

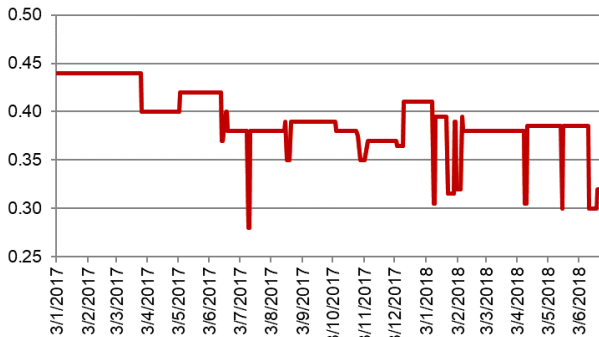
Megachem Limited

Date: 26 June 2018

BUY Target Price: **S\$0.50**
(Initiating coverage) (+56%)

MGCM SP

Price: **S\$0.320** (as at 26 June 2018)



Share price	1M	3M	6M	1Y
Megachem Limited	-16.88	-15.79	-21.95	-15.79
Catalist Index	-5.77	-10.41	-14.34	-19.09

Market capitalisation	S\$42.7m
Current Price	S\$0.320
Shares outstanding	133.3m
Free Float	16%
Major shareholders	Chew Choon Tee (35%) Tan Bock Chia (19%) Chori Co., Ltd (30%)
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

Analyst

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Riding on the improving global economy

A one-stop solution provider. Megachem is an integrated solution provider for specialty chemicals. It provides contract manufacturing that tailors to customers' specifications. The company also distributes a wide variety of specialty chemicals. Its key advantage lies in its wide global distribution network, that offers a one-stop solution and just-in-time delivery, thanks to its sophisticated IT and supply chain management system. With its vast network in Asia, where there is firm underlying demand for specialty chemicals, Megachem has enjoyed strong support from suppliers with quality products, competitive pricing and prompt delivery.

A stable industry. Unlike commodity chemicals, demand for specialty chemicals are relatively insensitive to price changes. This, coupled with Megachem's diversified customer base and industry reach, contributed to a strong track record of stable revenue and gross margins. The high entry barriers - patent security concern, technical know-how, distribution network and stringent product qualification - help to rein in competition in the industry.

Sticky business relationship with its customers. The recognition of Megachem as a reliable specialty chemical provider is demonstrated by its solid relationship with its customers. Many of its customers have been with the company for over 10 years. The strong relationship with MNCs is cemented through its ability to deliver consistent product quality, service standards and strong Asian network.

A proxy to the stronger global economy. Going forward, we expect the group to deliver top and bottom line growth in the next 3 years, driven by (i) a burgeoning global economy, in particular higher demand for construction, electronics and water treatment; (ii) strong demand from Asia; (iii) focus in the higher-margined biotech segment; and (iv) higher demand for contract manufacturing services.

Initiate with a BUY. Megachem is trading at 9.6x FY19 P/E, more than 50% discount to the sector average of 20x. While some valuation gap is warranted given Megachem's smaller operation size, the spread is too wide, in our opinion. We also like the company's strong corporate governance, prudent management and its presence in a resilient industry. The stock is a proxy to the stronger global economy and offers attractive dividend yield of 4.8% - 5.7%. We value Megachem at S\$0.50, based on DCF valuation. This translates into 14.9x FY19 P/E (~26% discount to the sector average).

Key Financials

Year ended December (S\$ m)	FY2015	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Revenue	110.6	99.8	108.1	116.8	126.0	135.9
% Growth	-4.6%	-9.8%	8.4%	8.0%	7.9%	7.9%
Gross profit	25.4	25.3	26.6	28.8	31.2	33.7
Gross profit margin	22.9%	25.3%	24.6%	24.7%	24.8%	24.8%
Profit/(loss) before tax	4.4	3.6	5.2	5.1	5.5	6.0
Profit/(loss) before tax margin	4.0%	3.7%	4.8%	4.3%	4.4%	4.4%
Core profit/(loss) attributable to owners	3.0	2.9	3.6	4.1	4.5	4.8
EPS/(LPS) (cents)	2.22	2.21	2.70	3.07	3.35	3.62
P/E (x)	14.4	14.5	11.8	10.4	9.6	8.8
Net Debt/Equity	0.17	0.09	0.16	0.20	0.22	0.22
Dividend (cents)	1.0	1.2	1.2	1.5	1.7	1.8
Dividend yield (%)	3.1%	3.8%	3.8%	4.8%	5.2%	5.7%

Company background

Megachem started its operation in Singapore in 1988. Within a year, the company expanded into Malaysia. Since then, the company has been spreading its wings globally. Listed on the Singapore Stock Exchange in 2003, Megachem is today the leading chemical player in Singapore and the region with presence in 11 countries and reaches more than 30 countries around the world. The company offers one-stop specialty chemical solutions, providing integrated value-added services including contract manufacturing that tailors to customers' needs and distribution. In 2016, its associated company, Megachem (Thailand) Public Co Ltd made its IPO debut on the Stock Exchange of Thailand.

Core businesses:

(1) Chemical Distribution

Megachem distributes and sells over 1,500 different types and grades of specialty chemicals to more than 2,000 companies in diverse industries. These include polymerization, paint and ink coatings, adhesives, construction, electronics, rubber and plastics, photographic, food and beverage, flavor and fragrance, pharmaceutical, industrial cleaning, metal finishing, water treatment, personal care as well as oil and gas industry. The majority of Megachem's customers are formulators who buy specialty chemicals as part of their intermediate manufacturing or processing requirements, or applicators and end-users. Chemical distribution contributed 97.6% of the total sales in 2017.



Source: company

(2) Contract Manufacturing

Contract manufacturing division provides its customers with a one-stop integrated solution by (i) freeing up its customers' production capacity and (ii) providing a platform for its customers to penetrate into Asia without heavy investment in production facilities and logistics. Megachem is one of the leading chemical contract manufacturers in Singapore with a 49,000 square feet manufacturing facility. Many of its multinational customers rely on its highly sophisticated mixing and precision-blending services.



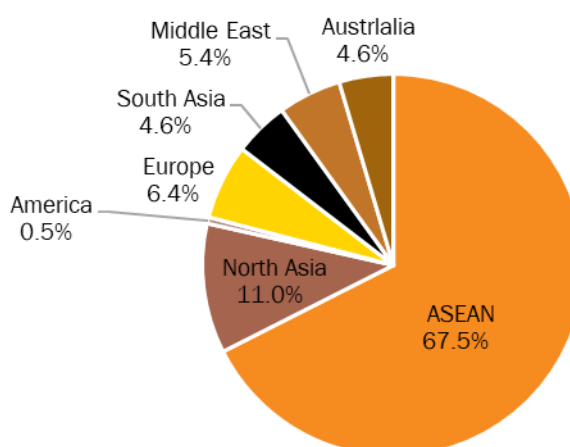
Source: company

Megachem's business model

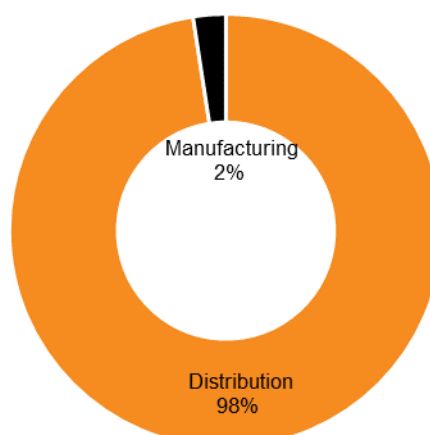


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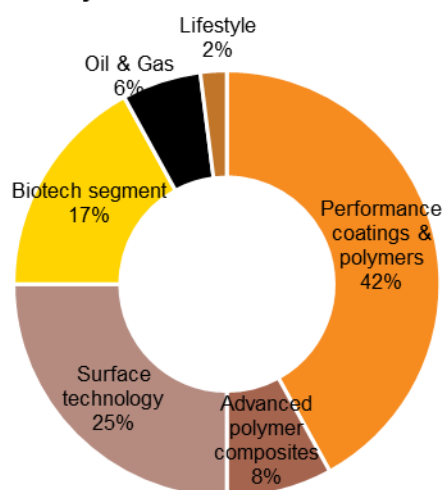
Geographical breakdown of sales in FY2017



Business segment breakdown of sales in FY2017



Industry breakdown of sales in FY2017



Chemical Distribution



MAKING THE WORLD A BRIGHTER PLACE

PERFORMANCE COATINGS AND POLYMERS

Paints and Inks
Polymerisation
Adhesives
Construction

DRIVING PERFORMANCE ADVANCED POLYMER COMPOSITES

Rubber
Plastics
Polyurethane
Polyesters



ENABLING TECHNOLOGIES

SURFACE TECHNOLOGY

Electronics
Metal Finishings
Industrial Cleaning
Water Treatment



Source: company

NOURISHING OUR WELL-BEING

BIOTECH

Food and Beverages
Pharmaceuticals
Feeds
Flavours/Fragrances
Agriculture



BRINGING VIBRANCY TO LIFE

LIFESTYLE

Personal Care
Photographic
Textiles

ENERGISING THE WORLD

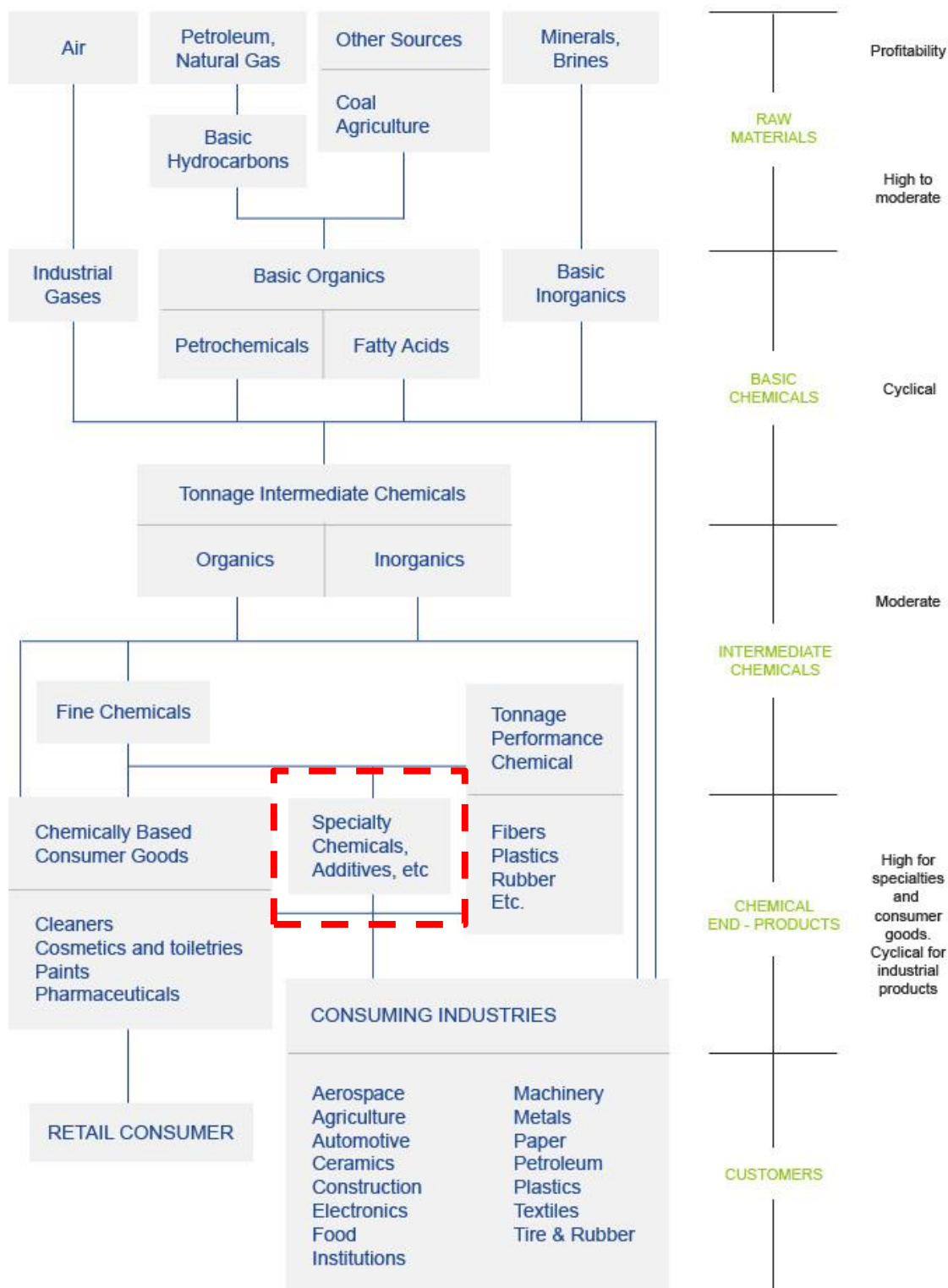
OIL AND GAS

Petrochemicals
Lubricants and Grease
Oil Fields
Refinery



Source: company

Industry Profile



Source: company

Megachem global offices

The company has extensive network in Singapore, Malaysia, Indonesia, Thailand, Philippines, Vietnam, China, India, Middle East, Australia and the United Kingdom. This allows it to provide premium service to its customers globally at more efficient costs. Currently, the group has presence in 11 countries and distributes its products to more than 30 countries.



Global offices listing	
Singapore	Malaysia
Vietnam	Thailand
China - Shanghai, Beijing	India
Indonesia	Philippines
Australia	UK
UAE	

Source: company

Megachem is helmed by Mr Sidney Chew Choon Tee

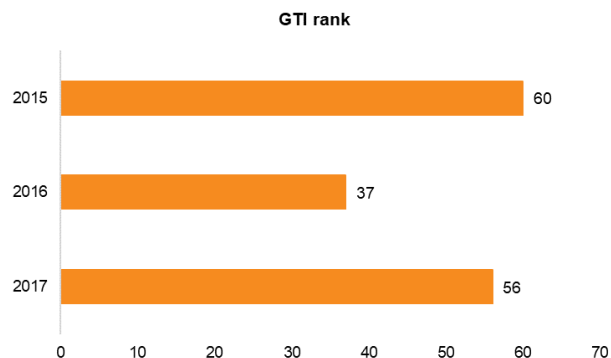
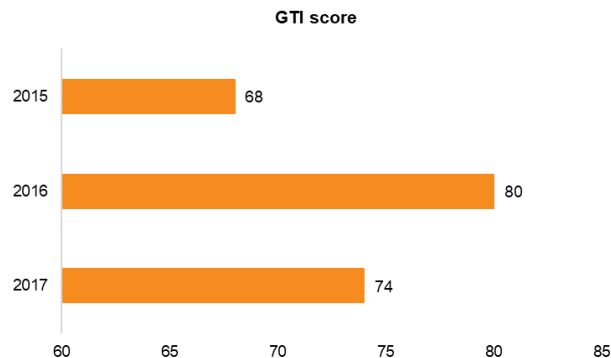
Mr Sidney Chew, the Group's Executive Chairman and Managing Director, is one of the founders of Megachem. He has general responsibility to lead the Board in setting Megachem Group's vision and strategy for the coming years and assumes primary responsibility for the Group's overall business development. Mr. Chew has extensive working experience in the chemical industry. He currently also serves as a Director of Megachem (Thailand) Public Company Limited.

Mr Sidney Chew is assisted by **Mr Jeffrey Tan Bock Chia** who is the Executive Director of the company. He is also one of the founders of Megachem. As an Executive Director, he oversees the group's operations in China and the Philippines as well as assists in the implementation of the group's business strategy.

Testimony to Megachem's strong corporate governance

As a testimony to its high level of corporate governance, Megachem has been accorded many awards throughout the years. Among the many awards, Megachem is most proud of its Best Managed Board (Gold) award won in 2015 which signified its efforts in cultivating good corporate governance practices and in fostering a culture of transparency within the organization.

In the BT Governance and Transparency Index which ranks listed companies on its governance and transparency practices, Megachem was ranked 56th in 2017 and has been ranked highly among the listed companies in Singapore.



Key Investment Highlights

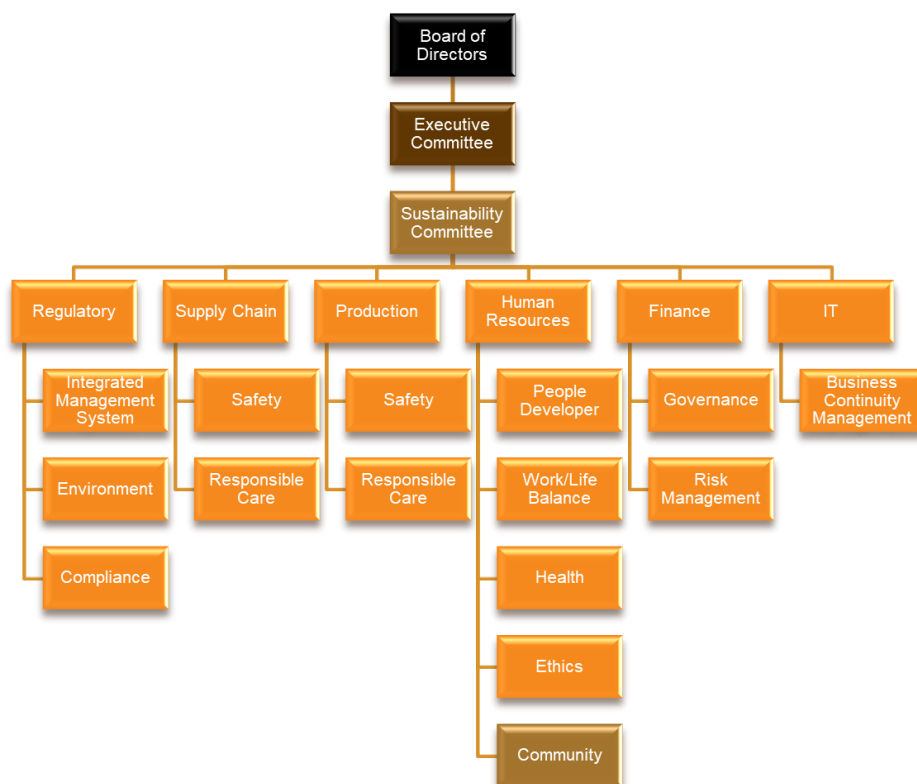
A reputable integrated specialty chemical provider. Megachem is an integrated manufacturer with a strong track record in chemical products manufacturing which requires strong formulation and technology know-how. As a one-stop solution provider, the company carries a wide variety of specialty chemicals whereby its customers could source their products almost entirely from Megachem, avoiding the hassle of needing to deal with many suppliers which helps to reduce purchasing cost.

More importantly, the company boasts **a strong and wide global distribution network**, in particular in the Asian region which is experiencing strong demand for specialty chemicals. Given its sophisticated distribution infrastructure in more than 30 countries, Megachem is able to **provide just-in-time delivery globally**, which calls for superior inventory management and logistic capabilities as well as a strong IT management system that enables the company to respond quickly to customers' enquiries and allows better logistic management.

While it is not an easy task, just-in-time delivery is highly valued by its customers due to the high inventory management cost. This, together with its strong distribution network, help the company edge out the competition.

Strong repeat business, a testament to its superior deliverables. The recognition of Megachem as the reliable specialty chemical provider in the past 34 years is demonstrated by the solid relationship cemented with its customers. Most of Megachem's customers have been with the company for many years. Other than its superior deliverables, the strong relationship that it has built is also attributed to its (i) listed status which increases transparency and financial stability and (ii) higher standard of sustainability practices (see chart on the following page).

Megachem's sustainability is benchmarked against Industry standards



Source: company

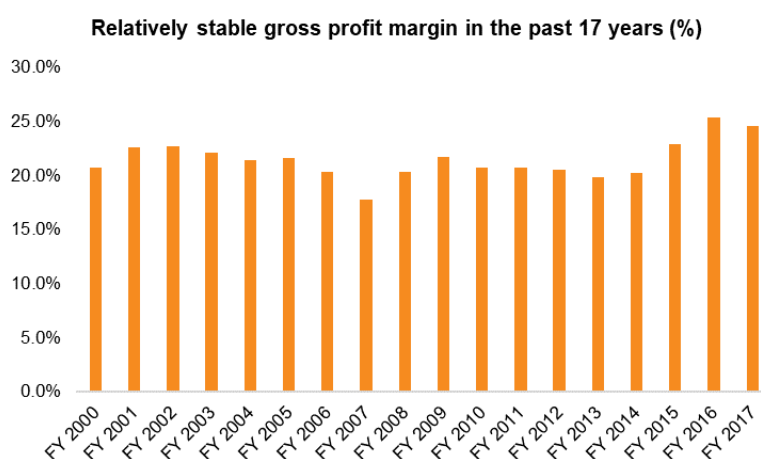
High customer retention. In addition to its strong deliverables and corporate governance, the high customer retention rate is also due to the stringent process to approve a product. Hence, once the business relationship is established, the customer tends to stay with Megachem for a long period of time. Megachem has more than 2,000 customers from various industries, reducing customer concentration risk.

Strong relationship with suppliers gives product and pricing advantage. The company has also built good working relationships with its suppliers. Over the past 34 years in the industry, Megachem has helped some of its suppliers in penetrating the regional markets. In turn, these suppliers keep Megachem informed of new products and support the company with quality products, competitive pricing and prompt delivery.

High industry barrier to entry. The factors mentioned above create a high barrier entry to the industry. Hence, although specialty chemical industry is fragmented, it is protected against new entrants.

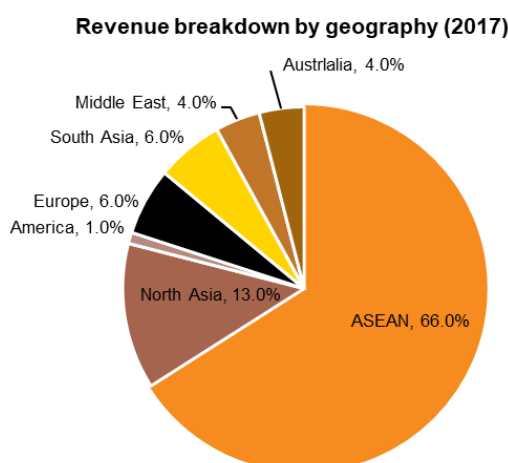
Resilient margins from diversification and cost pass-through mechanism. The specialty chemical industry is fragmented across products and markets. Overall, specialty chemical companies' performance depends on the product portfolio and the end market which the companies serve. Megachem is well-positioned in this as it has built long-term and sticky relationship with its suppliers and customers from diverse range of industries globally. During the last economic downturn in 2009, Megachem's revenue declined by a single digit of 9.1% yoy while net profit increased 19% yoy due to stable gross profit margins and cost saving initiatives.

In addition, the group is able to pass on the higher cost to its customers albeit with a time lag. In fact, demand for specialty chemicals are generally price inelastic as specialty chemicals often represent only a small proportion of the customers' overall cost of production.



Source: Bloomberg, SAC

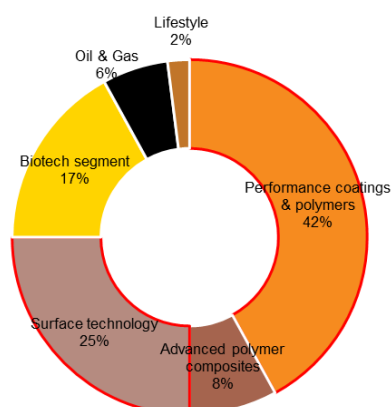
Widening and deepening geographical coverage. While the Company already has strong presence in Asia, Megachem is planning to penetrate deeper and strengthen its foothold further in the region. Currently, the group has presence in all countries in ASEAN except Laos, Cambodia and Brunei as well as in the 2 major markets in Asia namely China and India. It is also stepping up its presence in the Europe, Middle East and Australia.



Source: Company, SAC

A proxy to the stronger economy. About 70% of Megachem's revenue are generated from performance coatings and polymers (paints and inks, polymerization, adhesives, construction) and surface technology (electronics, metal finishing, industrial cleaning and water treatment). Going forward, we expect these two categories to post stronger performance, driven by stronger demand for construction (driven by ASEAN which contributed 68% of Megachem's 2017 revenue, on the back of a positive outlook for government-led infra spending), electronics (driven by increasing consumer demand), and water treatment (driven by increasing demand for higher water quality standards and water recycling). The recovering O&G sector, which accounted for 6% of its revenue in FY2017, is also expected to boost the demand for specialty chemicals.

Revenue of Performance Coatings & Polymers and Surface Technology segments are expected to be driven by higher demand for construction, electronics and water treatment



Source: Company, SAC

Boosting its margins. We see stronger distribution margins ahead as the company increases revenue contribution from biotech segment. Although biotech segment's contribution is still small, it has been rising in the past 5 years. In the manufacturing division, growing demand for contract manufacturing and lower depreciation expenses as its plant expansion in 2012 had been fully depreciated in 2017, will help to raise margins.

Investment Risk

Megachem is exposed to foreign exchange fluctuations and translation losses. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US\$, Euro, GBP, Yen and RM. While the foreign currency exposure of its sales are relatively more widely spread across the foreign currencies, we understand that US\$ is the main foreign currency used for purchases. Megachem uses forward exchange contracts to hedge certain of its exposure to foreign currency risk.

Competition from existing industry players and new entrants may affect its performance. Specialty chemical industry is highly fragmented with significant competitors in each area. Megachem's success depends on its ability to compete effectively against its competitors by maintaining good relationships with its customers and delivering quality and value-added services. In the event that its competitors are able to provide comparable services at competitive prices, Megachem's performance will be impacted.

Megachem may be subject to foreign exchange controls in certain countries in which they operate. As Megachem has businesses in many countries, it is subject to the risk of foreign exchange controls imposed by the countries. For instance, the group was affected by the Venezuela currency controls. As a consequence, Megachem had to impair its receivables from Venezuela which amounted to S\$1.2m in 2017 and S\$0.9m in 2016.

Megachem may face inventory risk from stocking a wide range of products. Megachem distributes and sells over 1,500 types and grades of specialty chemicals to more than 2,000 customers in diverse industries. The group does this to fulfill its customers' requirements within a short time of their placing orders so as to avoid disruption to its customers' manufacturing process. In the event of an unexpected fall in demand for a specific product, Megachem may end up with excess inventory.

SWOT Analysis

Strength	Opportunity
Strong network in Asia which is seeing strong demand for specialty chemicals	Strong demand for specialty chemicals in Asia
One stop solution provider which serves as a strong marketing tool to its customers	Penetrate further into the European and Middle Eastern markets
Strong balance sheet and cash flow management	Riding on the stronger global economy
	Increasing sales from manufacturing division helps to increase margins
	Increasing contribution from biotech segment helps to increase distribution margins
	Higher volume should contribute substantially to its bottom line due to its high operating leverage
Weakness	Threat
Lack of pricing power as pricing depends on market forces although prices tend to be relatively stable	Although barrier of entry is high, there is keen competition as the industry is fragmented

Sector outlook

Specialty chemicals are materials used on the basis of their performance or function. As opposed to commodity chemicals which are sold based on their chemical composition, these chemicals are sold on the basis of their performance or function. Specialty chemicals can be single-chemical entities or formulations whose composition sharply influences the performance and processing of the customer's product. In other words, products and services in the specialty chemicals industry require intensive knowledge and ongoing innovation.

Some of the categories of specialty chemicals are adhesives, agrichemicals, cleaning materials, cosmetic additives, construction chemicals, elastomers, flavours, food additives, fragrances, industrial gases, lubricants, polymers, surfactants and textile auxiliaries. Other industrial sectors such as automobile, aerospace, food, cosmetics, agriculture, manufacturing, textile industries are also highly dependent on specialty chemicals.

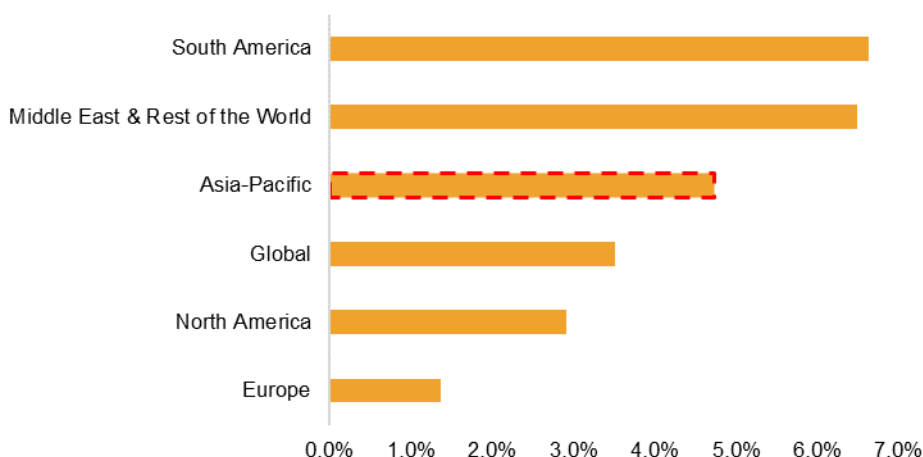
According to IHS Markit, specialty chemical consumption grew at an average rate of 3% per annum in 2012- 2016. After an anemic growth of less than 1% in 2012, global consumption of specialty chemicals rebounded in 2013-2015 before it fell in 2015 to 2016 (reflected in Megachem's revenue) due to the weaker economy in China, recession in several South American countries, slowdown in the construction sector, continued weakness in the oil and gas as well as mining industries. Over this period (2012-2016), China and other Asia experienced strong growth at 8.5% and 7% respectively. Although Central and South America, Central and Eastern Europe, the Middle East, and Africa registered stronger growth than the Asia region, it was from a low base.

Electronic chemicals, industrial and institutional cleaners, specialty polymers, surfactants and construction chemicals are the largest specialty chemical segments in 2016, accounting for 35% of total global sales. In the end-user industries, approximately 55% of the world consumption in 2016 went to personal care products, cleaning, food and beverages, electrical and electronics, and construction.

The global specialty chemicals market size was estimated at US\$943m in 2016 and *Market Line* is projecting the global specialty chemicals market sales to grow at a CAGR of 3.5% from 2017 to 2020. Factors driving the growth include (i) increasing demand for alternative applications (eg. water-based paints, biodegradable plastics, solar-powered and rechargeable electronics) that contribute to lowering greenhouse gas emissions, (ii) rising competition among the SMEs in emerging economies across Asia Pacific & South America which would encourage innovation and developments in manufacturing and (iii) stronger global economy. The rapid expansion of shale oil, gas drilling and refining activities along with favorable oil and gas prices is also anticipated to boost market growth over the forecast period.

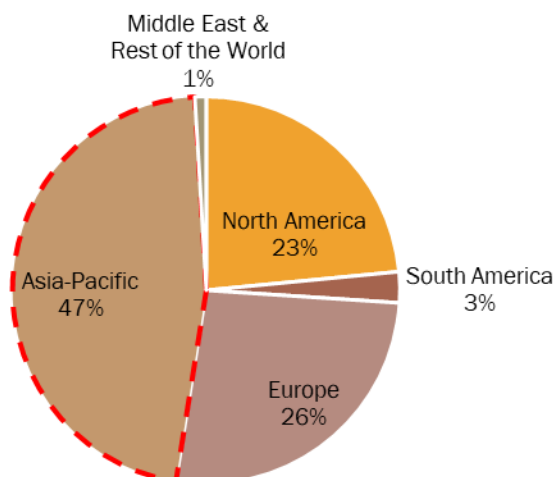
Asia Pacific where Megachem has the highest exposure, is a fast-growing region owing to inexpensive labour, trade liberalization policies and progression of major end-user industries such as construction, automotive, plastic and electronics. The Asia-Pacific region is expected to remain as the largest market for specialty chemicals by value in the next 2 years. This is followed by North America.

Specialty chemicals 4-year CAGR (%) consumption by geography (2017-2020)



Source: Market Line, SAC

Global specialty chemicals consumption (2016)

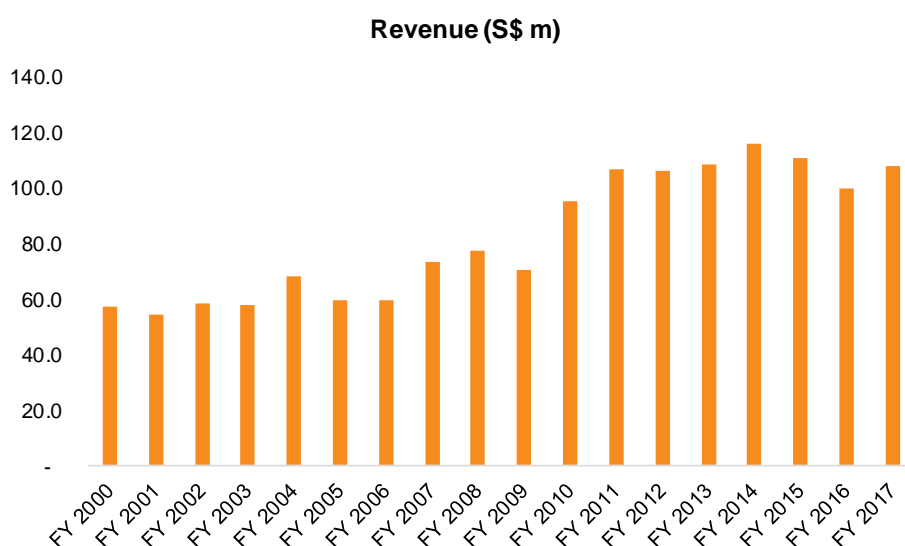


Source: Market Line, SAC

Financial Performance

Relatively stable revenue since listing. Megachem's topline has been relatively stable and growing gradually (save for the decline in FY15 and FY16) since its listing in 2000. The good performance was mainly attributed to its diversified customer base and industry exposure, its service as a one-stop solution provider which helps to secure customers and the nature of specialty chemical of which the pricing is relatively stable due to its wide usage and the fact that specialty chemical cost often represents only a small proportion of the users' overall cost of production.

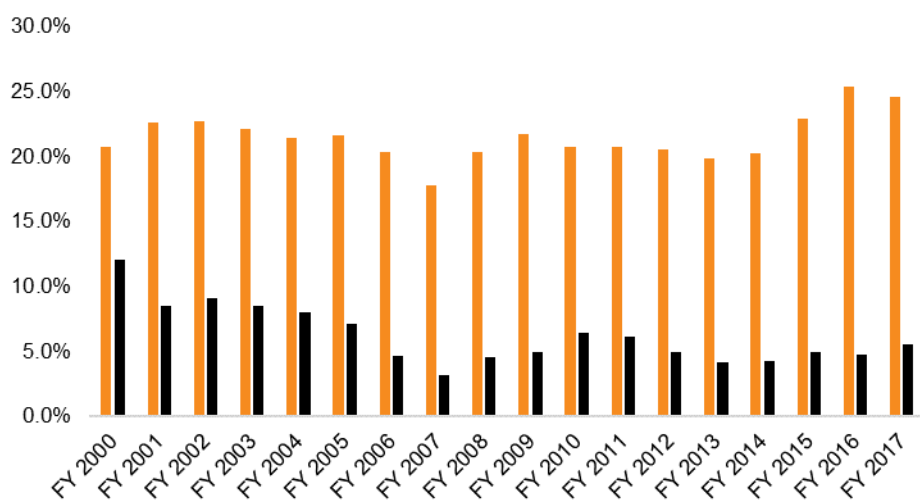
FY15-FY16 sales weakened. From FY15 to FY16, the group was affected by the weaker economy as well as its conscious move to cut down its exposure in Venezuela which has been affected by capital control policy. We understand that the company has written off all debts from Venezuela and there will be minimal sales exposure for Venezuela going forward until the country risk is significantly reduced. Despite the loss of revenue from Venezuela, Megachem posted topline growth in FY17 due to the better economy which boosted sales in ASEAN region and improved business in the Middle East.



Source: Bloomberg, SAC

Relatively stable gross profit margin. Save for 2007 when the company was impacted by higher sales contribution from lower margin products, Megachem's gross profit margin hovered at between 20 -22% in year 2000 to 2014 before improving to 23 - 25% in the past three years as the group implemented stricter pricing policy and increased focus on the higher-margined industry such as the biotech industry. The resilient margins we believe, was due to the stable pricing of specialty chemical and the fact that there is a cost pass-through mechanism in place where Megachem could pass on the higher cost to its customer although there will be a time lag. Despite the relatively stable gross profit margins, EBITDA margins fluctuated in greater extent due to its high operating leverage and currency losses due to its exposure to more than 30 countries. The effect of the fluctuations of EBITDA was filtered down to its bottom line which was further exacerbated by the depreciation charges arising from the production facility expansion in 2012 (fully depreciated in 2017).

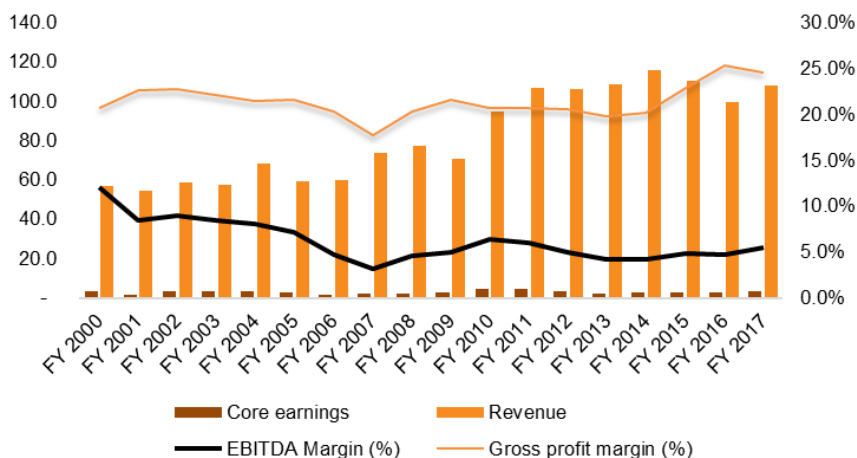
Gross profit and EBITDA margin (%)



*EBITDA margins are based on Bloomberg's computation for consistency

Source: Bloomberg, SAC

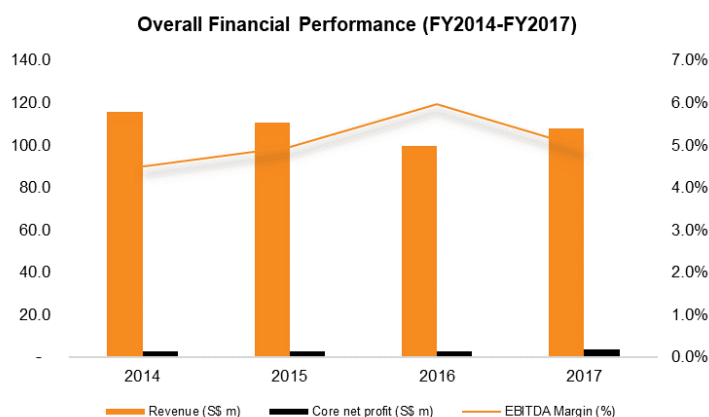
Overall Financial Performance



Source: Bloomberg, SAC

A closer look to the recent financial performance. Megachem reported yoy revenue drop in 2015 and 2016 before recovering 2017. As mentioned above, this was mainly due to the weaker economy and the group's conscious decision to cease its business in Venezuela due to the country's capital control policy. The recovery in 2017 was in line with the stronger economy and its effort to expand business in Middle East.

While 2015 revenue fell by 4.6% yoy, core net profit increased 6.4% mainly due to stronger gross margin on stricter pricing policy and shift to higher margin industry such as the biotech industry. In 2016, core net profit fell in tandem with the weaker revenue but by a smaller quantum as the company focused more on higher margin industries. In 2017, core earnings improved at a stronger rate as compared to the revenue, boosted by lower depreciation expenses, lower interest expense, lower tax rate which offset the higher operating expenses.

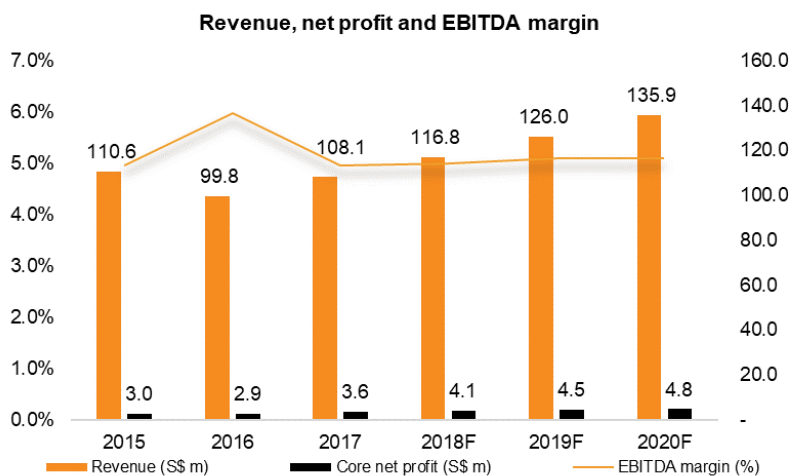


Source: Company, SAC

Balance sheet. As at end-2017, Megachem has total cash of S\$11.1m and S\$18.5m of borrowings. This translates to a low net gearing level of 17% which leaves room for financing for future expansion.

Dividend policy. Megachem does not have a fixed dividend policy but the company has been distributing 40%-55% dividend payout in the past few years. Assuming dividend payouts of 50% in 2018-2020, we derive attractive dividend yields of more than 5.0%.

Going forward, we are forecasting Megachem's revenue to grow by an average of 8% and core net profit to increase by 8%-14% in the next 3 years, driven by (i) stronger global economy (ii) increasing demand for specialty chemical, especially in Asia and (iii) stronger margin as the company focuses more on higher margin industry.



Source: Company, SAC

Recommendation

Megachem trades at more than 50% discount to the sector average. Given that Megachem's margins are better than the sector average, we believe the discount reflects Megachem's much smaller operation size and lower valuation accorded to Catalyst companies. Nonetheless, we think that the valuation gap is too wide even after taking into account of its operation size.

We value Megachem at S\$0.50 which is based on DCF (at 8.5% WACC and terminal growth rate of 3%). This translates to an implied FY19 P/E of 14.9x which is a 26% discount to global specialty chemical distributors. Despite the 26% discount, our target price still represents 56% upside over its current price. Hence, we initiate the company with a BUY recommendation.

We like the company's strong corporate governance and prudent management. Megachem is also in an industry with high barriers to entry and resilient pricing and demand. We believe it will gradually narrow the gap of its margins versus the peers in the longer term as Megachem gradually shifts more of its sales exposure to higher margin segments. Megachem is not only the proxy to the improving global economy, the stock also offers attractive dividend yield of 4.8% to 5.7%

Peer comparison

Name	Tkr & Exch	Mkt Cap (\$M)	Last Px (SGD)	Revenue: Latest FY (\$M)	Gross Profit: Latest FY (\$M)	GM: Latest FY	EBITDA: Latest FY (\$M)	NI / Profit: Latest FY (\$M)	PM: Latest FY	P/E: Latest FY (X)	P/B: Trailing 12M (X)	Dividend Yield: Trailing 12M	Debt Ratio: Latest FY	ROE
BRENTAG AG	BNR GR Equity	11,698.4	75.7	18,301.6	3,883.2	21.2%	1,219.0	562.3	3.1%	22.6	2.41	2.3%	28.6%	12.2%
UNIVAR INC	UNVR US Equity	5,082.8	36.0	11,395.8	2,492.8	21.9%	765.2	165.4	1.5%	26.3	3.2	-	50.5%	12.6%
IMCD NV	IMCD NA Equity	4,758.8	90.5	2,972.6	668.1	22.5%	255.2	120.4	4.1%	35.7	4.10	1.1%	22.2%	10.6%
LAUTAN LUAS TBK PT	LTLS IJ Equity	105.0	0.1	680.8	124.5	18.3%	47.7	15.5	2.3%	5.1	0.6	4.3%	31.7%	9.8%
SAMCHEM HOLDINGS BHD	SAHB MK Equity	92.0	0.3	301.1	31.5	10.5%	14.0	7.2	2.4%	12.5	1.9	3.0%	45.5%	17.8%
UNION PETROCHEMICAL PCL	UKEM TB Equity	43.9	0.0	123.7	20.3	16.4%	10.0	5.1	4.1%	18.2	1.05	5.8%	22.2%	13.2%
MEGACHEM THAILAND PCL	MGT TB Equity	34.4	0.1	23.6	6.7	28.4%	3.0	1.9	8.2%	21.2	2.24	6.7%	1.4%	17.7%
Average		3,116.5	29.0	4,828.4	1,032.5	19.9%	330.6	125.4	3.6%	20.2	2.2	3.9%	28.9%	13.4%

As at 21 June 2018

Source: Bloomberg

Income Statement (\$\$ m)

FYE Dec	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Revenue	99.8	108.1	116.8	126.0	135.9
Less: Cost of sales	-74.5	-81.5	-87.9	-94.7	-102.2
Gross Profit	25.3	26.6	28.8	31.2	33.7
Other operating income	0.7	0.6	0.7	0.8	0.8
Distribution costs	-14.6	-15.8	-17.0	-18.4	-19.8
Administrative expenses	-5.0	-5.1	-5.5	-5.9	-6.4
Other operating expenses	-0.4	-1.0	-1.2	-1.3	-1.4
Depreciation & amortization	-1.5	-1.2	-1.1	-1.2	-1.3
Profit/(loss) from operations	4.5	4.2	4.7	5.2	5.6
Finance expenses	-0.6	-0.5	-0.5	-0.5	-0.5
Interest income	0.1	0.1	0.1	0.1	0.1
Associate	0.6	0.8	0.7	0.8	0.8
Exceptional item	-0.9	0.6	0.0	0.0	0.0
Profit before tax	3.6	5.2	5.1	5.5	6.0
Tax credit/expenses	-1.4	-1.0	-1.0	-1.1	-1.2
Profit after tax	2.2	4.2	4.0	4.4	4.8
Non-controlling interests	-0.2	0.0	0.0	0.0	0.0
Profit/(loss) attributable to owners of company	2.0	4.2	4.1	4.5	4.8
Core Profit/(loss) attributable to owners of company	3.0	2.9	3.6	4.1	4.5
Earnings/(loss) per share (cents)	2.21	2.70	3.07	3.35	3.62

Balance Sheet (\$\$ m)

FYE Dec	FY2016	FY2017	FY2018F	FY2019F	FY2020F
PPE	11.4	10.9	13.3	15.5	14.7
Investment in associates	3.1	5.5	6.3	7.0	7.8
Others	0.1	0.4	0.4	0.4	0.4
Total non-current assets	14.7	16.8	19.9	22.9	22.9
Inventories	20.4	23.9	23.7	25.1	27.1
Trade and other receivables	24.2	27.7	28.0	29.0	31.3
Others	2.4	2.2	2.2	2.2	2.2
Cash and bank balances	11.6	9.3	7.4	5.9	5.3
Total current assets	58.5	63.1	61.4	62.1	65.8
Trade and other payables	13.0	15.6	14.9	16.6	17.9
Borrowings	12.4	14.6	14.6	14.6	14.6
Others	0.1	0.4	0.4	0.4	0.4
Total current liabilities	25.5	30.6	30.0	31.6	32.9
Borrowings	2.9	2.1	2.1	2.1	2.1
Others	0.0	0.0	0.0	0.0	0.0
Total non-current liabilities	2.9	2.1	2.1	2.1	2.1
Share Capital	15.9	15.9	15.9	15.9	15.9
Retained earnings	30.6	33.3	35.3	37.5	40.0
Other reserve	-4.5	-4.5	-4.5	-4.5	-4.5
Total shareholder's equity	42.0	44.6	46.7	48.9	51.3
Non-controlling interests	2.8	2.6	2.5	2.5	2.4
Total equity	44.8	47.2	49.2	51.4	53.7

Cash Flow Statement (\$\$ m)

FYE Dec	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Profit/(Loss) before tax	3.6	5.2	5.1	5.5	6.0
Depreciation & amortisation	1.5	1.2	1.1	1.2	1.3
Change in working capital	-0.1	-4.2	-0.8	-0.7	-3.0
Others	-1.5	-3.3	-1.2	-1.4	-1.5
Net Cash (used in)/from operations	3.5	-1.1	4.1	4.7	2.8
Purchase of PPE	-0.5	-0.6	-3.5	-3.5	-0.5
Others	2.8	0.4	0.0	0.0	0.0
Net Cash (used in)/from investing	2.3	-0.2	-3.5	-3.5	-0.5
Net increase in debt	-2.8	1.4	0.0	0.0	0.0
Dividend paid	-1.8	-1.7	-2.0	-2.2	-2.4
Others	-0.6	-0.5	-0.5	-0.5	-0.5
Net Cash (used in)/from financing	-5.2	-0.8	-2.5	-2.7	-2.9

Ratios

FYE Dec	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Profitability (%)					
Gross margin	25.3%	24.6%	24.7%	24.8%	24.8%
Operating margin	4.5%	3.9%	4.1%	4.1%	4.1%
Pretax margin	3.7%	4.8%	4.3%	4.4%	4.4%
Liquidity (x)					
Current ratio	2.3	2.1	2.0	2.0	2.0
Quick ratio	1.5	1.3	1.3	1.2	1.2
Interest coverage ratio	8.0	7.9	9.5	10.4	11.2
Net Debt to Equity	0.1	0.2	0.2	0.2	0.2
Valuation (x)					
P/E	14.5	11.8	10.4	9.6	8.8
P/B	1.0	0.9	0.9	0.8	0.8
P/NTA	1.0	0.9	0.9	0.8	0.8
Cash Conversion Cycle					
Trade receivable days	91.6	87.6	87.6	84.0	84.0
Inventory days	101.4	99.2	98.6	96.7	96.7
Trade payable days	66.4	64.0	62.1	63.9	63.9
CCC days	126.6	122.8	124.1	116.8	116.8
Returns					
Return on equity	5.0%	9.1%	8.4%	8.8%	9.1%
Return on asset	3.0%	5.5%	5.0%	5.3%	5.5%
Dividend payout ratio	78.4%	37.7%	50.0%	50.0%	50.0%

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