



Megachem<sup>®</sup>

Results Presentation H1 FY2017  
Analyst Briefing



# Business Updates



## Distribution

Uptick in business confidence following a dip in 2H 16 but sales activity flat compared to 1H 16.

Market segment performance was uneven.



## Manufacturing

Manufacturing activity faced lower demand.



## Megachem Thailand

- Strong IPO debut on 23 February 2017. Open at 2.74 baht per share, 45% above issue price of 1.89 baht per share.
- Reported positive 1H 17 results.

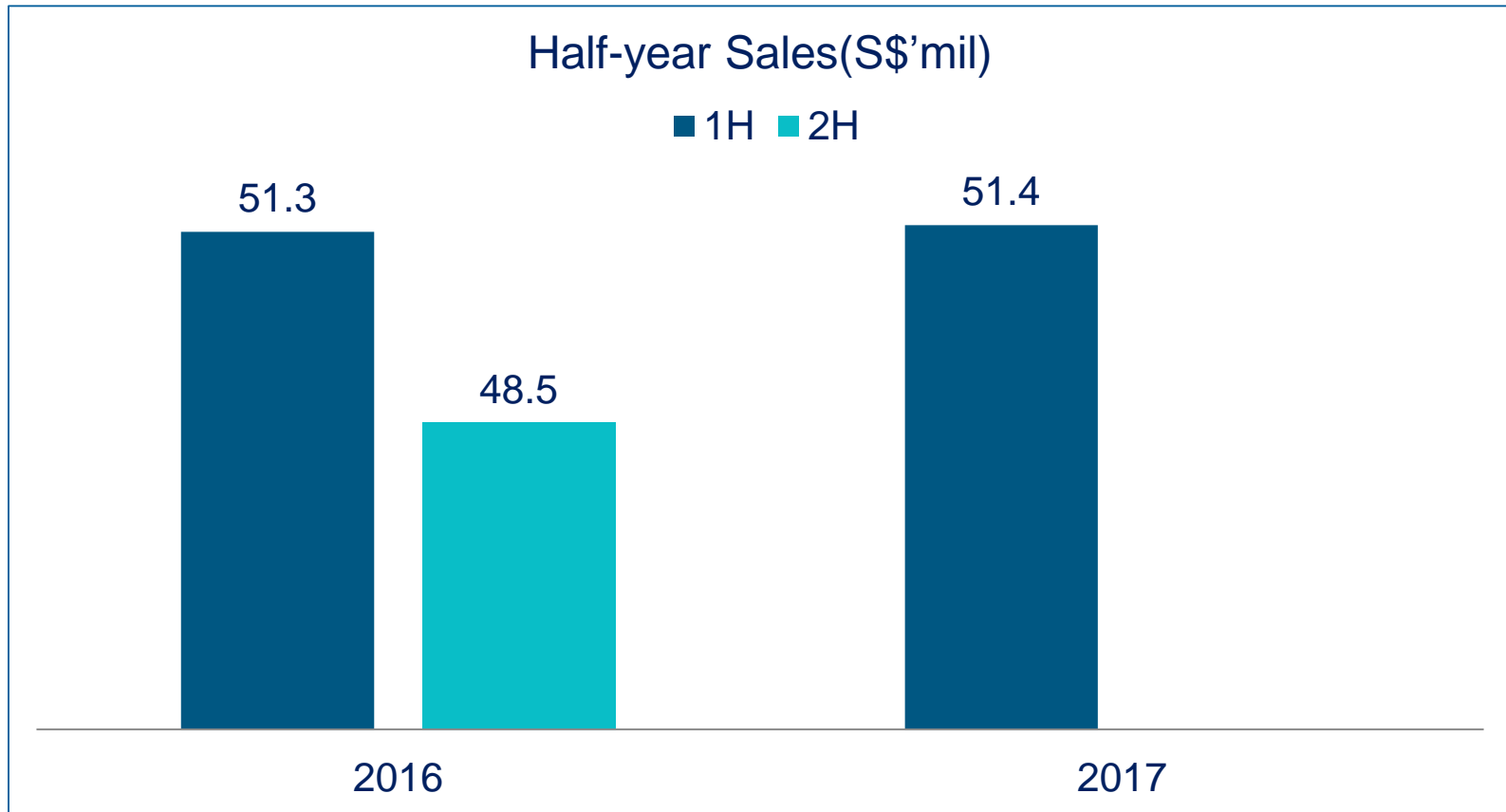


---

# Financial Performance

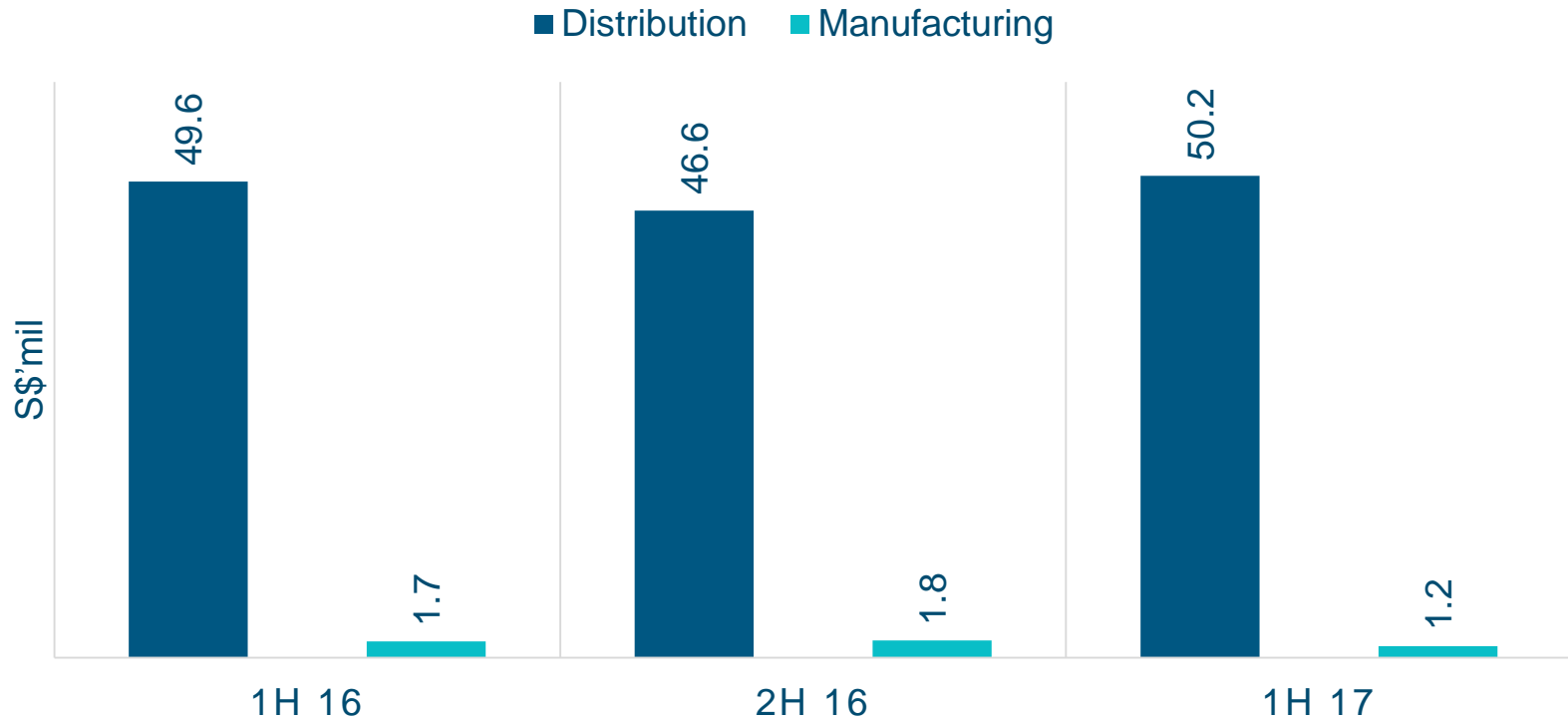
# Profit & Loss Highlights

S\$'mil	1H 16	2H 16	1H 17	1H17 vs 1H16	Var %	1H17 vs 2H16	Var %
Sales	51.3	48.5	51.4	0.1	0.2%	2.9	6.1%
Gross Profit	12.8	12.4	12.5	-0.4	-2.9%	-	0.2%
Gross Profit Margin	25.0%	25.7%	24.2%	-0.8% pt	-	-1.5% pt	-
Expenses	11.6	11.3	12.6	1.0	8.9%	1.3	11.8%
Expenses/Sales %	22.6%	23.3%	24.5%	1.9% pt	-	1.2% pt	-
Other Income	0.31	0.42	2.11	1.8	584.1%	1.68	397.3%
Share of Assoc Profit	0.28	0.28	0.41	0.13	44.8%	0.13	45.7%
NPBT	1.8	1.8	2.3	0.5	29.3%	0.5	27.4%
NPAT	0.9	1.3	2.2	1.3	139.1%	0.9	68.1%
NPAT margin %	1.8%	2.7%	4.3%	2.5% pt	-	1.6% pt	-
EBITDA	2.8	2.8	3.2	0.4	14.8%	0.4	15.4%
EBITDA Margin %	5.5%	5.7%	6.2%	0.7% pt	-	0.5% pt	-
EPS(cents)	0.59	0.94	1.70	1.11	188.1%	0.76	80.9%
EPS(cents)(less one-off gain)	0.59	0.94	0.32	-0.27	-45.8%	-0.62	-66.0%



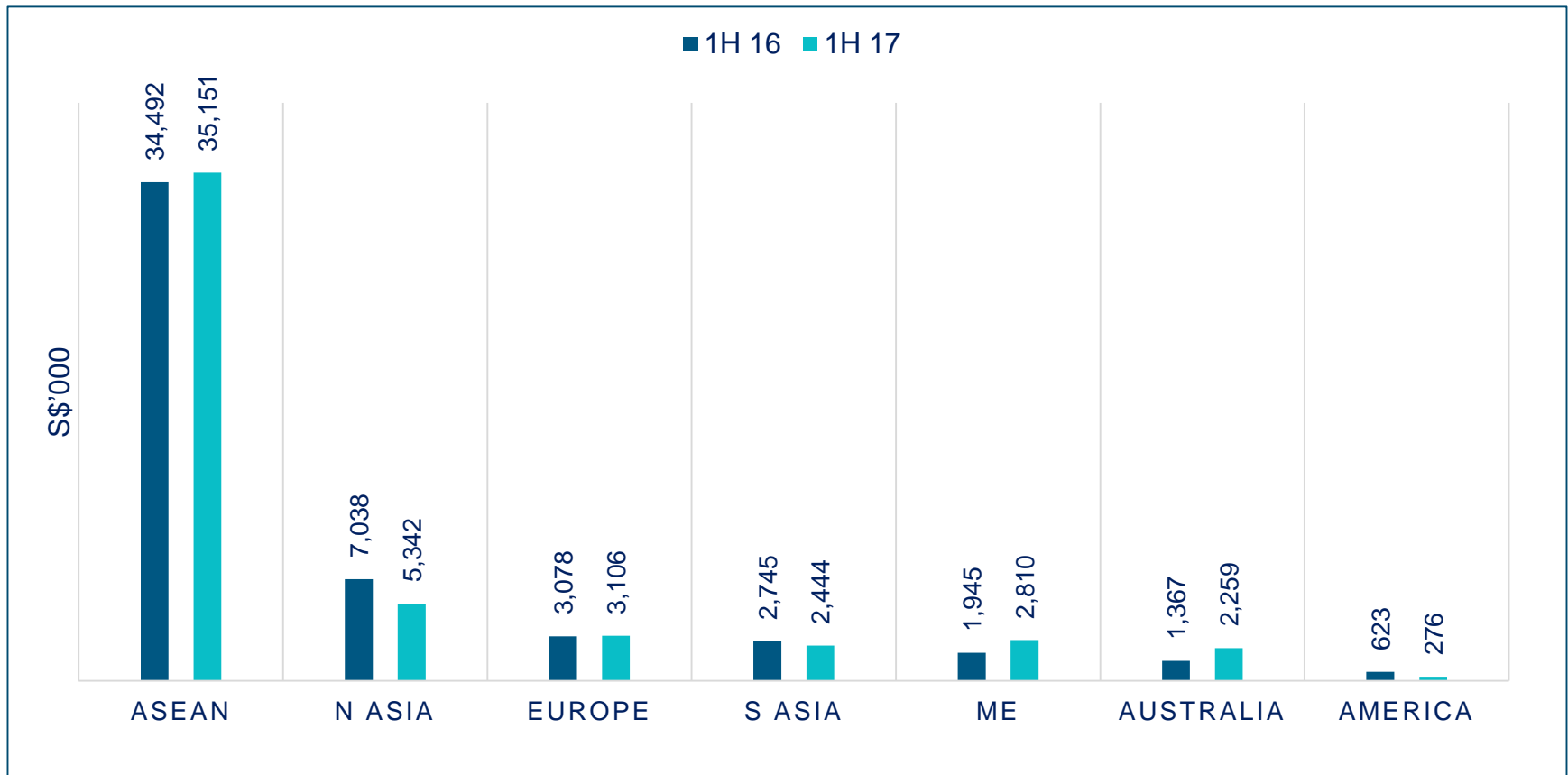
- Sales boosted by improved business sentiment compared to 2H 16 but was relatively flat against 1H 16.

# Sales breakdown by Business Activity



- Fall in sales came mainly from manufacturing activity
- Sales from distribution activity was relatively flat compared to 1H 16 but higher than 2H 16.

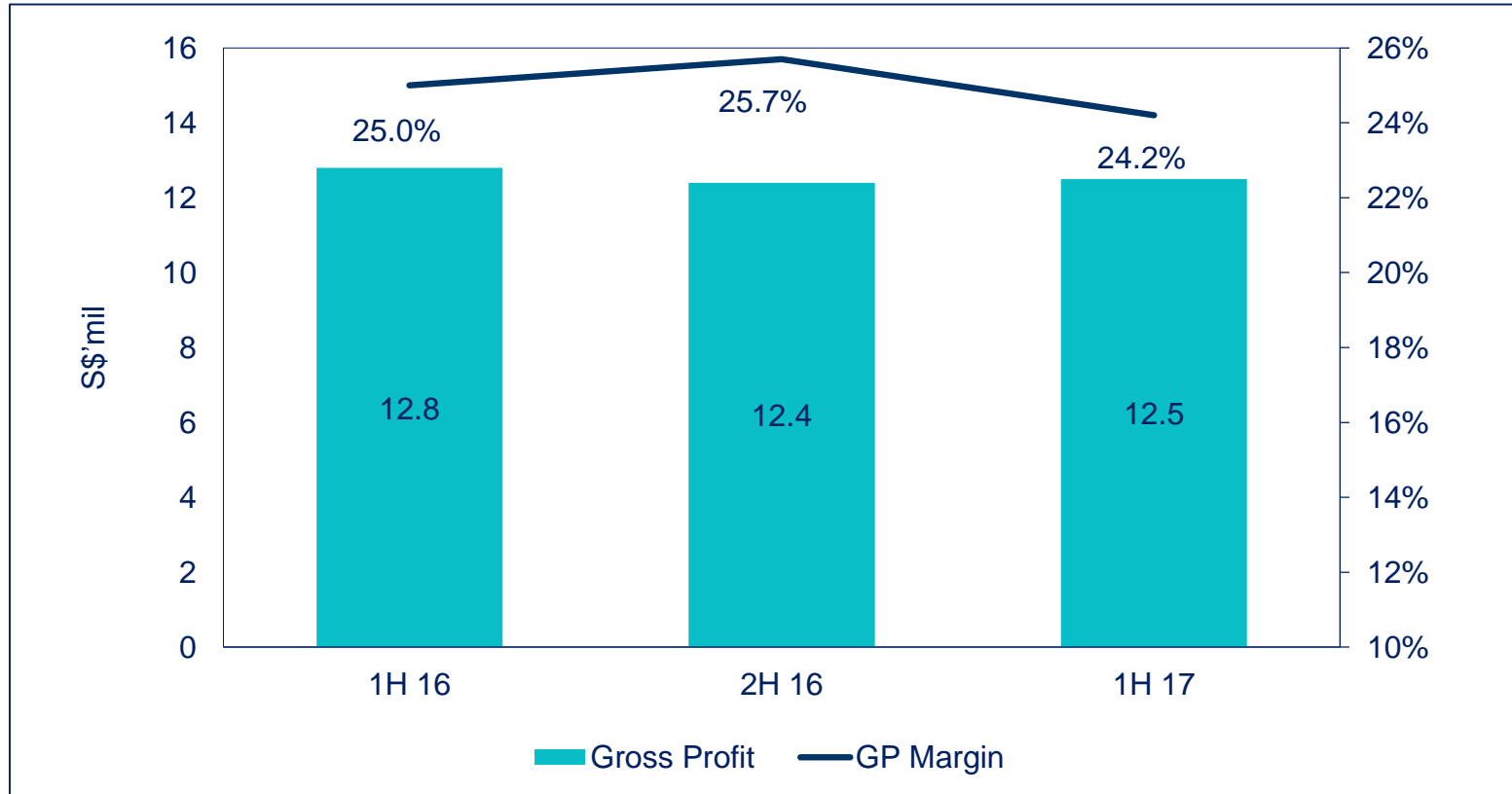
# Sales Breakdown by Geographic Markets



- Segment performance was uneven.
- Fall in sales seen in N Asia, S Asia, and America whereas ASEAN, Europe, Middle-east and Australia gained.

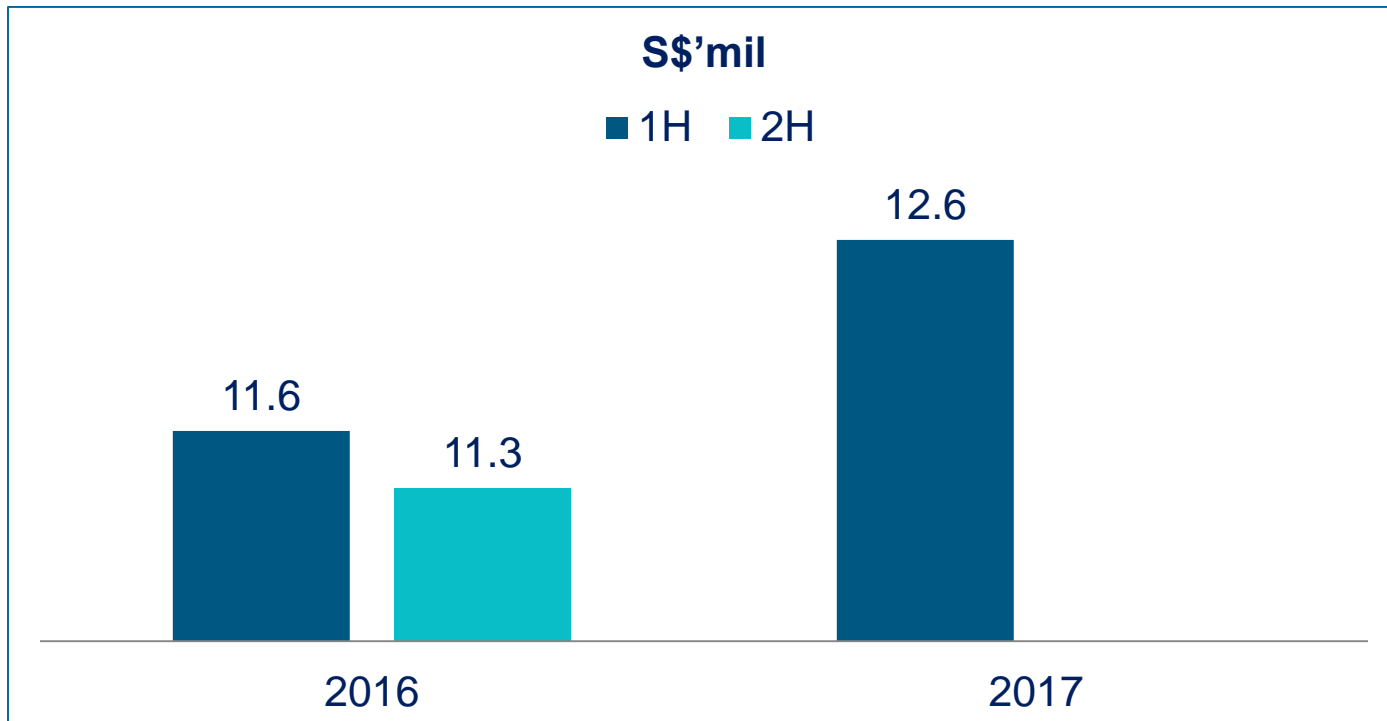


# Gross Profit



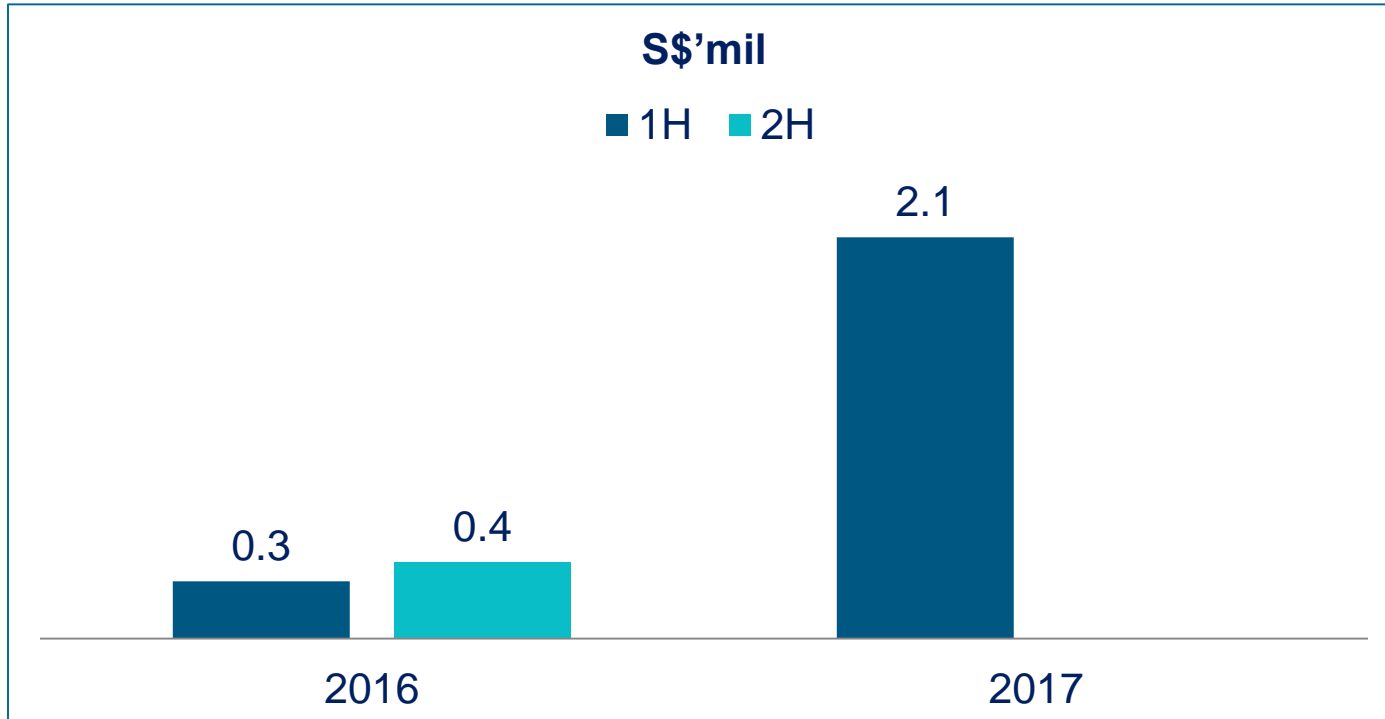
- Lower margin from both distribution and manufacturing coupled with higher stock write-off led to lower gross profit margin.
- Gross profit in 1H 17 fell by S\$0.3 mil vs 1H 16.

# Total Expenses



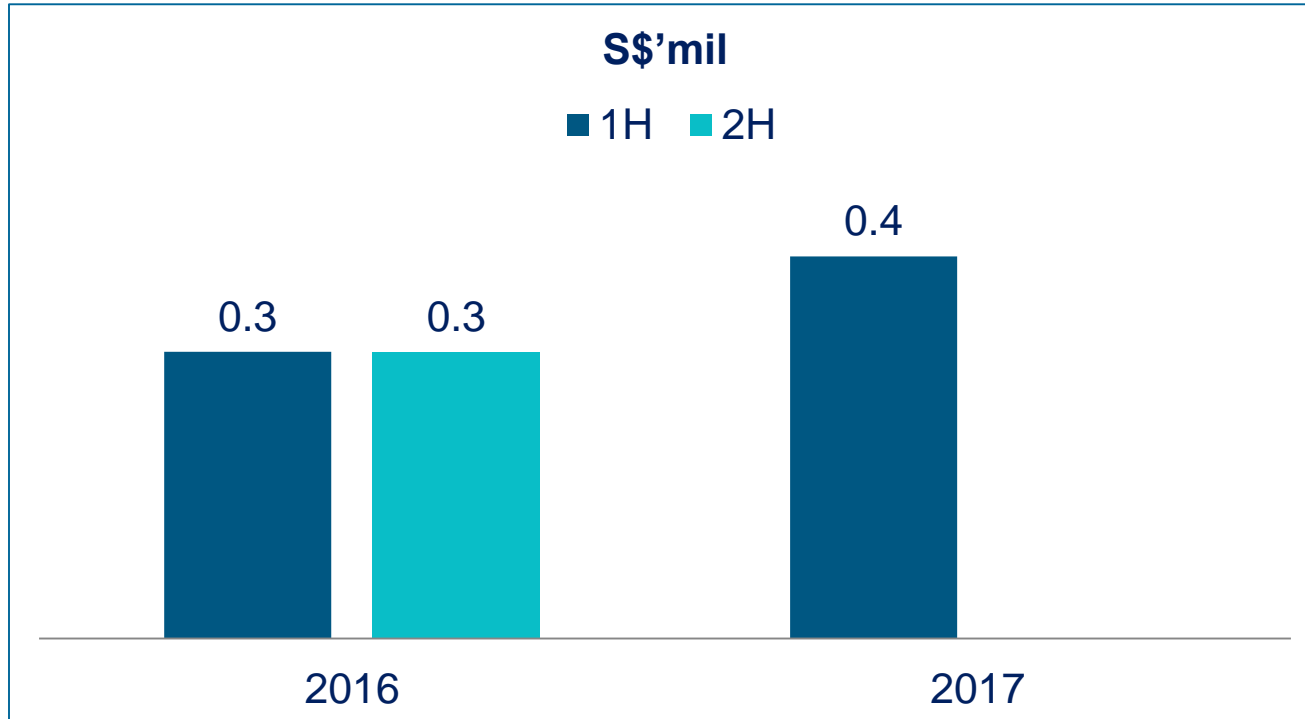
- Total expenses (including finance costs) increased mainly due to increase in receivables impairment of S\$0.9 mil.
- Venezuela receivables impairment : S\$1.2 mil(1H 17), S\$0.6 mil(2H 16), S\$0.3 mil(1H 16).
- Excluding Venezuela receivables impairment, total expenses increased S\$0.1 mil or 1.3%.

# Other Income



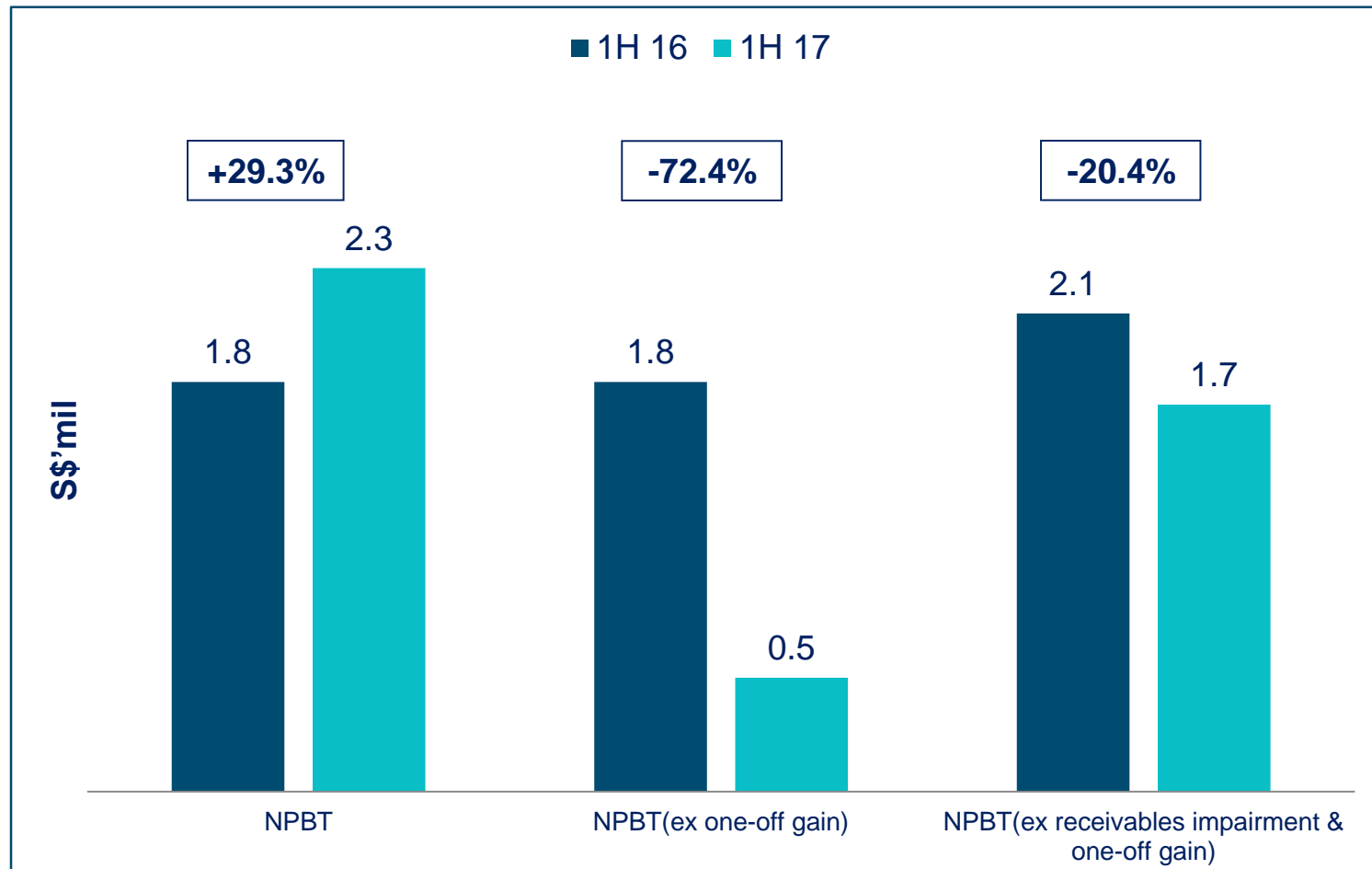
- Other income in 1H 17 includes one-off valuation gain of S\$1.8 mil from associated company's IPO.

# Share of Associate's Profit



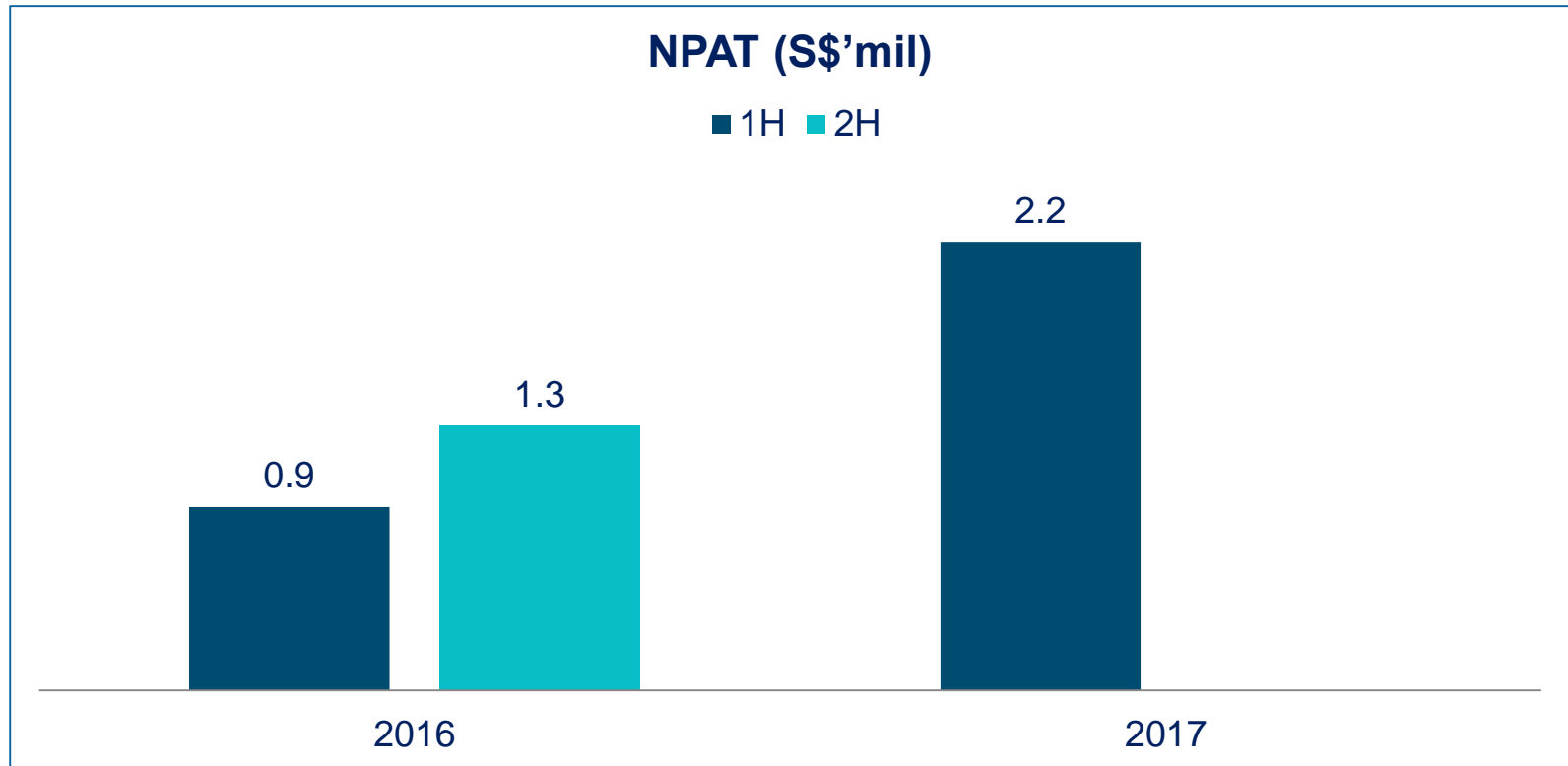
- Our share of associated company's profit increased S\$0.1 mil or approximately 45% compared to both prior periods.

# Net Profit Before Tax



- NPBT was effectively lower if we do not factor in the one-off valuation gain from associate's IPO

# Net Profit After Tax



- 1H 17 vs 1H 16 : increased S\$1.3 mil or 139.1%.
- 1H 17 vs 2H 16 : increased S\$0.9 mil or 68.1%.
- 1H 17 profit boosted by one-off valuation gain of S\$1.8 mil from associate's IPO offset by Venezuela receivables impairment of S\$1.2 mil.

# Balance Sheet

S\$'mil	FY 2016	1H 17	Var	
Cash	11.6	11.1	-0.4	.
Borrowings	15.3	18.5	3.2	Funding of higher inventory and payment to suppliers.
Shareholders Equity(less MI)	42.0	43.0	0.1	Net income offset by dividend payment.
Gearing (times)	0.36	0.43	0.07	In line with higher borrowings. Comfortable level.
Current ratio (times)	2.3	2.1	-0.2	Sound liquidity.
Inventory(net)	20.4	21.2	0.8	In line with higher sales.
Inventory T/O (days)	116	113	-3	
Trade Debtors(net)	23.9	24.0	0.1	Venezuela receivables impairment of S\$1.2 mil.
Receivables T/O (days)	94	92	-2	
Property, Plant & Equipment	11.4	10.9	-0.5	No major capex.
NTA/share (cents)	31.5	32.2	0.7	

# Cashflow

\$'000	FY2016	1H 17	
Cash from operating activities	3,493	(2,416)	Higher inventory and receivables towards end of financial period.
Cash (used in)/from investing activities	2,257	2	No major capex.
Cash provided by/(used in) financing activities	(5,181)	2,116	Increase in borrowing to fund increase in working capital requirement net of dividend paid.
Net change in cash	568	(298)	Cash position still healthy.
Beginning cash	11,060	11,527	
Ending cash	11,527	11,116	



## P&L Summary

- Sales relatively flat
- Lower gross profit
- Trade receivables impairment – Venezuela
- Higher contribution from associated company
- One-off gain on associate's IPO
- => Higher profit
- Excluding trade receivables impairment and one-off gain, profit was actually lower.

## Balance Sheet Summary

- Sound liquidity
- Cash position healthy
- Gearing level acceptable
- => Balance sheet stable



**Outlook : Firmer Footing**

**Positive external condition mired by persistent uncertainties  
=> Firmer footing for 2H 17**

## Resilience

Improving operational excellence

Financial discipline

## Growth

Develop new pillars of growth

Leveraging Asia network for growth

Strengthening key customers and suppliers relationship



Share Performance :  
Enhancing Shareholders' Long Term Value

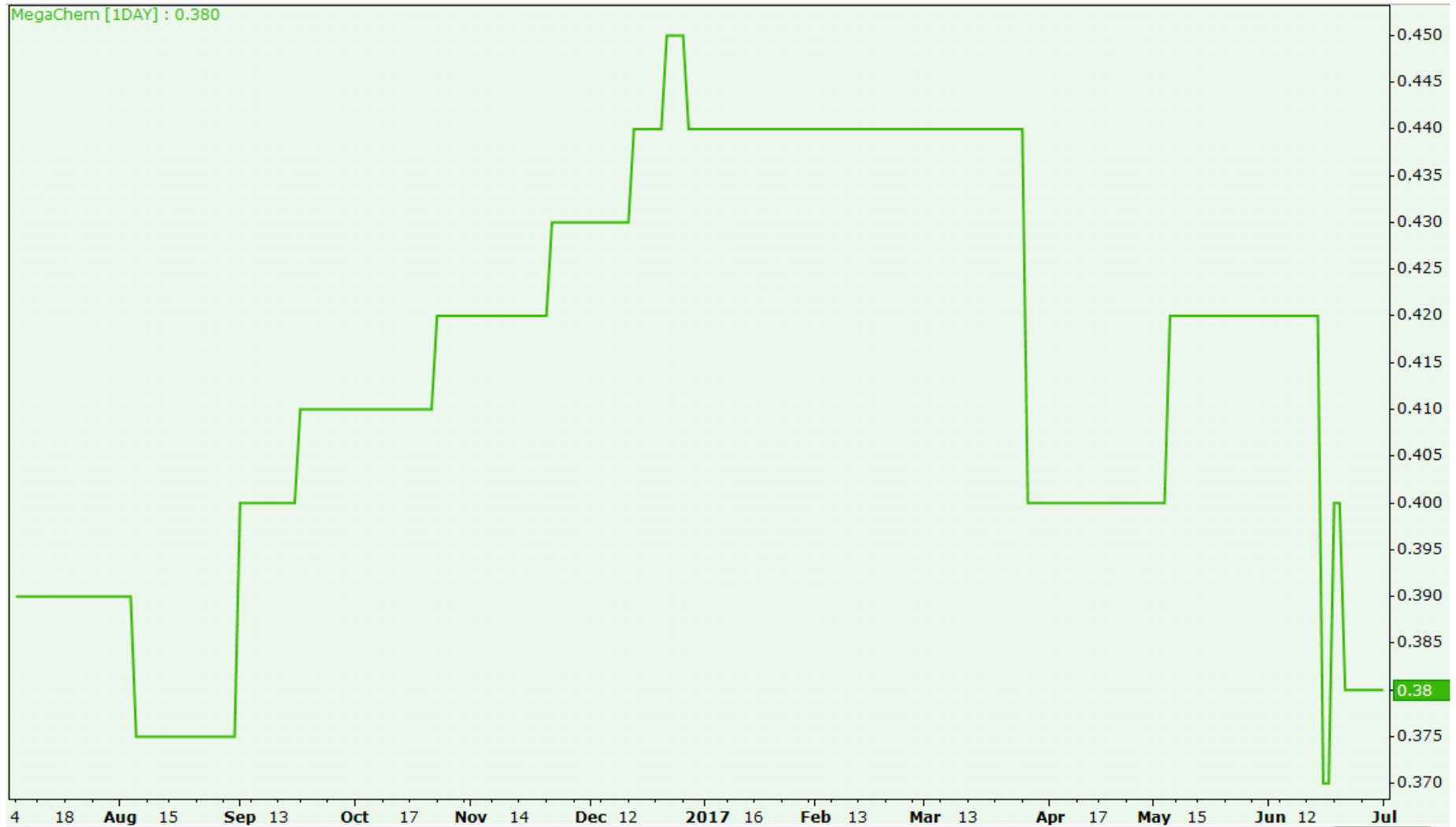
## Share Information (as at 30 June 2017)

Listing Date	17-Oct-2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	45.0 cents
52 weeks Low	37.0 cents
Price (as at 30 June 2017)	38.0 cents
No of Shares	133,300,000
Earnings per share 1H 17	1.70 cents
Earnings per share 1H 17 adj one-off gain	0.32 cents
Historical P/E	14.4 x
Historical P/E adj for one-off gain	30.2 x
Market Capitalisation	\$50.6 mil
NTA/share	32.2 cents
Price/Book Ratio	1.18

Note :

(a) P/E = price as at 30 June 2017/(2H 16 EPS + 1H 17 EPS)

# Share Price Performance



# Share Price Performance



# 1H 2017 Interim Dividend

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H 17
Average price for the period (cents) (a)	31.5	28.75	21.0	16.0	18.75	22.5	21.5	19.75	19.9	22.9	28.0	33.0	36.0	40.0	41.0
Dividend / share (cents) – net	0.56	0.864	0.576	0.81	0.595	0.40	1.0	1.2	1.3	1.3	1.0	1.0	1.0	1.2	0.5
Dividend payout (%) - net (b)	23.1%	31.9%	30.2%	62.2%	35.1%	24.1%	50.6%	34.6%	35.7%	54.7%	53.3%	48%	45%	78%	29.4%
Dividend Yield (%) - Net (c)	1.8%	3.3%	3.6%	4.9%	2.8%	2.0%	5.1%	6.0%	6.6%	5.0%	3.3%	3.0%	2.8%	3.0%	1.2%

Note :

- (a) Average price is the average of 31 Dec 2016 closing price of 44 cents/share and 30 June 2017 closing price of 38 cents/share.
- (b) Dividend payout ratio = dividend per share/earnings per share.
- (c) Dividend yield = dividend per share / average price. Un-annualized.



This document has been prepared by the Company and the contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Ong Hwee Li (Tel : 65 6532 3829) at 1 Robinson Road #21-02 AIA Tower Singapore 048542.

SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.



# Thank You

The presentation is provided without any guarantees or representations of any kind (express or implied) or any liability. Megachem shall not be liable for any damages that have been caused by or in connection with the use of information in this presentation and shall not be responsible for and disclaims any liability for any direct, indirect, incidental, consequential and special damages, that have been caused by or in connection with the use of information in this presentation.

Copying or reproduction of information, in parts or in full, in this presentation is strictly prohibited.