

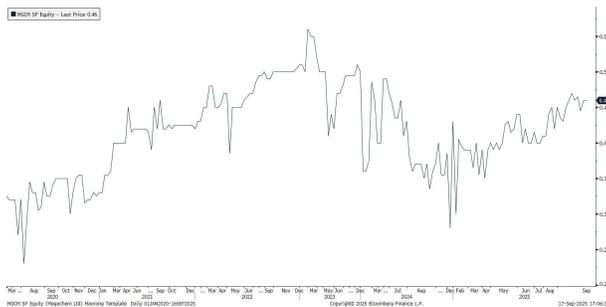
MegaChem Limited

17 September 2025

HOLD (Maintained)

| BBG | MGCM SP | |
|------------------------|-------------------|-------|
| Market Cap (S\$m) | 61.3 | |
| Price (S\$) | 0.46 | |
| 52-week range (S\$) | 0.28 - 0.47 | |
| Target Price (S\$) | 0.50 (Prev: 0.39) | |
| Shares Outstanding (m) | 133.3 | |
| Free Float | 14.5% | |
| Major Shareholder | Chew Choon Tee | 36.4% |
| | Chori Co Ltd | 30.0% |
| | Tan Bock Chia | 19.1% |

Source: Company data, Bloomberg, SAC Capital



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Reborn from Fire

MegaChem reported mixed financial results for 1H2025. The Group's 1HFY25 revenue declined slightly by 1.7% YoY to S\$64.1 million, while gross profit improved 3.6% YoY to S\$16.1 million. The Group's overall gross margin increased from 23.8% in 1HFY24 to 25.1% in 1HFY25. The Group has proposed a 0.5 SG cents per share dividend for 1HFY2025, signaling confidence in its financial recovery and commitment to shareholder returns after the FY2023 suspension due to warehouse fire.

Expected completion of warehouse reconstruction by end of 2025. The construction of MegaChem's new two-storey warehouse will provide a major boost to its operational efficiency and cost management. With a capacity of approximately 5,054 pallets and approval to store various classes of chemicals, the new facility will significantly reduce reliance on third-party warehousing and storage expenses. By accommodating approximately 70% of its total operational storage needs in-house, MegaChem can streamline supply chain processes, enhance safety compliance, and achieve greater operational resilience.

Part of the AI and High-Tech Future. As the basic building block of modern technology, specialty chemicals are indispensable to the production of semiconductors, advanced electronics, and data center infrastructure. Megachem is well-positioned to capitalise on this trend, with its Surface Technology division contributing 27% of total revenue. This segment not only serves semiconductor fabs and electronics manufacturers but also supports the booming AI and data center sectors.

Riding the Green Fuel and Sustainability Wave. Singapore is positioning itself as a global leader in sustainable aviation fuel (SAF) production, boasting the world's largest SAF refinery capacity. In May 2025, the World Economic Forum and Singapore's GenZero launched the Green Fuel Forward initiative to boost regional SAF demand and scale up production. Governments globally, including Singapore's, have set mandates that map steady increases in the percentage of SAF in planes' fuel tanks in the coming years. As global decarbonization efforts gather pace, Megachem stands to benefit directly from rising SAF adoption, reinforcing its exposure to one of the most important sustainability megatrends.

Potential risks include (i) macroeconomic & geopolitical headwinds, (ii) volatility in chemical prices and (iii) regulatory and environmental risks.

Investment recommendation. We revise our FY2026 net profit up 22% to S\$6.2 million, to reflect the likely warehouse cost savings. We maintain our **HOLD recommendation** and revise our target price up 28% to **S\$0.50**, a 8.7% upside from current levels. The target price is derived from applying a 30% discount to the peer mean forward PER of 21.8x.

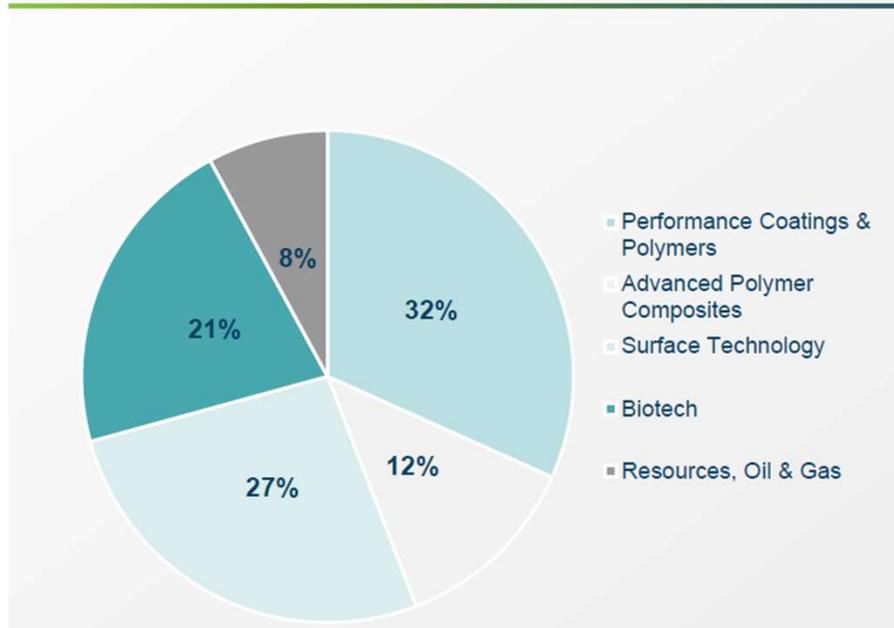
| FY ended 31 Dec (S\$m) | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------------------|--------|--------|--------|--------|--------|
| Revenue | 143.7 | 123.0 | 128.8 | 135.3 | 142.0 |
| EBIT | 9.2 | (3.3) | 10.6 | 6.6 | 9.1 |
| Net profit | 6.1 | (5.8) | 7.9 | 4.4 | 6.2 |
| EPS (S\$ cents) | 4.4 | (4.4) | 5.9 | 3.3 | 4.7 |
| Dividend per share (S\$ cents) | 2.0 | - | 1.0 | 1.0 | 2.0 |
| Net cash / (debt) | (26.9) | (17.6) | (12.0) | (22.6) | (19.1) |
| Valuation | | | | | |
| Net profit margin (%) | 4.2% | -4.7% | 6.1% | 3.3% | 4.4% |
| EV/EBITDA (x) | 8.4 | (42.3) | 6.2 | 10.1 | 7.1 |
| P/E (x) | 10.4 | - | 7.7 | 13.9 | 9.8 |
| P/B (x) | 1.0 | 1.2 | 1.0 | 1.0 | 0.9 |
| Dividend yield (%) | 4.3% | 0.0% | 2.2% | 2.2% | 4.3% |
| ROE (%) | 10.4% | -11.6% | 13.5% | 7.3% | 9.7% |

MegaChem Limited



Source: Company

Sales Breakdown by Industry Coverage



Source: Company

MegaChem Limited



Source: Company



Source: Company

Income Statement

| FY ended 31 Dec (S\$m) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 143.7 | 123.0 | 128.8 | 135.3 | 142.0 |
| Cost of sales | (109.3) | (100.5) | (97.6) | (101.9) | (106.4) |
| Gross profit | 34.4 | 22.5 | 31.2 | 33.4 | 35.6 |
| Other income | 1.0 | 3.8 | 10.7 | 0.3 | 0.3 |
| Distribution costs | (17.2) | (21.2) | (22.2) | (18.2) | (19.1) |
| Administrative expenses | (6.2) | (6.2) | (6.4) | (6.5) | (6.8) |
| Other operating expenses | (3.9) | (3.4) | (3.9) | (3.9) | (2.4) |
| Finance costs | (1.4) | (2.0) | (1.9) | (1.6) | (1.6) |
| Share of profit of associated companies | 1.1 | 1.2 | 1.2 | 1.5 | 1.5 |
| Profit before income tax | 7.8 | (5.3) | 8.7 | 5.0 | 7.5 |
| Income tax expense | (1.8) | (0.5) | (0.8) | (0.6) | (1.2) |
| Net profit | 6.1 | (5.8) | 7.9 | 4.4 | 6.2 |

Cash Flow Statement

| FY ended 31 Dec (S\$m) | FY22 | FY23 | FY24 | FY25E | FY26E |
|--|--------------|--------------|--------------|---------------|--------------|
| Cash flows from operating activities | | | | | |
| Net (loss)/profit before tax | 7.8 | (5.3) | 8.7 | 5.0 | 7.5 |
| Adjustments for: | | | | | |
| Depre of PPE | 0.9 | 1.0 | 1.0 | 1.4 | 2.0 |
| Depre of right-of-use assets | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Finance costs | 1.4 | 2.0 | 1.9 | 1.6 | 1.6 |
| Gain on disposal of shares | (0.1) | - | - | - | - |
| Gain on disposal of PPE | (0.1) | (0.0) | (0.6) | - | - |
| Interest income from banks | (0.0) | (0.1) | (0.1) | 0.0 | (0.0) |
| Inventory written down | 1.2 | 8.6 | 1.7 | - | - |
| Loss on PPE written down | - | 0.8 | - | - | - |
| Share of profit of associates | - | (1.2) | (1.2) | (1.5) | (1.5) |
| Changes in fair value of finan assets | (0.0) | - | (0.0) | - | - |
| Changes in fair value of finan liab | 0.1 | 0.1 | 0.0 | - | - |
| Operating cash flows before working capital changes | 10.4 | 6.3 | 11.6 | 6.8 | 9.9 |
| Change in op assets and liab | | | | | |
| Trade and other receivables | 2.4 | 3.5 | 0.7 | - | - |
| Other current assets | 2.6 | 0.1 | (0.9) | - | - |
| Inventories | (15.4) | 6.9 | 0.4 | - | - |
| Trade and other payables | (1.7) | 0.1 | (0.3) | 0.7 | 0.8 |
| Foreign exchanges differences | 0.2 | 0.0 | 0.1 | - | - |
| Cash (used in)/generated from operations | (1.5) | 16.8 | 11.5 | 7.6 | 10.7 |
| Income tax paid | (1.5) | (1.1) | - | (0.6) | (1.2) |
| Interest received | 0.0 | 0.1 | - | - | - |
| Net cash (used in)/provided by operating activities | (3.0) | 15.8 | 11.5 | 6.9 | 9.4 |
| Cash flows from investing activities | | | | | |
| Divi receiv from assoc | 0.9 | 0.6 | 0.5 | 0.4 | 0.4 |
| Purchase of finan assets | - | (1.4) | (1.2) | - | - |
| Purchase of PPE | (1.7) | (1.2) | - | (16.5) | - |
| Proceeds from sales of shares | 0.7 | - | (2.7) | - | - |
| Proceeds from sales of PPE | 0.1 | 0.0 | 0.9 | - | - |
| Net cash provided by/(used in) investing activities | (0.0) | (1.9) | (2.4) | (16.1) | 0.4 |
| Cash flows from financing activities | | | | | |
| Dividends paid | (2.7) | (1.6) | (0.7) | (1.3) | (2.7) |
| Dividends paid by subsidiary to non-controlling interests | (0.1) | (0.0) | (0.3) | - | - |
| Repayments of LT loans | (0.5) | (0.5) | (0.5) | 7.4 | (2.0) |
| (Repay)/proceeds from bills | 4.4 | (6.4) | 1.9 | - | - |
| (Repay)/proceeds from ST loans | 3.6 | (0.5) | (4.7) | - | - |
| Lease liabilities paid | (0.5) | (0.6) | (0.5) | - | - |
| Interest paid | (1.1) | (1.9) | (1.8) | (1.6) | (1.6) |
| Net cash provided by financing activities | 3.2 | - | (6.5) | 4.4 | (6.2) |
| Net increase/(decrease) in cash and cash equivalents | 0.2 | 2.3 | 2.6 | (4.7) | 3.6 |
| Cash and cash equivalents at beginning of financial year | 11.1 | 10.9 | 13.0 | 15.8 | 11.0 |
| Effects of currency translation on cash and cash equivalents | (0.3) | (0.2) | 0.1 | - | - |
| Cash and cash equivalents at end of financial year | 10.9 | 13.0 | 15.8 | 11.0 | 14.6 |

Balance Sheet

| FY ended 31 Dec (S\$m) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---|--------------|--------------|--------------|--------------|--------------|
| Non-current assets | | | | | |
| Property, plant and equipment | 15.4 | 14.6 | 16.8 | 31.4 | 30.0 |
| Right-of-use assets | 2.6 | 2.3 | 2.3 | 2.2 | 1.9 |
| Investment property | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Investments in subsidiaries | - | - | - | - | - |
| Investments in associated companies | 7.9 | 8.4 | 9.4 | 9.6 | 8.5 |
| Finance assets at fair value | - | 1.4 | 1.4 | 1.4 | 1.4 |
| Transferable club memberships | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred tax assets | 0.4 | 0.8 | 0.9 | 0.9 | 0.9 |
| Total non-current assets | 26.3 | 27.6 | 30.9 | 45.5 | 42.7 |
| Current assets | | | | | |
| Inventories | 49.3 | 33.6 | 31.7 | 28.6 | 31.0 |
| Trade and other receivables | 27.6 | 23.7 | 23.3 | 24.4 | 25.7 |
| Financial assets at fair value | 0.0 | - | 0.0 | - | - |
| Other current assets | 1.9 | 1.7 | 2.6 | 3.1 | 3.1 |
| Cash and bank balances | 11.9 | 13.6 | 16.0 | 11.0 | 14.6 |
| Total current assets | 90.8 | 72.6 | 73.7 | 67.1 | 74.3 |
| Total assets | 117.1 | 100.2 | 104.5 | 112.6 | 117.1 |
| Share capital | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 |
| Other reserves | (6.6) | (7.7) | (6.3) | (7.2) | (7.2) |
| Retained earnings | 49.3 | 41.8 | 48.9 | 52.0 | 55.6 |
| Non-controlling interests | 3.1 | 3.2 | 1.9 | 1.7 | 1.7 |
| Total equity | 61.7 | 53.2 | 60.5 | 62.4 | 65.9 |
| Non-current liabilities | | | | | |
| Borrowings | 0.9 | 0.4 | - | 7.4 | 7.4 |
| Financial liabilities | 2.4 | 2.6 | 2.7 | 2.6 | 2.7 |
| Deferred tax liabilities | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 |
| Total non-current liabilities | 3.5 | 3.5 | 3.2 | 10.4 | 10.6 |
| Current liabilities | | | | | |
| Current income tax liabilities | 0.6 | 0.1 | 0.3 | 0.2 | 0.2 |
| Trade and other payables | 15.3 | 15.2 | 14.9 | 15.7 | 16.5 |
| Borrowings | 35.4 | 28.1 | 25.2 | 23.6 | 23.6 |
| Financial liabilities - lease liabilities | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 |
| Financial liabilities at fair value | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total current liabilities | 51.8 | 43.6 | 40.8 | 39.8 | 40.6 |
| Total liabilities | 55.3 | 47.1 | 44.0 | 50.2 | 51.2 |
| Total equity and liabilities | 117.1 | 100.2 | 104.5 | 112.6 | 117.1 |

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