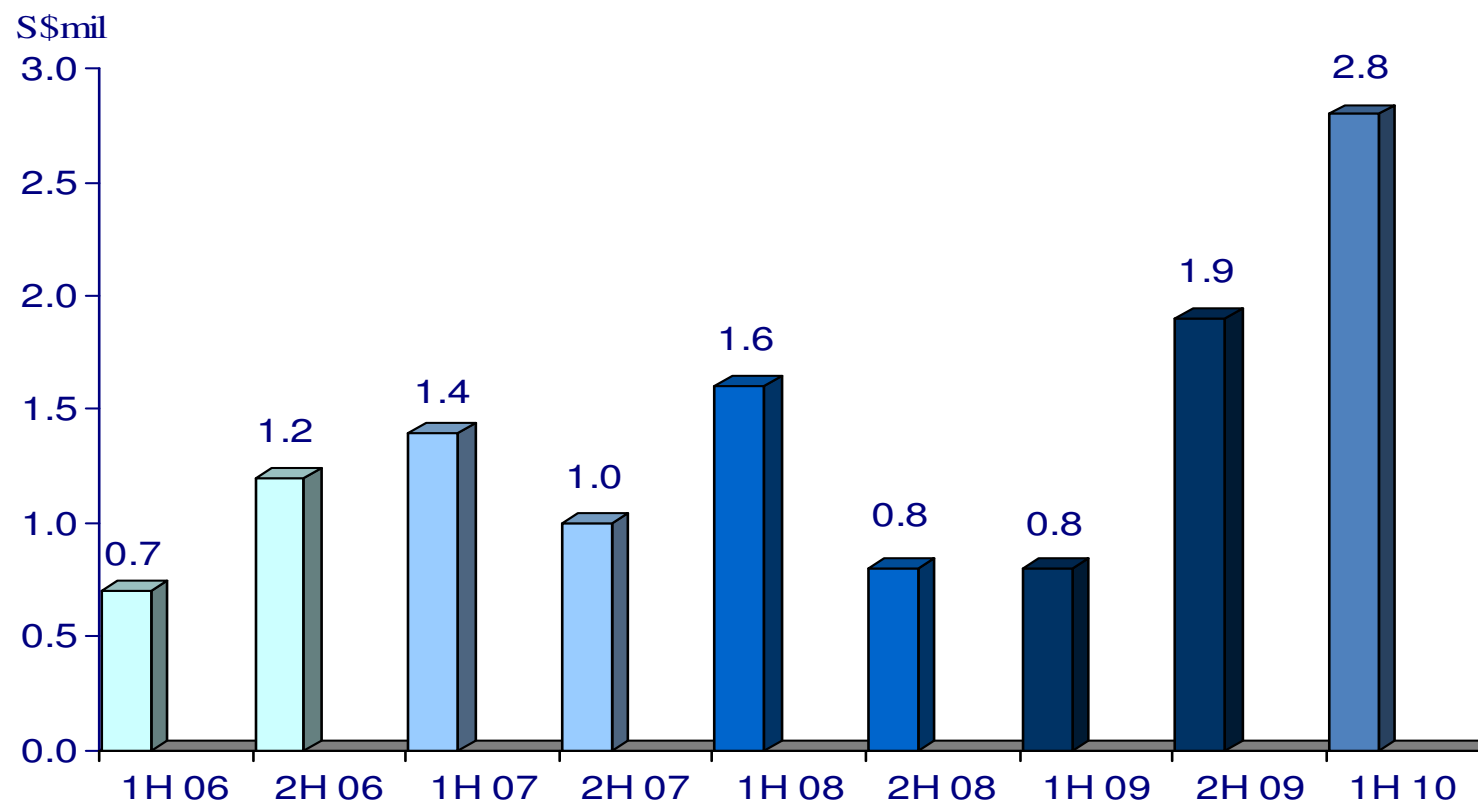


## Net Profit After Tax



**On track for record full year profit**

## Net Profit After Tax



**Record Half-year NPAT**

**Exceed 2009 Full-Year NPAT**

## Balance Sheet

\$'Mil	Dec-08	June-09	Dec-09	June 10
Cash	6.3	6.7	6.6	6.3
Shareholders Funds	31.2	31.6	33.3	35.1
Total Borrowings	8.3	5.3	6.8	9.9
Gearing	0.27	0.17	0.20	0.28
Current ratio	2.72	2.91	2.78	2.41
Inventory	15.2	12.2	14.1	17.7
Inventory T/O days	104	107	86	88
Trade Receivables	19.0	19.0	21.0	23.0
Trade Receivables T/O days	101	111	96	91
NTA(cents)	23.4	23.7	25.0	26.35
Cash/share(cents)	4.7	5.0	5.0	4.7

- Increase in working capital requirement led to higher borrowings.
- Gearing remains at acceptable level.
- Liquidity still sound

# Cashflow

\$'Mil	1H 09	1H 10
Operating Cashflow before working capital changes	1,269	3,344
Cash from Operating Activities	3,980	(1,953)
Cash from Investing Activities	218	(50)
Cash from Financing	(3,584)	1,702
Net Change in Cash	615	(301)
Cash at beginning	6,018	6,578
Ending Cash	6,665	6,277

- Increase in working capital requirement funded through bank borrowings
- Cash/share : 4.7 cents



Higher profits due to

- Higher sales
- Marginal increase in GP margin
- Higher contribution from our associate

Balance Sheet remains healthy

- Sound liquidity
- Low gearing

• Our performance in the first half is in tandem with the economic recovery and more importantly signals the beginning of a new phase of stronger growth for Megachem

# Next Wave of Growth



# Our Growth Drivers

## Opportunities

- ▶ Increase in chemical demand
- ▶ Moderately firmer chemical prices
- ▶ Producers focus on key accounts and relying on distributors for smaller customers
- ▶ Customers streamlining operations such as consolidation of purchasing
- ▶ Companies outsourcing non-core activities such as production of non-core products, low value activities
- ▶ European and American makers using distributors and custom blenders with pan-Asian presence to enter Asian markets



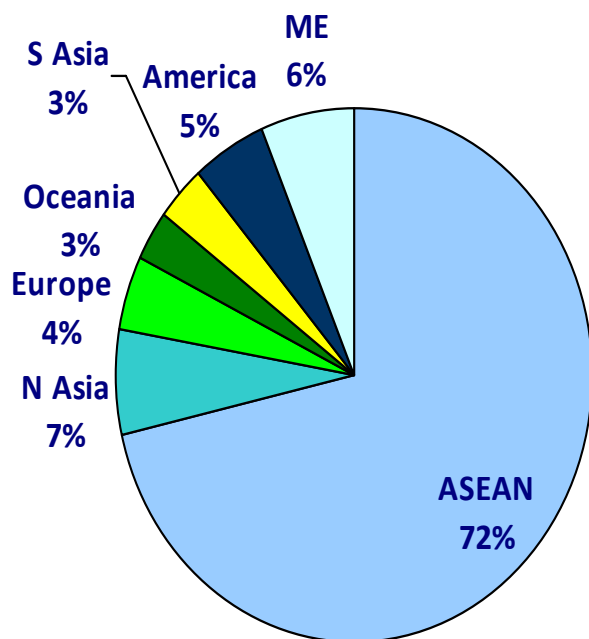
## Strategy

- ▶ Replicate our DNA to our emerging markets in Vietnam, ME, India
- ▶ Leverage on global network for accelerated growth
- ▶ Integrating on more contract-manufacturing services thus adding greater value to customers
- ▶ Create value for our customers and suppliers through regional/global contracts
- ▶ Diversify our revenue streams further by accelerating our growth in markets outside ASEAN

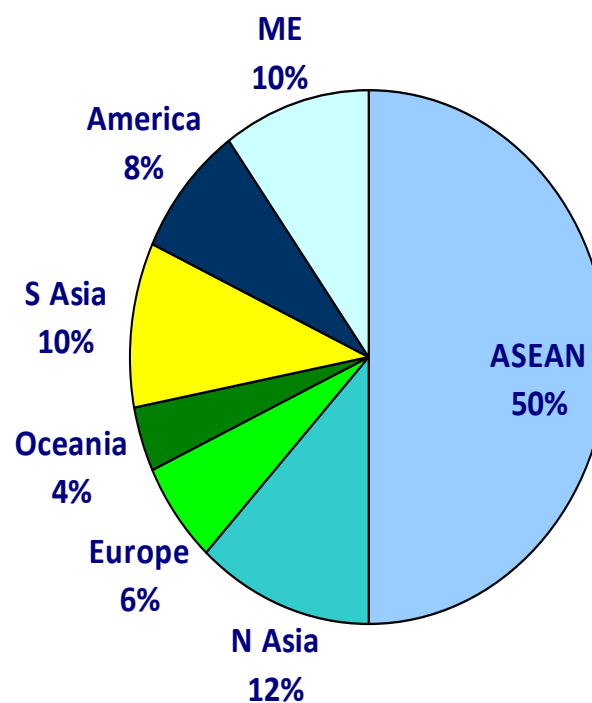


**Sustainable  
Business  
Model  
&  
Accelerated  
Growth**

**2009**



**2014**



**Business to become more global  
Markets outside ASEAN to drive future growth**

### Resilient

Food & Beverage

Flavours &  
Fragrance

Pharmaceutical

Personal Care

### High-growth

Oil & Gas

Water treatment

Construction

Metal Finishing

### New-growth

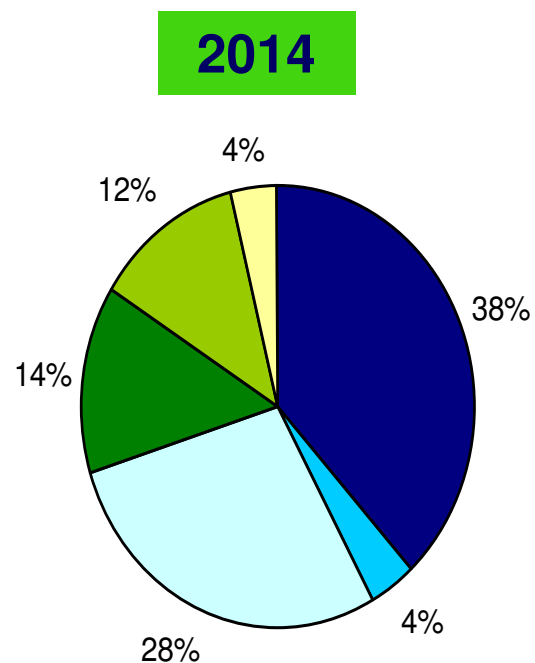
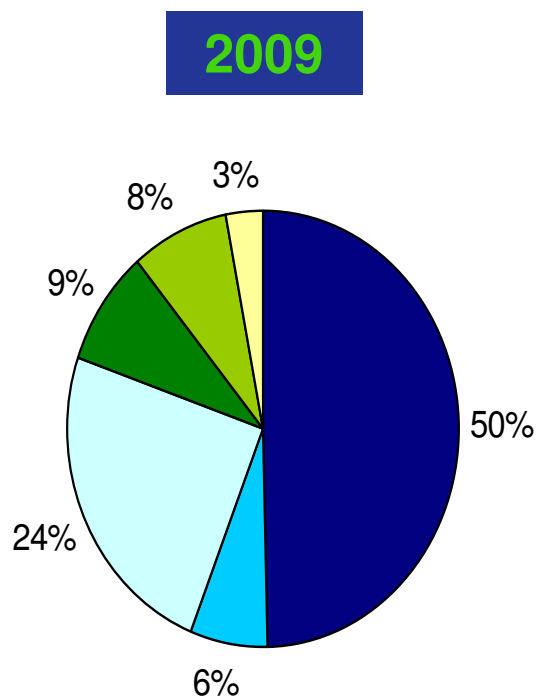
Aviation

Energy

Mining

Agriculture

# Industry Coverage



- Performance Coatings and Polymers
- Advanced Polymer Composites
- Surface Technology
- Biotech
- Oil & Gas
- Lifestyle

**Diversification for resilience  
Focus on High-Growth Industries for Growth**

**2009**

**Distributor**

**Manufacturing  
7% of NPBT**



**2014**

**Integrated Solution  
Partner**

**Manufacturing  
15% of NPBT**



## Outlook 2010

+ Broad-based growth across most geographic markets

+ Regional contracts will increase in contribution

+ New product agencies

+ Oil & Gas, Water Treatment, Metal Finishing, Wellness – good growth potential

+ Demand for Custom Blending and Integrated services increasing

+ Economy recovery likely to continue



Potential headwind to global economy  
Growth likely to continue in second half 2010

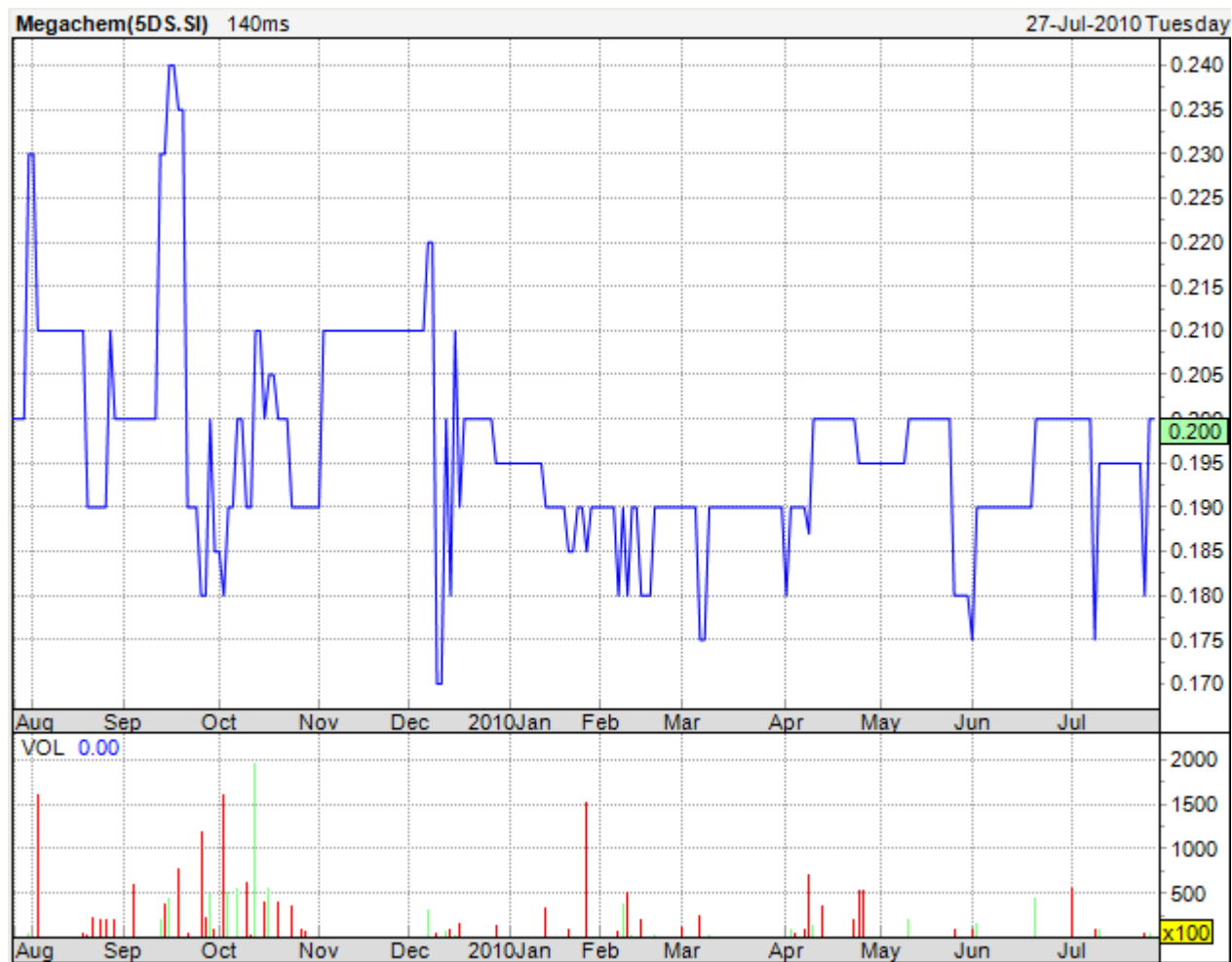
## Dividend

	2003	2004	2005	2006	2007	2008	2009	1H 10
Price/sh(as at 31 Dec/30 Jun)	31.5	26	16	16	21.5	23.5	19.5	20.0
Dividend / share (cents) - net	0.56	0.864	0.576	0.81	0.595	0.40	1.0	0.5
Dividend payout (%)-net	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	25.1%
Dividend Yield (%)-Net	1.8%	3.3%	3.6%	4.9%	2.8%	2.0%	5.1%	2.5%*
* interim								

### Share Information (as at 27 Jul 2010)

Listing Date	17-Oct-2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	25.5 cents
52 weeks Low	14 cents
Price	20.0 cents
No of Shares	133,300,000
Market Capitalisation	\$26.66 mil

# Share Price Performance



- Profitable track record since inception
- Resilient business model → tested through several crises
- Diversification → stability in business
- Global network → platform for next phase of growth
- Share Price/book value : 0.76
- Consistent dividend payout



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**Thank You**