

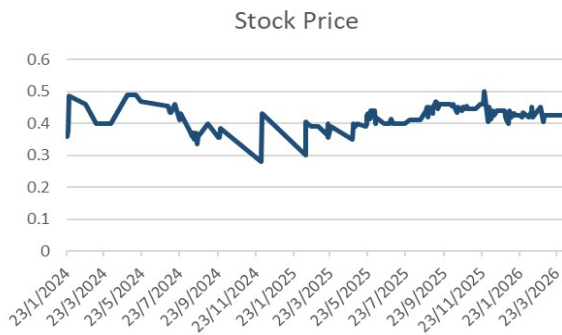
MegaChem Limited

8 April 2026

HOLD (Maintained)

BBG	MGCM SP	
Market Cap (S\$m)	56.7	
Price (S\$) (8 Apr 2026)	0.425	
52-week range (S\$)	0.35 - 0.50	
Target Price (S\$)	0.45 (Prev: 0.50)	
Shares Outstanding (m)	133.3	
Free Float	14.3%	
Major Shareholder	Chew Choon Tee	36.6%
	Chori Co Ltd	30.0%
	Tan Bock Chia	19.1%

Source: Company data, Bloomberg, SAC Capital



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Analyst

Matthias Chan
+65 9687 9957
mchan@saccapital.com.sg

Liu Maorong
+65 8328 0176
liumr@saccapital.com.sg

Core Operations Shine Through the Noise

MegaChem reported mixed financial results for FY2025. The Group's FY25 revenue declined by 3.4% YoY to S\$124.4 million, while gross profit improved 1.8% YoY to S\$31.8 million. The Group's overall gross margin increased from 24.2% in FY24 to 25.6% in FY25. The Group's net profit decreased 50.6% to YoY to S\$3.9 million, mainly due to the absence of the substantial insurance compensation from the fire incident. After adjusting FY24 net profit for the impact of the fire incident, FY25 net profit would have increased by 31.1% YoY. The total FY2025 dividend amounts to 1.0 Singapore cents per share, representing a payout ratio of about 35% of FY25 net profit attributable to shareholders.

New warehouse facility nears completion, pending issuance of Temporary Occupational Permit (TOP). MegaChem's new two-storeyed warehouse is set to significantly improve the company's cost control and operational efficiency. Capable of holding around 5,054 pallets of diverse, approved chemicals, the facility will drastically lower the need for external storage and its associated fees. By bringing roughly 60% to 80% of its storage requirements in-house, the firm will be able to optimise its supply chain, ensure stricter adherence to safety regulations, and build a more robust, resilient operation.

Strategic Geographic and Supply-Side Diversification Insulates MegaChem from Middle Eastern Volatility. While the most immediate risk vector for chemical distributors during regional conflicts is direct geopolitical exposure, MegaChem's strategic footprint acts as a highly effective defensive shield. While the company does maintain active operations in the Middle East, specifically targeting the United Arab Emirates and Saudi Arabia through its subsidiary, sales to this specific region in FY25 accounted for less than 10% of the Group's total revenue. Furthermore, executive management has confirmed that daily operations in both the UAE and Saudi Arabia have continued to function normally, allowing the company to successfully fulfill localized customer deliveries despite the broader regional instability and maritime threats. **Equally critical to revenue diversification is MegaChem's meticulous diversification of its upstream supply sources.** By actively procuring materials from an array of global principals, including those in China, Europe, Japan, the US, and India, MegaChem's procurement teams can rapidly pivot away from high-risk logistics nodes. Consequently, amidst surging freight costs and maritime threats in the Red Sea and Strait of Hormuz, the company strategically redirects its sourcing to geographically proximate North Asian markets like Japan and China, entirely circumventing disrupted intercontinental routes to guarantee continuous, cost-effective supply to its core ASEAN end-markets.

KEY FINANCIAL HIGHLIGHTS

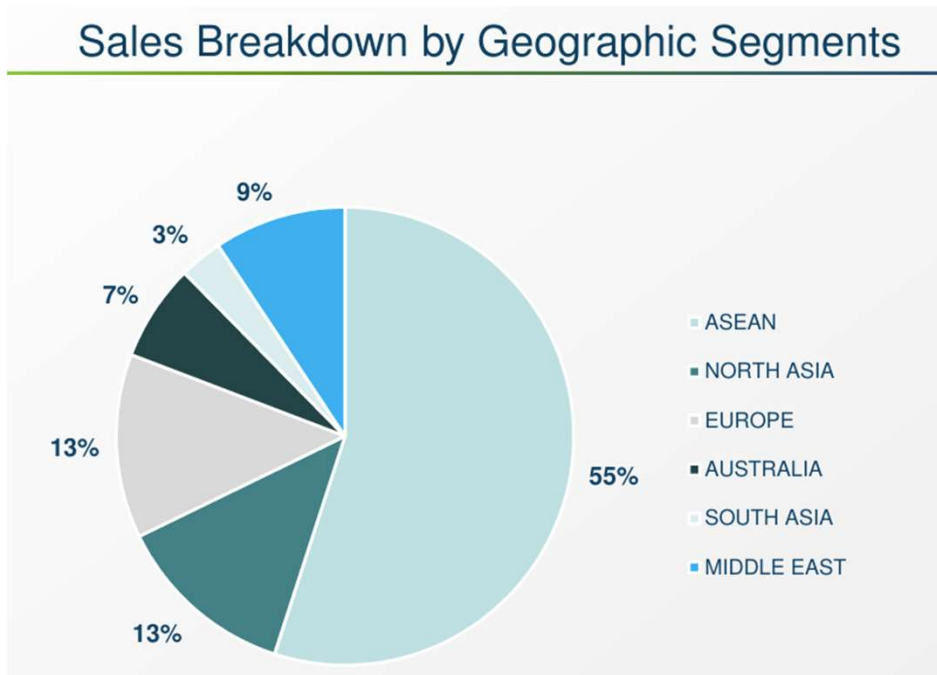
Year ended Dec (S\$m)	FY23	FY24	FY25	FY26E	FY27E
Revenue	123.0	128.8	124.4	128.1	132.6
EBIT	(3.3)	10.6	5.7	6.5	7.2
Net profit	(5.8)	7.9	3.9	4.7	5.3
EPS (S\$ cents)	(4.4)	5.9	2.9	3.4	3.9
Dividend per share (S\$ cents)	-	1.0	1.0	1.0	1.5
Net cash / (debt)	(17.6)	(12.0)	(23.4)	(19.7)	(16.0)
Valuation					
Gross profit margin (%)	18.3%	24.2%	25.6%	25.6%	25.6%
Net profit margin (%)	-4.7%	6.1%	3.1%	3.6%	4.0%
EV / EBITDA (x)	(39.9)	5.3	11.4	9.0	7.7
P/E (x)	-	7.2	14.8	12.4	10.9
P/B (x)	1.1	1.0	0.9	0.9	0.8
Dividend yield (%)	-	2.4%	2.4%	2.4%	3.5%
ROE (%)	-11.6%	13.5%	6.4%	7.2%	7.8%

MegaChem Limited

Positioned for the AI and Advanced Technology Boom. Speciality chemicals serve as the foundational elements of contemporary technology, proving absolutely essential for the manufacture of semiconductors, sophisticated electronics, and data centre infrastructure. MegaChem is strategically aligned to benefit from this trajectory, driven by its Surface Technology division, which currently generates 27% of the group's total revenue. Crucially, this specific segment supplies not only traditional semiconductor fabricators and electronics manufacturers, but also directly underpins the rapidly expanding artificial intelligence and data centre industries.

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

Investment recommendation. We revised our FY26 net profit forecast down by 24% to S\$4.7 million, driven by a downward revision in our revenue forecast to S\$128.1 million from S\$142.0 million. As we roll our valuation forward to FY26 estimates, we maintain our HOLD recommendation and revise our target price down 10% to S\$0.45, a 5.9% upside from current levels. Given the heightened global geopolitical uncertainty, we applied a 40% discount to the peer mean forward PER of 21.9x to derive the target price.

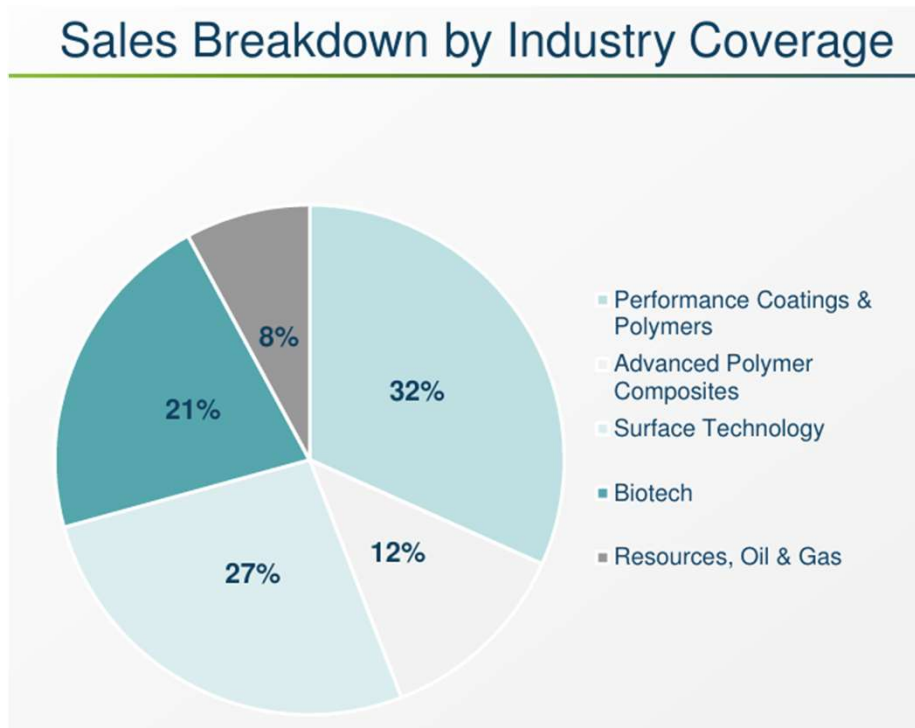


Source: Company

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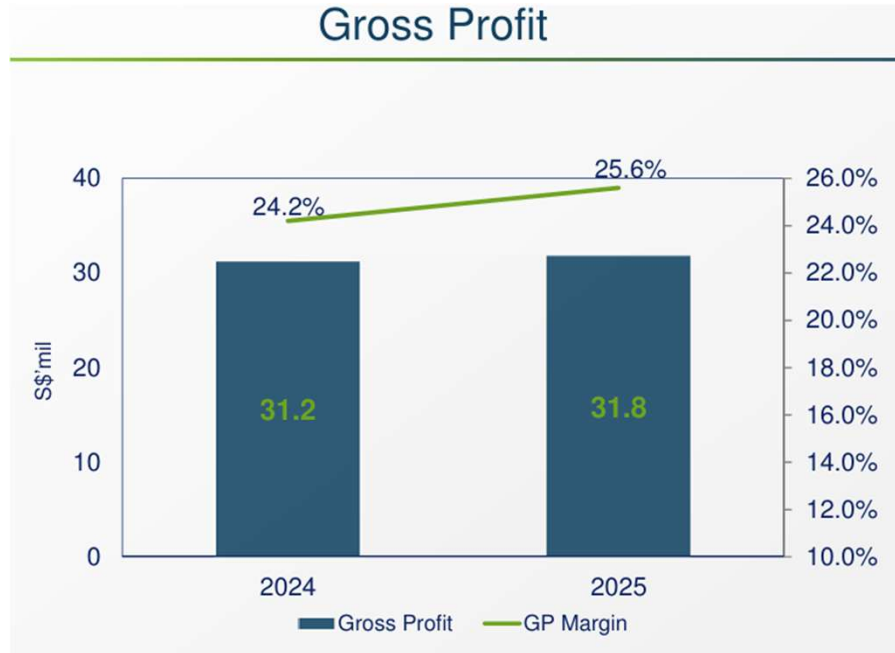


Source: Company



Source: Company

MegaChem Limited



Source: Company

Dividends



Source: Company

Income Statement

FY ended 31 Dec (\$m)	FY23	FY24	FY25	FY26E	FY27E
Revenue	123.0	128.8	124.4	128.1	132.6
Cost of sales	(100.5)	(97.6)	(92.6)	(95.4)	(98.7)
Gross profit	22.5	31.2	31.8	32.8	33.9
Other income	3.7	10.7	0.5	0.5	0.5
Distribution costs	(21.2)	(22.2)	(17.8)	(18.3)	(19.0)
Administrative expenses	(6.2)	(6.4)	(6.4)	(6.6)	(6.8)
Other operating expenses	(3.3)	(3.9)	(3.6)	(3.0)	(2.6)
Finance costs	(2.0)	(1.9)	(1.4)	(1.4)	(1.4)
Share of profit of associated companies	1.2	1.2	1.2	1.2	1.2
Profit before income tax	(5.3)	8.7	4.3	5.1	5.8
Income tax expense	(0.5)	(0.8)	(0.4)	(0.4)	(0.5)
Net profit	(5.8)	7.9	3.9	4.7	5.3

Balance Sheet

FY ended 31 Dec (\$m)	FY23	FY24	FY25	FY26E	FY27E
Non-current assets					
Property, plant and equipment	14.6	16.8	30.4	29.3	27.6
Right-of-use assets	2.3	2.3	2.3	2.0	1.8
Investment property	0.1	0.1	0.1	0.1	0.1
Investments in subsidiaries	-	-	-	-	-
Investments in associated companies	8.4	9.4	10.2	10.2	10.2
Finance assets at fair value	1.4	1.4	1.4	1.4	1.4
Transferable club memberships	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.8	0.9	1.0	1.0	1.0
Total non-current assets	27.6	30.9	45.3	44.0	42.0
Current assets					
Inventories	33.6	31.7	29.0	29.6	30.9
Trade and other receivables	23.7	23.3	24.1	24.9	25.6
Financial assets at fair value	-	0.0	0.0	-	-
Other current assets	1.7	2.6	2.5	2.5	2.5
Cash and bank balances	13.6	16.0	14.0	17.3	20.6
Total current assets	72.6	73.7	69.7	74.3	79.6
Total assets	100.2	104.5	115.0	118.3	121.6
Share capital	15.9	15.9	15.9	15.9	15.9
Other reserves	(7.7)	(6.3)	(6.0)	(6.0)	(6.0)
Retained earnings	41.8	48.9	51.4	54.7	58.0
Non-controlling interests	3.2	1.9	1.8	1.8	1.8
Total equity	53.2	60.5	63.1	66.4	69.7
Non-current liabilities					
Borrowings	0.4	-	6.3	5.8	5.3
Financial liabilities	2.6	2.7	2.7	2.8	2.9
Deferred tax liabilities	0.4	0.5	0.6	0.6	0.6
Total non-current liabilities	3.5	3.2	9.5	9.1	8.7
Current liabilities					
Current income tax liabilities	0.1	0.3	0.1	0.1	0.1
Trade and other payables	15.2	14.9	13.6	14.0	14.4
Borrowings	28.1	25.2	28.4	28.4	28.4
Financial liabilities - lease liabilities	0.3	0.4	0.3	0.3	0.3
Financial liabilities at fair value	0.1	0.0	0.0	0.0	0.0
Total current liabilities	43.6	40.8	42.4	42.8	43.3
Total liabilities	47.1	44.0	51.9	51.9	51.9
Total equity and liabilities	100.2	104.5	115.0	118.3	121.6

Cash Flow Statement

FY ended 31 Dec (\$m)	FY23	FY24	FY25	FY26E	FY27E
Cash flows from operating activities					
Net (loss)/profit before tax	(5.3)	8.7	4.3	5.1	5.8
Adjustments for:					
Depre of PPE	1.0	1.0	1.0	1.7	2.0
Depre of right-of-use assets	0.4	0.3	0.3	0.3	0.3
Finance costs	2.0	1.9	1.4	1.4	1.4
Gain on disposal of shares	-	-	-	-	-
Gain on disposal of PPE	(0.0)	(0.6)	(0.0)	(0.2)	(0.2)
Interest income from banks	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)
Inventory written down	8.6	1.7	0.2	-	-
Loss on PPE written down	0.8	-	-	-	-
Share of profit of associates	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Changes in fair value of finan assets	-	(0.0)	(0.0)	-	-
Changes in fair value of finan liab	0.1	0.0	0.0	-	-
Net effect of exchange rate changes in consolidating foreign operations	-	0.1	0.4	-	-
Operating cash flows before working capital changes	6.3	11.6	6.2	6.9	7.8
Change in op assets and liab					
Trade and other receivables	3.5	0.7	(1.2)	(1.0)	(1.1)
Other current assets	0.1	(0.9)	0.2	-	-
Inventories	6.9	0.4	2.2	-	-
Trade and other payables	0.1	(0.3)	(1.2)	0.4	0.4
Foreign exchanges differences	0.0	-	-	-	-
Cash (used in)/generated from operations	16.8	11.5	6.1	6.3	7.1
Income tax paid	(1.1)	(0.6)	(0.6)	(0.4)	(0.5)
Interest received	0.1	0.1	0.2	0.2	0.2
Net cash (used in)/provided by operating activities	15.8	11.0	5.7	6.0	6.7
Cash flows from investing activities					
Divi receiv from assoc	0.6	0.5	0.5	0.5	0.5
Purchase of finan assets	(1.4)	(1.2)	-	-	-
Purchase of PPE	(1.2)	(2.7)	####	-	-
Proceeds from sales of shares	-	-	-	-	-
Proceeds from sales of PPE	0.0	0.9	0.0	-	-
Net cash provided by/(used in) investing activities	(1.9)	(2.4)	####	0.5	0.5
Cash flows from financing activities					
Dividends paid	(1.6)	(0.7)	(1.3)	(1.3)	(2.0)
Dividends paid by subsidiary to non-controlling interests	(0.0)	(0.3)	(0.2)	-	-
Repayments of LT loans	(0.5)	(0.5)	6.6	(0.5)	(0.5)
(Repay)/proceeds from bills	(6.4)	1.9	(1.3)	-	-
(Repay)/proceeds from ST loans	(0.5)	(4.7)	4.9	-	-
Lease liabilities paid	(0.6)	(0.5)	(0.6)	-	-
Interest paid	(1.9)	(1.8)	(1.3)	(1.4)	(1.4)
Net cash provided by financing activities	(11.6)	(6.5)	6.8	(3.2)	(3.9)
Net increase/(decrease) in cash and cash equivalents	2.3	2.1	(1.2)	3.3	3.3
Cash and cash equivalents at beginning of financial year	10.9	13.0	15.3	14.0	17.3
Effects of currency translation on cash and cash equivalents	(0.2)	0.1	(0.1)	-	-
Cash and cash equivalents at end of financial year	13.0	15.3	14.0	17.3	20.6

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