

MegaChem Limited

Results Presentation
Full Year Ended 31 Dec 2011

2011 Industry Overview

1H 11

Chemical Industry boosted by economic recovery



**Mar
2011**

Japan Disaster : Supply Shortage & Price increased



**June
2011**

Supply and prices began to normalise.



2H 11

Euro Crisis set in



2011 Financials : Inspiring Performance

Financial Highlights



Record Sales

* Sales S\$106.9 mil



Record Profit

* NPAT S\$5.1 mil



Record Earnings per share

* EPS : 3.64 cents

P&L Highlights

S\$'mil	FY 10	FY 11	Var	Var %
Sales	95.0	106.9	11.9	12.5%
Gross Profit	19.7	22.1	2.4	12.3%
Gross Profit Margin %	20.8%	20.7%	(0.1% pts)	-
Expenses	15.1	17.0	1.9	12.7%
Other Income	0.47	0.17	(0.30)	(64.3%)
Share of Assoc Profit	1.10	1.03	(0.07)	(6.7%)
NPBT	6.2	6.3	0.1	2.1%
NPAT	4.8	5.1	0.3	5.4%
NPAT margin %	5.1%	4.8%	(0.3% pts)	-
ROE %	12.8%	12.5%	(0.3% pts)	-
EPS (cents)	3.47	3.64	0.17	4.9%

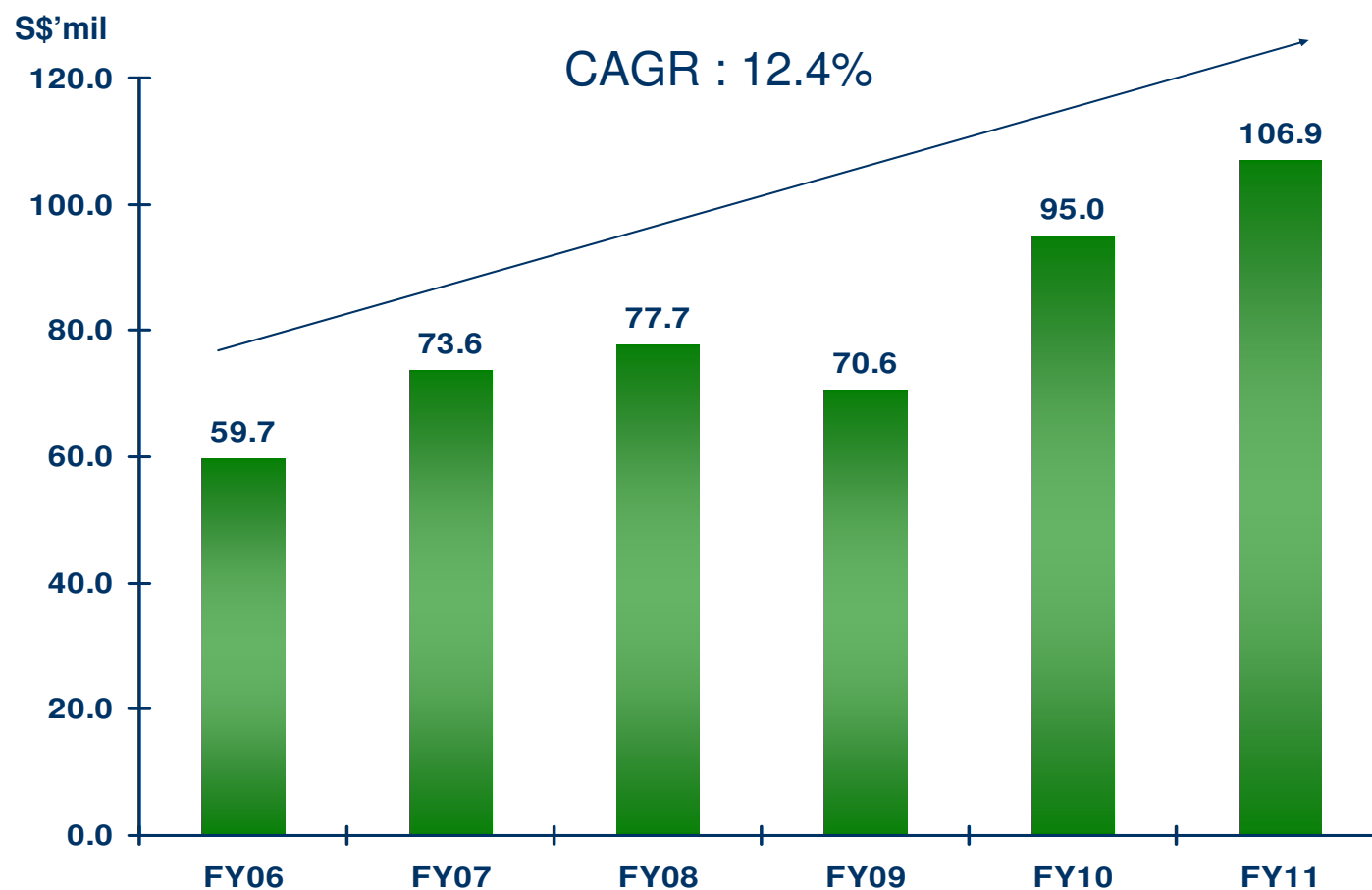
P&L Highlights

S\$'mil	1H 11	2H 11	Var	Var %
Sales	57.3	49.6	(7.7)	(13.4%)
Gross Profit	11.6	10.5	(1.2)	(9.9%)
Gross Profit Margin %	20.3%	21.2%	0.9% pts	-
Expenses	8.4	8.6	0.2	(2.0%)
Other Income	0.05	0.12	0.07	144.9%
Share of Assoc Profit	0.58	0.44	(0.14)	(23.7%)
NPBT	3.8	2.5	(1.4)	(36.1%)
NPAT	3.0	2.0	(1.0)	(32.9%)
NPAT margin %	5.3%	4.1%	(1.2% pts)	-
ROE %	15.8	9.7%	(6.1% pts)	-
EPS(cents)	2.23	1.42	(0.81)	(36.3%)

P&L Highlights

S\$'mil	2H 10	2H 11	Var	Var %
Sales	49.8	49.6	(0.2)	(0.4%)
Gross Profit	9.9	10.5	0.6	6.0%
Gross Profit Margin %	19.9%	21.2%	1.3% pts	-
Expenses	8.0	8.6	0.6	7.7%
Other Income	0.09	0.12	0.03	40.4%
Share of Assoc Profit	0.64	0.44	(0.20)	(30.5%)
NPBT	2.6	2.5	(0.2)	(7.0%)
NPAT	2.0	2.0	-	1.9%
NPAT margin	4.0%	4.1%	0.1% pts	-
ROE %	10.9%	9.7%	(1.2% pts)	-
EPS(cents)	1.48	1.42	(0.06)	(4.1%)

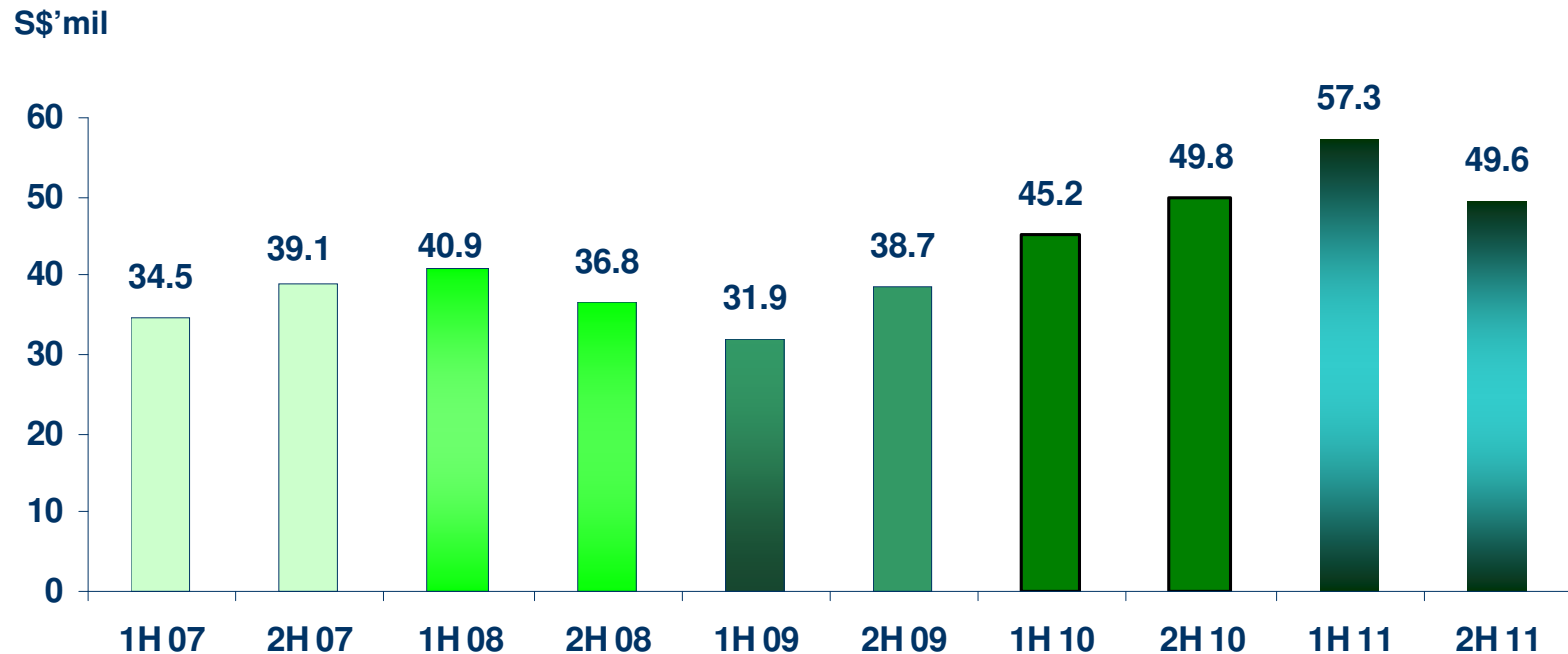
Annual Sales



Steady Growth over the last 6 years

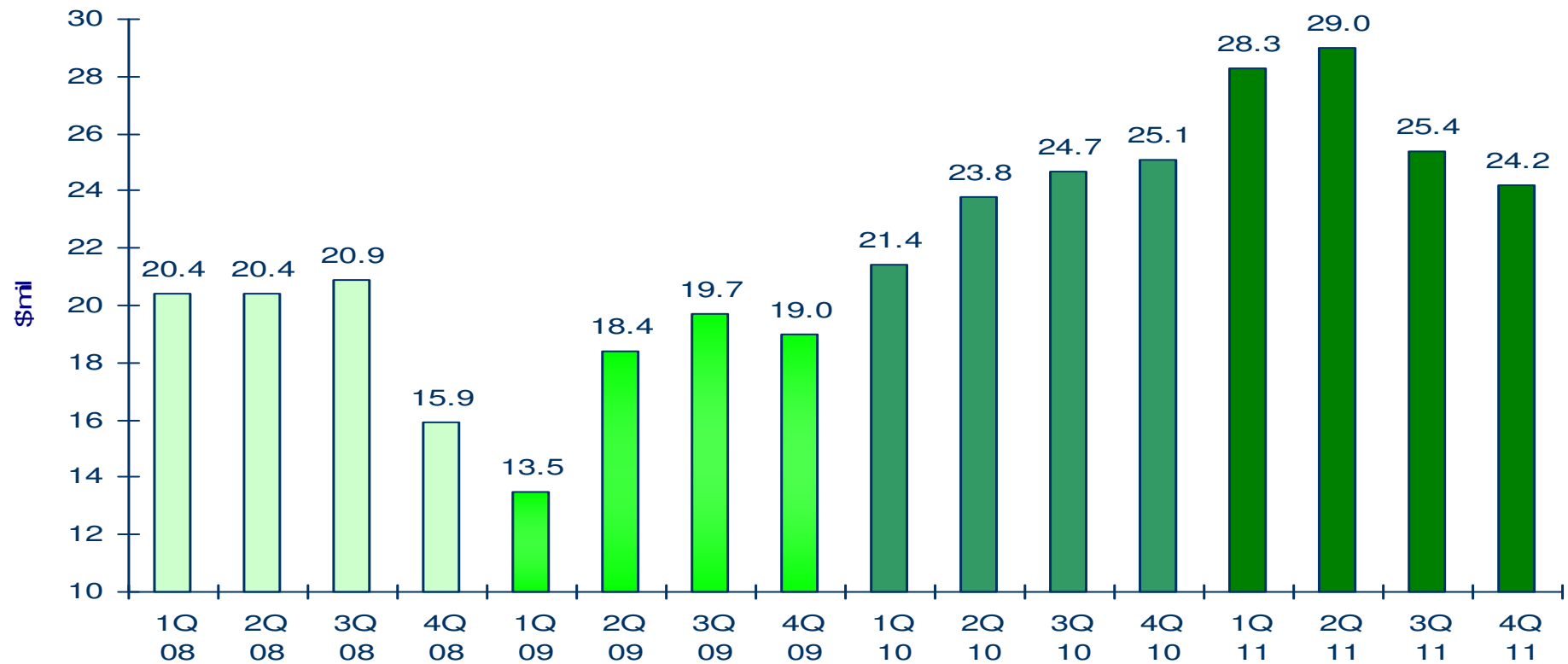
Sales crossed S\$100 mil mark.

Half-yearly Sales



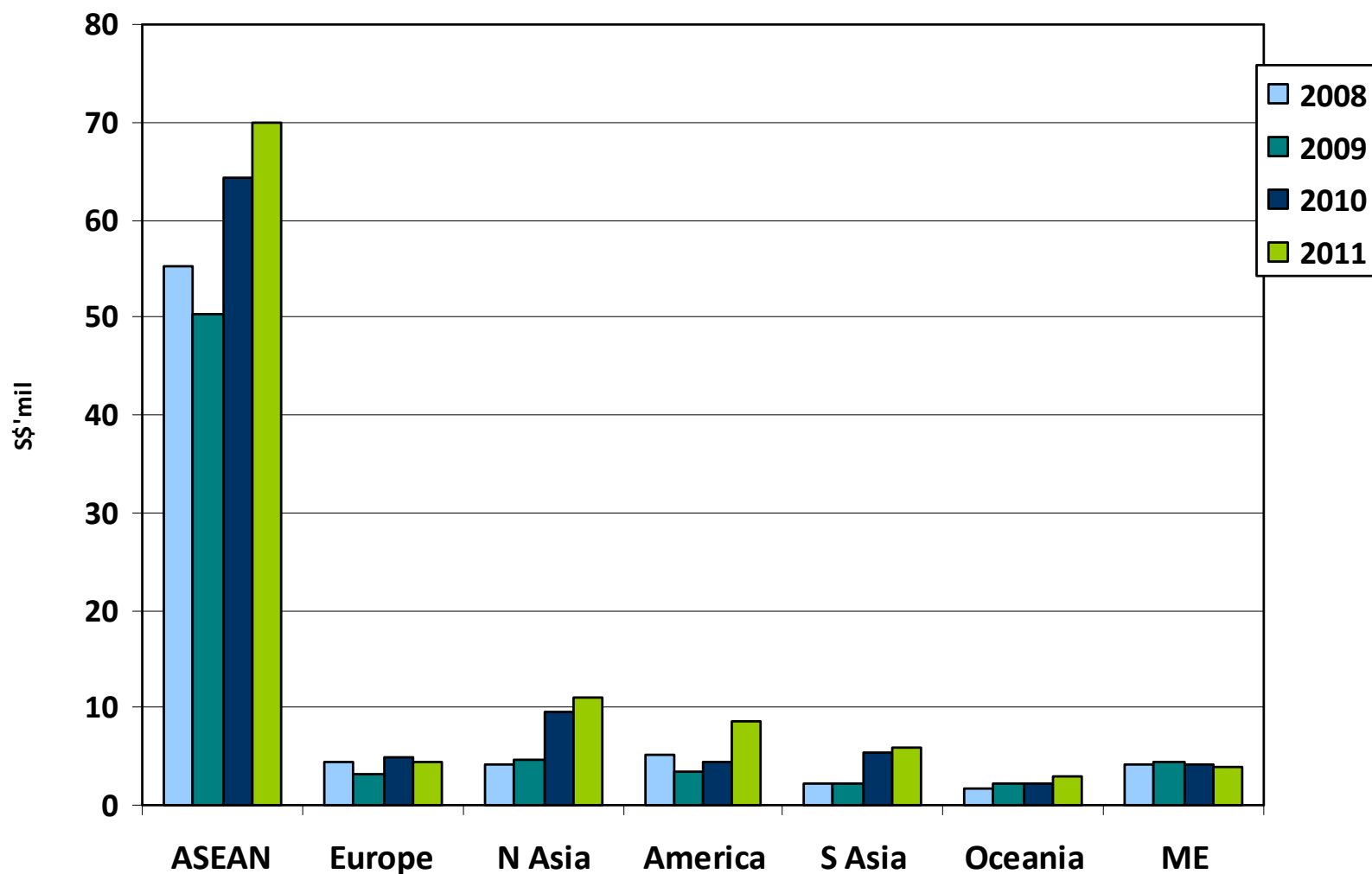
Consecutive half-yearly sales growth since 2H 09
but 2H 11 dipped due to weaker business sentiments arising from the
Euro debt problems

Quarterly Sales



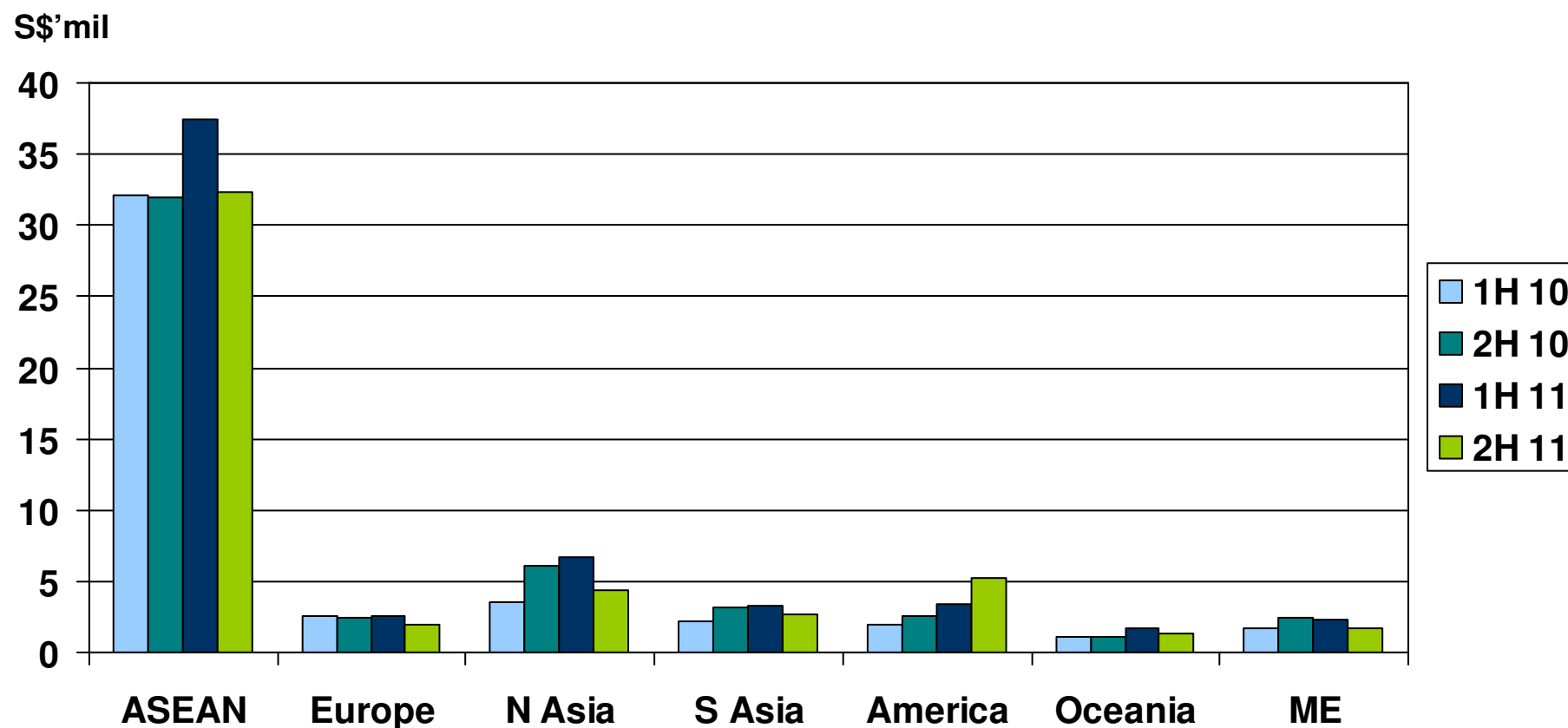
Impact of weakening business sentiments evident in quarterly sales drop in 3Q 11 and 4Q 11

Annual Sales Breakdown by Geographic Markets



Broad-based growth across major market segments except Europe and ME

Half-yearly Sales Breakdown by Geographic markets



2H 11 vs 1H 11 : fall in sales across all market segments except in America

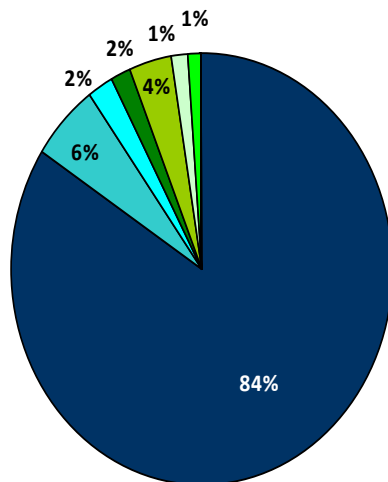
2H 11 vs 2H 10 : lower sales in all market segments except in America, Oceania, ASEAN

Diversification of Geographic markets

2003

**Regional
Player**

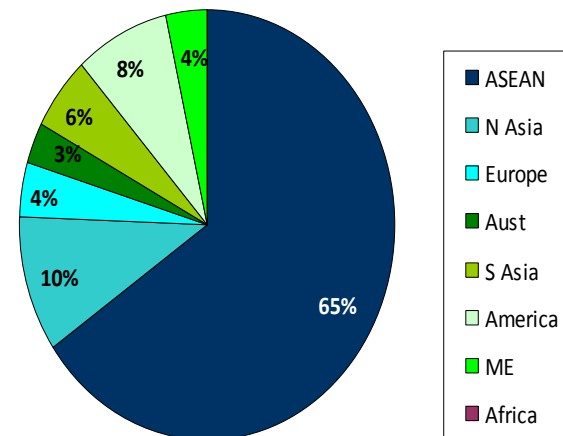
**Presence in 7
countries**



2011

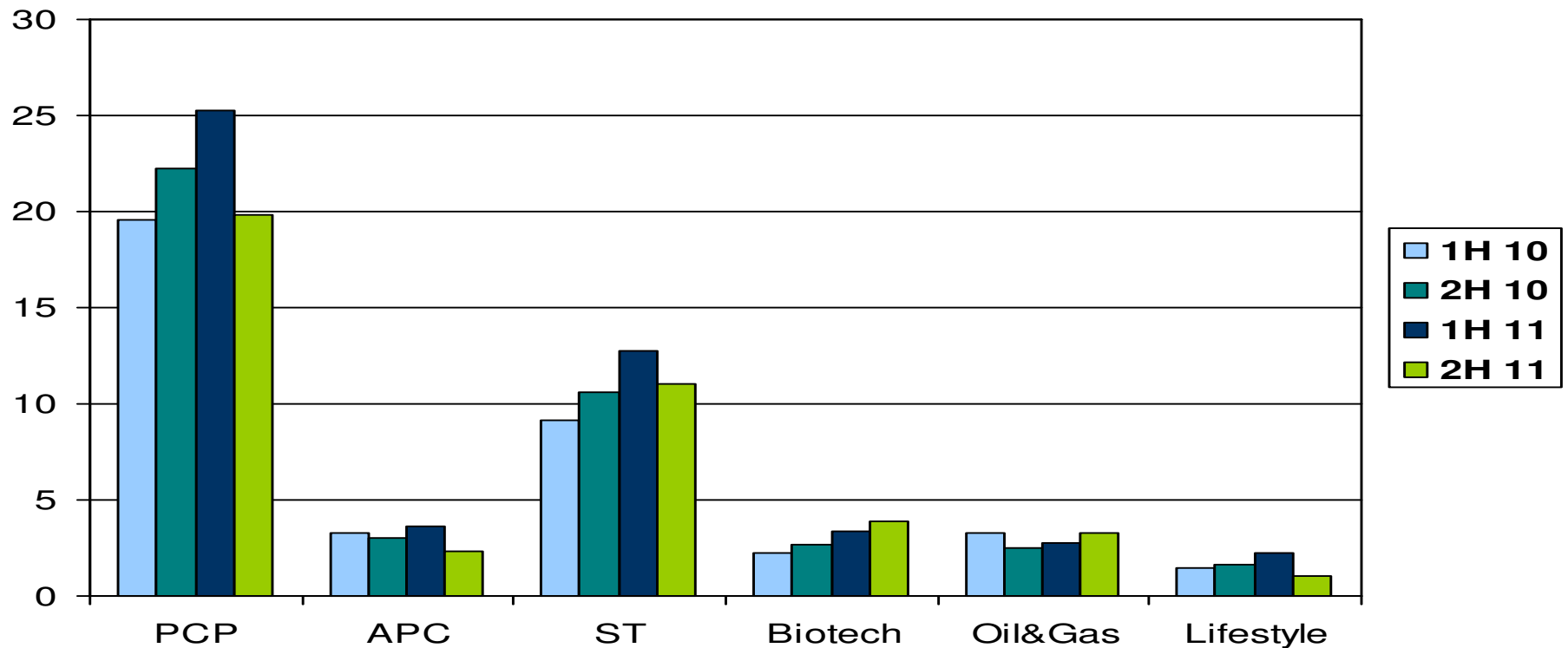
**Global
Player**

**Presence in 11
countries**



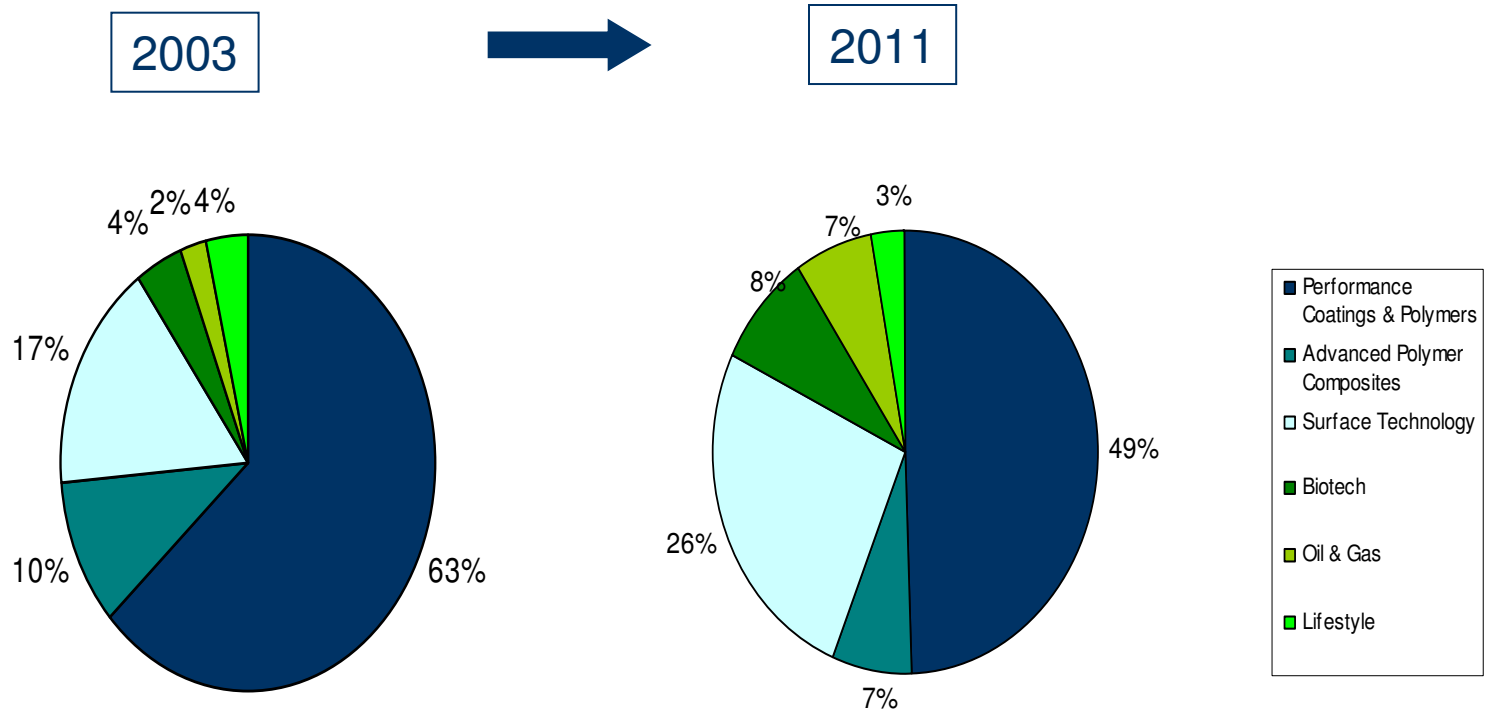
Half-yearly Sales Breakdown by Industry

S\$'mil

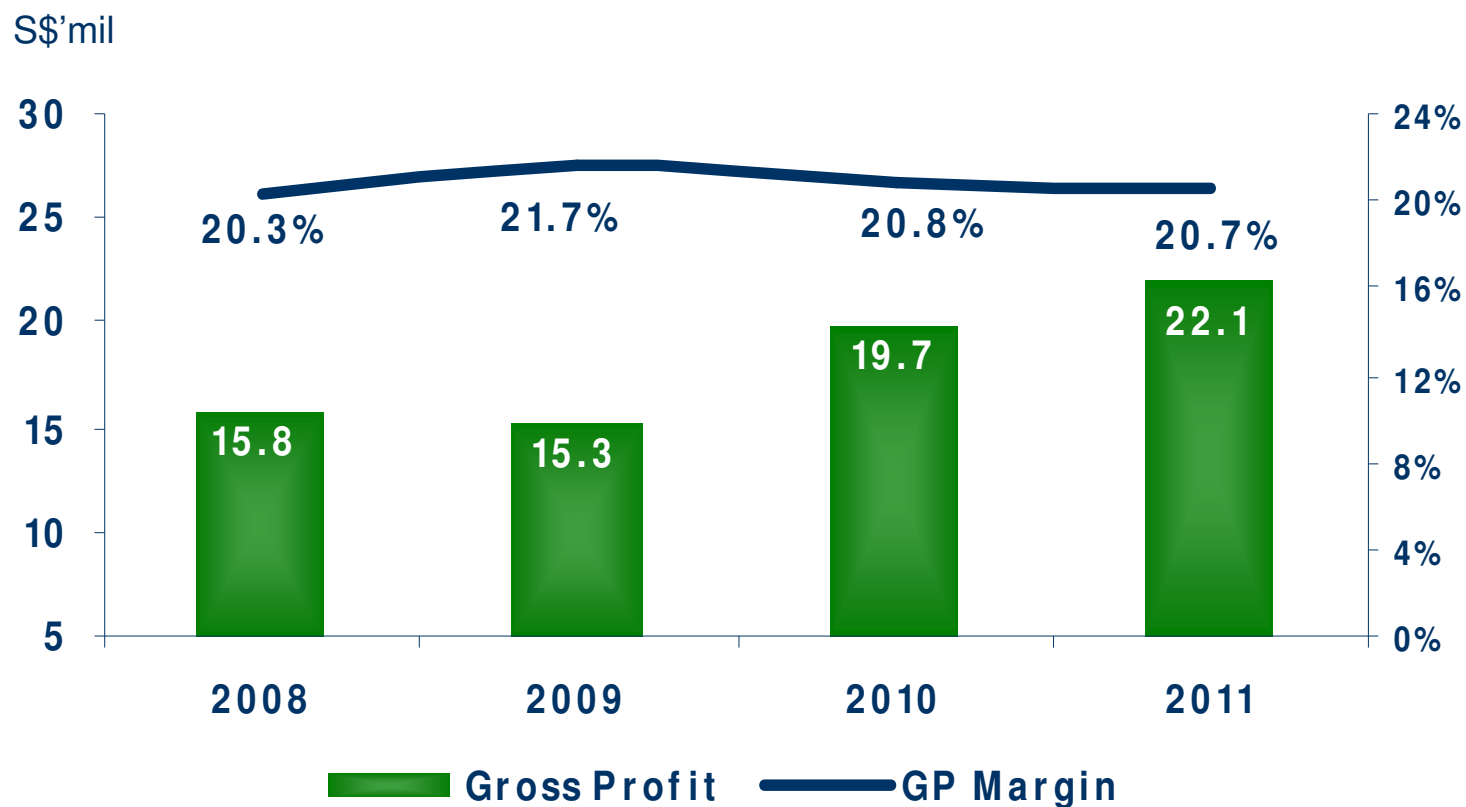


H2 vs H1 : Decline across all industry groupings except Biotech and Oil & Gas

Diversification of Industry Coverage



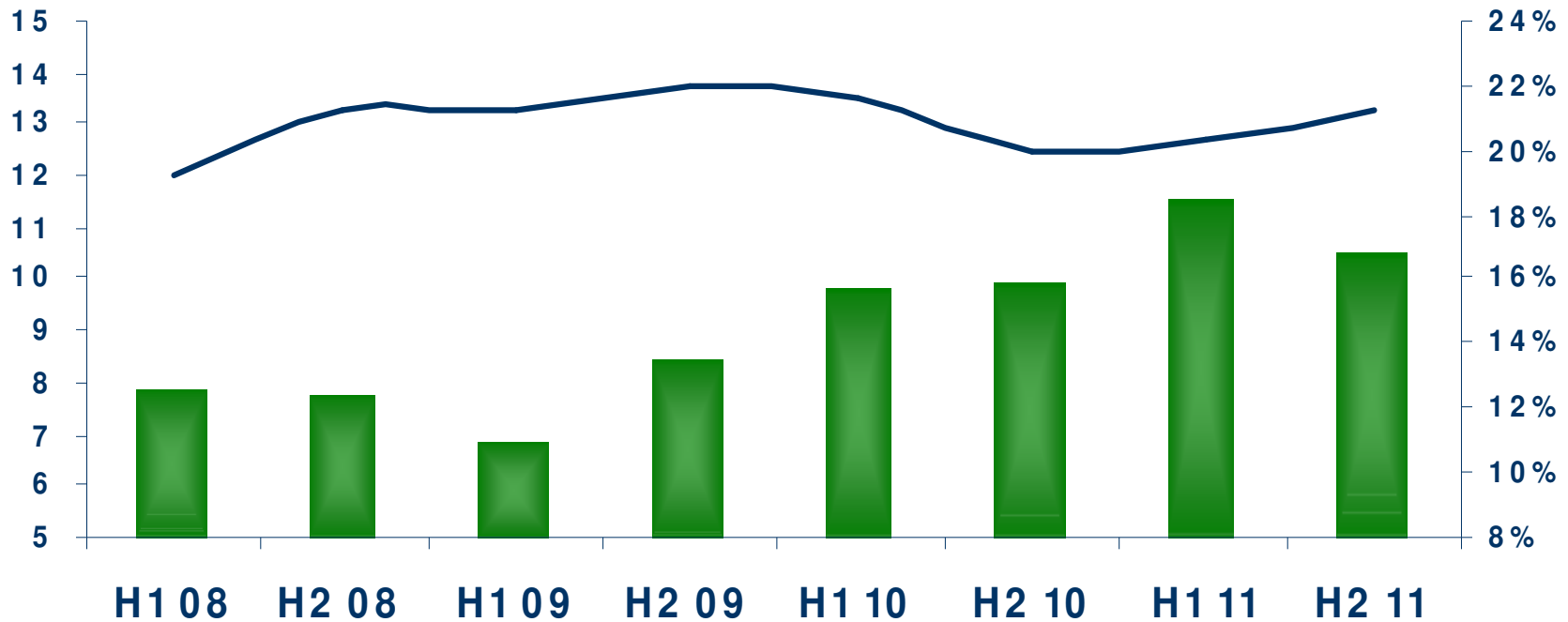
Gross Profit



GP margin steady at above 20%

Gross Profit

S\$'mil



Higher contribution from higher margin markets contributed to higher GP margin in 2H 11

Expenses

Total expenses increased by S\$1.9 mil or 12.7% to S\$17.0 mil.

S\$'000	2010	2011	Var	Var %
Staff Cost	8,381	9,427	1,045	12.5%
Depreciation	633	652	19	3.0%
FX	370	299	(72)	(19.3%)
Professional Fees	614	490	(124)	(20.1%)
Rental	1,431	1,720	289	20.2%
Travelling & Transport	712	891	179	25.1%
Impairment of trade receivables	111	226	115	103.7%

Expenses

S\$'000	2010	% of Sales	2011	% of Sales
Staff Cost	8,381	8.8%	9,427	8.8%
Depreciation	633	0.7%	652	0.6%
Interest Expense	149	0.16%	285	0.3%
Rental	1,431	1.5%	1,720	1.6%
Travelling & Transport	712	0.7%	891	0.8%
Impairment of Trade Receivables	111	0.1%	226	0.2%
Total Expenses	15,128	15.9%	17,045	16.0%

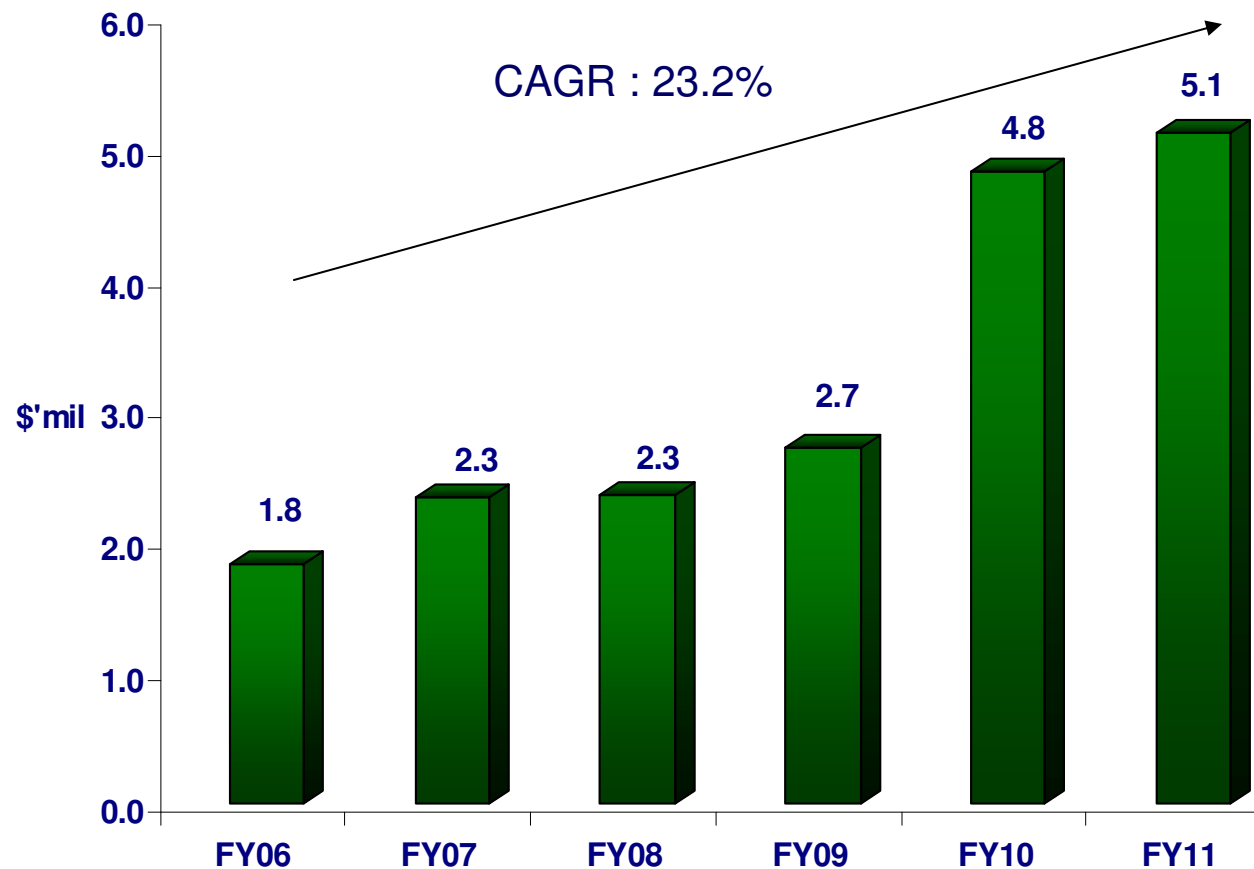
Other Income

Other Income decreased S\$304,000 or 64.3% compared to 2010.

S\$'000	2010	2011	Var	Var %
Bad Debt Recovered	258	65	(192)	(74.7%)
Grant Income	90	8	(82)	(91.2%)

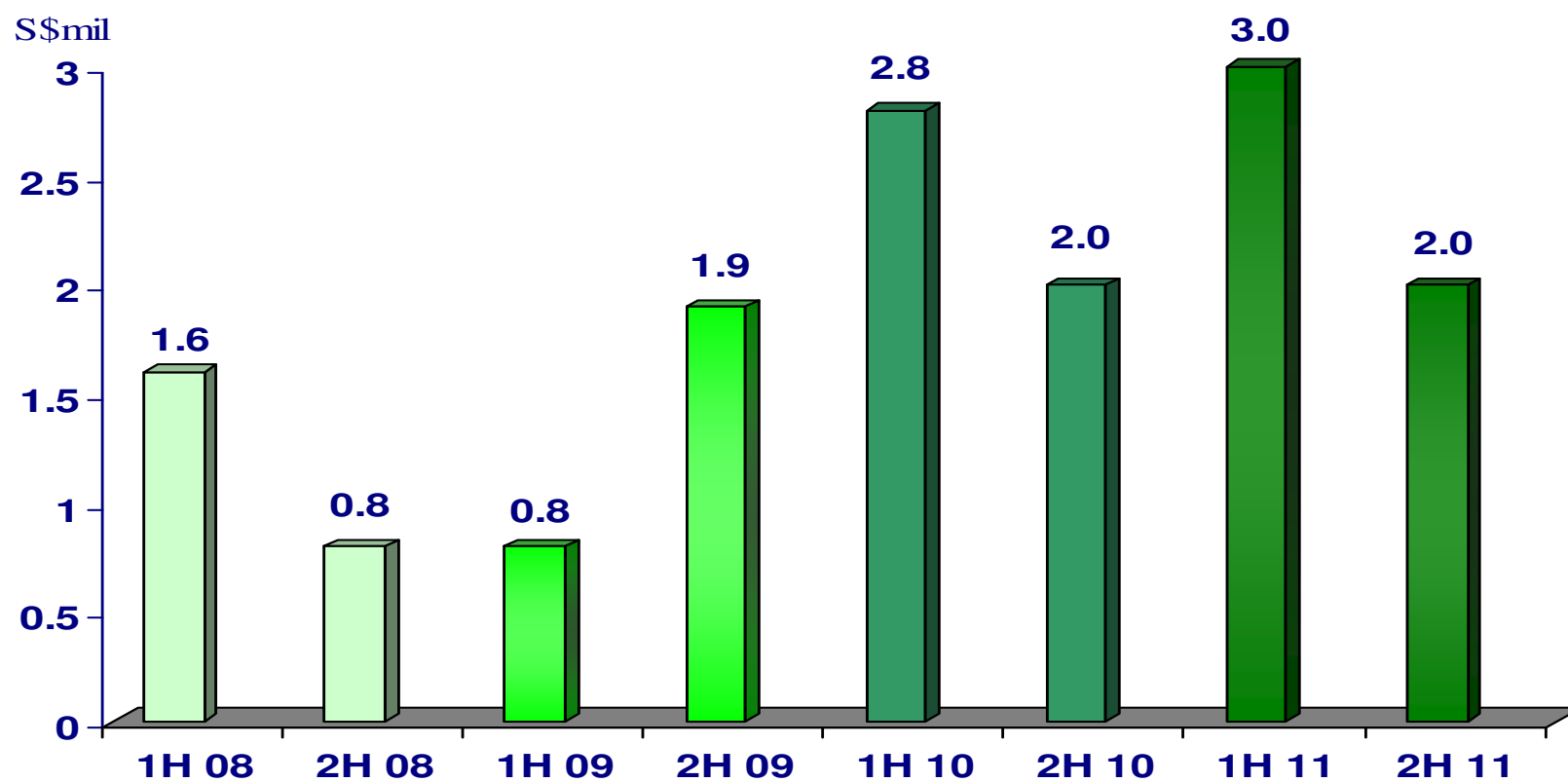
Annual Net Profit After Tax

Record profit in spite of economic uncertainty.



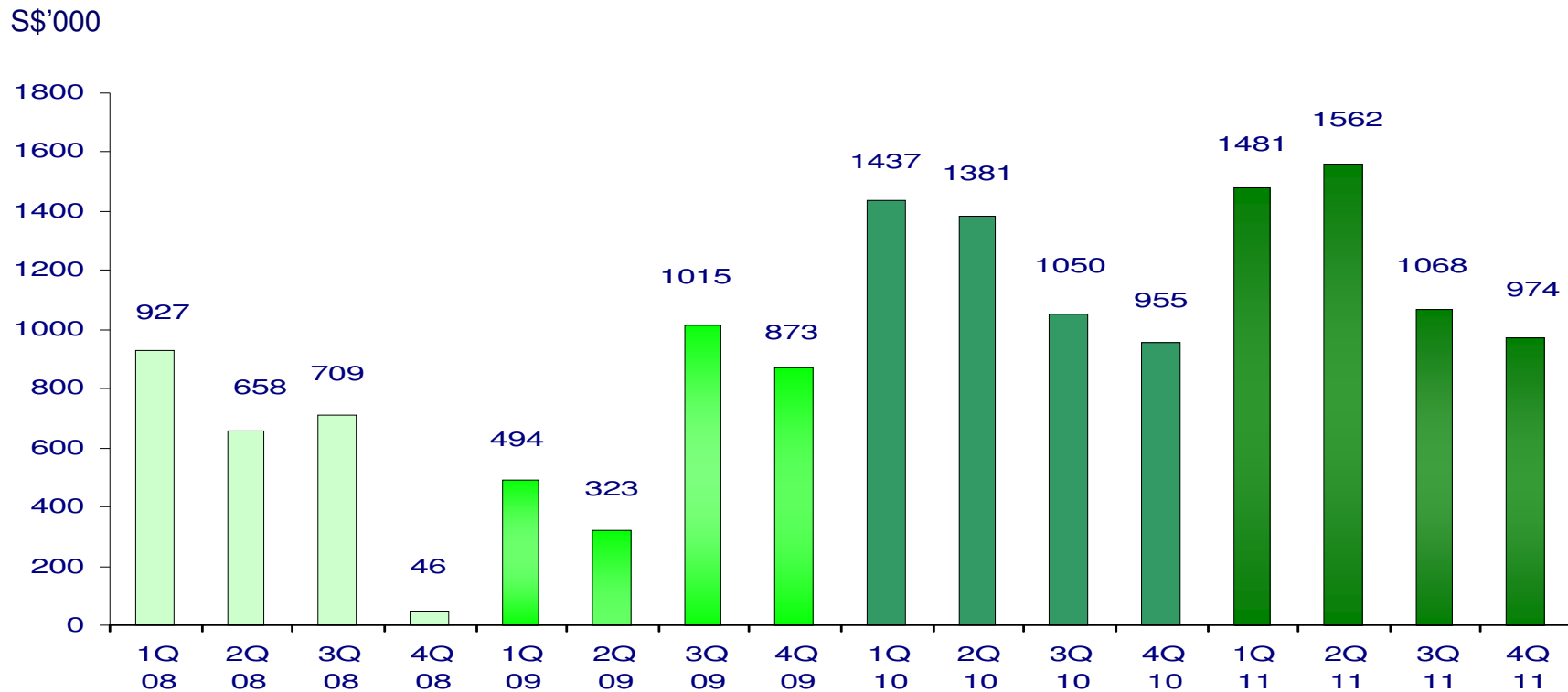
Half-yearly Net Profit After Tax

Record NPAT in 1H 11



Quarterly Net Profit After Tax

Highest quarterly profit in 2Q 2011.
Drop in 3Q due to weaker business sentiments arising from Euro debt problems



Balance Sheet

Assets

S\$7.6 mil 11.3% of total assets	▪ Cash
S\$22.3 mil 33.1%	▪ Receivables
S\$21.2 mil 31.5%	▪ Inventory
S\$2.6mil 3.8%	▪ Other Current Assets
S\$4.6 mil 6.8%	▪ Investment in Assoc
S\$9.0 mil 13.3%	▪ Property, Plant & Equipment
S\$0.16 mil 0.2%	▪ Other LT Assets

Liabilities & Equity

S\$11.0 mil 16.4% of total Liabilities & equity	▪ Payables
S\$15.3 mil 22.7%	▪ Borrowings
S\$0.5 mil 0.7%	▪ Other Liabilities
S\$40.7 mil 60.2%	▪ Equity

Balance Sheet

S\$'mil	2009	2010	2011	
Cash	6.6	6.8	7.6	
Cash/share (cents)	4.9	5.1	5.7	
Borrowings	6.7	9.7	15.3	Increase in borrowings for purchase of factory
Shareholders Equity	33.3	36.1	38.9	
Gearing (times)	0.2	0.27	0.39	Acceptable despite increase in borrowings
Current ratio (times)	2.8	2.4	2.4	Sound liquidity
Inventory	14.1	18.2	21.2	
Inventory T/O (days)	103	84	91	Due to slower sales in second half
Trade Receivables	21.0	22.8	21.8	
Trade Receivables T/O (days)	106	86	78	
Property, Plant & Equipment	3.4	3.5	9.0	Factory Expansion
NTA/share (cents)	25	27.1	29.2	

No Boundaries Only Possibilities



Cashflow

S\$'mil	2010	2011	
Cash from operating activities	(0.03)	3.4	Changes in working capital : Decrease in Receivables – 1.4 Increase in Inventory - (3.0) Increase in Payables – 0.3
Cash from investing activities	(0.4)	(6.4)	Plant & Equipment – (6.5)
Cash from financing activities	0.8	4.0	Dividend paid – (1.3) Increase in borrowings – 5.6
Net increase in cash	0.3	0.9	

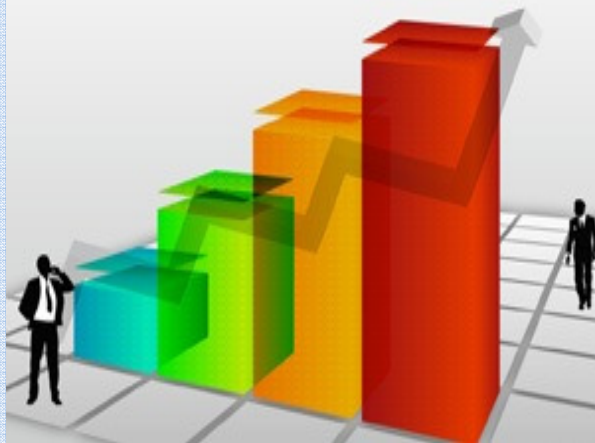
Financial Summary

P&L Summary

- Record Sales
- Consistent Gross Profit Margin
- Higher operating expenses
- Lower Other Income
- Higher Profit

Balance Sheet Summary

- Higher borrowings
- Gearing higher
- Liquidity sound



Outlook 2012: Sustaining Momentum

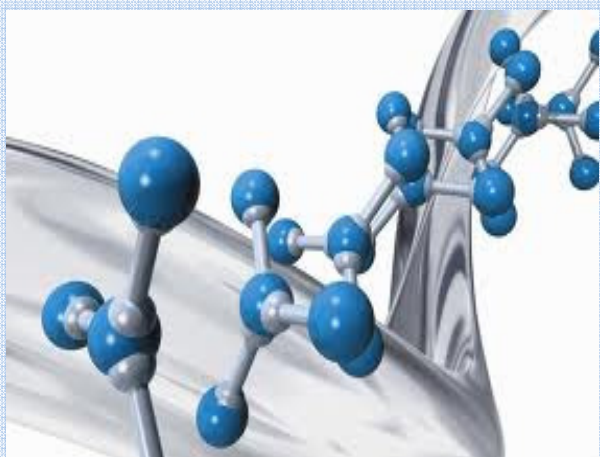
Outlook 2012

+ Debt concerns in Europe and sluggish US recovery dampens business sentiment

+ Demand for chemical depends on global economic activity



- Weak economic condition → likely impact on our business in FY2012
- Diversity will withstand external adversity



Long Term Prospects: Catalyst for Growth

Long Term Prospects

+ Global Economy more Asia-centric

+ Leveraging on strong Asian network to grow our distribution business

+ Expanding our custom-blending business with new manufacturing facility targeted to be ready in 2Q



Long-term growth remains intact

Our Growth Drivers

**Strong pan-Asian
Network**

+

**Manufacturing
Expansion**



**Sustainable
Business
Model
&
Accelerated
Growth**



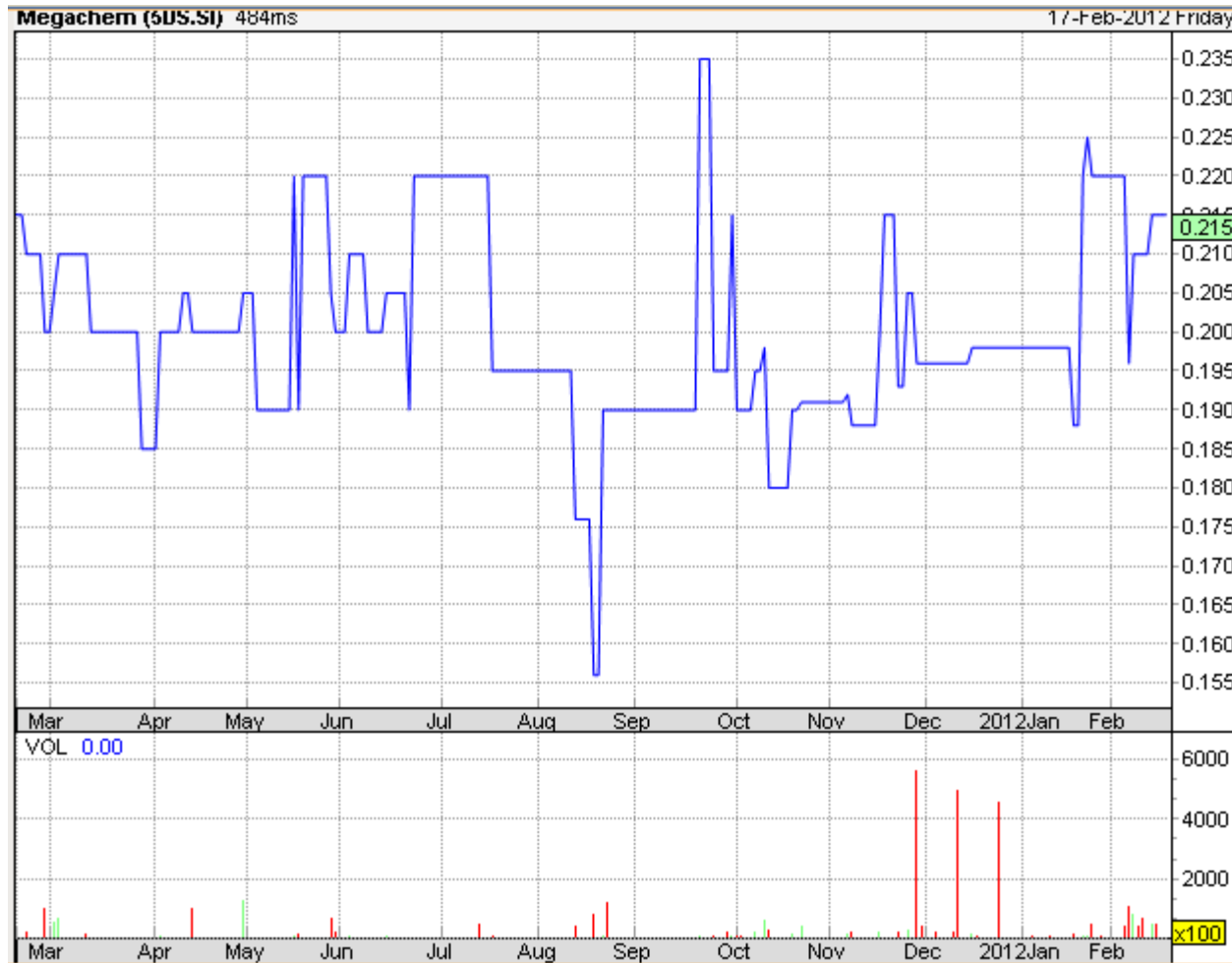
Share Performance : Enhancing Shareholders' Long Term Value

Share Statistics

Share Information (as at 17 Feb 2012)

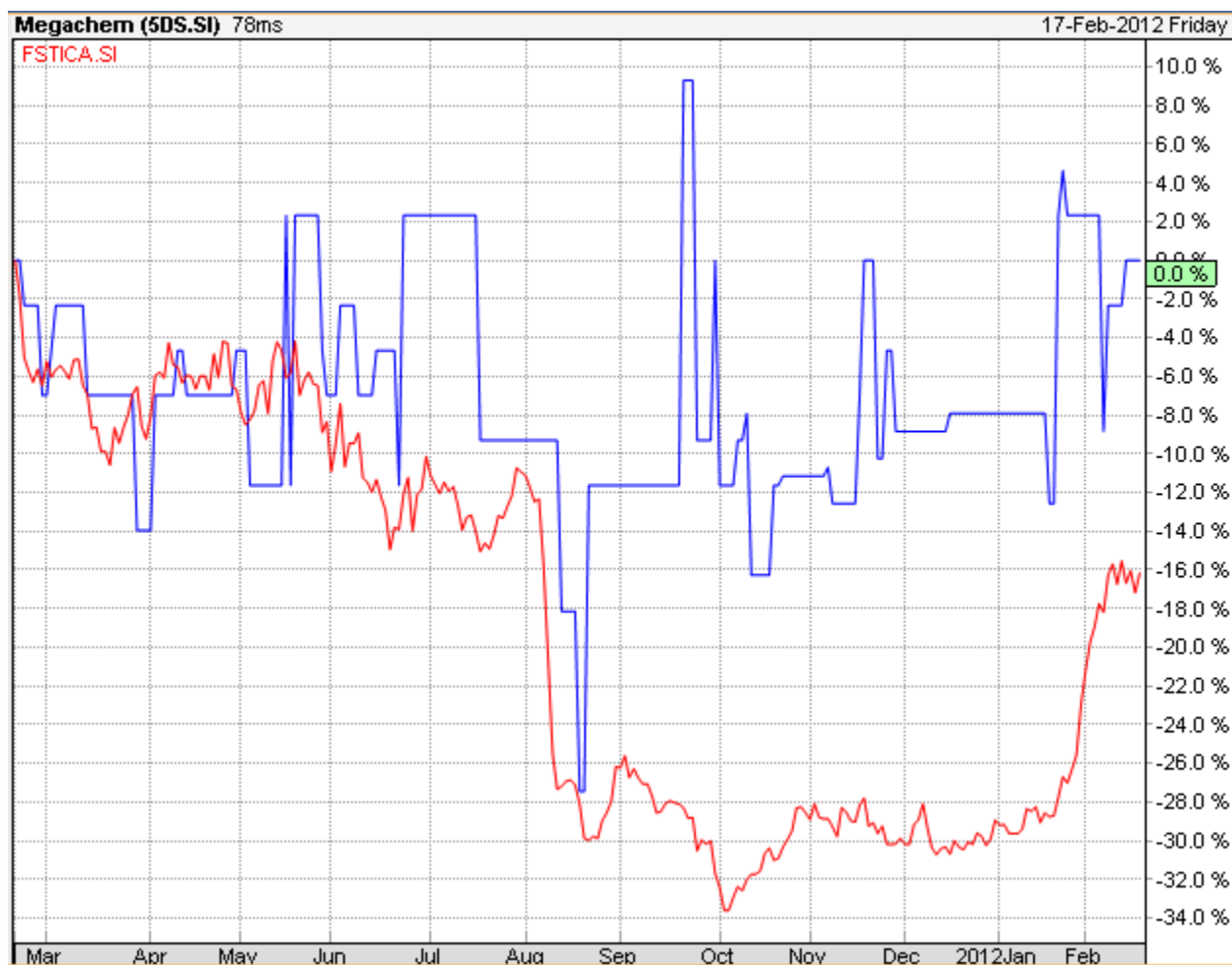
Listing Date	17-Oct-2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	23.5 cents
52 weeks Low	15.6 cents
Price (as at 17 Feb 2012)	21.5 cents
No of Shares	133,300,000
Earnings per share (cents)	3.64 cents
Historical P/E	5.9 x
Market Capitalisation	\$28.7 mil
NTA/share (cents)	29.2 cents
Price/Book Ratio	0.74

Share Price Performance



No Boundaries Only Possibilities

Share Price Performance vs Catalyst



No Boundaries Only Possibilities

Dividend

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Price/share(as at 31 Dec)	31.5	26.0	16.0	16.0	21.5	23.5	19.5	20.0	19.8
Dividend / share (cents) - net	0.56	0.864	0.576	0.81	0.595	0.40	1.00	1.20	1.30*
Dividend payout (%) -net	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	34.6%	35.7%
Dividend Yield (%) -net	1.8%	3.3%	3.6%	4.9%	2.8%	2.0%	5.1%	6.0%	6.6%^

* Interim Dividend : 0.3 cents per share already paid


Propose Final Dividend : 1.0 cents per share (subject to shareholders' approval at AGM)

^ Dividend yield is 6.0% if calculated based on last traded price of S\$0.215 on 20 February 2012

Investment Merits

- Profitable track record since inception
- Resilient business model → tested through several crises
- Diversification → stability in business
- Global network and manufacturing → growth drivers for coming years
- Share Price/book value : 0.74 *
- P/E : 5.9 x *
- Consistent dividend payout

(* Based on share price of S\$0.215 cents as at 20 February 2012)



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Thank You

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