



Megachem[®]

Results Presentation 1H FY2018
Analyst Briefing



Business Updates



Distribution

Conducive business landscape seen in 2017 continued into 1H 2018. Stronger portfolio of customers led to broad-based growth across key markets.



Manufacturing

Manufacturing activity saw recovery in customers' demand.



Megachem Thailand

- Acquired the business of CMJ, a Thai importer and distributor of chemicals products, and embarked on expansion by venturing into Myanmar in Thailand in 2H 2018.

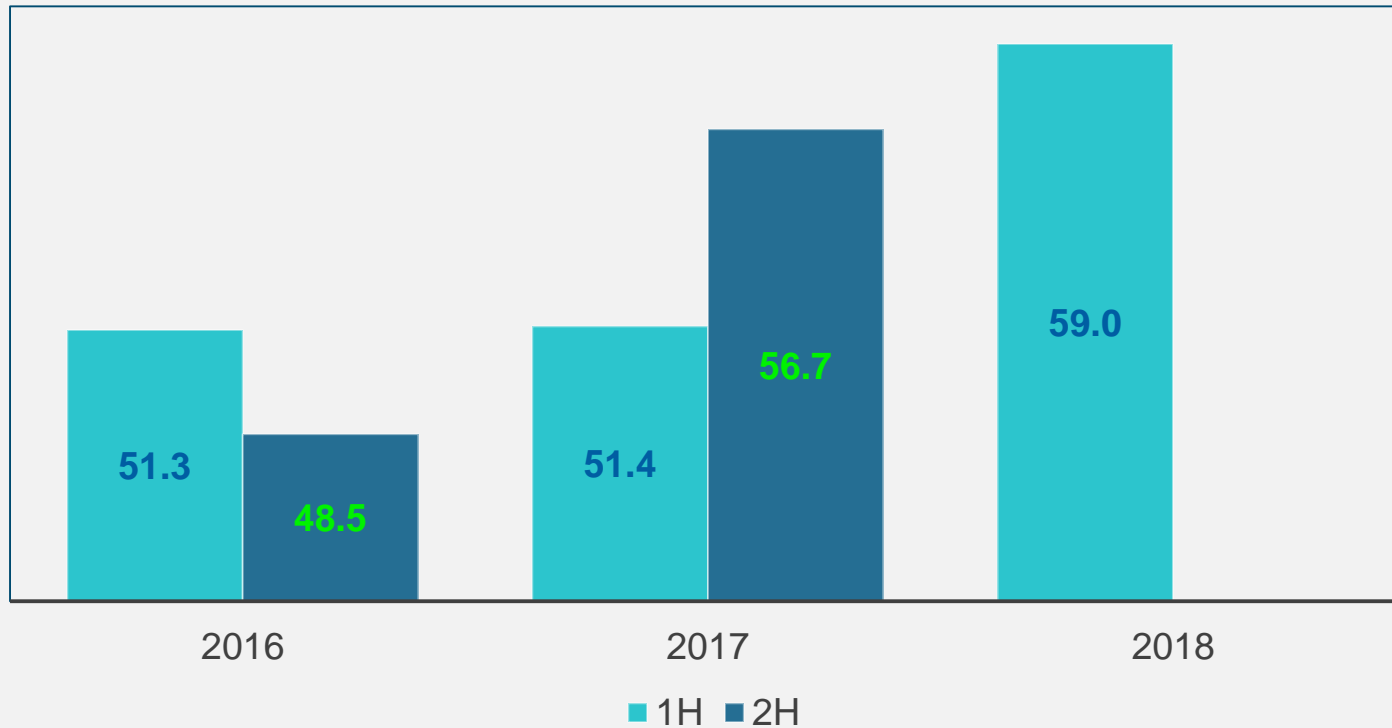


Financial Performance

Profit & Loss Highlights

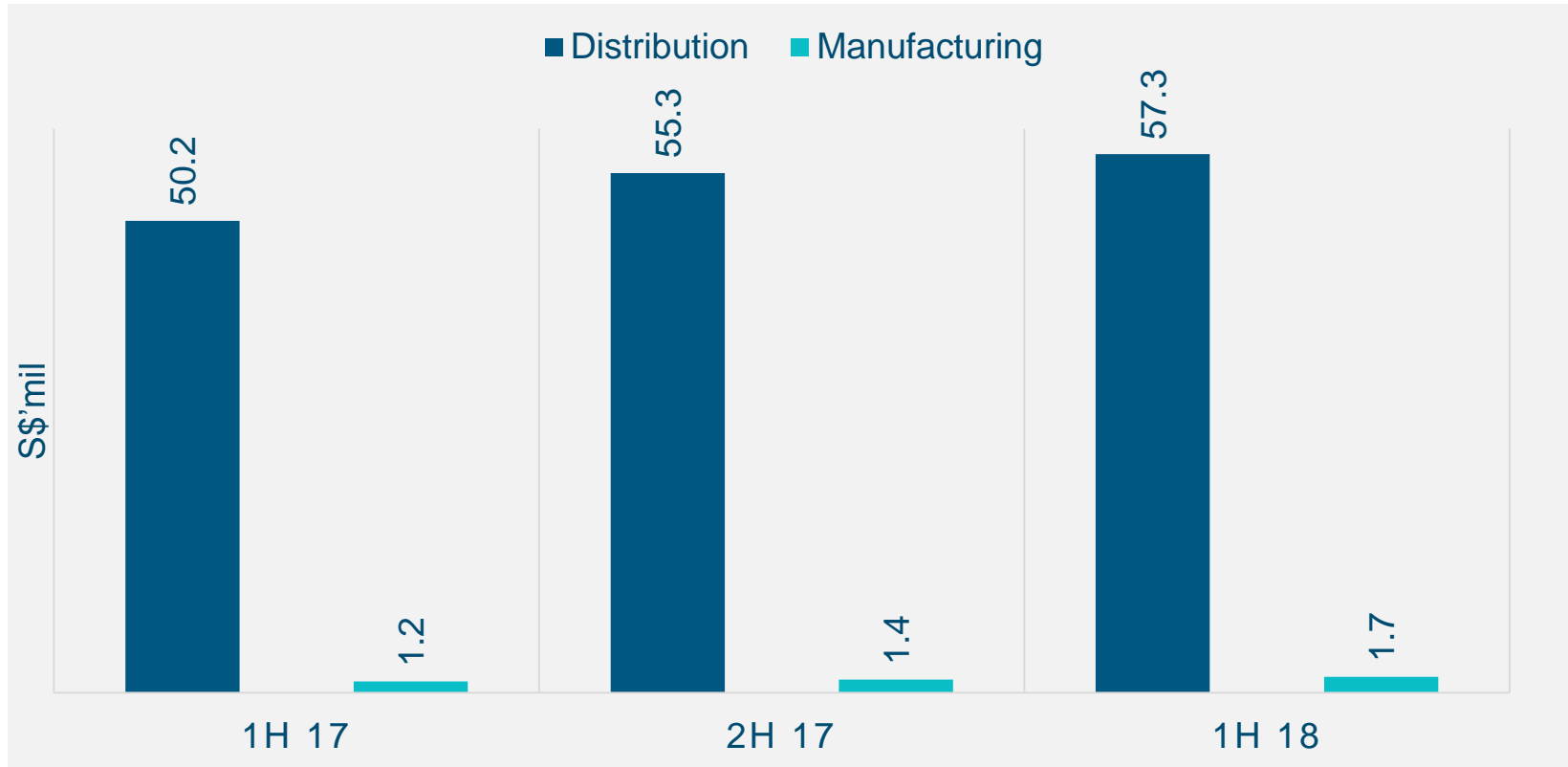
S\$'mil	1H 17	2H 17	1H 18	1H 18 vs 1H 17	Var %		1H 18 vs 2H 17	Var %	
Sales	51.4	56.7	59.0	7.6	14.8%	▲	2.3	4.1%	▲
Gross Profit	12.5	14.1	14.9	2.5	19.9%	▲	0.8	5.6%	▲
Gross Profit Margin %	24.2%	25.0%	25.3%	1.1% pts	-	▲	0.3% pt	-	▲
EBITDA	3.2	3.6	3.8	0.6	18.1%	▲	0.2	5.6%	▲
NPBT	2.3	2.9	3.0	0.7	29.7%	▲	0.2	5.7%	▲
NPAT	2.2	2.0	2.4	0.2	8.9%	▲	0.4	20.3%	▲
ROE %	10.5%	8.9%	9.7%	(0.8% pt)	-	▼	0.8% pt	-	▲
EPS(cents)	1.7	1.48	1.7	-	-		0.22	14.9%	▲

Half-year Sales(\$\$'mil)



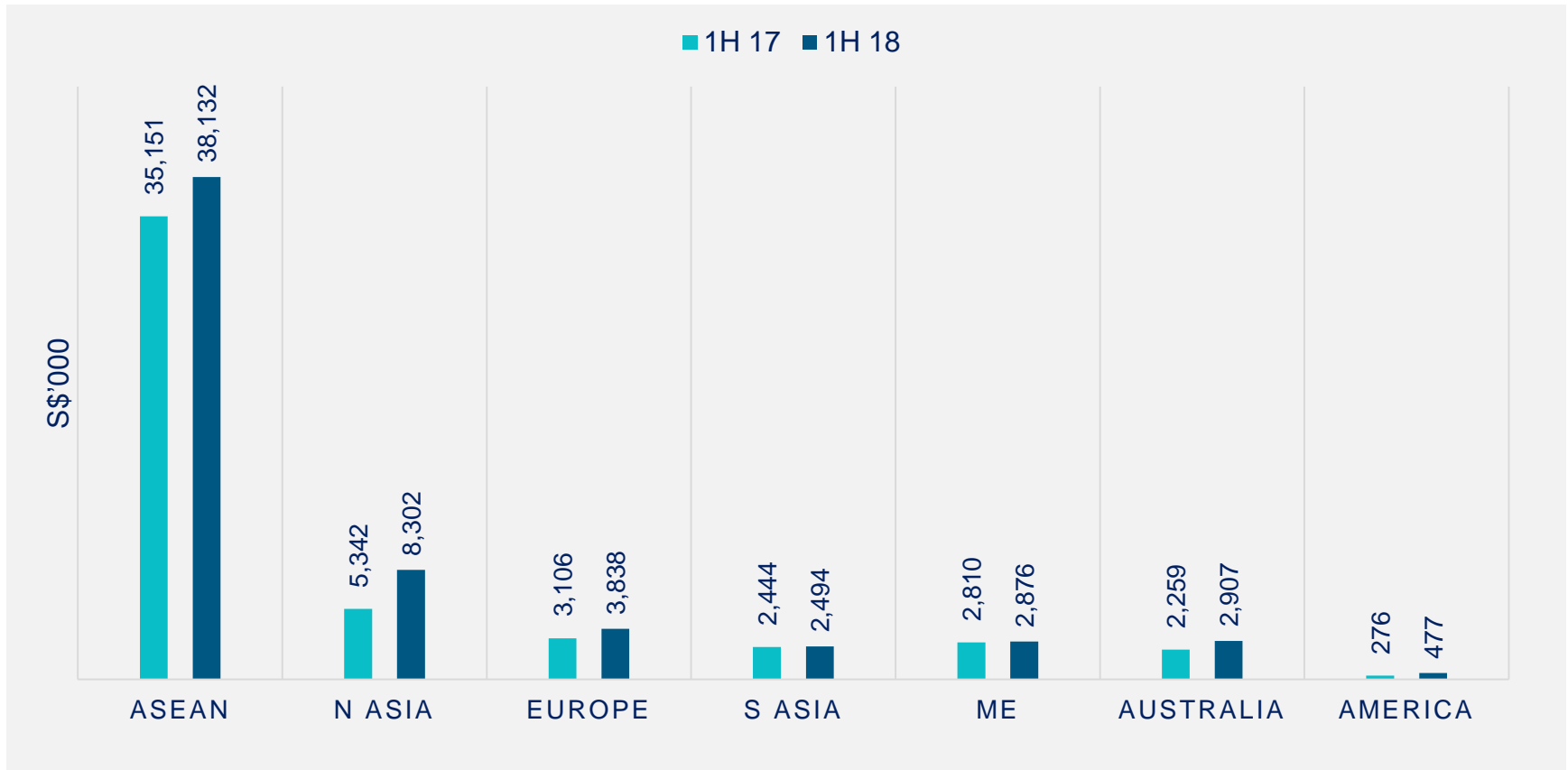
- Sales accelerated into 1H 2018 bolstered by broad-based growth across our major market segments.
- 3 consecutive half-yearly sales growth after a dip in 2H 2016.

Sales Breakdown by Business Activity



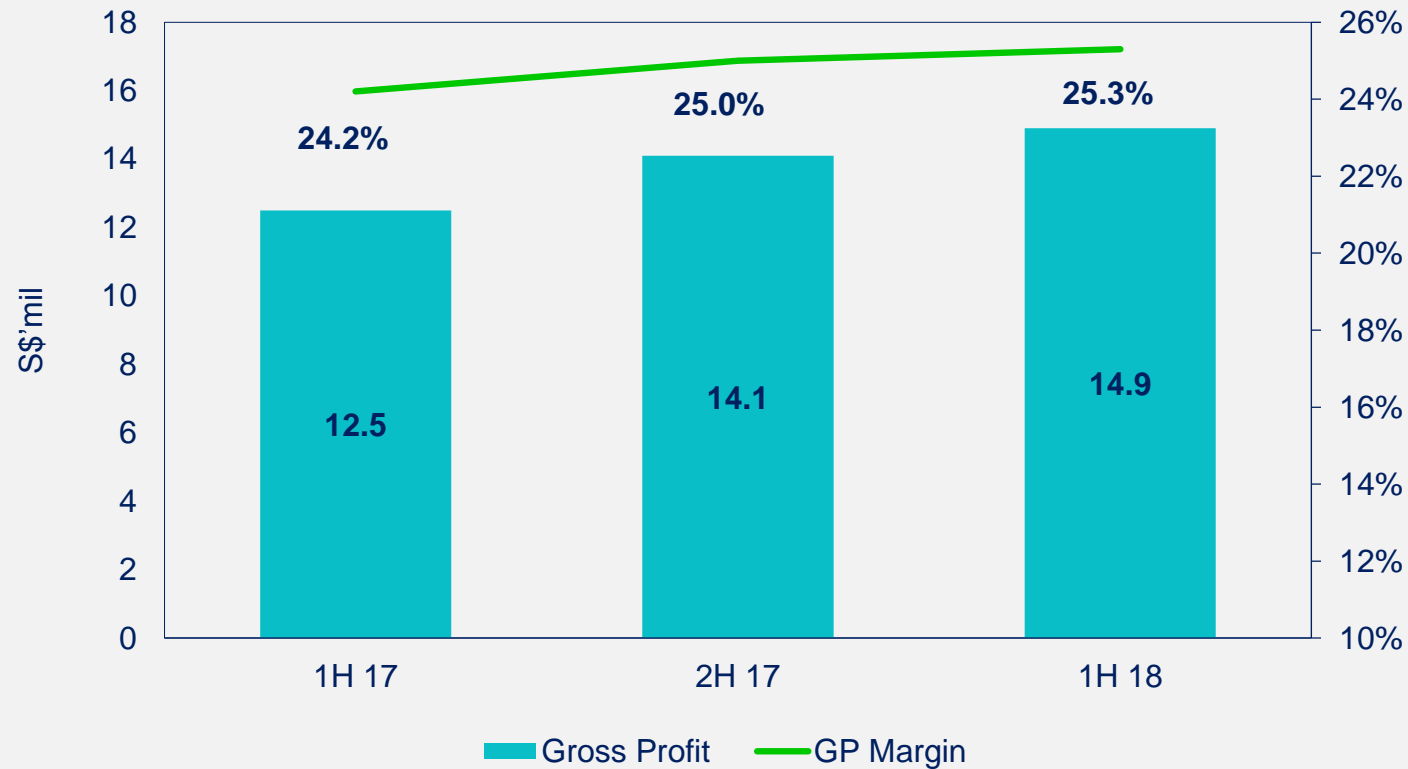
- Both business activities posed better performance as compared to the previous two half-yearly performances.

Sales Breakdown by Geographic Markets



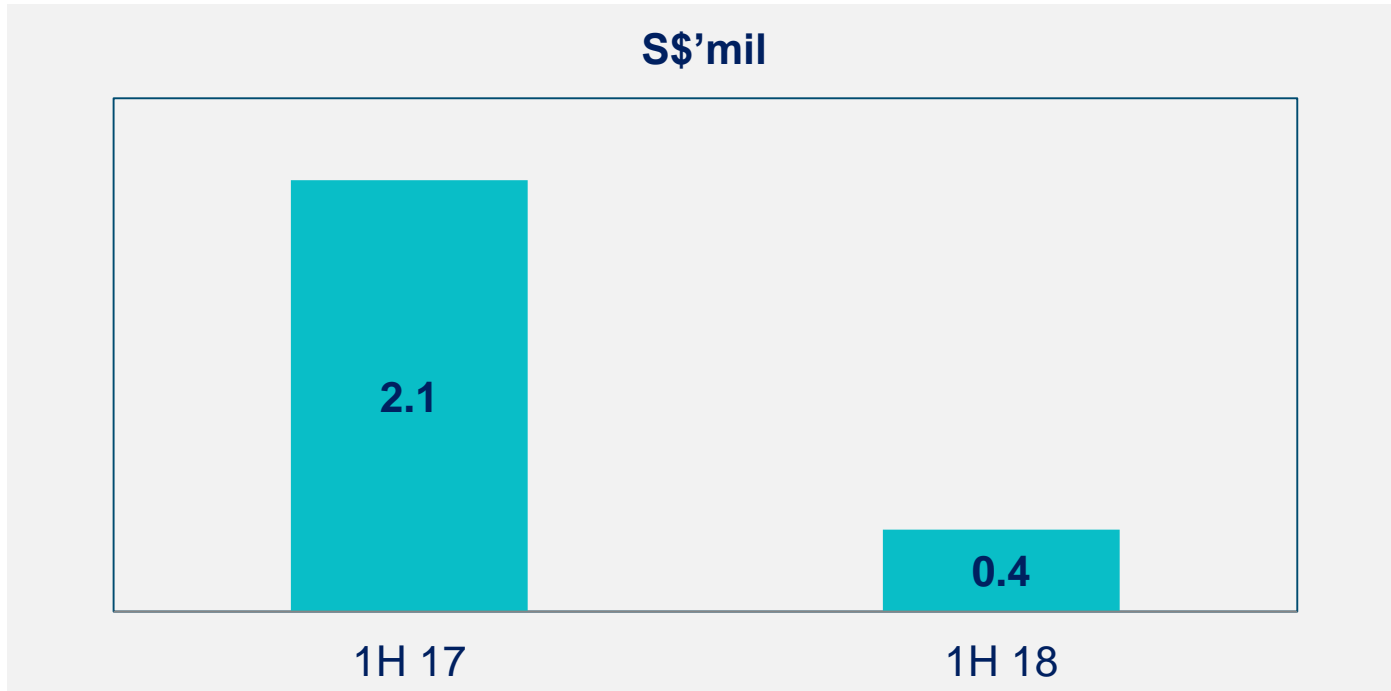
- Segment performance better across core markets.
- Reflects stronger customers portfolio and customers' demand.

Gross Profit



- Higher GP margin due to absence of inventory write-down and lower manufacturing overheads.

Other Income



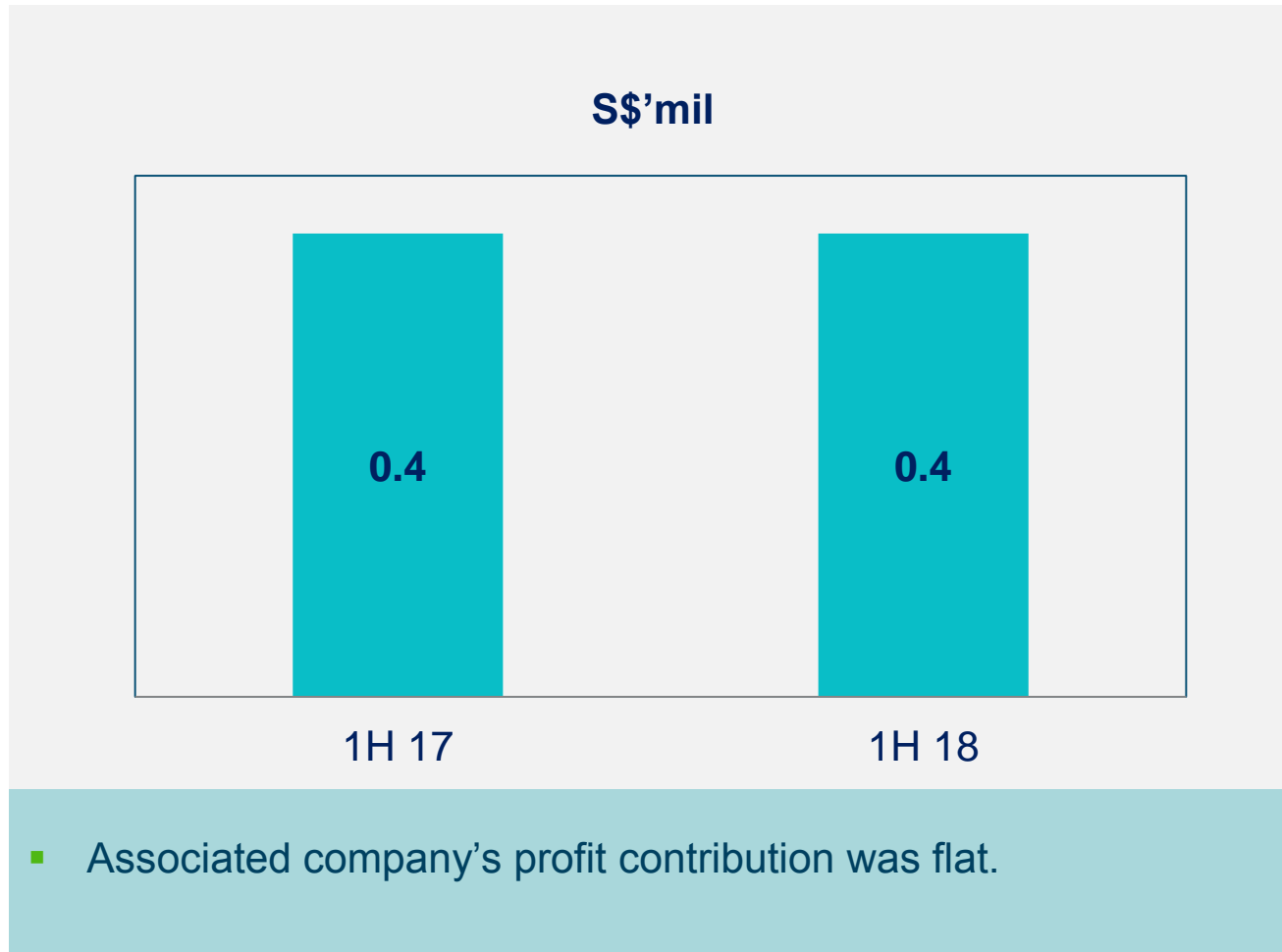
- Other income decreased due mainly to absence of one-time valuation gain of S\$1.8 mil from IPO of associated company recorded in 1H 2017 that is offset by fair value gain on FX hedging contracts of S\$0.1 mil in 1H 2018.

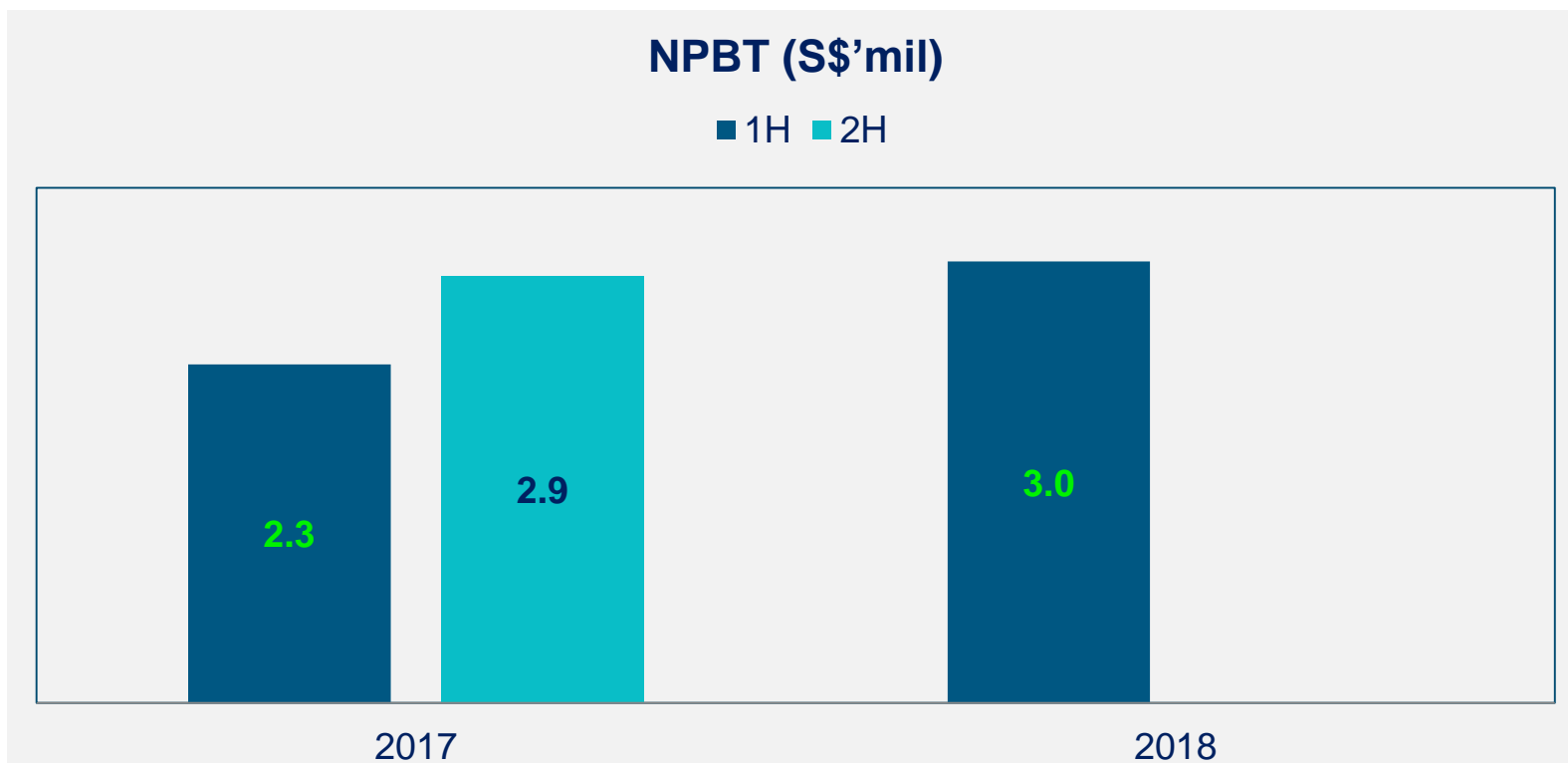
Expenses

	1H 17	1H 18	Var	Remarks
Receivables Impairment	1.3	0.2	(1.1)	Impairment for Venezuela receivables in 1H 2017
Fair value loss on equity investment	-	0.2	0.2	Fair value loss vis-à-vis a gain of S\$0.1 mil in 1H 2017
FX loss	0.4	0.5	0.2	Mainly unrealized losses
Staff Cost	6.7	7.2	0.5	Salary Increment
Finance cost	0.2	0.3	0.1	Higher borrowings and interest rate.

- Total expenses (including finance cost) totalled S\$12.6 mil, unchanged from 1H 2017.
- Total expenses (adjusting for impairment of Venezuela debt) increased by S\$1.1 mil or 9.6%.

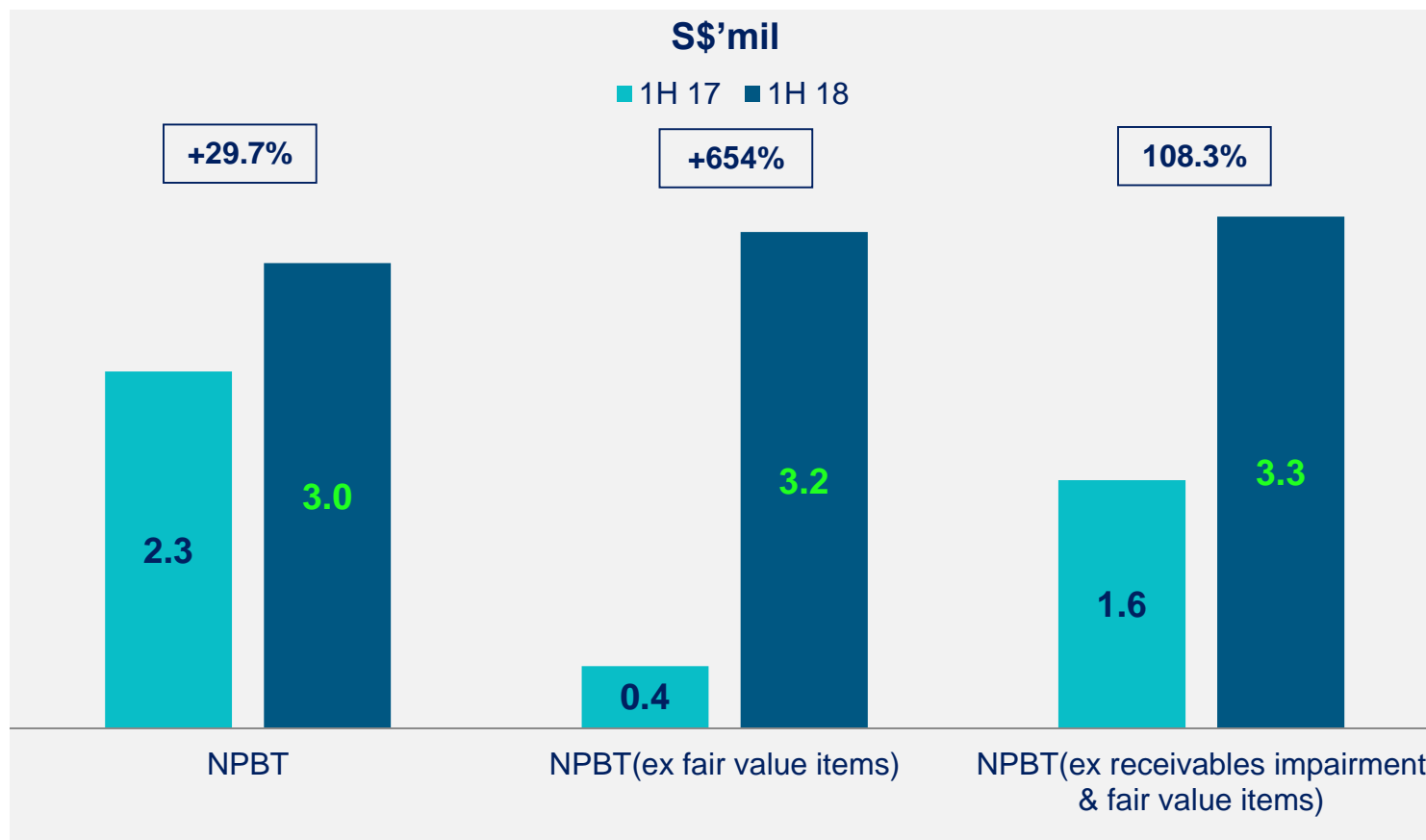
Share of Associate's Profit





- 1H 2018 vs 1H 2017 : NPBT boosted by higher gross profit and lower trade receivables impairment but partially offset by absence of one-off gain from associate's IPO and fair value loss from equity investment.
- 1H 2018 vs 2H 2017 : Marginal increase in NPBT due mainly to higher gross profit offset by fair value loss on equity investment of S\$0.2 mil vis-à-vis a gain of S\$0.4 mil in 2H 2017.

Net Profit Before Tax



- NPBT was effectively even higher if we do not factor in the one-off valuation gain from associate's IPO in 1H 2017, the fair value loss from equity investment in 1H 2018 and the Venezuela receivables impairment.

Balance Sheet

S\$'mil	FY 2017	1H 18	Var	
Cash	9.3	10.9	1.5	
Borrowings	16.7	21.0	4.3	Funding for working capital requirement.
Shareholders Equity(less MI)	44.6	46.4	1.8	Net income offset by dividend payment.
Gearing (times)	0.37	0.45	0.08	Net gearing 0.2 times. Comfortable level.
Current ratio (times)	2.1	2.0	-0.1	Sound liquidity.
Inventory(net)	23.9	26.3	2.4	In line with higher sales.
Inventory T/O (days)	115	118	3	
Trade Receivables(net)	27.1	27.3	0.2	No major signs of deterioration.
Receivables T/O (days)	93	93	-	
NTA/share (cents)	33.5	34.8	1.3	

\$'000	FY 2017	1H 18	
Cash used in operating activities	(1,144)	(1,574)	Funding for higher inventory and receivables in line with higher sales.
Cash used in investing activities	(173)	(12)	No major capex.
Cash (used in)/from financing activities	(802)	3,063	Increase in borrowing to fund increase in working capital requirement net of dividend paid.
Net change in cash	(2,118)	1,477	
Beginning cash balance	11,527	9,345	
Ending cash balance	9,345	10,889	Cash position healthy.

P&L Summary

- Sales increased
 - Gross profit increased
 - Lower other income (absence of once-off gain from the Thai associate's IPO)
 - No increase in Expenses
 - No increase in contribution from associated company
- => Higher net profit after tax
- Excluding trade receivables impairment and fair value items, net profit before tax was effectively higher than actually reported.

Balance Sheet Summary

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



Outlook : Sustaining Growth, Building Resilience

Continued Growth clouded by mounting Uncertainties

Growth

Leveraging Asia network for growth

Strengthening key customers
and suppliers relationship

Resilience

Improving operational excellence

Financial discipline



Share Performance :
Enhancing Shareholders' Long Term Value

Share Information (as at 8 Aug 2018)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	41.0 cents
52 weeks Low	29.0 cents
Price (as at 8 Aug 2018)	32.0 cents
No of Shares	133,300,000
Earnings per share 1H FY18	1.70 cents
Historical P/E	10.0 x
Market Capitalisation	\$42.6 mil
NTA/share	34.84 cents
Price/Book Ratio	0.92

Note :

(a) P/E = price as at 8 Aug 2018/(EPS 2H 17 + EPS 1H 18)

Share Price Performance

Share price chart : 1 year to 8 Aug 2018



Share Price Performance

Share price chart : 1 year to 8 Aug 2018



1H 2018 Interim Dividend

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1H 18
Average price (cents) *	22.5	21.5	19.75	19.9	22.9	28.0	33.0	36.0	40.0	42.5	36.8
Dividend / share (cents) - net	0.40	1.0	1.2	1.3	1.3	1.0	1.0	1.0	1.2	1.2	0.7
Dividend payout (%)-net	24.1%	50.6%	34.6%	35.7%	54.7%	53.3%	48.0%	45.0%	78.0%	37.7%	41.2%
Dividend Yield (%)-Net **	2.0%	5.1%	6.0%	6.6%	5.0%	3.3%	3.0%	2.8%	3.0%	2.8%	1.9%

* Average price is the average of 31 December 2017 closing price of 41 cents/share and 29 June 2018 closing price of 32.5 cents/share.

** Dividend yield = dividend per share / average price (un-annualised).

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 David Yeong (Tel : 65 6532 3829) at 1 Robinson Road #21-00 AIA Tower Singapore 048542.



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.