



## NEWS RELEASE

### MEGACHEM ANNOUNCES NET PROFIT AFTER TAX OF S\$4.0 MILLION ON REVENUE OF S\$113.8 MILLION FOR FY2019

- *Higher revenue in second half mitigates challenging external uncertainties for FY2019*
- *Healthy balance sheet with sound liquidity and a lowered gearing of 0.37 time*
- *Proposes final dividend of 1.0 cent per share, translating to total dividends of 1.5 cents per share for FY2019, representing payout ratio of 51.9%*
- *Broad-based focus across markets and business segments, and cost prudence, for resilient growth*

**Singapore, 20 February 2020** – 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 revenue of S\$113.8 million and net profit after tax of S\$4.0 million for the full year ended 31 December 2019 (“FY2019”).

Mr. Sidney Chew, Executive Chairman and Managing Director of the Group, commented, “Escalating global trade tensions and a weakening economy hit business confidence and held back chemical demand leading to lower prices as well. These factors hindered our growth after a record year of sales in 2018. Notwithstanding a challenging business environment, our sales volume was relatively stable but sales revenue fell due to lower prices.

“To stay resilient amidst macro uncertainties, we will remain focused on our broad-based strategy across markets and business segments and at the same time, keep a tight lid on cost controls and maintain financial discipline.”

## **Performance Review**

For FY2019, Megachem recorded a revenue of S\$113.8 million, a decline of 3.5% from S\$117.9 million in the previous corresponding period ended 31 December 2018 (“FY2018”). This was due to lower contribution from the Distribution segment, which saw a 3.6% year-on-year dip in sales to S\$110.0 million in FY2019, as a result of broad-based decline across most major markets. Meanwhile, the Manufacturing segment remained relatively unchanged at S\$3.7 million over the same comparative period. Gross profit dipped 4.3% to S\$28.2 million in FY2019, from S\$29.4 million in FY2018.

Notably when compared against the first half ended 30 June 2019 (“H1 2019”), the second half ended 31 December 2019 (“H2 2019”) achieved increased topline of 4.0% to S\$58.0 million, as a result of higher contributions from both segments. Sales from the Distribution segment improved by 3.4% in H2 2019 to S\$55.9 million, buoyed mainly by sales to North Asia and Australia, which grew by 28.9% and 28.5% respectively in H2 2019, whilst sales to ASEAN picked up marginally by 1.2%. Sales from the Group’s Manufacturing segment grew 23.7% to S\$2.1 million for H2 2019.

In terms of geographical segments, Europe and Middle East expanded 11.6% and 1.3% respectively in FY2019. Most other markets saw a reduction in contribution in sales in FY2019 as compared to a year ago. Sales to ASEAN, North Asia, Australia, South Asia and America markets declined by 3.0%, 3.2%, 25.8%, 12.4% and 55.3% respectively. ASEAN continues to be the main driver of global growth for the Group, contributing 64.7% to the Group’s topline, testament to the Company’s Asia-centric network and strong focus on the Asian markets.

The Group recorded a year-on-year increase in other income by 38.6% or S\$0.2 million due to higher bad debt recovered, mainly from Venezuela customers, and interest income, which was partially offset by lower fair value gain from forward contracts, lower grant income and lower gain from disposal of plant and equipment.

The Group's share of profit of associated companies for FY2019 increased by 43.9% or S\$0.3 million year-on-year due to absence of impairment loss of a discontinued business and higher profit contribution from the newly acquired distribution business in Thailand.

Total operating expenses (excluding finance costs) decreased 2.5% or S\$0.6 million in FY2019 as compared to FY2018, due mainly to lower impairment of trade receivables, net foreign exchange loss, fair value loss from listed equity and travelling expenses. This was partially offset by higher warehouse storage charges and higher professional fees. The Group had adopted SFRS(I) 16 since the start of 2019, which requires the recognition of right-of-use assets for operating lease arrangements. Correspondingly, rental expenses decreased by S\$0.3 million and depreciation of right-of-use assets of S\$0.4 million was recorded in FY2019.

Consequently, the Group saw a fall in net profit after tax of 6.8% to S\$4.0 million in FY2019, from S\$4.3 million in FY2018.

Due to better collection and lower inventory purchases, positive cash flows from operating activities were generated and partially utilised to reduce borrowings and satisfy dividends and other financing obligations. As a result, the Group increased cash and bank balances to S\$14.9 million as at 31 December 2019 from S\$12.2 million as at 31 December 2018, maintaining a robust balance sheet, and lowered gearing ratio to 0.37 time.

Earnings per share for FY2019 stood at 2.88 Singapore cents, a 5.9% decrease from the earnings per share of 3.06 Singapore cents in FY2018. Net asset value per share increased to 37.24 Singapore cents as at 31 December 2019, from 35.38 Singapore cents as at 31 December 2018.

## **Proposed Dividend**

In appreciation of the support from the valued shareholders of Megachem, the Board of Directors is pleased to propose a final tax exempt dividend of 1.0 Singapore cent per share, which will be paid on 20 May 2020, subject to the approval by shareholders at the next Annual General Meeting to be convened. In addition to the interim dividend of 0.5 Singapore cent per share, the collective dividend of 1.5 Singapore cents for FY2019 represent a payout ratio of 51.9%.

## **Outlook**

2020 began with renewed positivity in the economic markets and investor sentiments, following the optimistic progress made in the US-China trade negotiations. However, the Coronavirus threat soon emerged, and it is expected to put a dent on growth prospects for the current financial year. While the extent of the impact on the global economy is yet to be determined, the global slowdown caused by the Coronavirus will be widely felt given that China is a major contributor to the global economy.

Against the backdrop of a difficult operating environment, Megachem will leverage on its robust business model and long profitable track record, alongside strict financial discipline to mitigate the negative impact arising from the Coronavirus outbreak.

Mr. Chew remarked, "Heading into a new decade, Megachem remains confident of our expertise and holds firm to our business fundamentals and tried-and-tested business model. Over the years, we have built up a diversified product portfolio that serves multiple industries, and deep experience in the chemicals industry, which we believe will tide us through the challenges presented by the macro economy."

## 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, Vietnam, Myanmar, China, India, 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 well-known 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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*This press release has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").*

*This press release has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.*

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