



## NEWS RELEASE

### MEGACHEM REPORTS 18.0% INCREASE IN H1 2022 NET PROFIT AFTER TAX TO S\$4.5 MILLION

- ***Achieves record high revenue of S\$75.2 million in H1 2022, driven by growth in the distribution business in various markets***
- ***Net profit after tax were S\$0.7 million or 18.0% higher***
- ***Proposes interim dividend of 0.8 cent per share for H1 2022***

**Singapore, 11 August 2022** – 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 18.0% year on year growth in net profit after tax to S\$4.5 million for the half year ended 30 June 2022 (“H1 2022”), on the back of a 14.1% growth in revenue to S\$75.2 million.

Mr. Sidney Chew, Managing Director of the Group, said: “Despite all the uncertainties in the first half of 2022, we delivered record high half year revenue and continued to expand in our growth markets. The chemical industry delivered positive growth in the first half of this year as it benefited from inventory rebuilding and an increase in demand across many end-use industries, notwithstanding the ongoing supply chain constraints.

### Performance Review

For H1 2022, Megachem recorded a revenue of S\$75.2 million, an increase of 14.1% compared to the S\$65.9 million recorded in the previous corresponding period ended 30 June 2021 (“H1 2021”). The strong revenue growth was primarily driven by the distribution business that grew 15.3% to S\$73.2 million in H1 2022, while the largely fee-based custom-blending manufacturing business declined 18.8% to S\$2.0 million.

In terms of geographical segment, revenue from ASEAN, the Group's largest market, increased by a healthy 16.8% to S\$45.7 million in H1 2022. The Group also continued to identify and take on business opportunities in other markets such as Middle East and South Asia, where revenue increased by a very strong 76.8% and 38.8% to S\$6.5 million and S\$3.7 million respectively. Revenue from Europe, which is the Group's second largest market, increased by 13.3% to S\$9.4 million in H1 2022. On the other hand, revenue from North Asia declined by 28.9% to S\$5.5 million while revenue from both Australia and America declined by a smaller magnitude of 3.9% and 3.1% respectively.

Other income was steady in H1 2022 at S\$735,152 with trade receivables recovered being the largest contributor, followed by change in fair value of foreign exchange contract and gain on disposal of listed equity shares. Meanwhile, government grant in the form of jobs support scheme lapsed in this reporting period.

The Group's H1 2022 share of profit of associated companies declined by 12.5% to S\$723,868 due to lower demand for cleaning chemicals after a surge during the earlier stage of the pandemic.

For H1 2022, total operating expenses increased by 7.8% year-on-year, largely due to higher employee remuneration in line with better performance as well as higher net foreign exchange loss. Other expenses, such as warehouse storage charges and impairment of trade receivables also contributed to the higher total operating expenses.

Correspondingly, Megachem achieved 18.0% higher net profit after tax from S\$3.8 million in H1 2021 to S\$4.5 million in H1 2022.

The Group's liquidity remains sound, with positive current ratio and cash and bank balances of S\$12.2 million. The gearing ratio increased to 0.63 from 0.51 in the period on the back of higher borrowings to meet higher working capital requirement.

Earnings per share for H1 2022 increased by 13.1% to 3.20 cents from 2.83 cents in H1 2021. Net asset value per share rose to 44.47 cents as at 30 June 2022, from 42.95 cents as at 31 December 2021.

## **Proposed Dividend**

In appreciation of the support from the valued shareholders of Megachem, the Board of Directors has recommended an interim dividend of 0.8 cent per share for H1 2022.

## **Outlook**

The global economic outlook is highly uncertain. The COVID-19 situation remains fluid, with unclear epidemiological trajectory and how it will impact economic activities in second half of the year. Meanwhile, central banks around the world have been tightening monetary policy rapidly to fight multi-decade high inflation, driven in large part by the Russia-Ukraine war and the prices of commodities, leading to concerns it may push the economy into a recession. Against this backdrop, IMF in its July 2022 World Economic Outlook report<sup>1</sup> slashed their global growth estimate for this year to 3.2% and noted that the risk is tilted to the downside. However, accelerated COVID-19 vaccination and the easing of COVID-19 restrictions has led to strong demand recovery, which may continue to pave the way for further economic growth albeit at a slower pace.

The chemical industry is closely tied to the global economy and many of the raw materials used are subject to both price volatility and the lingering supply chain bottleneck. Megachem will not be immune to any changes in macroeconomic conditions.

“With our extensive geographic footprint and comprehensive product range, Megachem will build upon the strong relationship that we have with both customers as well as suppliers across wide spectrum of industries and position the Group for future growth. We will also continue to focus on identifying potential growth markets and dedicate more resources to be able to take on opportunities whenever they arise,” added Mr Chew.

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<sup>1</sup> IMF, Gloomy and More Uncertain – July 2022  
(<https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>)

## **About Megachem Limited**

Established in 1988, Megachem is 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, metal finishing, 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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