



Megachem[®]

Results Presentation 1H FY2024
Analyst Briefing



Business Updates

Global Economy

- Economic growth trajectory continues despite high interest rates, trade protectionism and on-going political conflicts

Chemical Industry

- Inventory destocking in 2023 => inventory normalising in 1H 24
- Demand for chemicals recovered.

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- Orders picked up as customers started replenishing stocks
- Following the fire in July 2023, demolition, decontamination and disposal works have been completed.
- Received progressive payment from insurer.

Modest Pace of Recovery



Financial Performance

Impact of fire on Profit & Loss

	H2 2023	H1 2024	To-date
<u>Income:</u>	S\$'000	S\$'000	S\$'000
Insurance claim income	3,149	4,910	8,059
<u>Expenses/loss:</u>			
Inventories written off	(5,919)	-	(5,919)
Property, plant and equipment written off	(811)	-	(811)
Demolition and decontamination costs	(2,320)	(1,031)	(3,351)
Waste disposal costs	(905)	(2,760)	(3,665)
Compensation claims	(805)	-	(805)
Other costs	(127)	(397)	(524)
Total expenses/losses	(10,887)	(4,188)	(15,075)
Net impact before income tax expense	(7,738)	722	(7,016)



Profit & Loss Highlights

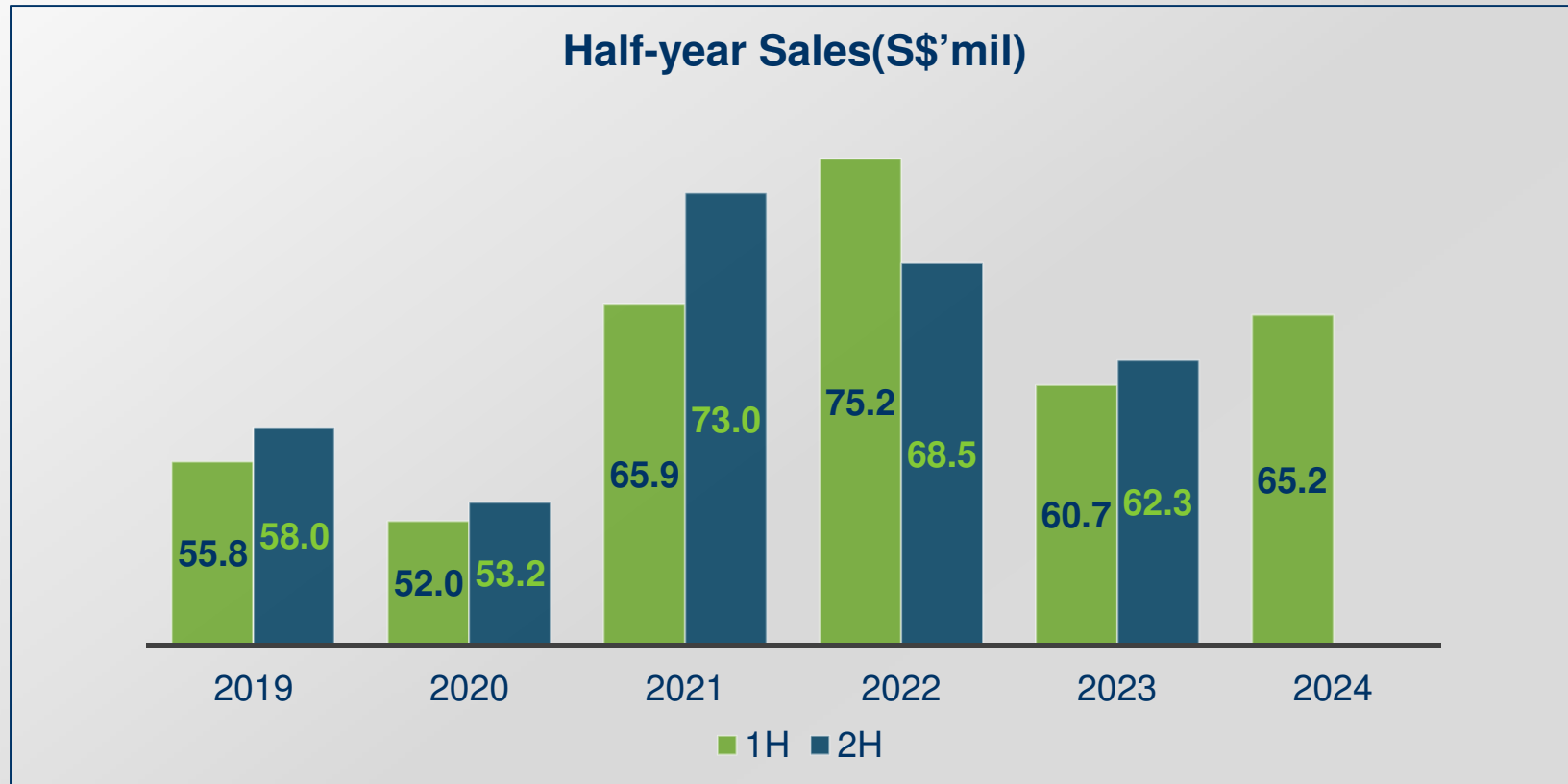
S\$'mil	1H 2023	1H 2024	Var	Var %	
Sales	60.7	65.2	4.5	7.4%	▲
Gross Profit	13.4	15.5	2.1	15.9%	▲
Gross Profit Margin %	22.0%	23.8%	1.8% pts	-	▲
Expenses	13.2	18.7	5.5	42.0%	▲
Expenses(excluding impact of fire)	13.2	14.6	1.4	11.0%	▲
Other Income	0.4	5.4	5.0	>100%	▲
Other income(excluding impact of fire)	0.4	0.5	0.1	12.4%	▲
NPBT	1.3	2.9	1.6	>100%	▲
NPAT	0.9	2.0	1.1	>100%	▲
NPAT(excluding impact of fire)	0.9	1.7	0.8	79.8%	▲



Profit & Loss Highlights

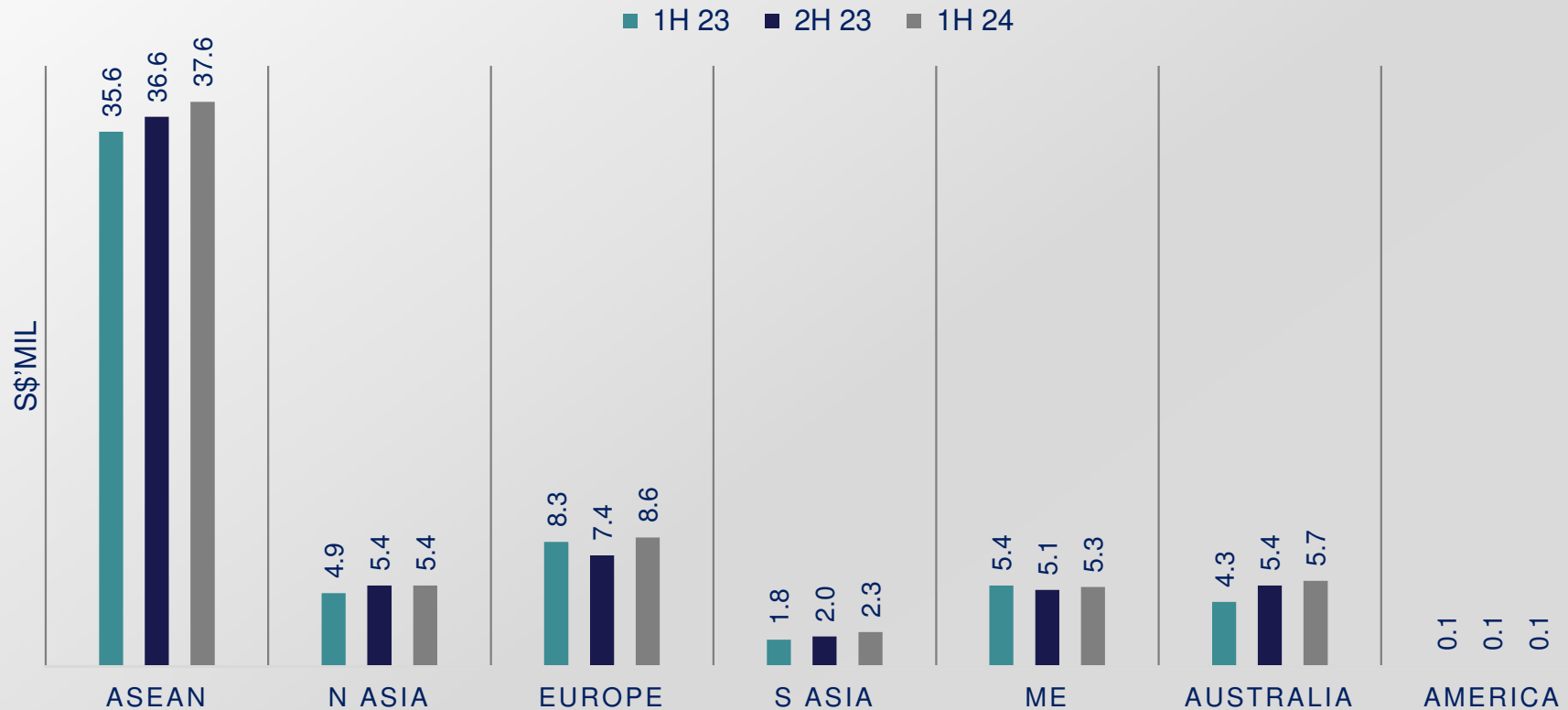
S\$'mil	2H 2023	1H 2024	Var	Var %	
Sales	62.3	65.2	2.9	4.6%	▲
Gross Profit	9.1	15.5	6.4	69.8%	▲
Gross Profit Margin %	14.7%	23.8%	9.1% pts	-	▲
Gross Profit(excluding impact of fire)	15.1	15.6	0.5	3.3%	▲
Gross Profit Margin %(excluding impact of fire)	24.2%	24.0%	(0.2% pts)	-	▼
Expenses	19.6	18.7	(0.9)	(4.7%)	▼
Expenses(excluding impact of fire)	14.6	14.6	-	-	▲
Other income	3.3	5.4	2.1	61.2%	▲
Other income(excluding impact of fire)	0.2	0.5	0.3	>100%	▲
NPBT	(6.6)	2.9	9.5	nm	▲
NPAT	(6.7)	2.0	8.7	nm	▲
NPAT(excluding impact of fire)	1.0	1.7	0.7	65.0%	▲

Sales



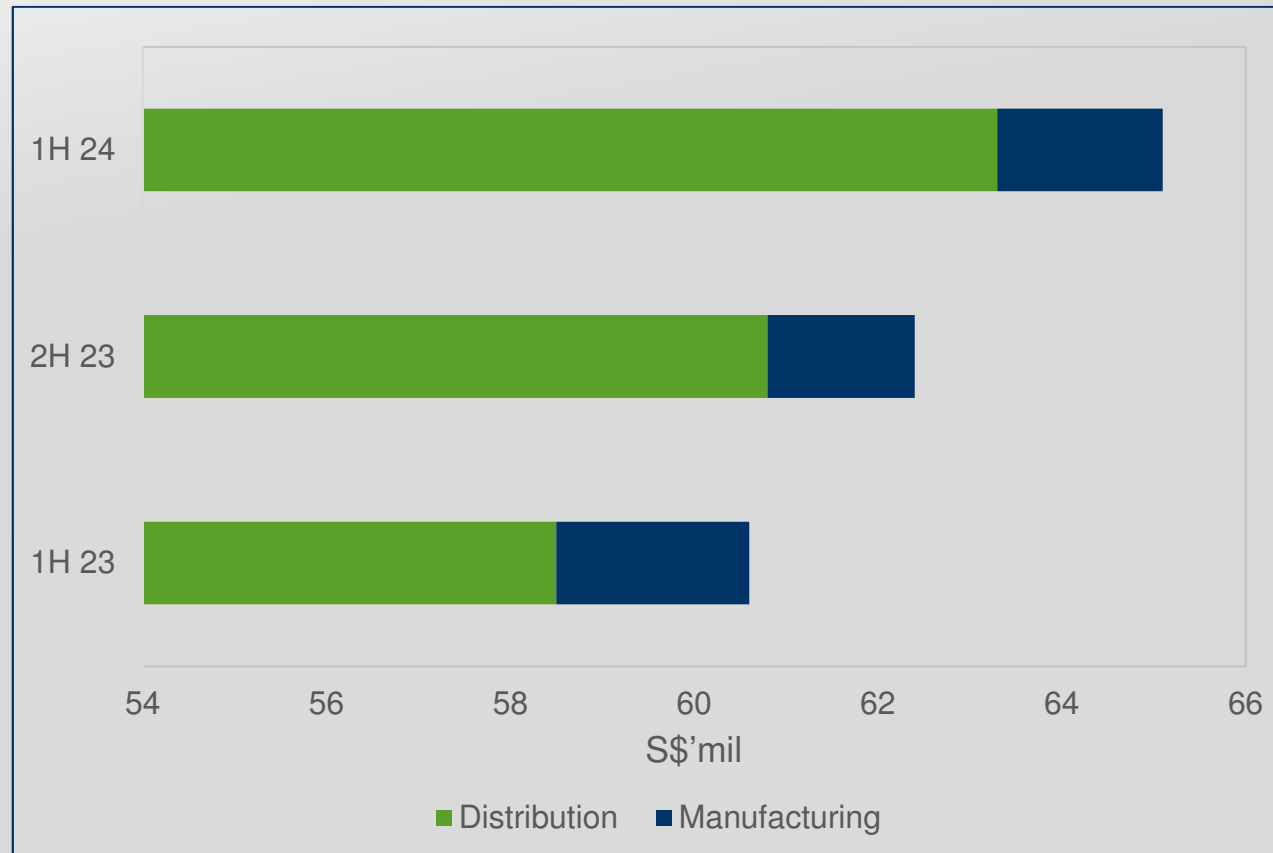
- 2023 : Inventory destocking & weaker prices => sales fell
- 1H 24 : Inventory level normalising => demand for chemicals recovered.
- Sales in 1H 24 higher than pre-Covid level

Sales Breakdown by Geographic Segments



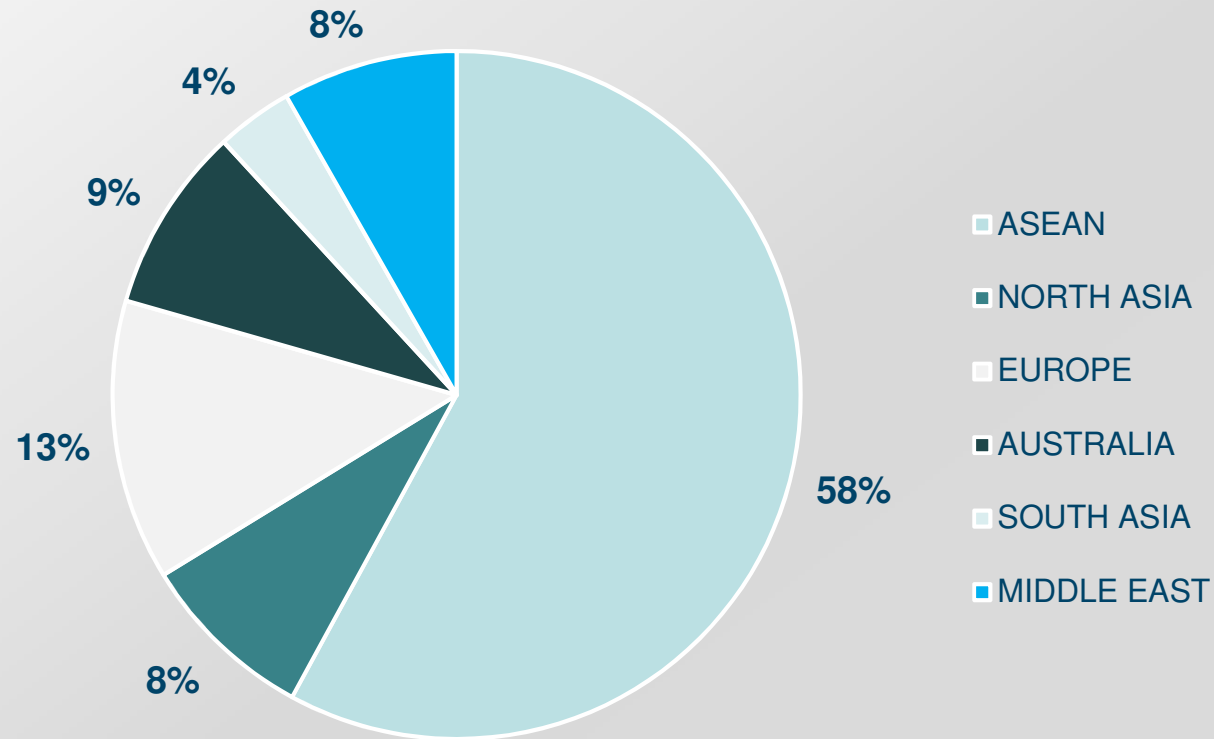
- Broad-based growth across all key markets.

Sales breakdown by Business Activity



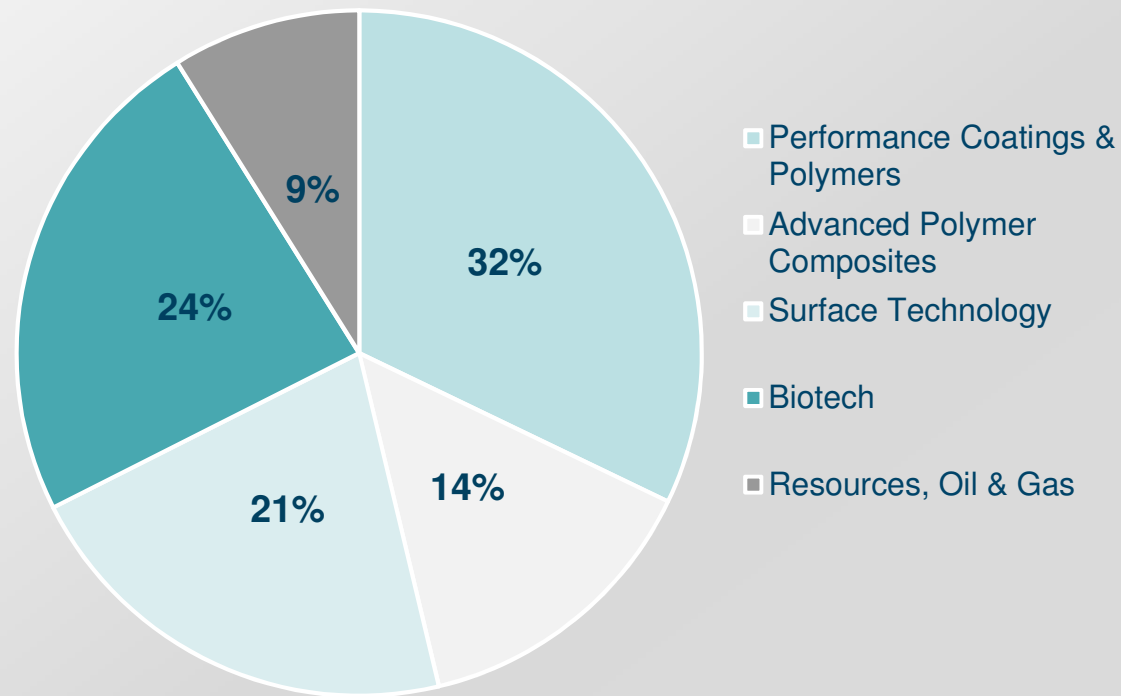
Sales growth came mainly from distribution activity.

Sales Breakdown by Geographic Segments



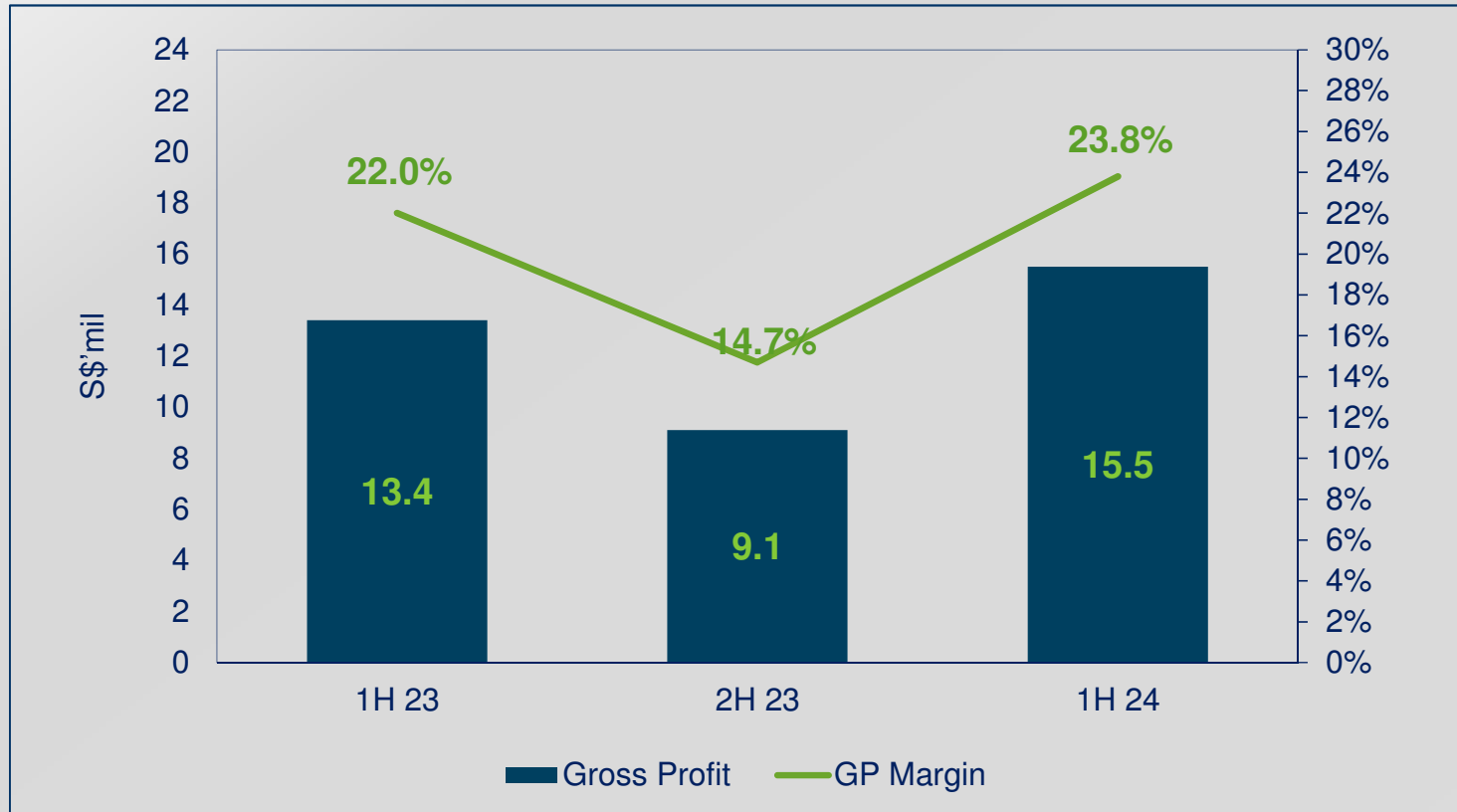
Asia-centric focus.

Sales Breakdown by Industry Coverage



Diversified Industry Coverage.

Gross Profit



- Excluding the write-off of inventory due to the fire, gross profit margin would have been 24.2% in 2H 23.
- Gross profit margin in 1H 24 relatively stable at 23.8%.

Expenses

- Total expenses(including finance cost) increased S\$5.5 mil or 42% to S\$18.7 mil.
- Excluding expenses arising from the fire, expenses increased S\$1.4 mil or 11.0%

S\$'000	1H 23	2H 23	1H 24	1H 24 vs 1H 23	Var %	1H 24 vs 2H 23	Var %	Remarks
Compensation claims	-	809	5	5	nm	(804)	99.4%	Arising from the fire
Demolition & decontamination costs	-	2,320	1,031	1,031	nm	(1,289)	(55.6%)	Arising from the fire
Waste disposal costs (fire-related)	-	905	2,760	2,760	nm	1,855	>100%	Arising from the fire
Employee compensation	7,515	7,975	8,401	886	11.8%	426	5.3%	Lower performance-linked rewards in 2023
Property, plant, equipment w/o	-	811	-	-	-	(811)	(100%)	Arising from the fire
Warehousing expenses	1,321	1,394	1,666	345	26.2%	272	19.5%	Higher usage of 3 rd party warehouse as a result of the fire

Other Income

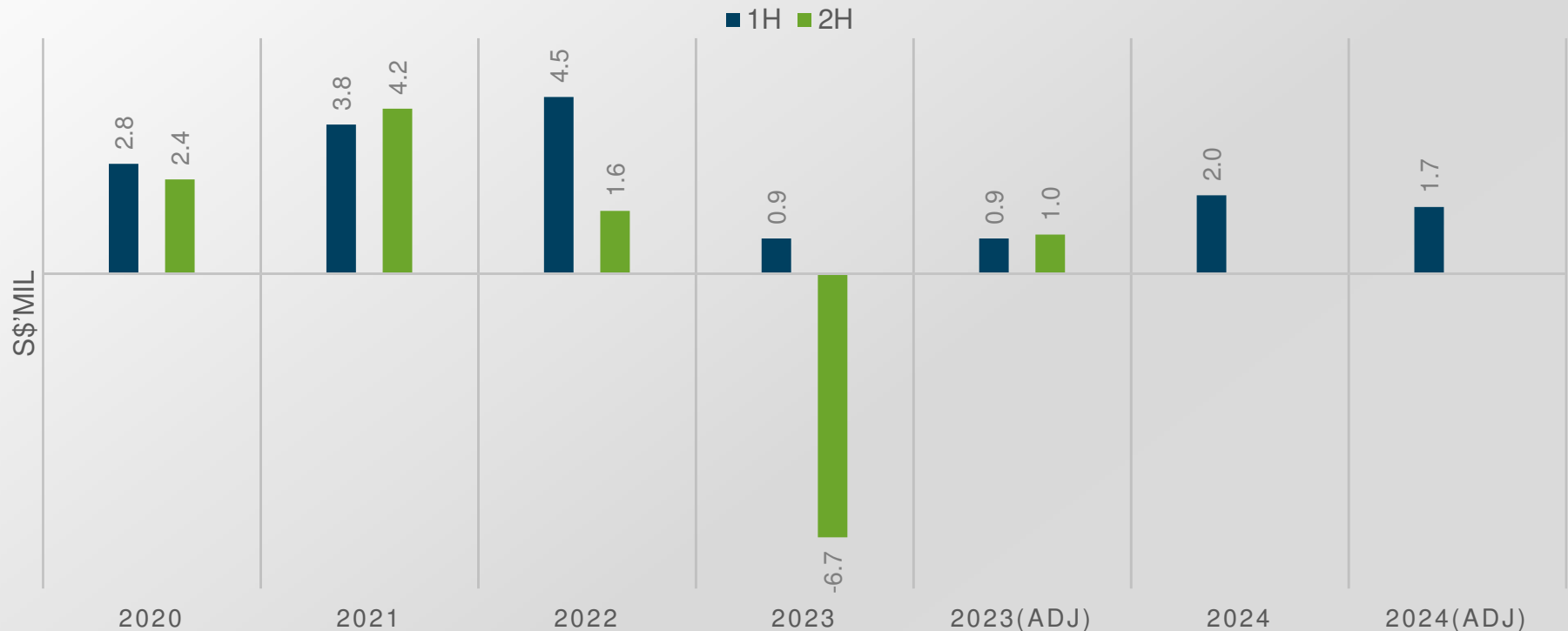
S\$'mil	1H 23	2H 23	1H 24	1H 24 vs 1H 23	Var %	1H 24 vs 2H 23	Var %	Remarks
Other income	0.4	3.3	5.4	5.0	>100 %	2.1	61.2%	Insurance claim of S\$3.1 mil in 2H 23 and S\$4.91 mil in 1H 24 relating to the fire incident.
Other income(excluding impact of fire)	0.4	0.2	0.5	0.1	12.4%	0.3	>100 %	

Share of Associate's Profit



- Higher profit contribution from our Thai associate in 1H 24 compared to 1H 23 due to better market condition.

Net Profit After Tax



- Total impact of fire(net of insurance compensation) on 2H 23 P&L was –ve S\$7.7 million. Excluding this impact, net profit after tax would have been S\$1.0 million in 2H 23.
- Total impact of fire(net of insurance compensation) on 1H 24 P&L was +ve S\$0.3 million. Excluding this impact, net profit after tax would have been S\$1.7 million in 1H 24, an increase of S\$0.8 mil or 79.8% yoy and S\$0.7 mil or 65% vis-à-vis 2H 23.

Balance Sheet

S\$'mil	30 Jun 23	31 Dec 23	30 Jun 24	Var	
Shareholders Equity (less MI)	57.1	50.0	51.6	1.6	Retained earnings in 1H 24. No dividend payment for FY23.
Cash	12.4	13.6	13.3	(0.3)	Conserving cash for warehouse construction
Borrowings	30.1	28.5	27.6	(0.9)	Prudent cash management
Gearing (times)	0.53	0.57	0.53	(0.04)	Stable
Net gearing (times)	0.31	0.30	0.28	(0.02)	Stable
Current ratio (times)	1.9	1.7	1.7	-	Sound liquidity.
Inventory (net)	40.9	33.6	31.4	(2.2)	Prudent inventory management.
Inventory T/O (days)	195	170	143	(27)	Improving working capital cycle.
Trade Receivables (net)	23.1	23.0	23.1	0.1	No major deterioration in customers payment
Receivables T/O (days)	77	76	66	(10)	Improving working capital cycle
NTA/share (cents)	42.83	37.48	38.73	1.25	Write-off of assets in 2H 23 due to the fire.

Cashflow

Strengthening cash position for warehouse rebuilding

\$'mil	2023	1H 24	
Cash from operating activities	15.8	2.1	Profitable operation, inventory reduction, insurance claims income.
Cash used in investing activities	(1.9)	(0.4)	No major capital expenditure.
Cash used in financing activities	(11.6)	(2.1)	Positive cashflow from operating activities allow us to reduce bank borrowings. No dividend was paid in 1H 24.
Net increase/(decrease) in cash and cash equivalent	2.3	(0.4)	
Beginning cash and cash equivalents	10.9	13.0	
Ending cash and cash equivalents	13.0	12.7	



Share Performance :
Enhancing Shareholders' Long Term Value

Share Statistics

Share Information (as at 12 August 2024)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	51 cents
52 weeks Low	30 cents
Price (as at 12 August 2024)	36.0 cents
No of Shares	133,300,000
Earnings per share 1H FY24	1.5 cents
Historical P/E(a)	-ve
Market Capitalisation (as at 12 August 2024)	S\$47.99 mil
NTA/share	38.73 cents
Price/Book Ratio (b)	0.93

Note :

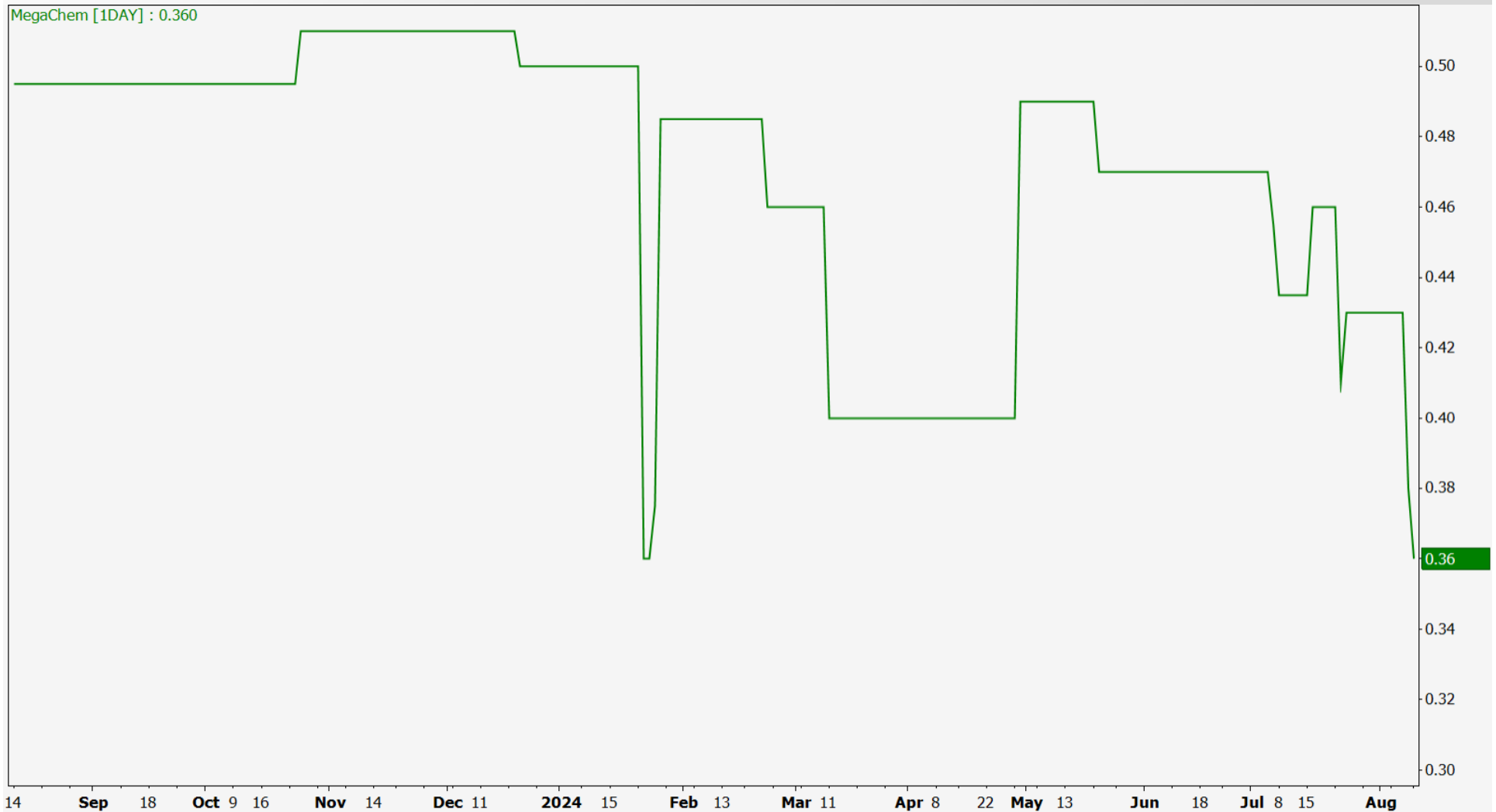
(a) P/E = price as at 12 August 2024 / (EPS 2H 23 + EPS 1H 24)=34/(3.54) = -ve

(b) Price/Book ratio = price as at 12 August 2024 / NTA per share=34/38.73=1.06.



Share Price Performance

Share price chart : 1 year to 12 August 2024



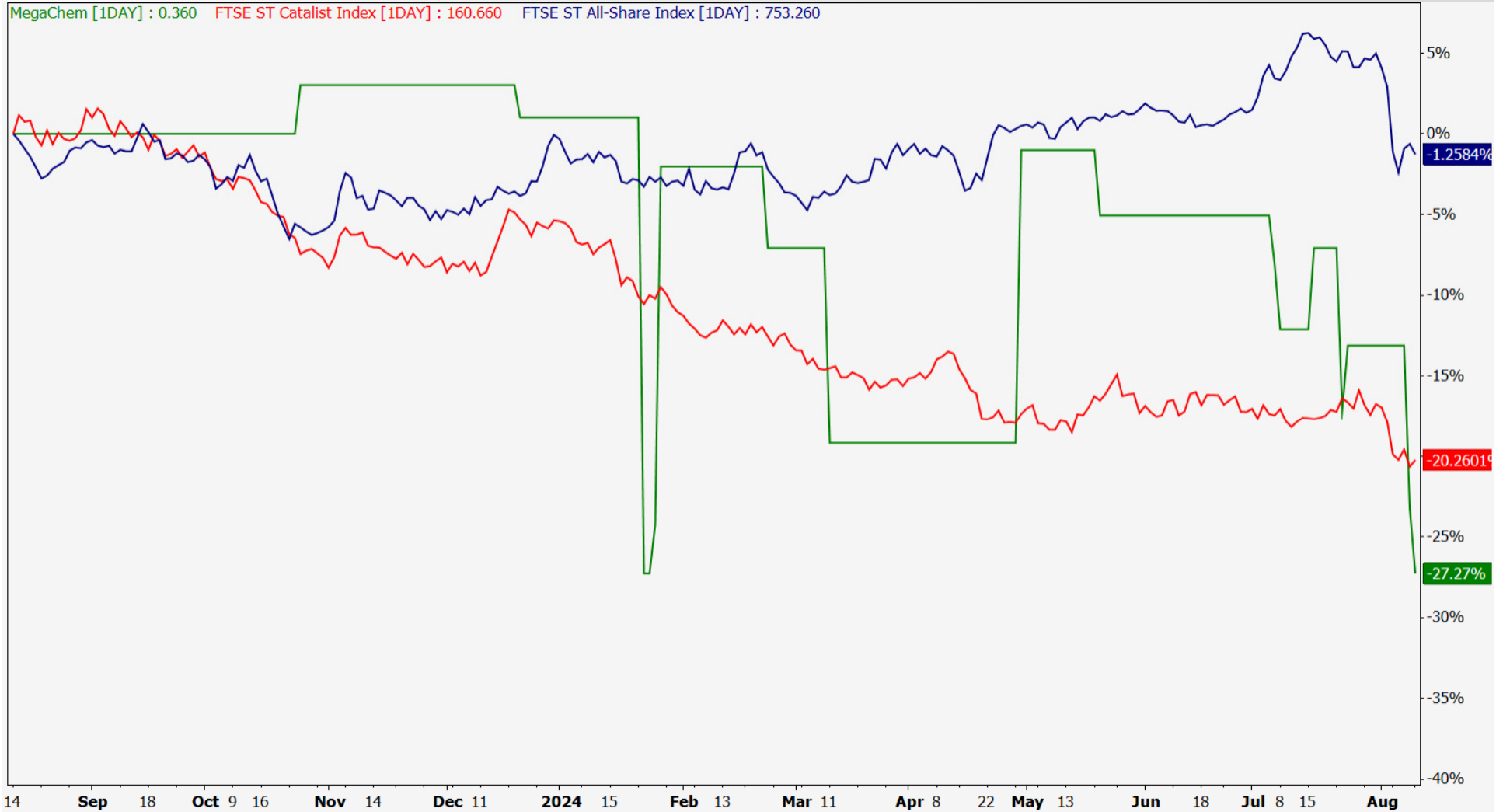
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Share Price Performance

Share price chart : 1 year to 12 August 2024

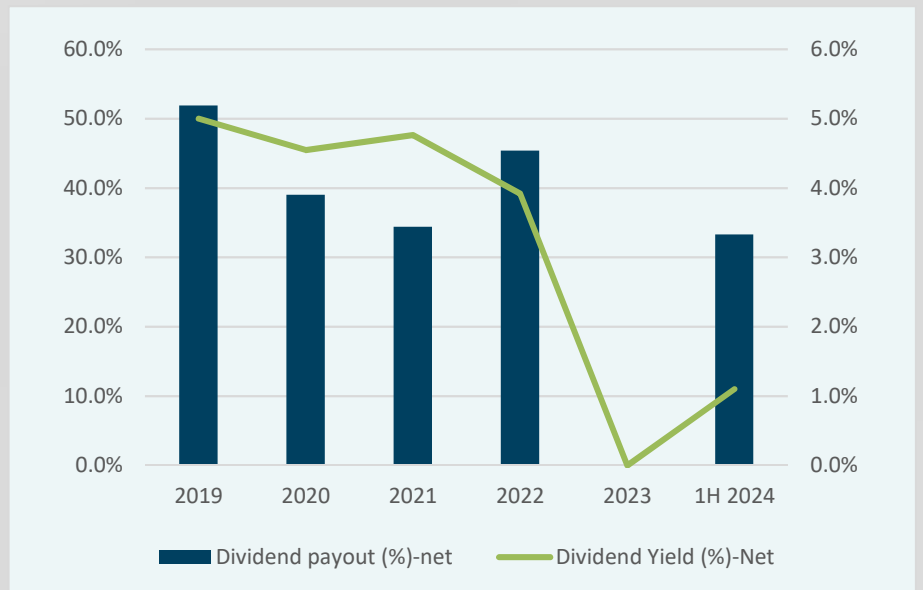
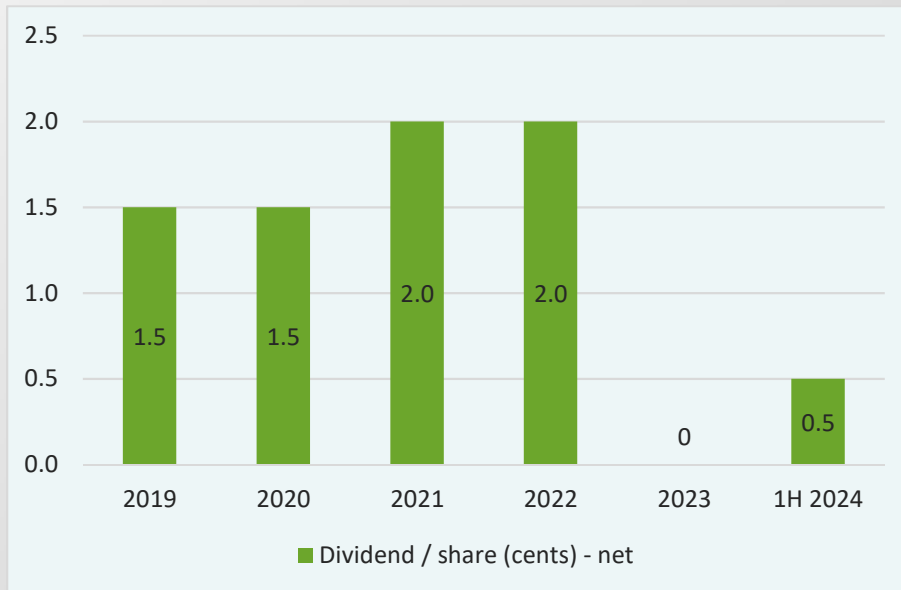


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1H FY2024 Interim Dividend

	1H FY2024
Interim Dividend (cts/share)	0.5
Dividend Payout	33.3%



** Dividend yield(un-annualized) = 1H FY24 interim dividend per share / price as at 30 June 2024=0.5/47=1.1%.



2H FY2024 Outlook

Global Economy

- Interest rates hike has paused but interest rates remain elevated and the impact of high interest rates continues to be felt
- Global economy likely to continue its recovery trajectory but growth will be at modest pace.

Chemical Industry

- Inventory normalisation phase may continue into 2H 24
- Business condition is more stable

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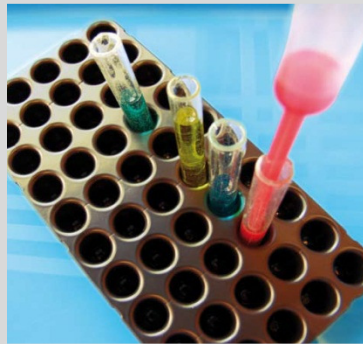
- Megachem's business inextricably linked to economy and the chemical industry.
- The Permit to Commence Work was received on 31 July 2024 from BCA. Target to start construction by end of August 2024 and complete by end 2025.
- New warehouse will reduce warehousing cost

Strengthening business resilience and maintaining financial discipline.

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