



Results Presentation FY2019  
Analyst Briefing



## Business Updates

# Business Updates



## Distribution

Weaker business confidence.  
Chemical prices weaker.



## Manufacturing

Stable demand.



## Megachem Thailand

Positive contribution from acquisition.

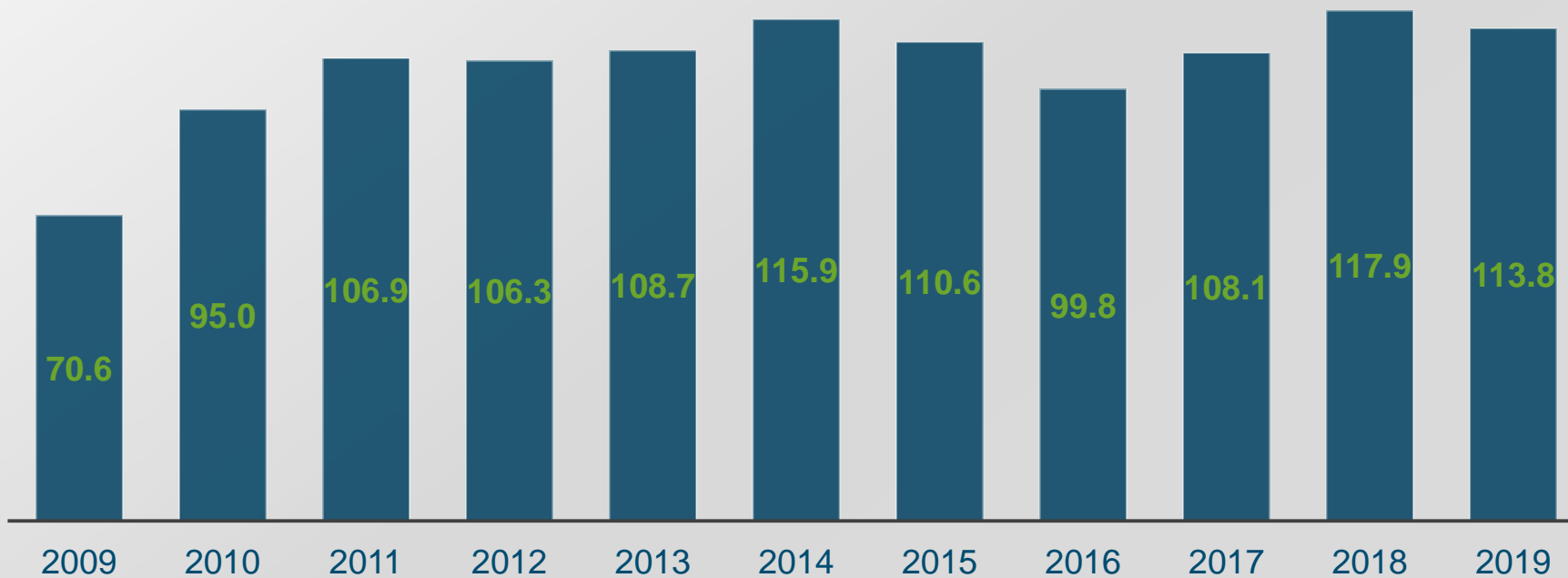


Financial Performance

# Profit & Loss Highlights

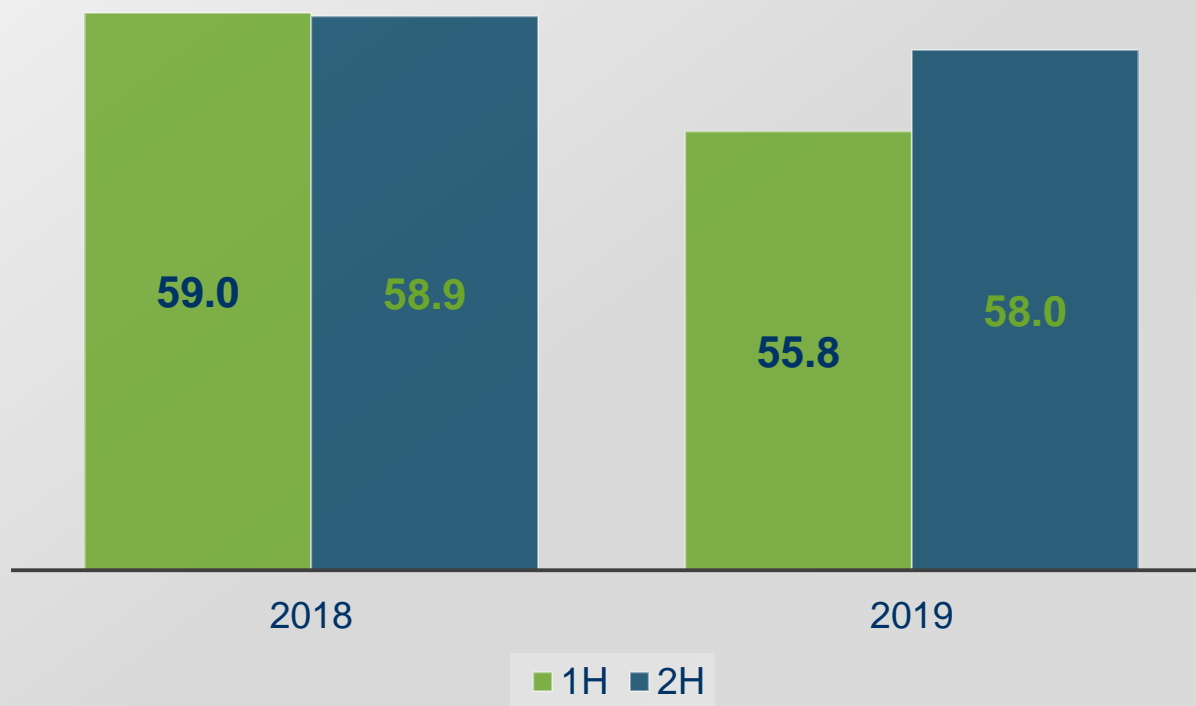
S\$'mil	FY18	FY19	Var	Var %	
Sales	117.9	113.8	(4.1)	(3.5%)	▼
Gross Profit	29.4	28.2	(1.3)	(4.3%)	▼
Gross Profit Margin %	25.0%	24.8%	(0.2% pt)	-	▼
EBITDA	6.9	7.0	0.1	1.5%	▲
NPBT	5.4	5.0	(0.4)	(7.7%)	▼
NPAT	4.3	4.0	(0.3)	(6.8%)	▼
ROE %	8.7%	7.7%	(1.0% pt)	-	▼
EPS(cents)	3.06	2.88	(0.18)	(5.9%)	▼

## Annual Sales S\$'mil



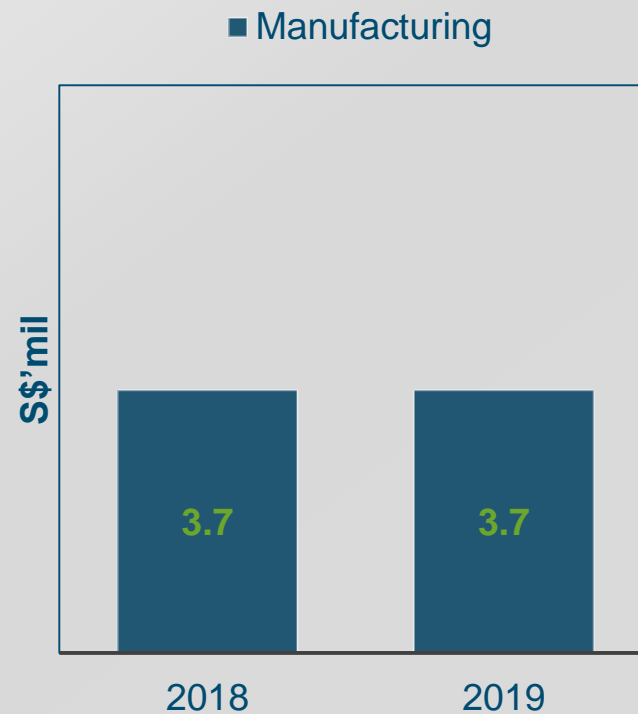
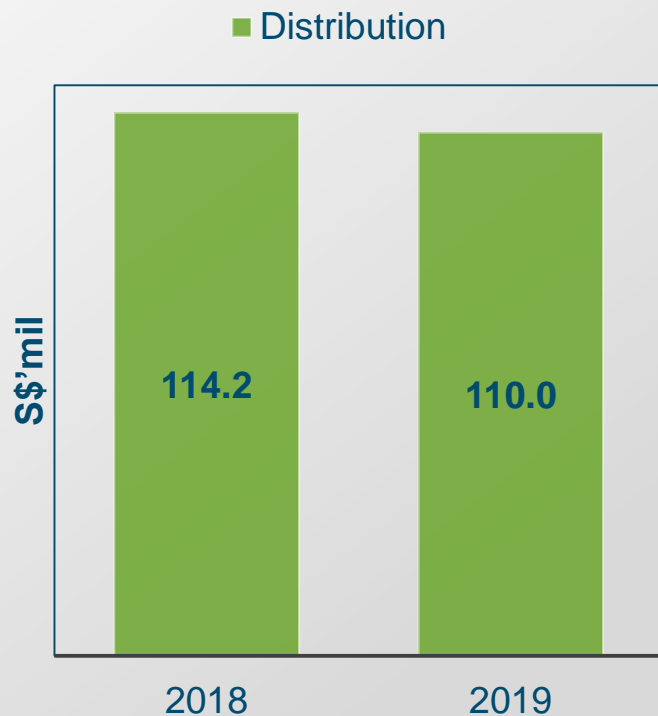
- Sales fall mainly due to lower chemical prices.
- Sales volume stable.
- Business elevated to a new level over the last decade.

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



- Sales dipped in 1H 19 but recovered in 2H 19.

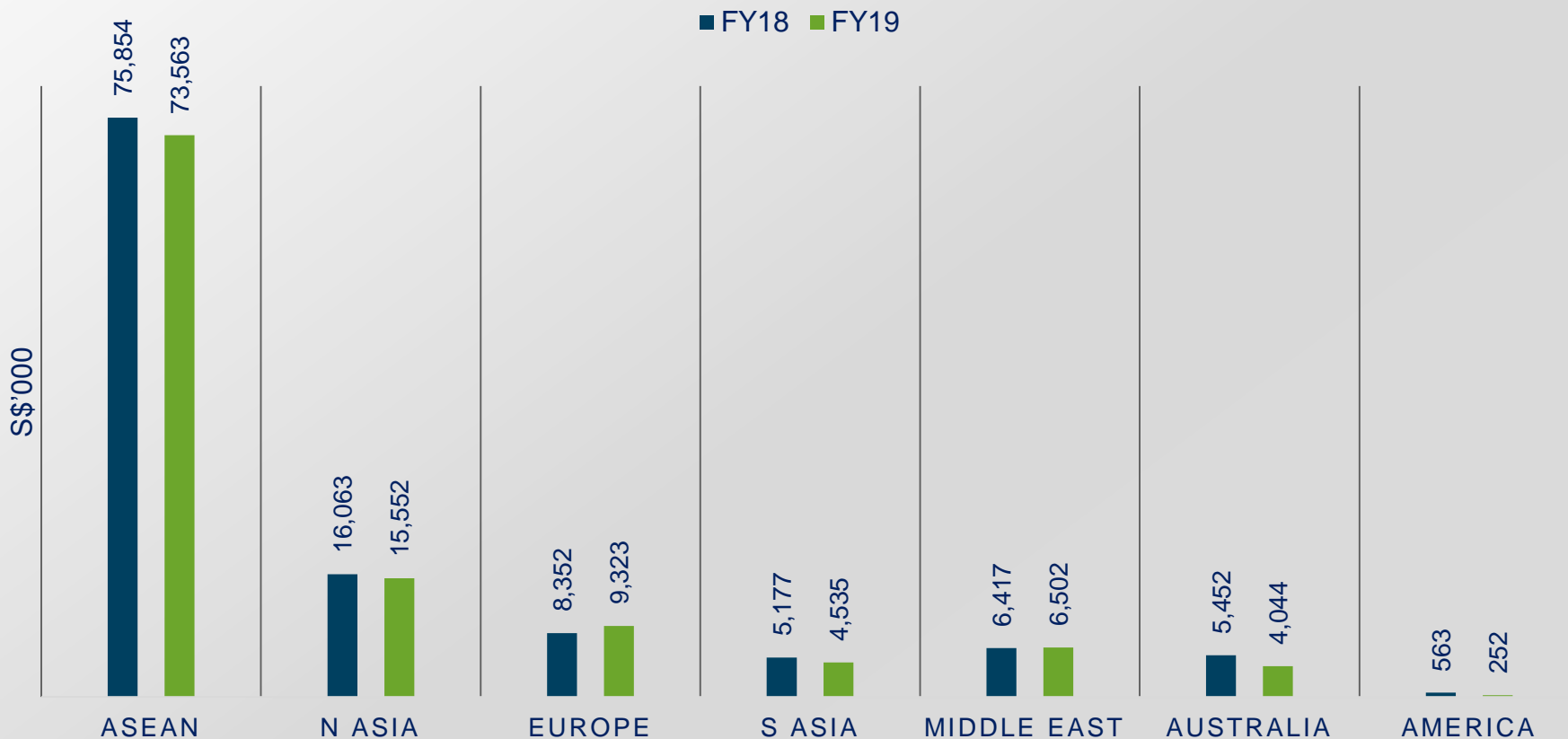
# Sales breakdown by Business Segments



- Fall in sales seen in Distribution activity.
  - Manufacturing activity flat.

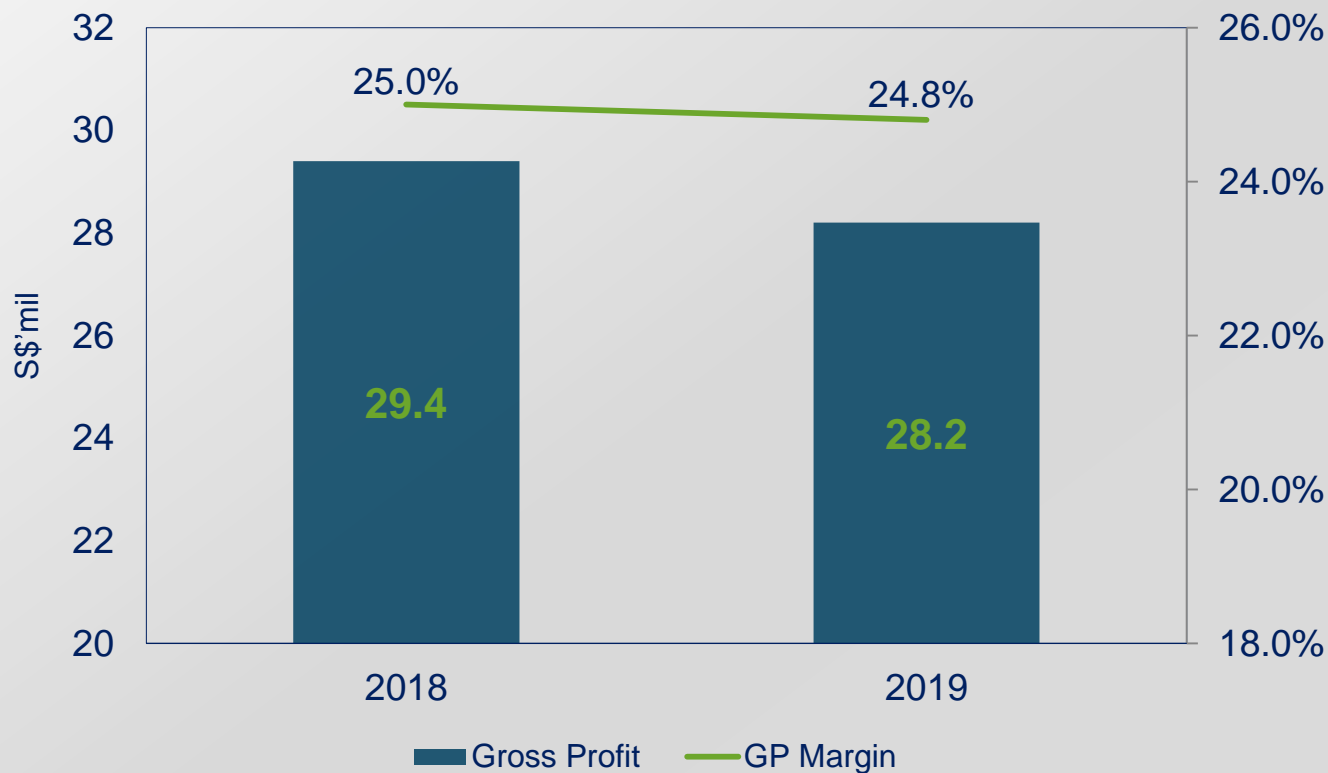


# Sales Breakdown by Geographic Segments



- Marginal decline across most market segments except Europe and Middle-east.

# Gross Profit



- Gross profit decreased S\$1.3 mil or 4.3% due to lower sales and higher inventory write-down
- Gross profit margin dipped marginally by 0.2% pt

# Expenses

- Total expenses decreased S\$0.4 mil or 1.4%.

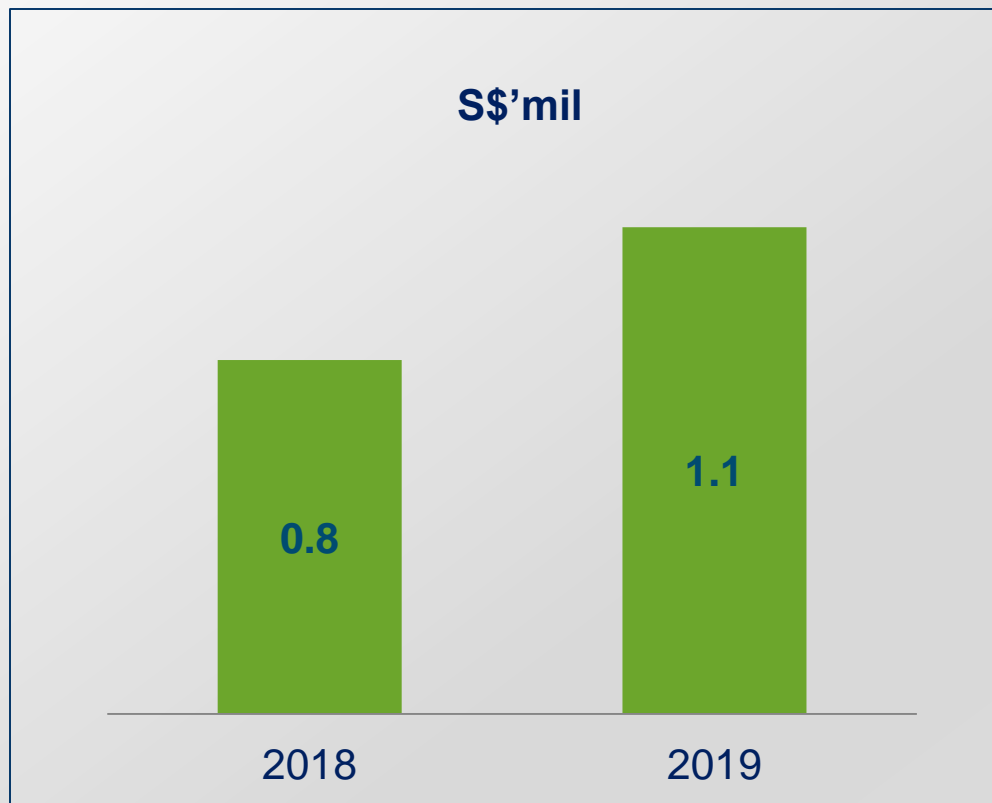
S\$'mil	FY2018	FY2019	Var	Remarks
Receivables Impairment	0.3	0.1	(0.2)	No significant deterioration in receivables.
Fair value loss on equity investment	0.2	0.1	(0.1)	Drop in value of equity investment.
FX loss	0.7	0.1	(0.6)	Minimal loss in FX in FY19. Mostly unrealized.
Depreciation of right-of-use assets	-	0.4	0.4	Recognition of leases as a right-of-use assets and liability for future lease payments
Rental	0.5	0.2	(0.3)	Changes in accounting of leases result in higher depreciation and finance cost but lower rental expense.
Warehouse storage cost	2.3	2.6	0.3	Increase in warehousing rates.
Finance cost	0.7	1.0	0.3	Higher average borrowings, interest rate and finance cost from lease liability.

# Other Income

S\$'mil	FY2018	FY2019	Var	Remarks
Bad Debt Recovered	0.1	0.3	0.2	Includes recovery of debts from Venezuela.
Interest Income	0.1	0.2	0.1	Interest from bank deposits.
Others*	0.2	0.1	(0.1)	
Total	0.4	0.6	0.2	

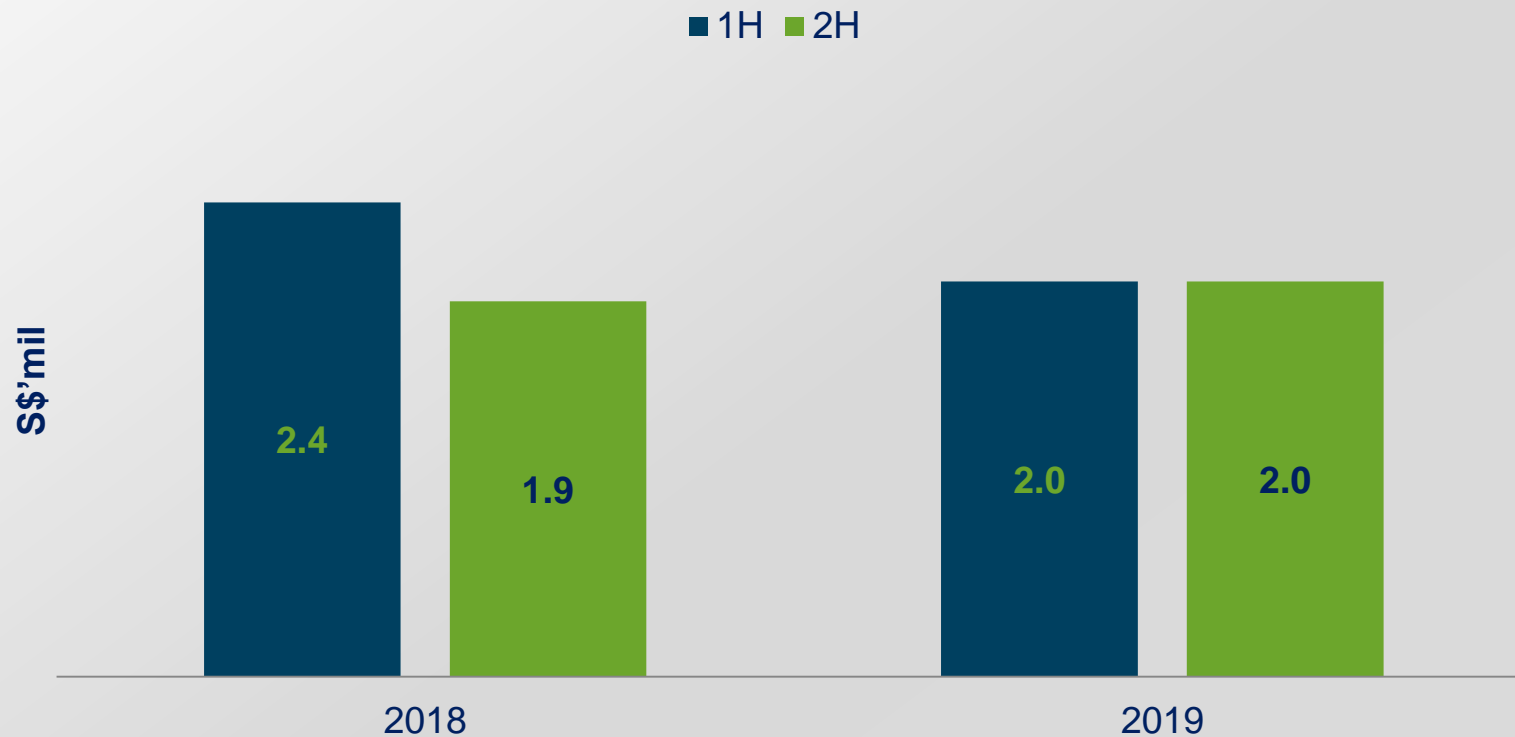
- Others include fair value gain on FX contracts, grant income, gain on disposal of plant & equipment.

# Share of Associate's Profit



- Newly-acquired business led to higher contribution from associated company.

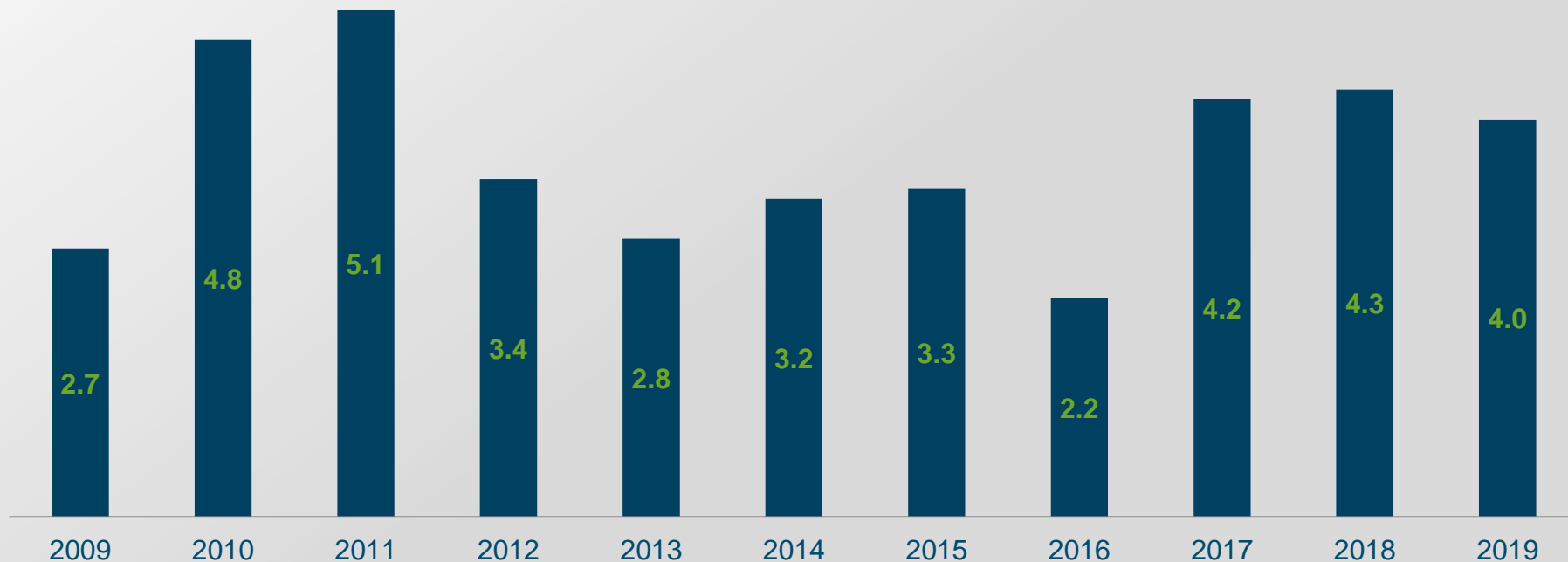
# Net Profit After Tax



- 2H 2019 vs 1H 2019 : Higher expenses offset with higher other income and contribution from associated companies.
- 2H 2019 vs 2H 2018 : Marginal increase due to higher other income and contribution from associated companies.

# Net Profit After Tax

Full Year NPAT \$'mil



- Fall in NPAT in line with lower sales.
- Profitable track record a reflection of our resilience.

# Balance Sheet

## Financial Discipline → Sound Balance Sheet

S\$'mil	FY2018	FY2019	Var	
Cash	12.2	14.9	2.7	Positive operating cash-flow.
Borrowings	19.5	18.4	(1.1)	Repayment of bank loans.
Shareholders Equity(less MI)	47.2	49.6	2.4	Positive earnings partially offset by dividend payment.
Gearing (times)	0.41	0.37	(0.04)	Net gearing 0.07 times. Comfortable level.
Current ratio (times)	2.1	2.2	0.1	Sound liquidity.
Inventory(net)	26.1	25.4	(0.7)	In line with lower sales
Inventory T/O (days)	118	124	6	Due to slower sales
Trade Receivables(net)	23.5	21.6	(1.9)	In line with lower sales.
Receivables T/O (days)	84	75	(9)	Tightening of credit management.
NTA/share (cents)	35.4	37.2	1.8	NTA/share increased.



## Cash position healthy

\$'mil	FY 2018	FY2019	
Cash (used in)/from operating activities	2.6	6.6	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	(4.1)	Repayment of borrowings. \$1.7 mil of dividend paid.
Net change in cash	2.9	2.7	Positive cash generated.
Beginning cash balance	9.3	12.2	
Ending cash balance	12.2	14.9	



# 2020 Outlook

## Global Economy

- CoronaVirus has revived global economic fears.
- Trade disputes retreated but not fully resolved
- Geopolitical tension may escalate

## Chemical Industry

- Manufacturing activity slowdown if it continues will put a squeeze on chemical industry.

**CoronaVirus : Threat to Economic Growth and Megachem's business**  
**Diversified Business Model & Financial Discipline → Resilience**



# Decade of Opportunities





Asia : Driver of Global Growth

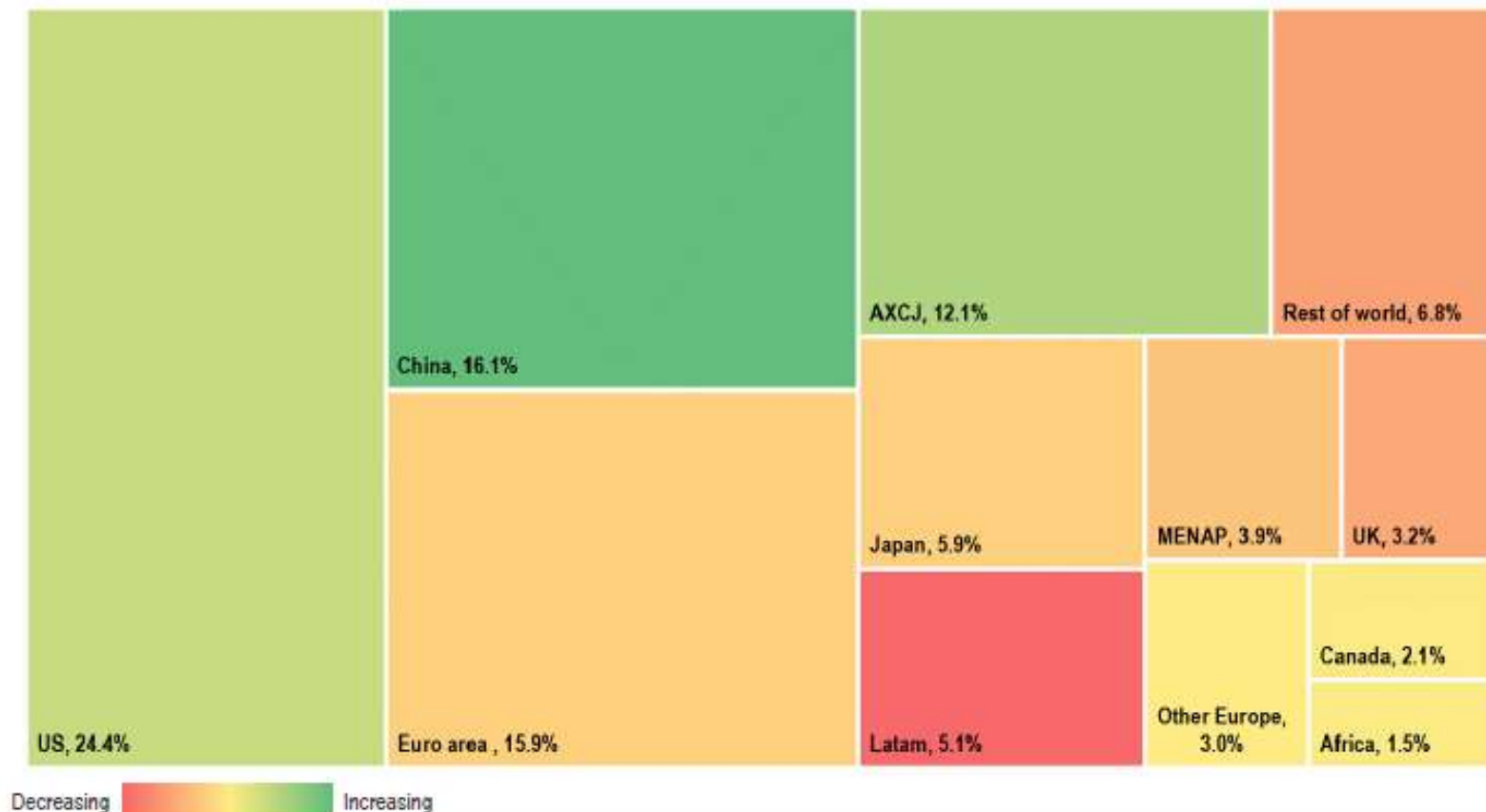


Chemical : Industry of Industries

# Asia : The Growth Driver

**Figure 1: China is set to become the world's second-largest economy in 2019, overtaking the euro area, when measured by nominal GDP at market exchange rates**

*Size represents 2019F percentage share of world GDP at market exchange rates; shade represents whether share is increasing/decreasing vs past-5-year average*



Source: IMF, Standard Chartered Research



# Asia : The Growth Driver

Leveraging our network in Asia for Accelerated Growth  
Our global footprint : 12 countries, 9 in Asia.

Bridging the  
Global  
Markets



# Chemicals : The Industry of Industries

## Our Diversified Industry Coverage

### Performance Coating and Polymers

- Paint and Ink
- Polymerisation
- Adhesive
- Construction
- Textile



### Surface Technology

- Electronics
- Metal Finishing
- Industrial Cleaning
- Water Treatment
- Pulp & Paper



### Oil & Gas

- Petrochemical
- Lubricant & Grease
- Oil field
- Refinery



### Advanced Polymer Composites

- Rubber
- Plastic
- Polyurethane
- Polyester



### Biotech

- F&B
- Pharmaceutical
- Nutraceutical
- Cosmaceutical
- Agriculture/Feed
- Flavor & Fragrance
- Homecare
- Photographic



### Resources

- Mining





## Growth Industries

Electronics

Nutraceutical

Construction

## Resilient Industries

F&B

Flavours

Pharmaceutical



Share Performance :  
Enhancing Shareholders' Long Term Value

# Share Statistics

## Share Information (as at 19 Feb 2020)

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	20.5 cents
Price (as at 19 Feb 2020)	32.5 cents
No of Shares	133,300,000
Earnings per share FY19	2.88 cents
Historical P/E <sup>(a)</sup>	11.3 x
Market Capitalisation	\$43.3 mil
NTA/share	37.2 cents
Price/Book Ratio <sup>(b)</sup>	0.87

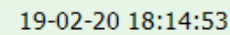
Note :

(a) P/E = price as at 19 Feb 2020 / EPS 2019

(b) Price/Book ratio = price as at 19 Feb 2020/NTA per share FY2019.



### Share price chart : 1 year to 19 February 2020



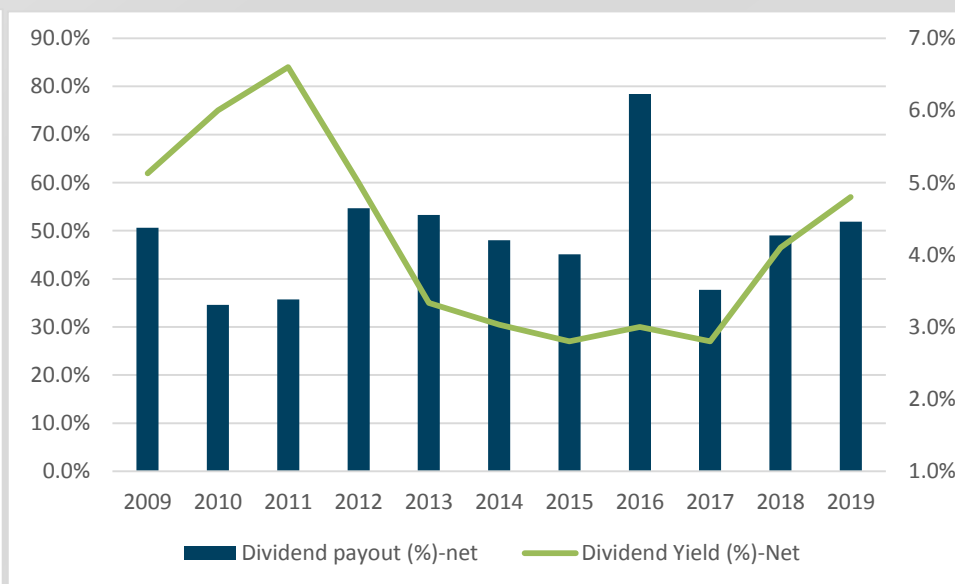
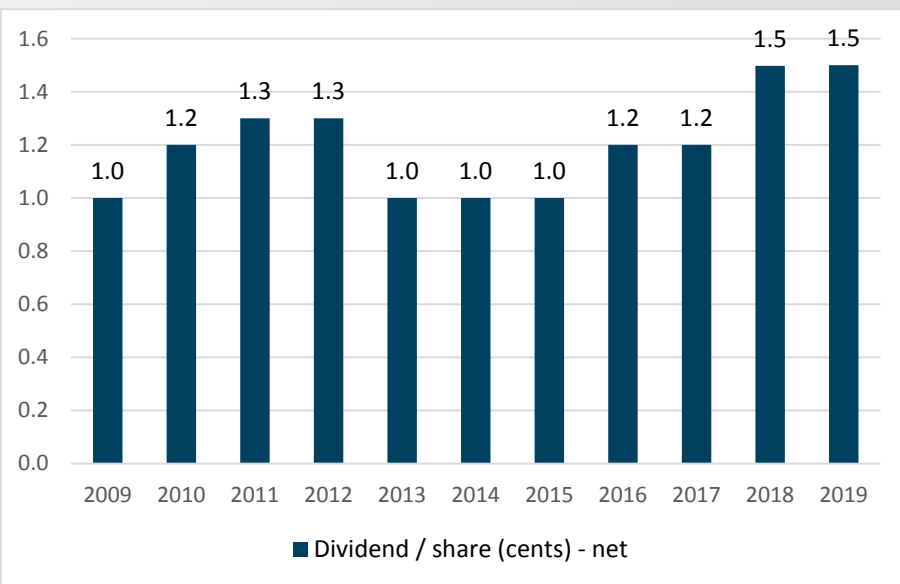
# Share Price Performance

Share price chart : 1 year to 19 February 2020



# 2019 Final Dividend Proposal

	cts/share
Interim Dividend	0.5
Final Dividend(subject to Shareholders approval at the upcoming AGM)	1.0
Total FY2019 Dividend	1.5



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

\*\* Dividend yield = full year dividend per share / average price.

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