



## NEWS RELEASE

### MEGACHEM REGISTERS NET PROFIT OF S\$0.9 MILLION ON REVENUE OF S\$51.3 MILLION IN 1H 2016

- ***Net profit and revenue impacted by curb in demand for chemicals due to challenging macro-economic conditions***
- ***Interim dividend of 0.5 cent per share, representing payout ratio of 85%***
- ***Continues to maintain strong relationships with key partners, and execute strategies to build sustainable and resilient business***

**Singapore, 11 August 2016** – 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 net profit of S\$0.9 million on revenue of S\$51.3 million for the half year ended 30 June 2016 (“1H 2016”). Comparatively, the Group recorded a net profit of S\$1.5 million and revenue of S\$57.6 million in the previous corresponding period (“1H 2015”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group commented, “In line with our outlook at the beginning of the year on the challenging market conditions and its potential impact on our revenue growth momentum, the unfavourable economic conditions have led our anticipation to materialise. Given that the chemical industry’s growth is tied to market trend and economic growth, headwinds from macro-economic jolts such as the recent Brexit event has inevitably affected demand for our specialty chemicals and consequently, our top and bottomline.

“While there are limits to the extent that we can drive revenue growth amidst a muted business landscape, we have strived to focus on key factors that are within our control. These included the prudent management of our cost structure and balance sheet, which will provide us with the buffer to weather the uncertainties of the economy.”

Megachem continued to be well-recognised on the corporate governance front. At the prestigious 2016 Singapore Corporate Awards (“SCA”), the Group clinched two awards – the Best Investor Relations Award (Gold) and the Best Annual Report Award (Silver) – in the “less than \$300 million market capitalisation” category. The securing of these accolades marked the eighth year that Megachem has won an award out of the 11 years since the SCA’s inception. These attest to the Group’s efforts in upholding high standards of transparency and its commitment to communicate openly with stakeholders.

## **Performance Review**

On a geographic segment basis, ASEAN continued to be the Group’s largest market, accounting for 67.2% of the 1H 2016’s topline. The region recorded an 11.2% decline in revenue during the half year, along with most other geographic segments, including Europe and America which registered revenue declines of 10.5% and 78.2% respectively, as compared to 1H 2015.

However, North Asia – the second largest revenue contributor to Megachem, South Asia and Australia remained bright spots for the Group, having witnessed revenue growth of 6.4%, 16.2% and 11.0% respectively during the half year, as compared to 1H 2015.

While overall revenue in 1H 2016 declined by 10.9%, the Group improved its gross profit margin by 2.8 percentage points to 25.0%. This led to a stable total gross profit of S\$12.8 million during the half year, similar to that achieved in 1H 2015.

Mainly due to higher grant income, fair value gains from a listed equity security, and gain on disposal of property, plant and equipment, 1H 2016's other operating income rose by S\$0.1 million to S\$0.3 million.

Overall operating expenses grew by 2.9% or S\$0.3 million to S\$11.3 million in 1H 2016. This was primarily a result of higher impairment of trade receivables as well as a rise in employee remuneration and related expenses.

Given the increase in overall operating expenses and additional withholding taxes incurred on higher dividends received from Megachem's associated company in 1H 2016, net profit after tax declined 38.3% to S\$0.9 million during the half year. Excluding the increase in withholding tax of S\$346,000 year-on-year, the fall in net profit as compared to 1H 2015 would be S\$225,000 or 14.6%. The Group's EBITDA in 1H 2016 correspondingly dipped to S\$2.8 million from S\$3.0 million in 1H 2015.

The Group's balance sheet continued to be robust. Due to a longer cash conversion cycle and dividend payment during the half year, cash and cash equivalents decreased from S\$11.1 million as at 31 December 2015 to S\$10.2 million as at 30 June 2016. Total borrowings increased by S\$0.3 million to S\$18.5 million as at 30 June 2016. Megachem's gearing ratio remained stable at 0.45 time as at 30 June 2016, a marginal increase from 0.43 time as at 31 December 2015, and was in line with higher total borrowings.

### **Proposed Dividend**

To reward shareholders for their unwavering support in Megachem, the Board of Directors has declared an interim tax exempt dividend of 0.5 cent per share, representing a payout ratio of 85%.

## **Outlook**

Factors that have contributed to the impact on the Group's performance during the first half year of 2016, including China's slowing economy and the United States' interest rate hike, are expected to similarly affect operations during the second half of 2016. Furthermore, dampened business sentiments across the world, following Brexit, are also anticipated to add to the woes of the chemical industry. As such, the Group expects the outlook for the second half of 2016 to be muted.

Mr. Chew remarked, "While we are likely to see a curb in the demand for chemicals over the short-term, we believe the medium-to-long-term growth trajectory of the industry remains favourable. Our progress in executing strategies to build a sustainable and resilient business, including the readjustment of our portfolio of products and services; diversification of our customer and supplier base; and achieving operational excellence, remains good.

"Further, we intend to continue maintaining strong relationships with our existing key partners, and in developing new customers as we build our business across Asia where we have a robust presence."

## **About Megachem Limited**

Established in 1988, Megachem is today 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, China, Vietnam, India, the 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 multinational companies. The Group serves a wide spectrum of industries including water treatment, 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](http://www.megachem.com.sg).

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