



NEWS RELEASE

MEGACHEM POSTS 32.0% GROWTH IN NET PROFIT AFTER TAX TO S\$5.3 MILLION FOR FY2020

- ***Excluding grant income of approximately S\$1.2 million, the Group's net profit after tax expanded 3.9% year on year in FY2020***
- ***Diversified business model mitigated impact of COVID-19 on Group's business***
- ***Robust balance sheet with gearing of 0.37 time and sound liquidity***
- ***Proposes final dividend of 1.0 cent per share, translating to a total 1.5 cents per share and payout ratio of 39.0%***

Singapore, 22 February 2021 – 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 growth in net profit after tax of 32.0% year-on-year to S\$5.3 million for the full year ended 31 December 2020 (“FY2020”) despite a marginal fall in sales of 7.5% to S\$105.2 million.

Mr. Sidney Chew, Managing Director of the Group, said: “Despite the COVID-19 pandemic greatly affecting global economies and many businesses, we turned in a creditable performance. Our profitable track record remains unbroken and our diversified business model has once again been tested and proven to be resilient and sustainable.”

Impact of COVID-19

2020 was an unprecedented year marked by the COVID-19 pandemic. Globally countries introduced lockdowns and implemented border closures to curb the spread of the virus, inevitably leading to supply disruption and collapse in demand for certain goods and services, and the world sank into an economic recession. Even though some of Megachem's customers' operations were considered non-essential businesses and hence affected by lockdowns, the Group was allowed to operate within certain restrictive measures, as chemicals are classified as essential products. On the supply side, due to its diversified supply sources, the supply chain disruption's impact on the Group was not significant.

Additionally, the impact of COVID-19 on Megachem's business has to some extent been mitigated by its diversified market segments. While sales to industries such as construction, coatings and metal finishing sectors were affected, other segments such as the electronics and healthcare sectors benefited from an increase in demand for computers, semiconductors and cleaning products.

Performance Review

In FY2020, Megachem achieved S\$105.2 million in sales, a 7.5% decrease compared to the S\$113.8 million recorded in the previous corresponding financial year ("FY2019"). This was largely due to the emergence of COVID-19 in early 2020, when there was a lockdown on non-essential industries, and demand for certain goods and services was curtailed, which hampered the Group's business across its major markets. Year-on-year, sales from both the Distribution and Manufacturing segments experienced a fall. The Distribution segment decreased by 7.5% to S\$101.8 million, while sales from the Manufacturing segment declined by 7.4% to S\$3.5 million.

In terms of geographical segment, the decline in sales was mainly from ASEAN and North Asia, which recorded lower sales of 10.9% to S\$65.5 million and 17.9% to S\$12.8 million, respectively. Some of its other markets recorded an improvement in performance year-on-year, led by Australia with growth of 33.1%, followed by South Asia and America, with respectively 9.2% and 109.6% growth while sales to Middle East market was flat.

Other income more than tripled in FY2020 to S\$1.9 million, due to higher grant income, fair value gain from listed equity security and net foreign exchange gain.

The Group's share of profit of associated companies for FY2020 increased by 43.6% to S\$1.6 million as compared to the prior financial year, mainly due to surge in demand for cleaning chemicals in the first half of 2020.

Total operating expenses and finance costs reduced by 3.2% to S\$24.1 million in the financial year, as compared to FY2019, mainly due to lower travelling and transport expenses and finance cost.

Consequently, in FY2020, Megachem achieved a higher net profit after tax of 32.0% to S\$5.3 million from S\$4.0 million in the previous corresponding financial year. Excluding grant income of approximately S\$1.2 million, the Group's net profit after tax expanded 3.9% year on year in FY2020.

The balance sheet remained robust in the financial year, with an increase in cash and bank balances to S\$16.2 million as at 31 December 2020. Gearing ratio stood at 0.37 time.

Earnings per share grew 33.7% in FY2020 to 3.85 cents from 2.88 cents in FY2019. Net asset value per share increased to 39.33 cents as at 31 December 2020, from 37.24 cents as at 31 December 2019.

Proposed Dividend

To show appreciation to the shareholders for their support of Megachem, the Board of Directors has recommended a final dividend of 1.0 cent per share for FY2020, subject to the approval by shareholders at the next Annual General Meeting to be convened, which will be paid on 25 May 2021. Inclusive of the interim dividend of 0.5 cent per share, this represents a total payout ratio of 39.0%.

Outlook

Going into 2021, there have been concerns that a resurgence in number of COVID-19 cases worldwide and the rise of new coronavirus variants may derail the recovery of the economy.

However, following the discovery of COVID-19 vaccines and as countries began vaccination programmes and easing lockdowns, optimism level has risen and business sentiment has improved. The International Monetary Fund is projecting the global economy to grow 5.5 per cent in 2021, in its January 2021 forecast.

The chemicals industry is closely tied to the global economy, and activities in the chemical industry is highly consistent with the recovery in the global economy. Chemical prices are also firming. Looking ahead, the Group is cautiously optimistic, and expects recovery to vary across individual markets and industries.

The Group is well-positioned to leverage on its diversified business model, strong relationships with stakeholders, and healthy financial track record to navigate through the uncertainty in the macroeconomic environment.

Mr. Chew concluded: "There are early signs of economic recovery, but the pace is dependent on the developments surrounding COVID-19. Meanwhile, to further build up our resilience and position ourselves to take advantage of opportunities arising from the recovery, Megachem will continue to build our strategy around Asia-centric markets, our diversified business model and deepen our presence in higher growth sectors."

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.

This press release has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

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The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00, AIA Tower, Singapore 048542.

ISSUED ON BEHALF OF : Megachem Limited
BY : Citigate Dewe Rogerson Singapore Pte Ltd
105 Cecil Street
#09-01 The Octagon
Singapore 069534
CONTACT : Ms Dolores Phua / Ms Valencia Wong
at telephone
DURING OFFICE HOURS : 6589-2383 / 6589-2382
EMAIL : dolores.phua@citigatedewerogerson.com /
valencia.wong@citigatedewerogerson.com

22 February 2021