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Results Presentation 1H FY2019  
Analyst Briefing



## Business Updates

# Business Updates



## Distribution

Customers' business confidence waning.  
Softer prices.



## Manufacturing

Weaker market conditions.



## Megachem Thailand

Positive contribution from acquisition.

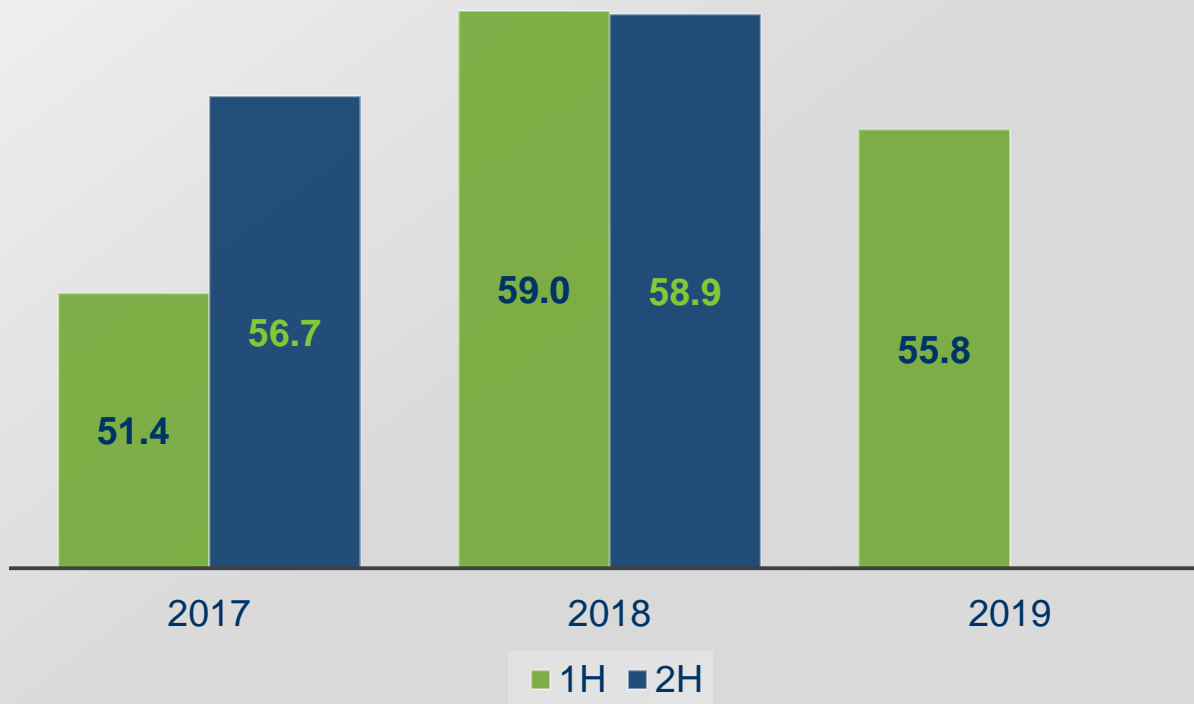


Financial Performance

S\$55.8 mil	Sales	S\$3.2 mil (5.5%)	↓
S\$2.0 mil	NPAT	S\$0.4 mil (16.0%)	↓
1.44 cts	EPS	0.26 ct (15.3%)	↓

Results weighed down by waning business confidence.

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



- Sales dipped after hitting record levels in 2018.
- Growth hindered by external factors.

# Sales breakdown by Business Segments

## Distribution

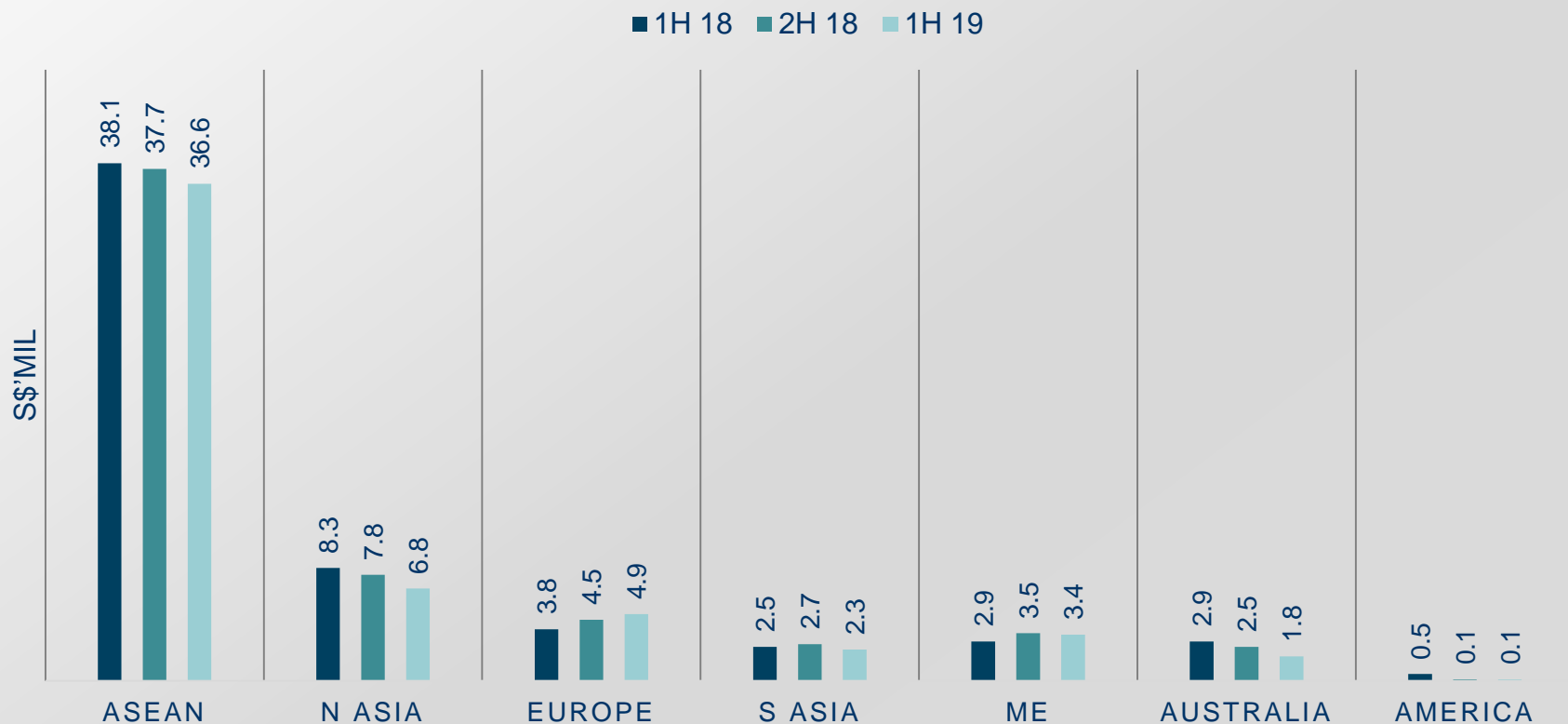


## Manufacturing



- Fall in sales seen mostly in Distribution activity.
- Manufacturing activity fell by a smaller magnitude due to weaker market conditions.

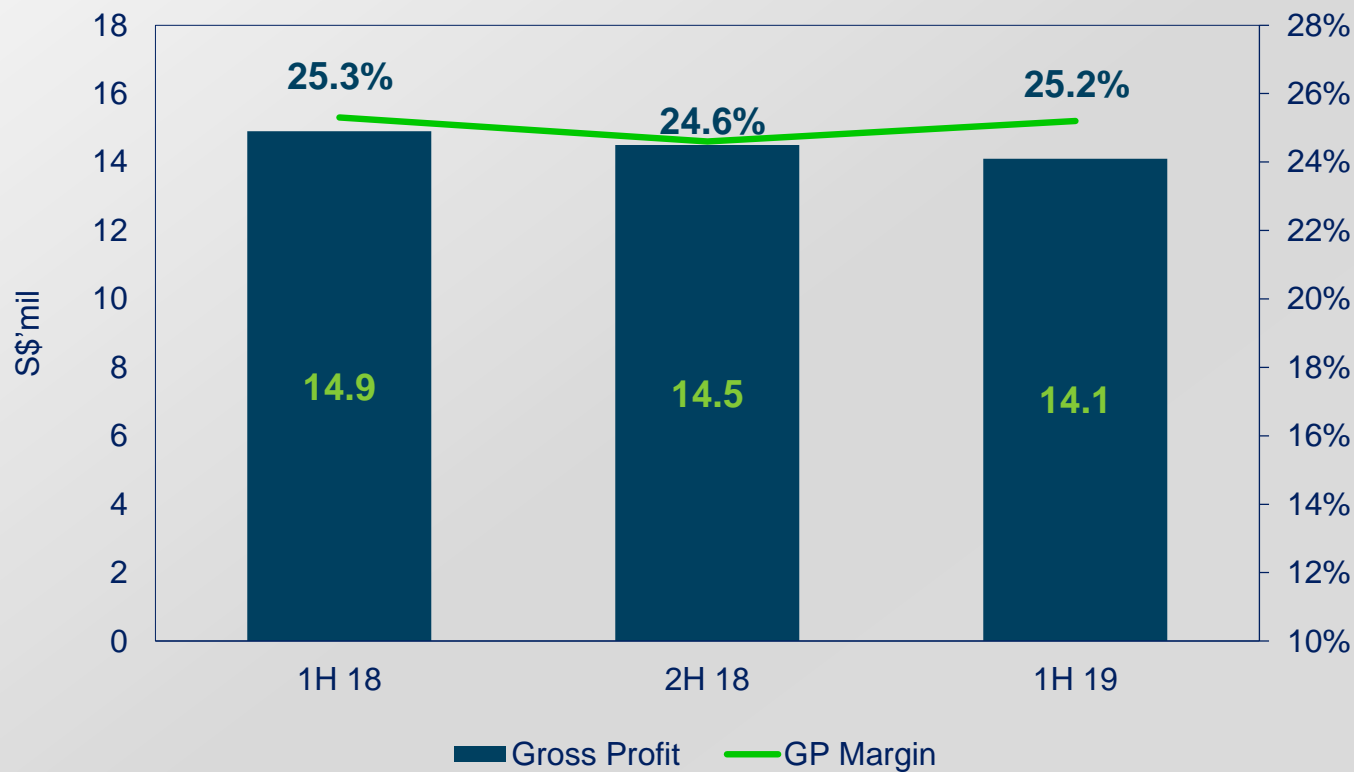
# Sales Breakdown by Geographic Markets



- Geographical segment performance was mixed.
- Sales of ASEAN, N Asia and Australia fell whereas Europe and ME increased.



# Gross Profit



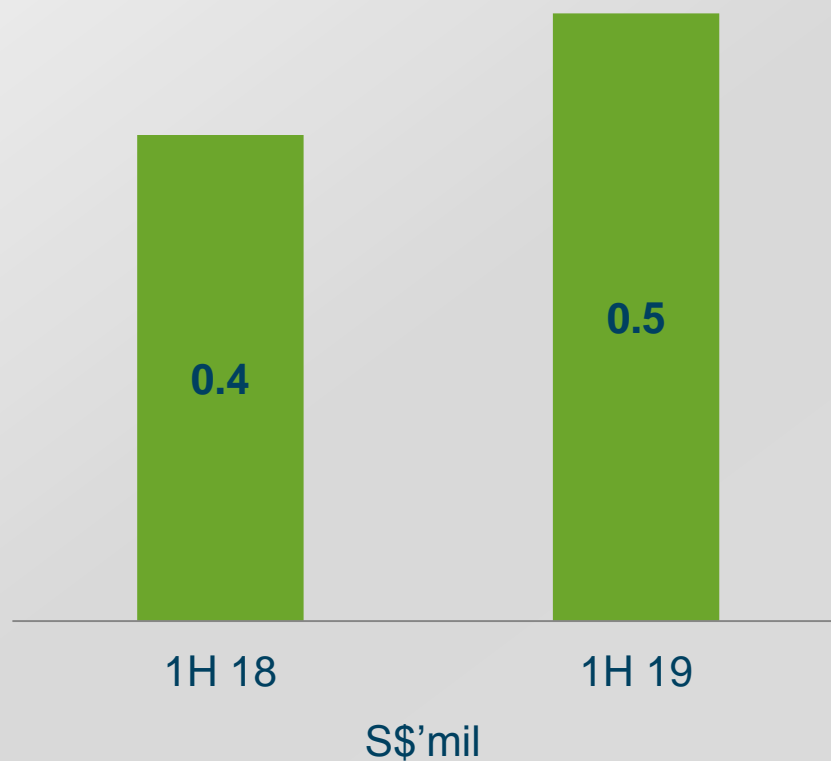
- Gross Profit margin relatively stable.

# Expenses

- Total expenses decreased S\$0.6 mil or 4.8% .

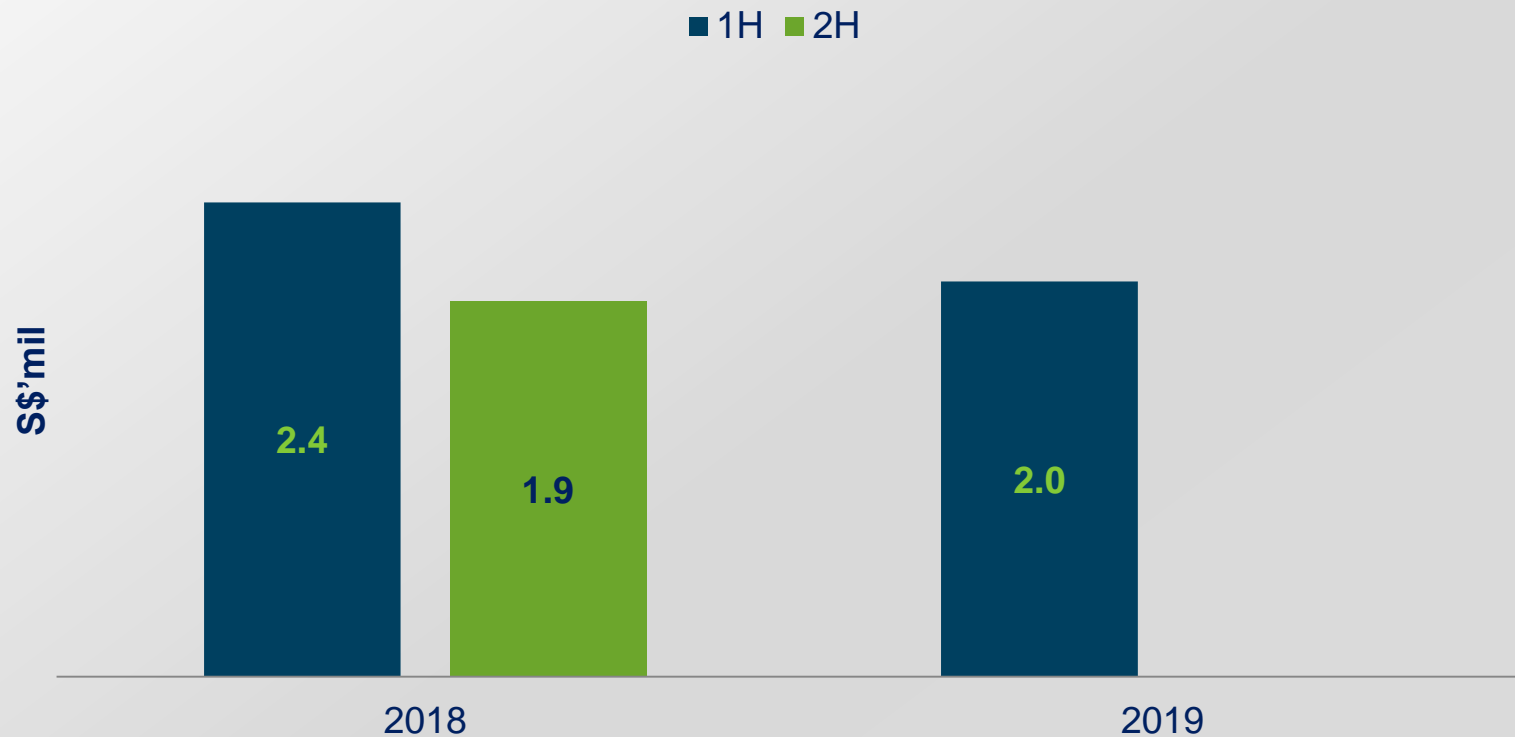
	1H 18	1H 19	Var	Remarks
Receivables Impairment	0.2	0.1	(0.1)	No significant deterioration in receivables.
Fair value loss on equity investment	0.2	-	(0.2)	No change in fair value of equity investment.
FX loss	0.54	0.02	(0.52)	Minimal loss in FX in 1H 19
Depreciation of right-of-use assets	-	0.2	0.2	Recognition of leases as a right-of-use assets and liability for future lease payments
Rental	0.24	0.07	(0.17)	Changes in accounting of leases result in higher depreciation and finance cost but lower rental expense.
Finance cost	0.3	0.5	0.2	Higher borrowings, interest rate and finance cost from lease liability.

# Share of Associate's Profit



- Associated company's profit contribution was marginally higher.

# Net Profit After Tax



- 1H 2019 vs 1H 2018 : Lower sales led to S\$0.4 mil or 16.0% fall in net profit after tax.
- 1H 2019 vs 2H 2018 : Despite lower sales, there was a marginal increase of S\$0.1 mil or 7.5% in NPAT due mainly to lower expenses.

# Balance Sheet

S\$'mil	FY2018	1H 19	Var	
Cash	12.2	13.1	0.9	Positive operating cash-flow.
Borrowings	19.5	21.2	1.7	Funding for working capital requirement.
Shareholders Equity(less MI)	47.2	48.1	0.9	Positive earnings partially offset by dividend payment.
Gearing (times)	0.41	0.44	0.03	Net gearing 0.17 times. Comfortable level.
Current ratio (times)	2.1	2.1	-	Sound liquidity.
Inventory(net)	26.1	28.5	2.4	Due to slower sales
Inventory T/O (days)	118	133	15	Due to slower sales
Trade Receivables(net)	23.5	22.1	(1.4)	No major signs of deterioration.
Receivables T/O (days)	84	77	(7)	Improvement in receivables T/O days.
NTA/share (cents)	35.4	36.1	0.7	NTA/share increased.

# Cashflow

\$'mil	FY 2018	1H 19	
Cash (used in)/from operating activities	2.6	0.6	Positive operating cash-flow from profitable operation.
Cash (used in)/from investing activities	(0.04)	0.3	No major capex. Dividend from associated company.
Cash (used in)/from financing activities	0.3	(0.1)	Increase in borrowing to fund increase in working capital requirement. \$1.1 mil of dividend paid.
Net change in cash	2.9	0.8	
Beginning cash balance	9.3	12.2	
Ending cash balance	12.2	13.1	Cash position healthy.



# Outlook 2H 2019

## Economic Vulnerabilities : Threat to Megachem's Growth

### Global Economy

- IMF lowers its global economic growth forecast again as downside risks remain. *Source : IMF*

### US Chemical Industry

- Chemicals Activity Barometer signals continued gains but at a moderated pace. *Source : ACC*

### Europe Chemical Industry

- EU industry confidence posted a sharp decline which is considered to be the most significant decrease in eight years. *Source : ECIC*

### Financial Markets Fragility

- Financial markets decline may have adverse impact on economic growth.

### Currency Volatility

- Increased currency volatility.



# Possibilities and Potential



Asia centricity

Our network : 12 countries, 9 in Asia



Product centricity



Customer centricity



Integrated solution



Share Performance :  
Enhancing Shareholders' Long Term Value

# Share Statistics

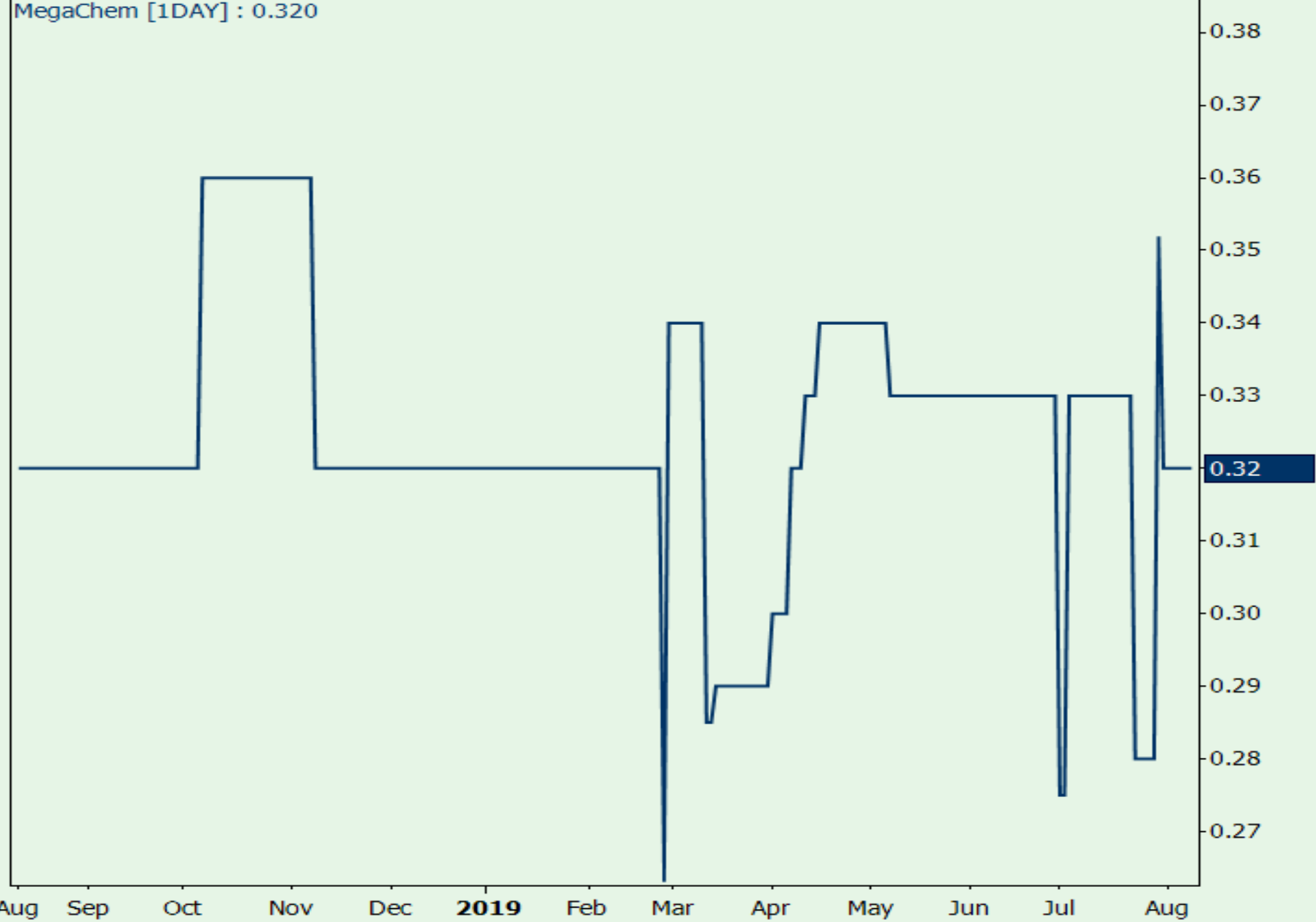
## Share Information (as at 8 Aug 2019)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	38 cents
52 weeks Low	26.5 cents
Price (as at 8 Aug 2019)	32 cents
No of Shares	133,300,000
Earnings per share 1H FY19	1.44 cents
Historical P/E	11.4 x
Market Capitalisation	\$42.7 mil
NTA/share	36.1 cents
Price/Book Ratio	0.89

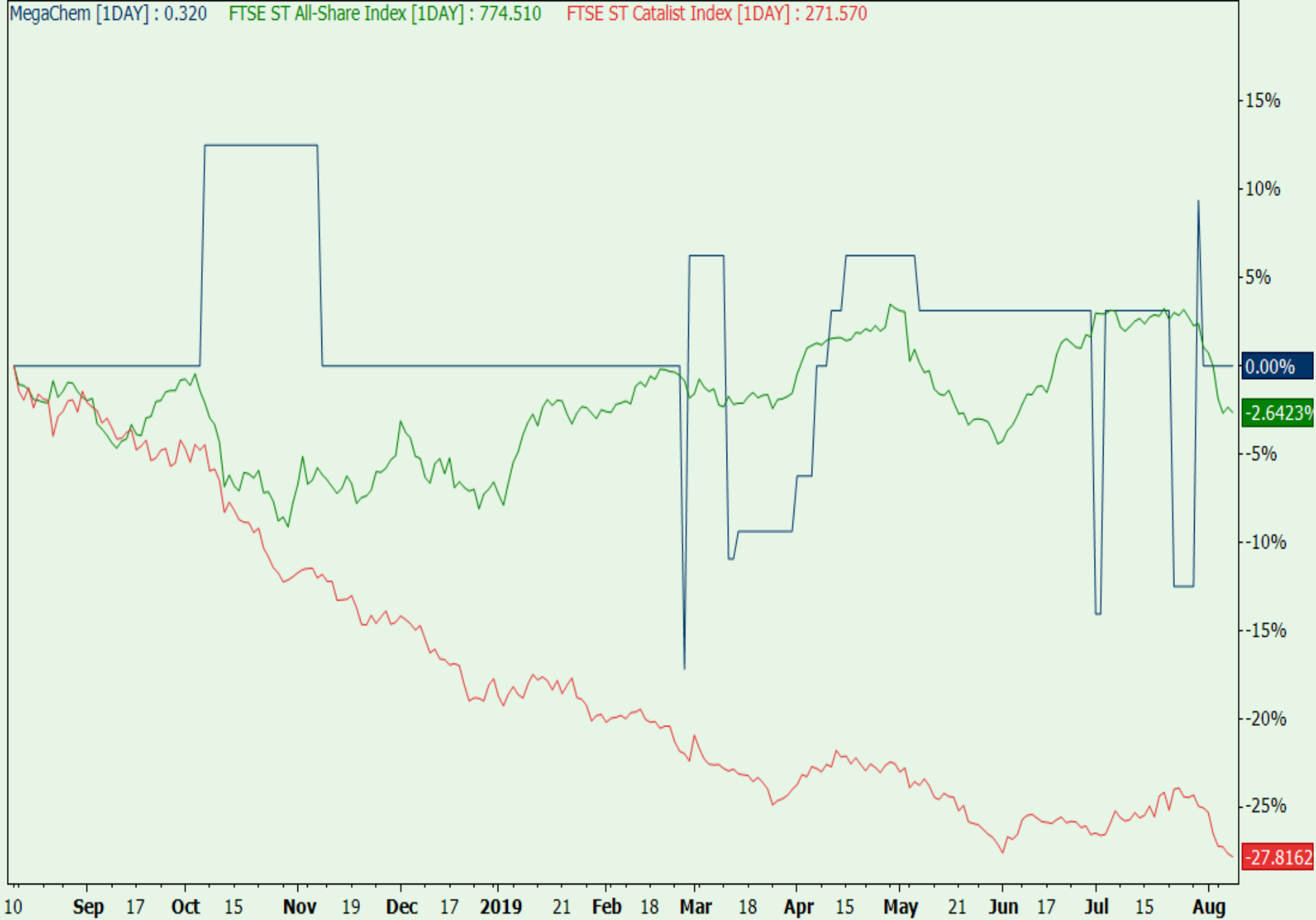
Note :

(a) P/E = price as at 8 Aug 2019 / (EPS 2H 18+EPS 1H 19)=32/(1.36+1.44)=11.4x

MegaChem [1DAY] : 0.320



MegaChem [1DAY] : 0.320   FTSE ST All-Share Index [1DAY] : 774.510   FTSE ST Catalyst Index [1DAY] : 271.570



# 1H 2019 Interim Dividend

- Interim dividend of 0.5 ct per share.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1H 19
Average price (cents) *	22.5	21.5	19.75	19.9	22.9	28.0	33.0	36.0	40.0	42.5	36.5	<b>32.5</b>
Dividend / share (cents) - net	0.4	1.0	1.2	1.3	1.3	1.0	1.0	1.0	1.2	1.2	1.5	<b>0.5</b>
Dividend payout (%)-net	24.1%	50.6%	34.6%	35.7%	54.7%	53.3%	48.0%	45.0%	78.0%	37.7%	49.0%	<b>34.7%</b>
Dividend Yield (%)-Net **	2.0%	5.1%	6.0%	6.6%	5.0%	3.3%	3.0%	2.8%	3.0%	2.8%	4.1%	<b>1.5%</b>

\* Average price is the average of 31 December 2018 closing price of 32 cents/share and 30 June 2019 closing price of 33 cents/share.

\*\* Dividend yield = interim dividend per share / average price(un-annualized).

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