



Results Presentation 1H FY2020
Analyst Briefing



Business Updates

Business Updates



Distribution

COVID-19 Impact : Supply Disruption and non-essential customers shutdown.

Chemicals are essential products

Partly mitigated by diversified business model.



Manufacturing

Custom-blending volumes fell as some customers' production were halted.



Megachem Thailand

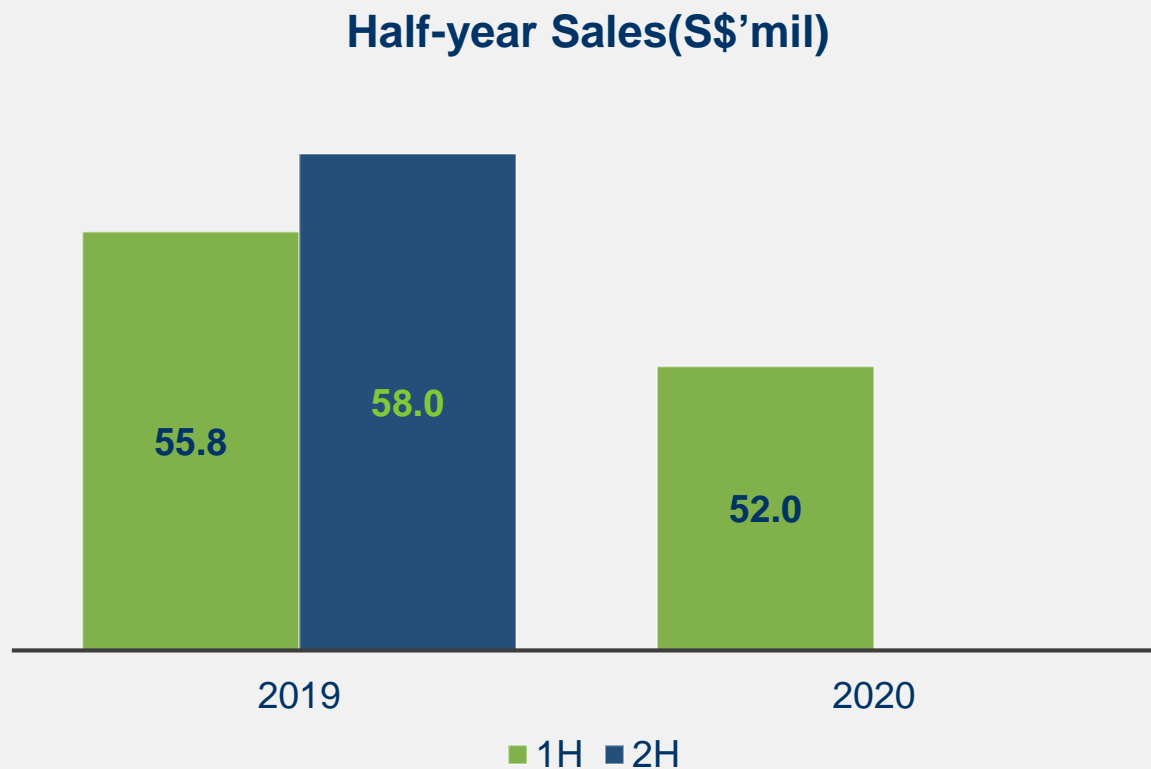
COVID boosted demand for cleaning chemicals.



Financial Performance

Profit & Loss Highlights

S\$'mil	1H 2019	1H 2020	Var	Var %	
Sales	55.8	52.0	(3.8)	(6.7%)	▼
Gross Profit	14.1	13.2	(0.9)	(6.2%)	▼
Gross Profit Margin %	25.2%	25.4%	0.2% pt	-	▲
EBITDA	3.6	4.2	0.6	17.2%	▲
NPBT	2.6	3.3	0.7	26.9%	▲
NPAT	2.0	2.8	0.8	39.9%	▲
ROE %	8.0%	10.6%	2.6% pts	-	▲
EPS(cents)	1.44	2.03	0.59	41.0%	▲



Lower sales reflect both fall in quantity sold and average selling price.

Sales breakdown by Business Segments

Distribution

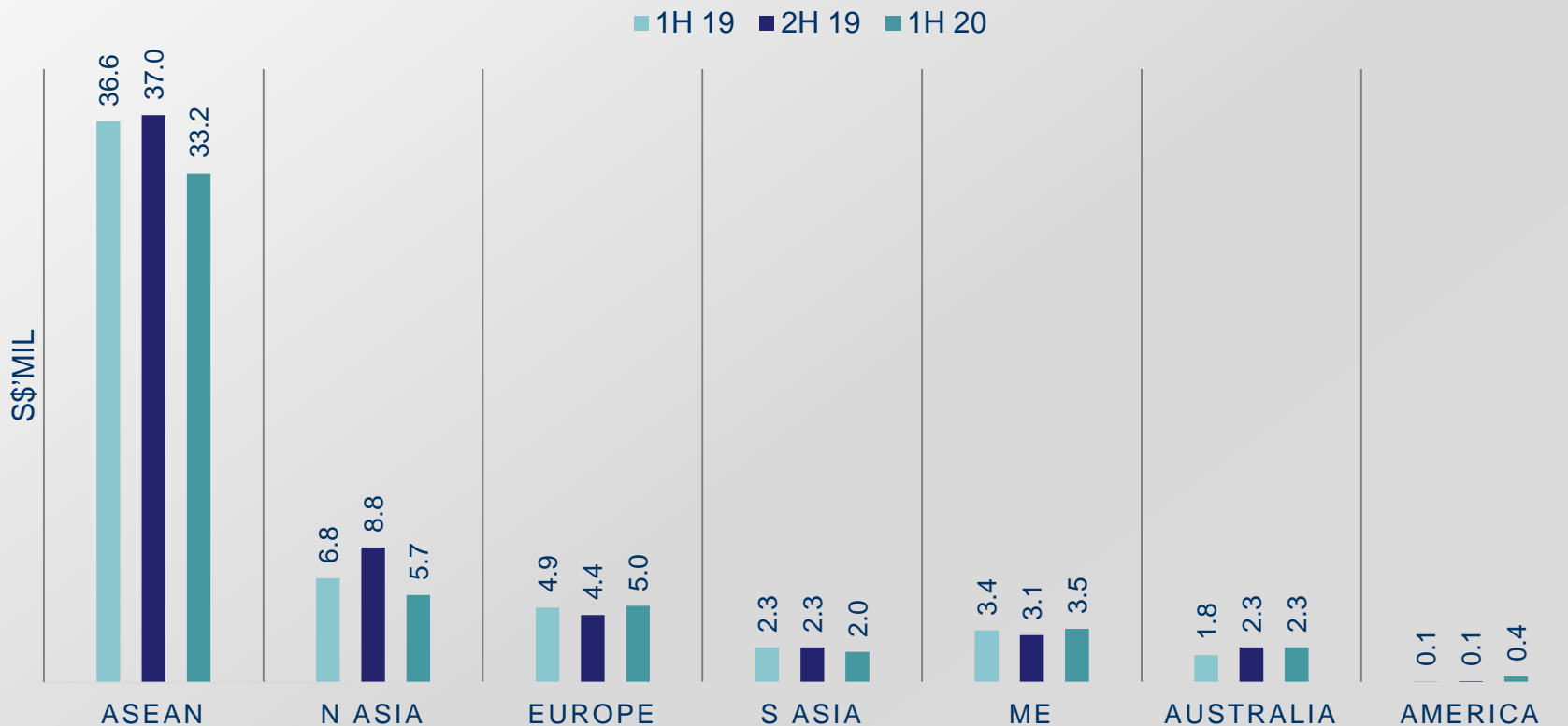


Manufacturing



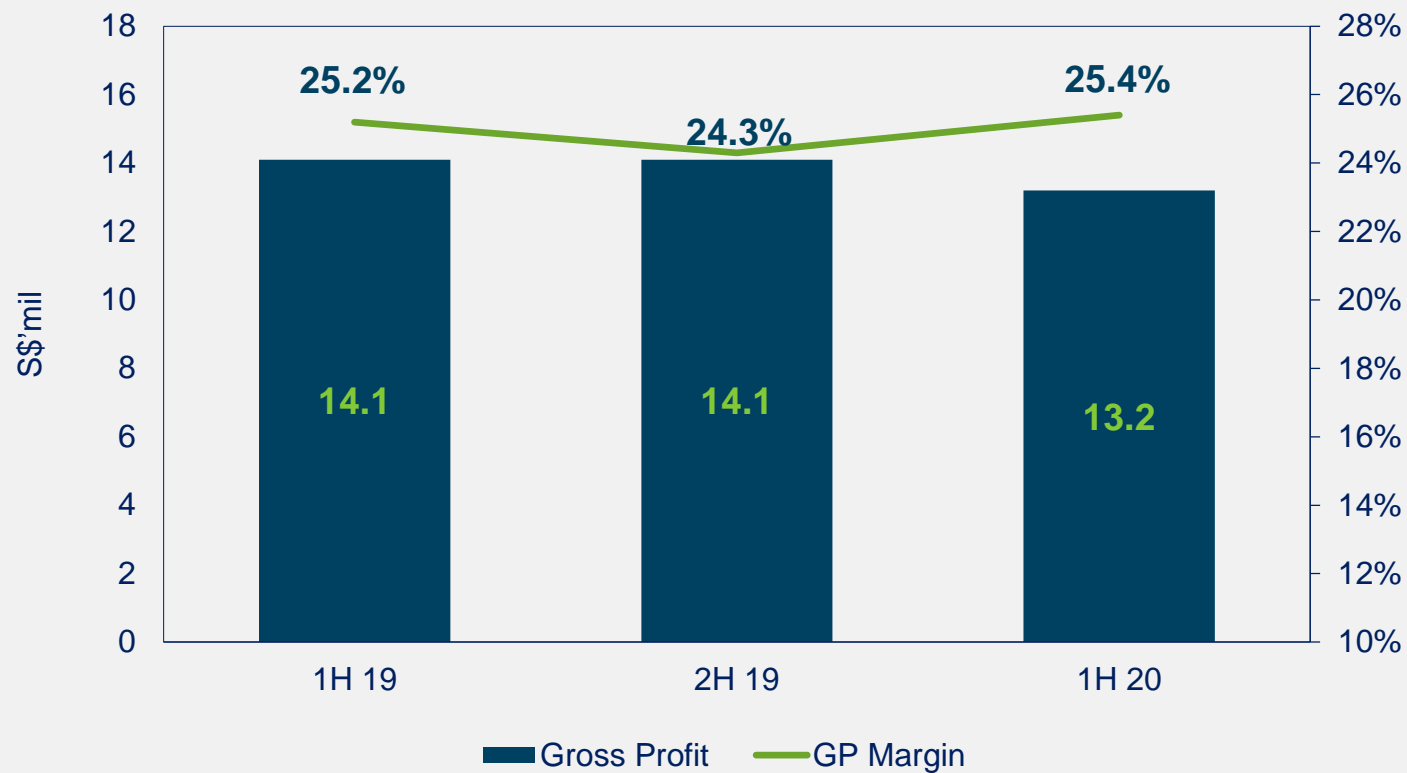
Fall in sales seen in both Distribution and Manufacturing activities.

Sales Breakdown by Geographic Markets



- Geographical market performance was mixed.
- Deeper impact on our Asia market segment.

Gross Profit



Gross Profit margin increased in spite of higher inventory write-down.

Expenses

- Total expenses decreased S\$0.3 mil or 2.7%.

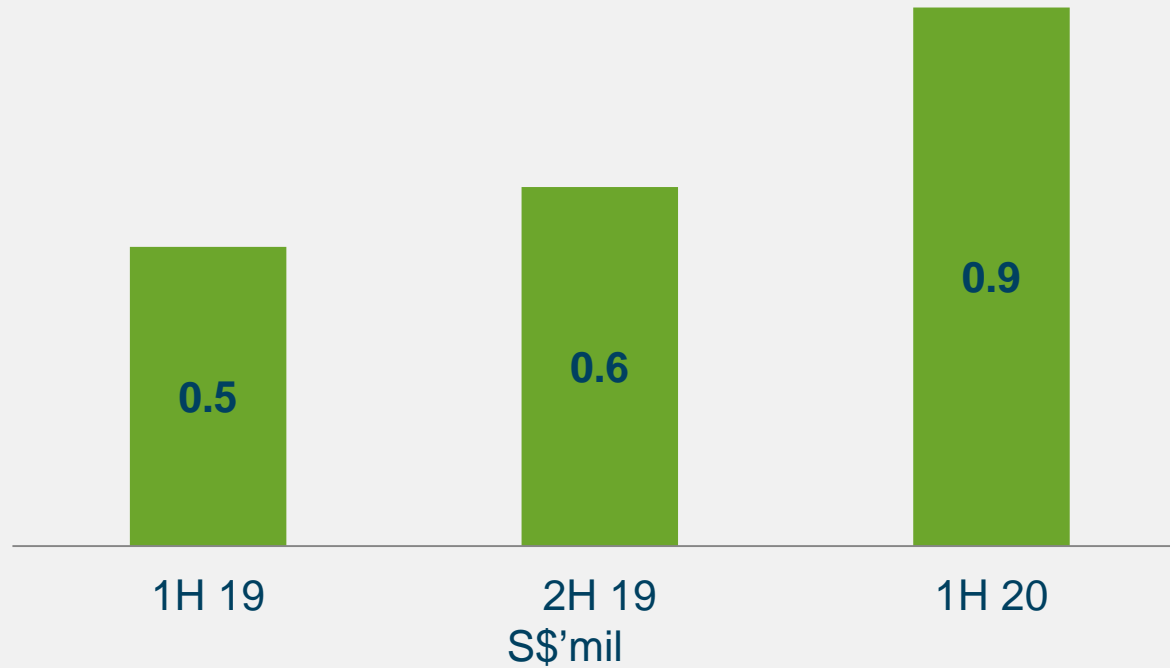
S\$'mil	1H 19	1H 20	Var	Remarks
Receivables Impairment	82	54	(28)	Slower payment during COVID-19 lockdown but no significant impairment of receivables.
Travelling & Transport	435	247	(188)	COVID-19 border controls restricts travelling.
FX loss	23	-	(23)	FX gain in 1H 20 shown in "other income".
Advertising & Entertainment	130	70	(60)	COVID-19 measures restricts entertainment.
Finance cost	497	425	(72)	Lower interest rates and fall in average level of borrowings.

Other Income

S\$'000	1H 19	1H 20	Var	Remarks
Bad Debt Recovered	74	100	26	Includes recovery of debts from Venezuela.
Grant income	17	635	618	COVID-19 government assistance.
FX	-	134	134	FX gain compared to a loss in 1H 19

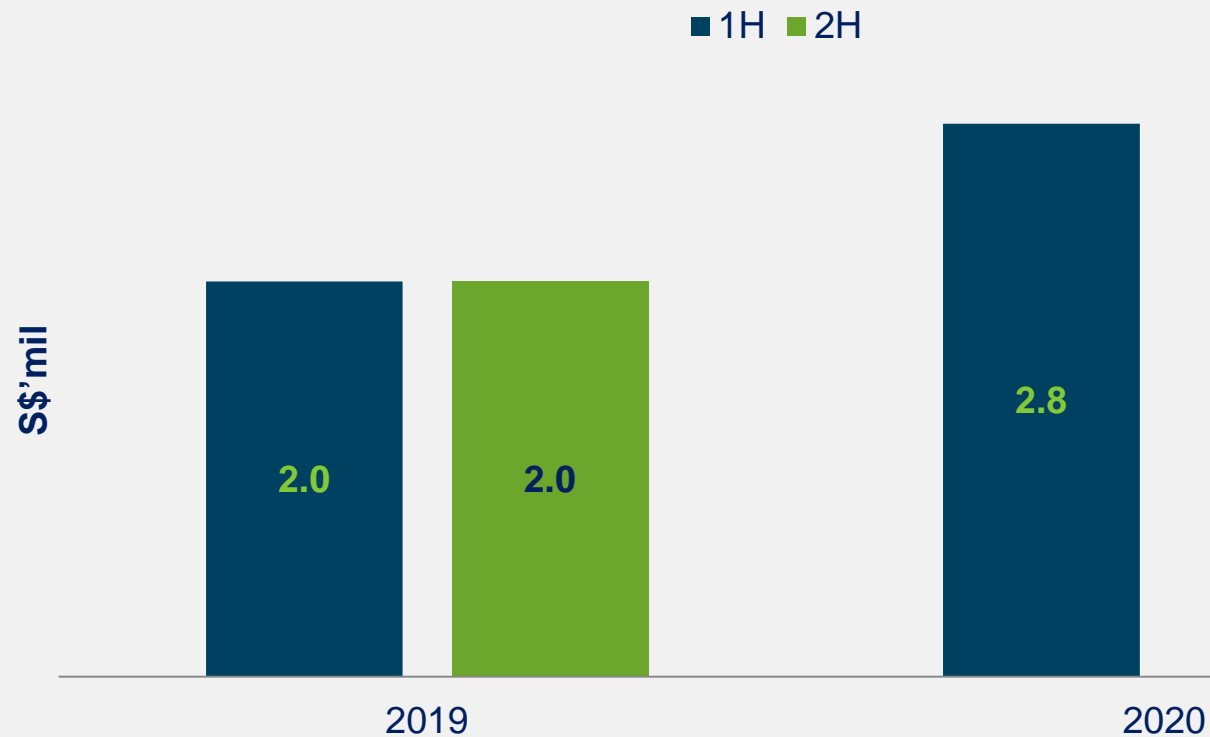
- Other income amounted to S\$1.1 mil, an increase of S\$0.8 mil or 371% mainly due to government grant.

Share of Associate's Profit



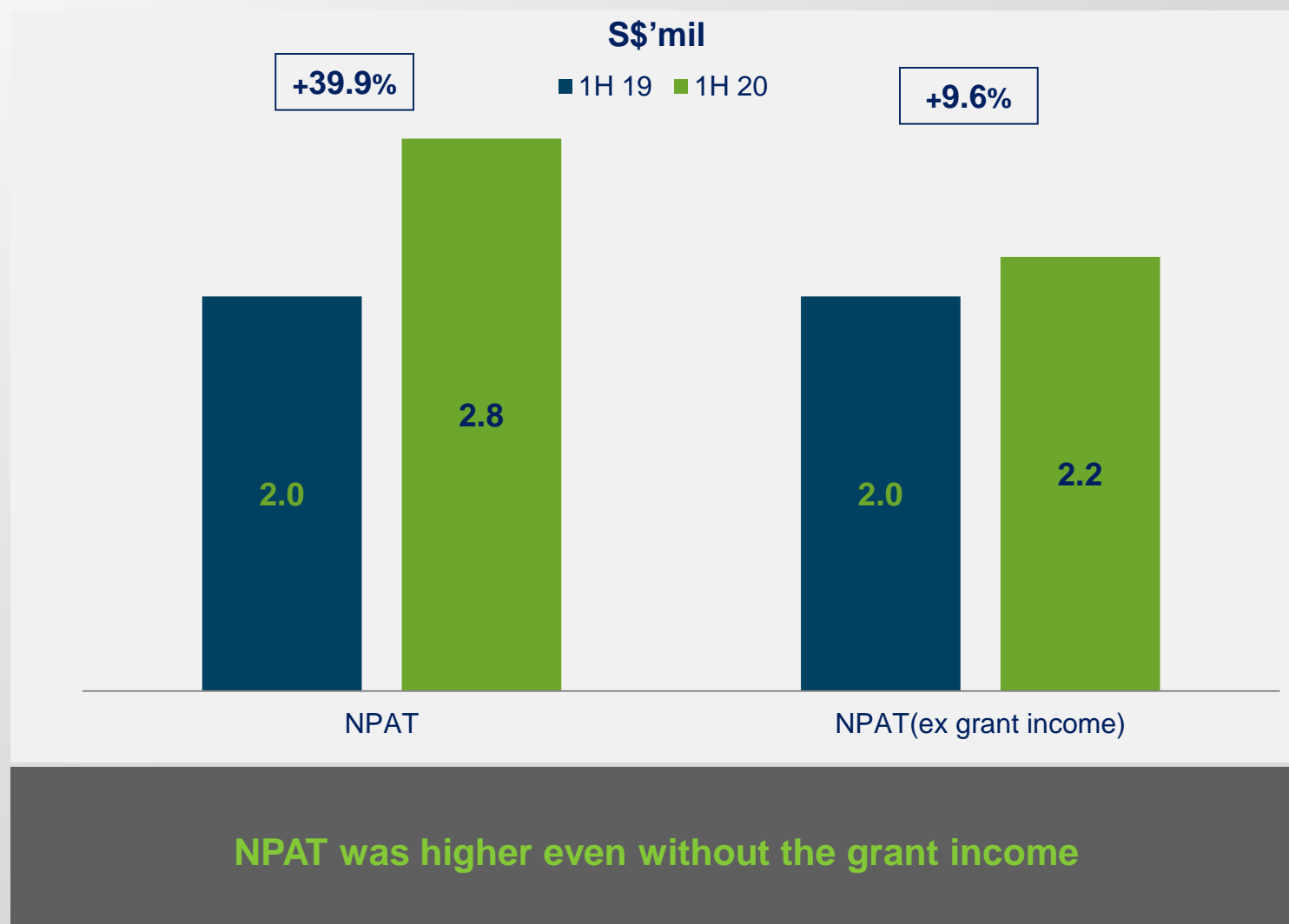
Increase in demand for cleaning chemicals led to higher profit contribution from associated company.

Net Profit After Tax



Higher NPAT due to higher other income, lower expenses and higher contribution from associated company.

Net Profit After Tax



Balance Sheet

Financial Discipline → Sound Balance Sheet

S\$'mil	FY2019	1H 20	Var	
Cash	14.9	18.2	3.3	Positive operating cash-flow.
Borrowings	18.4	18.0	(0.4)	Repayment of bank loans.
Shareholders Equity(less MI)	49.6	51.1	1.5	Positive earnings less dividend
Gearing (times)	0.37	0.35	(0.02)	Net cash position.
Current ratio (times)	2.2	2.2	-	Sound liquidity.
Inventory(net)	25.4	25.8	0.4	Due to slower sales in 2Q 20.
Inventory T/O (days)	124	137	13	Due to slower sales in 2Q 20
Trade Receivables(net)	21.6	19.4	(2.2)	In line with lower sales.
Receivables T/O (days)	75	74	(1)	Tightening of credit management.
NTA/share (cents)	37.2	38.3	1.1	NTA/share increased.

Cash position healthy

\$'mil	FY2019	1H 20	
Cash from operating activities	6.6	4.7	Positive operating cash-flow from profitable operation.
Cash from/(used in) investing activities	0.3	(0.2)	Construction of warehouse in Malaysia to begin. Dividend from associated company.
Cash used in financing activities	(4.1)	(1.3)	Repayment of borrowings.
Net change in cash	2.7	3.1	Positive cash generated.
Beginning cash and cash equivalents	12.2	14.9	
Ending cash and cash equivalents	14.9	18.1	



2H 2020 Outlook

Global Economy

- CoronaVirus pushed global economy into recession.
- Government stimulus may keep business sentiment supported.
- Easing of lockdown may lead to recovery of business activities
- Economic risk and geopolitical tension persist

Chemical Industry

- Inventory restocking following easing of lockdown but sentiment remains muted.
- Chemical prices generally lower.

CoronaVirus & Economy : In a State of Uncertainty & Flux
Diversified Business Model & Financial Discipline → Resilience



Share Performance :
Enhancing Shareholders' Long Term Value

Share Statistics

Share Information (as at 12 Aug 2020)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	33 cents
52 weeks Low	20.5 cents
Price (as at 12 Aug 2020)	29 cents
No of Shares	133,300,000
Earnings per share 1H FY20	2.03 cents
Historical P/E ^(a)	8.4 x
Market Capitalisation (as at 12 Aug 2020)	\$38.6 mil
NTA/share	38.33 cents
Price/Book Ratio ^(b)	0.76

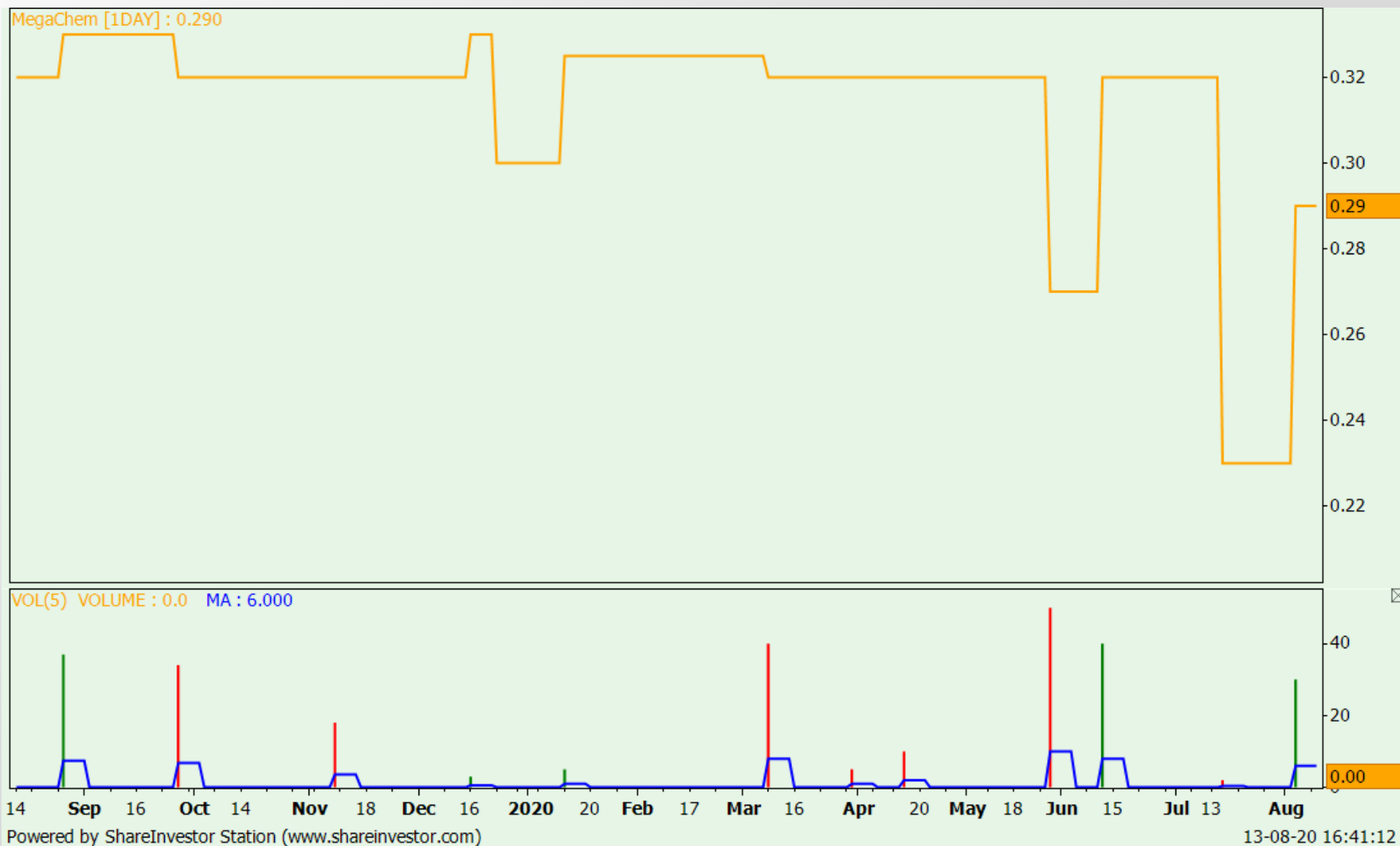
Note :

(a) P/E = price as at 12 Aug 2020 / (EPS 2H 19 + EPS 1H 20)=29/(1.44+2.03)=8.4x

(b) Price/Book ratio = price as at 12 Aug 2020 / NTA per share at end of 1H 20.

Share Price Performance

Share price chart : 1 year to 12 Aug 2020





MegaChem

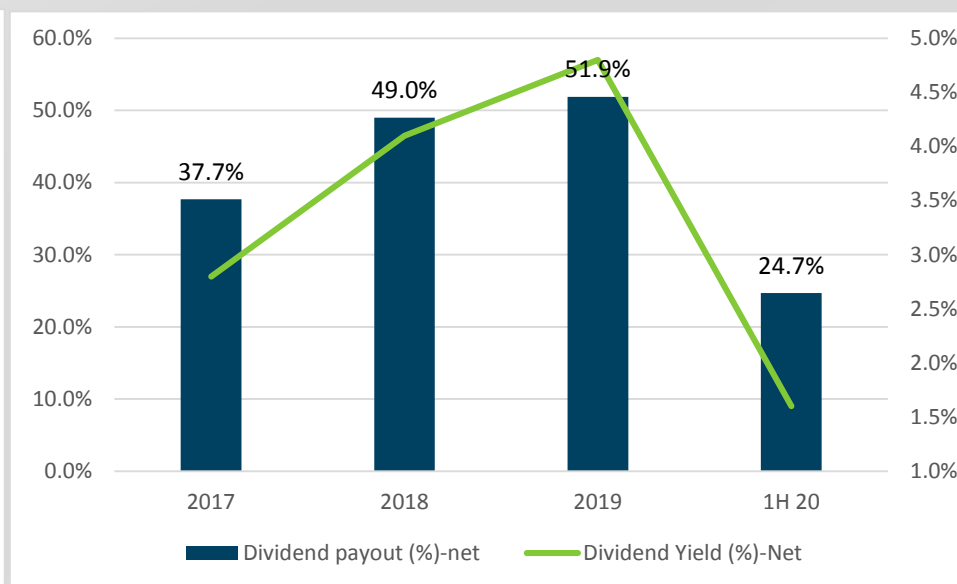
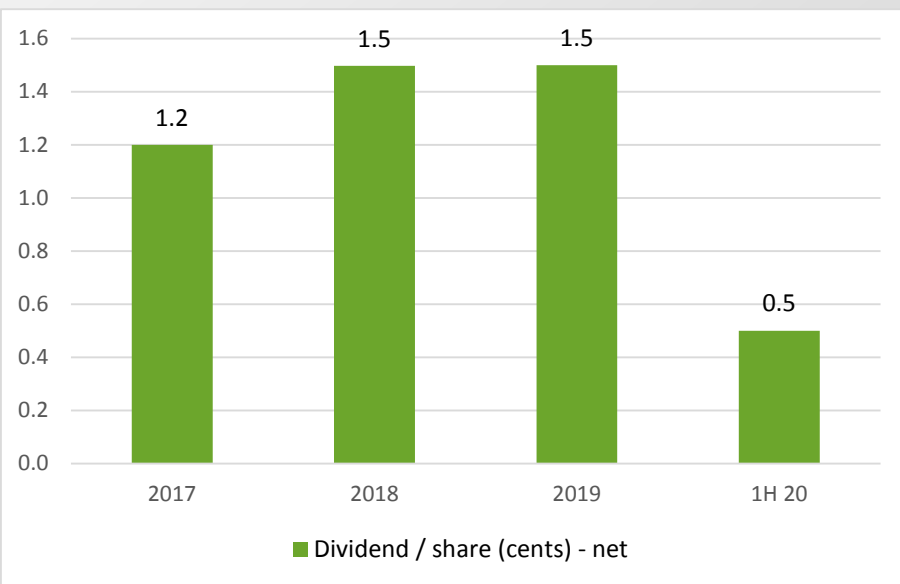
Share Price Performance

Share price chart : 1 year to 12 August 2020



1H 2020 Interim Dividend

cts/share	
Interim Dividend	0.5



* Average price is the average of 31 December 2019 closing price of 30 cents/share and 30 June 2020 closing price of 32 cents/share.

** Dividend yield = 1H 20 dividend per share / average price.

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