

MEGA LIFESCIENCES
THAILAND / COMMERCE

MEGA TB

BUY

แนวโน้มการเติบโตระยะยาวสดใส

- ผู้บริหารตั้งเป้าขยายธุรกิจปี 2019 เท่าตัวในปี 2025 หลังกำไรปี 2014 เพิ่มขึ้นเท่าตัวในปี 2019
- เราเชื่อว่า MEGA จะบรรลุเป้าหมายก่อนกำหนดจากการขยายธุรกิจเชิงรุกในตลาดกำลังพัฒนาและผลิตภัณฑ์ใหม่
- เริ่มต้นด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 65 บาท

| | |
|-----------------|----------|
| TARGET PRICE | THB65.00 |
| CLOSE | THB47.50 |
| UP/DOWNSIDE | +36.8% |
| TP vs CONSENSUS | +14.6% |

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|------------------|--------|--------|--------|--------|
| Revenue | 14,136 | 15,525 | 16,827 | 17,939 |
| Net profit | 1,947 | 2,313 | 2,399 | 2,532 |
| EPS (THB) | 2.23 | 2.65 | 2.75 | 2.90 |
| vs Consensus (%) | - | 0.5 | 2.5 | 1.7 |
| EBITDA | 2,463 | 3,008 | 3,142 | 3,313 |
| Core net profit | 1,828 | 2,311 | 2,399 | 2,532 |
| Core EPS (THB) | 2.10 | 2.65 | 2.75 | 2.90 |
| EPS growth (%) | 33.0 | 26.4 | 3.8 | 5.5 |

แบรนดส์สินค้าดูแลสุขภาพชั้นนำในประเทศกำลังพัฒนา

MEGA เป็นแบรนดส์ชั้นนำในอุตสาหกรรมสินค้าดูแลสุขภาพใน 36 ประเทศกำลังพัฒนา นอกจากนี้ผลิตภัณฑ์ที่ชื่อ Mega We Care ของบริษัท ยังอยู่ในตลาดมาอย่างยาวนานและเป็นที่รู้จักดีในตลาดเอเชียตะวันออกเฉียงใต้และแอฟริกา Maxxcare (ธุรกิจจัดจำหน่ายของบริษัท) ทำตลาด ขาย และจัดจำหน่ายผลิตภัณฑ์ยามียี่ห้อตามใบสั่งแพทย์ สินค้าอุปโภคบริโภคทั่วไป (FMCG) และยาที่ไม่มีใบสั่งแพทย์ ธุรกิจหลักทั้งสองสร้างรายได้ 95%-97% ของรายได้รวมในขณะที่ที่เหลือมาจากธุรกิจการผลิต

การเติบโตระยะกลางชะลอลงแต่แนวโน้มระยะยาวยังดี

ในช่วงปี 2015-19 รายได้ของ MEGA โตในระดับปานกลางที่ 8.8% CAGR ก่อนปรับขึ้นเป็น 12.7% CAGR ในช่วงโรคระบาดในปี 2020-21 หลังโรคระบาดเราคาดว่ารายได้จะปรับขึ้นต่อเนื่องในอัตรา 7.5% CAGR ในช่วงปี 2022-25 อย่างไรก็ตามเราคิดว่าแนวโน้มระยะยาวดูดีขึ้นเนื่องจากปัจจุบัน MEGA มียามากกว่า 170 ตำรับที่ยื่นรอการขึ้นทะเบียนและมีกำหนดเปิดตัว ยา วิตามิน และอาหารเสริมใหม่อีกประมาณ 20 ชนิดในทุก ๆ ปี บริษัท มีโรงงานใน อินโดนีเซียที่กำลังเตรียมจดทะเบียนยาอีกจำนวนมากพร้อมตั้งเป้ายอดขาย USD30-50ล้านใน อินโดนีเซียในอีก 2-3 ปีข้างหน้า

คาดการณ์ 4Q22 จะปรับตัวลดลงหลังทำสถิติสูงสุดใหม่ใน 3Q22

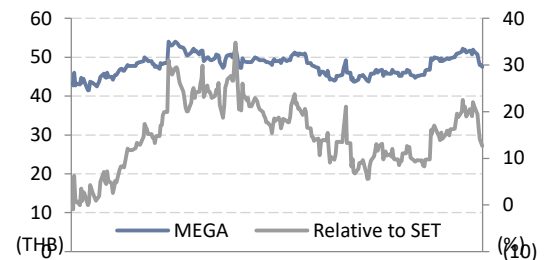
หลังกำไรปี 2014 เพิ่มขึ้นเท่าตัวในปี 2019 ผู้บริหารตั้งเป้าขยายธุรกิจในปี 2019 อีกเท่าตัวในปี 2025 ผ่านการขยายธุรกิจเชิงรุกในเอเชียตะวันออกเฉียงใต้และพื้นที่ทางใต้ของทะเลทรายซาฮาราในแอฟริกา เราคาดว่าบริษัท จะบรรลุเป้าหมายในด้านกำไรในปี 2022 อย่างไรก็ตามเมื่อเทียบกับ 3Q22 ซึ่งเป็นไตรมาสที่ดีที่สุดเท่าที่เคยมีมา เราคาดว่ากำไร 4Q22 จะต่ำที่สุดในรอบ 7 ไตรมาสโดยน่าจะอยู่ที่ 471 ลบ. (-28% q-q, -5% y-y) เราคาดว่ากำไรสุทธิปี 2022-25 จะเพิ่มขึ้นในอัตรา 5.4% CAGR.

เริ่มต้นด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 65 บาท

เราเริ่ม MEGA ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 65 บาท (DCF, 8.3% WACC, 3% LTG) ซึ่งคิดเป็น 23.6x ของค่า 2023E P/E (+0.5SD ของค่าเฉลี่ย 5 ปีย้อนหลัง) ปัจจุบันหุ้นมีการซื้อขายที่ 17.3x ของค่า 2023E P/E ซึ่งต่ำที่สุดเมื่อเทียบกับคู่แข่งทั้งในและต่างประเทศในขณะที่บริษัท มีมูลค่าที่ซ่อนอยู่จากแบรนดส์ที่ติดตลาด MEGA มีแนวโน้มระยะยาวที่ดีจากแบรนดส์ที่มีชื่อเสียง ตลาดที่มีการกระจายความเสี่ยงและสถานะทางการเงินที่ดี

| | | | | |
|---------------------|--------|--------|--------|--------|
| Core P/E (x) | 22.7 | 17.9 | 17.3 | 16.4 |
| Dividend yield (%) | 1.8 | 2.2 | 2.2 | 2.4 |
| EV/EBITDA (x) | 15.9 | 13.1 | 12.5 | 11.8 |
| Price/book (x) | 5.2 | 4.4 | 4.0 | 3.7 |
| Net debt/Equity (%) | (27.1) | (21.1) | (21.9) | (20.4) |
| ROE (%) | 24.4 | 26.6 | 24.2 | 23.4 |

Feb-22 May-22 Aug-22 Nov-22 Feb-23



| | | | |
|--------------------------------|-------------------------|---------|----------|
| Share price performance | 1 Month | 3 Month | 12 Month |
| Absolute (%) | (4.5) | 3.3 | 9.2 |
| Relative to country (%) | (2.8) | 1.0 | 13.2 |
| Mkt cap (USD m) | 1,196 | | |
| 3m avg. daily turnover (USD m) | 3.5 | | |
| Free float (%) | 40 | | |
| Major shareholder | Unistretch Co Ltd (50%) | | |
| 12m high/low (THB) | 55.25/40.25 | | |
| Issued shares (m) | 871.87 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 20 กุมภาพันธ์ 2023

Investment thesis

MEGA is in a growing industry. Its business plays a crucial role in helping patients and communities. The company has a well-established presence and focuses on fast-growing markets in developing countries. Its success in building a strong market position in Southeast Asia and Africa demonstrates its ability to develop suitable products and effective marketing strategies.

Its revenue and profit growth, post-pandemic, is likely to slow compared with its record-shattering performance in 2020-21. However, we think its longer-term outlook is still promising based on its strong brand, diversified markets, and healthy financial status.

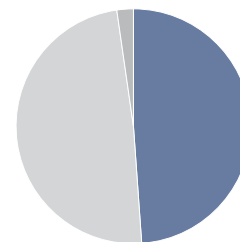
Company profile

MEGA is a leading manufacturer and distributor of pharmaceutical, nutraceutical products and fast-moving consumer goods (FMCG) in developing countries such as Myanmar, Vietnam and Cambodia. MEGA also develops, manufactures, and sells its nutraceutical products, generic prescription pharmaceutical products, and OTC products under Mega We Care brand through its distribution network and third-party distributors in 36 countries across the world.

www.megawecare.com

Principal activities (revenue, 2021)

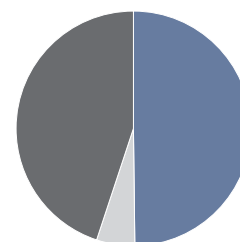
- Mega We Care - 48.9 %
- Maxxcare - 48.9 %
- OEM - 2.3 %



Source: MEGA Lifesciences

Major shareholders

- Unistretch Co Ltd - 49.8 %
- Mr. Vivek Dhawan - 5.3 %
- Others - 44.9 %



Source: MEGA Lifesciences

Catalysts

Key potential catalysts include 1) expedited medicine registrations and listings; 2) the Covid-19 pandemic; and 3) the success of new products and new markets.

Risks to our call

Downside risks to our DCF-based TP include 1) the delayed registration process in many countries; 2) more intensified competition; 3) the failure in introducing new products; and 4) risks associated with doing business in Myanmar.

Event calendar

| Date | Event |
|----------|---------------------------|
| Feb 2023 | 4Q22 results announcement |

Key assumptions

| | 2022E | 2023E | 2024E |
|-------------------|---------|---------|---------|
| | (THB m) | (THB m) | (THB m) |
| Mega We Care | 7,793 | 8,261 | 8,748 |
| Growth (%) | 12.8 | 6.0 | 5.9 |
| Gross margin (%) | 67.7 | 67.6 | 67.3 |
| Maxxcare | 7,403 | 8,218 | 8,818 |
| Growth (%) | 7.2 | 11.0 | 7.3 |
| Gross margin (%) | 19.2 | 18.0 | 17.9 |
| SG&A to sales (%) | 26.9 | 26.3 | 26.3 |

Source: FSSIA estimates

Earnings sensitivity

- For every 5% change in branded revenue, we project MEGA's 2023 net profit to change by 6%, all else being equal.
- For every 5% change in distribution revenue, we project MEGA's 2023 net profit to change by 1%, all else being equal.
- For every 1% change in overall gross margin, we project MEGA's 2023 net profit to change by 6%, all else being equal.

Source: FSSIA estimates

A leading pharmaceutical company in Asia and beyond

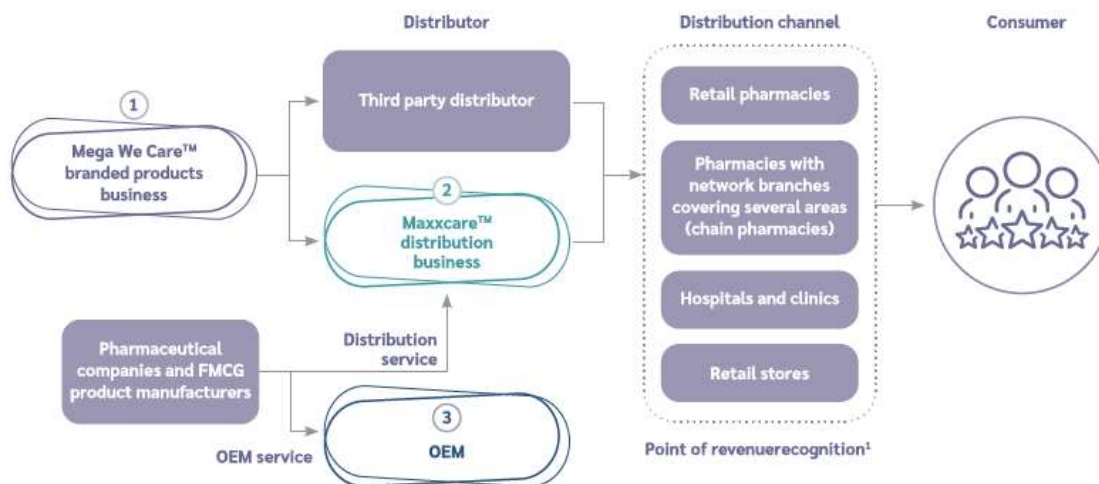
MEGA was established in 1982 by Mr. Kirit Shah as an OEM supplier of soft gel at a plant in Samut Prakarn. In 1994, the company acquired the Medcraft brand and associated trademarks, which was the starting point for the Mega We Care branded products business. After that, the company established subsidiaries in Myanmar and Cambodia to sell its own Mega We Care branded products. In order to grab more opportunities, MEGA later offered marketing, sales, distribution and logistics services to multinational pharmaceutical and FMCG companies in other developing markets, namely Vietnam.

MEGA divides its operations into three segments:

1. **Maxxcare distribution.** MEGA sells, markets, and distributes branded prescription pharmaceuticals, FMCG, and OTC (medicines sold without a medical prescription) products in three countries, namely Myanmar, Vietnam, and Cambodia. Its customers are domestic and international pharmaceutical firms and leading FMCG product manufacturers. The company also distributes Mega We Care branded products in these markets.
2. **Mega We Care branded products.** MEGA develops, manufactures, markets, and distributes Mega We Care branded nutraceuticals, prescription pharmaceuticals and OTC products.
3. **OEM.** MEGA has manufacturing facilities in Thailand and Australia that undertake manufacturing for third-party customers.

Maxxcare distribution and Mega We Care branded products are two key businesses for the company, contributing 95%-97% of its total revenue, split in almost equal proportions between the two segments. Revenue from Mega We Care branded products is driven mainly by Southeast Asia and Africa.

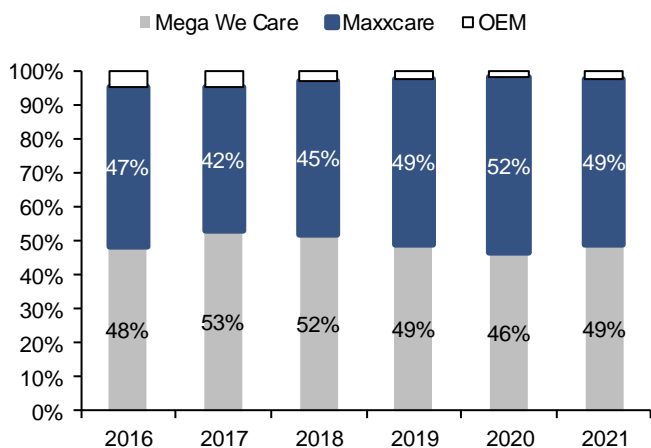
Exhibit 1: MEGA's business flows



¹ This is the point of revenue recognition for our Maxxcare™ distribution business and Mega We Care™ branded business

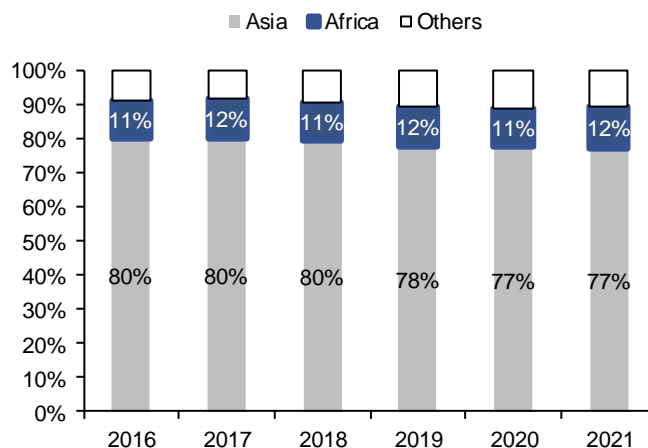
Source: MEGA

Exhibit 2: Revenue mix by business segment



Source: MEGA

Exhibit 3: Mega We Care revenue by geography



Source: MEGA

Southeast Asia contributed 79% of Mega We Care revenue during the past six years, with about 80% from Indochina. For the Maxxcare distribution business, Myanmar is the largest market with significant growth that accounted for 78% of Maxxcare revenue in 2021, or 38% of total revenue. Approximately 80% of the products it sells in Myanmar are pharmaceuticals, with the rest being FMCG. Its major customers in Myanmar are multinational pharmaceutical and FMCG companies. MEGA has operated in Myanmar since 1995. At the end of 2021, the company had more than 45,000 outlets nationwide covering almost 85% of the country with seven warehouses and offices located in Yangon, Mandalay, Mawlamyaing, Taunggyi, and Naypyidaw.

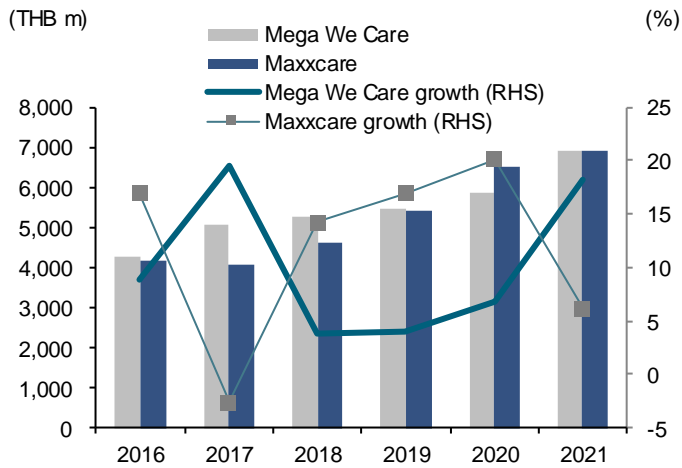
MEGA’s long history in Myanmar gives the company a competitive advantage over competitors due to its in-depth knowledge of the market, substantial infrastructure and distribution channels, and scalable operations.

Mega We Care brand is its core strength

The company’s production facilities in Thailand, Australia, and Indonesia, currently running at about 60% of aggregated capacity, should be able to support growth for the next 3-4 years. MEGA’s strategy for sustainable growth is to introduce affordable medicines and expand its markets in developing and under-developed countries. The company has expanded its business from four countries in Indochina initially to more than 36 countries in Asia and Africa.

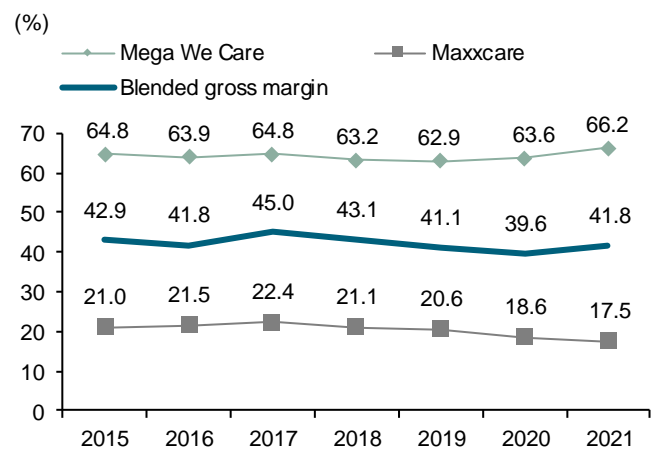
The Mega We Care brand is long-established and well-recognised in Southeast Asia and Africa. Its branded products, including Nat C, Nat B, Nat D, Enat, Acnotin, etc., are top-of-mind products for its customers and key growth drivers for the company. Its branded business has a gross margin of over 60%, three times higher than its distribution business, resulting in a blended gross margin of 42% during 2015-21. During the same period, MEGA’s revenue growth from its branded business has steadily risen at a CAGR of 10%, similar to its distribution business which had a 12% CAGR. Along with its efficient cost control, MEGA’s SG&A to sales gradually declined from 34% in 2015 to 27% in 2021, leading to a 21% core profit CAGR during 2015-21.

Exhibit 4: Revenue by segment and growth



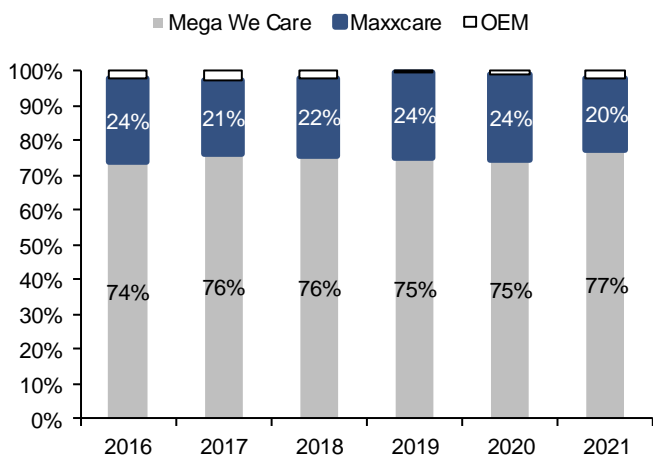
Source: MEGA

Exhibit 5: Gross margin by business segment



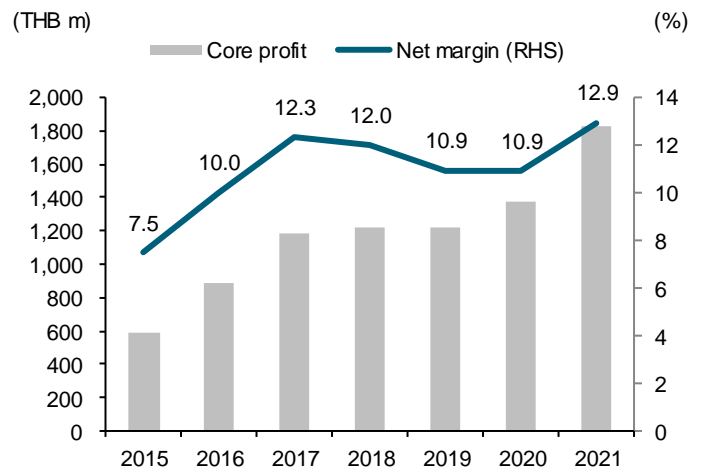
Source: MEGA

Exhibit 6: Gross profit by business segment



Source: MEGA

Exhibit 7: Core profit and net margin



Source: MEGA

4Q22 results preview

We expect a soft quarter in 4Q22 due to the appreciation of the THB to the USD, the impact of product stocking in Myanmar in 3Q22, and seasonally high marketing expenses in the last quarter. Following its best quarter ever in 3Q22, we expect MEGA's 4Q22 revenue to dip to THB3.7b (-8% q-q, +14% y-y), with a net profit of THB471m (-28% q-q, -5% y-y), the lowest in seven quarters.

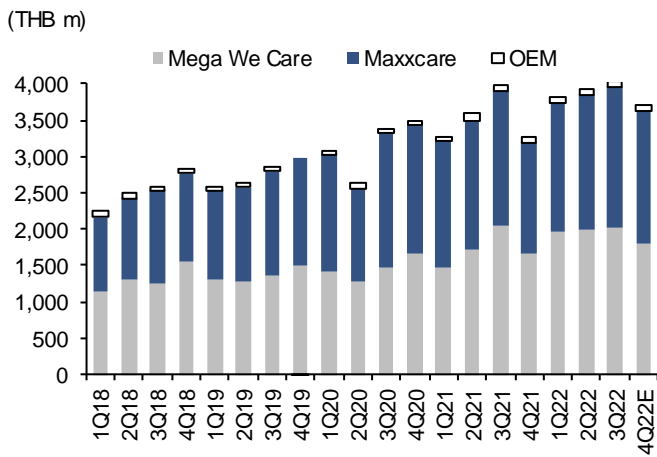
Although we expect its 4Q22 net profit to be the lowest in seven quarters, it would still be higher than the pre-Covid profit level of around THB280m-350m per quarter. The q-q decrease in 4Q22 revenue should mostly come from its branded business and is partially due to the improving Covid-19 situation across the world. The lower proportion of high-margin, branded revenue should lead to a weak overall gross margin of 42.4% in 4Q22 compared with 46.0% in 3Q22 and 43.3% in 4Q21, and a core profit margin of 12.7%, the lowest in seven quarters.

Exhibit 8: 4Q22 results preview

| Year to Dec 31 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22E | ----- Change ----- | | 2021 | 2022E | Change |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------|----------------|----------------|----------------|----------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) |
| Sales | 3,272 | 3,820 | 3,930 | 4,052 | 3,724 | (8) | 14 | 14,136 | 15,525 | 10 |
| Cost of sales | (1,856) | (2,109) | (2,256) | (2,188) | (2,145) | (2) | 16 | (8,225) | (8,699) | 6 |
| Gross profit | 1,416 | 1,710 | 1,674 | 1,864 | 1,578 | (15) | 11 | 5,911 | 6,827 | 15 |
| Operating costs | (901) | (989) | (1,084) | (1,094) | (1,010) | (8) | 12 | (3,769) | (4,177) | 11 |
| Operating profit | 2,316 | 2,699 | 2,758 | 2,958 | 2,588 | (13) | 12 | 9,680 | 11,004 | 14 |
| Operating EBITDA | 596 | 802 | 680 | 866 | 660 | (24) | 11 | 2,463 | 3,008 | 22 |
| Other income | 13 | 14 | 22 | 27 | 22 | (18) | 75 | 47 | 85 | 83 |
| Interest expense | (6) | (6) | (6) | (8) | (8) | 7 | 47 | (28) | (28) | (1) |
| Profit before tax | 522 | 729 | 606 | 789 | 582 | (26) | 12 | 2,160 | 2,707 | 25 |
| Tax | (53) | (104) | (63) | (120) | (111) | (8) | 110 | (336) | (398) | 18 |
| Associates | (1) | (0) | (0) | 0 | 0 | 20 | (112) | (2) | 0 | (111) |
| Minority interests | 2 | 1 | 0 | 0 | 0 | 0 | 89 | 6 | 2 | (72) |
| Reported net profit | 496 | 614 | 570 | 658 | 471 | (28) | (5) | 1,947 | 2,313 | 19 |
| Core profit | 470 | 627 | 544 | 669 | 472 | (29) | 0 | 1,828 | 2,311 | 26 |
| Reported EPS (THB) | 1.20 | 0.70 | 0.70 | 0.76 | 0.54 | (28) | (55) | 2.23 | 2.65 | 19 |
| Core EPS (THB) | 0.54 | 0.72 | 0.62 | 0.77 | 0.54 | (29) | 0 | 2.10 | 2.65 | 26 |
| Key Ratios (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (%) | (ppt) |
| Gross margin | 43.3 | 44.8 | 42.6 | 46.0 | 42.4 | (4) | (1) | 41.8 | 44.0 | 2 |
| Operating margin | 16.1 | 19.3 | 15.6 | 19.7 | 15.9 | (4) | (0) | 15.5 | 17.6 | 2 |
| EBITDA margin | 18.2 | 21.0 | 17.3 | 21.4 | 17.7 | (4) | (1) | 17.4 | 19.4 | 2 |
| Recurring net margin | 14.4 | 16.4 | 13.8 | 16.5 | 12.7 | (4) | (2) | 12.9 | 14.9 | 2 |
| SG&A / Sales | 27.5 | 25.9 | 27.6 | 27.0 | 27.1 | 0 | (0) | 26.7 | 26.9 | 0 |
| Operating statistics | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) |
| Mega We Care branded business | 1,670 | 1,954 | 2,004 | 2,034 | 1,802 | (11) | 8 | 6,909 | 7,793 | 13 |
| Maxxcare distribution business | 1,521 | 1,787 | 1,852 | 1,928 | 1,836 | (5) | 21 | 6,906 | 7,403 | 7 |
| OEM business | 81 | 79 | 74 | 90 | 86 | (5) | 5 | 321 | 329 | 2 |
| Key Ratios (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (%) | (ppt) |
| Mega We Care branded business | 65.9 | 69.0 | 66.9 | 67.0 | 67.9 | 1 | 3 | 66.2 | 67.7 | 2 |
| Maxxcare distribution business | 18.6 | 18.8 | 16.3 | 24.5 | 16.9 | (31) | (9) | 17.5 | 19.2 | 10 |
| OEM business | 40.4 | 66.6 | 63.1 | 31.9 | 52.0 | 63 | 29 | 40.7 | 40.0 | (2) |

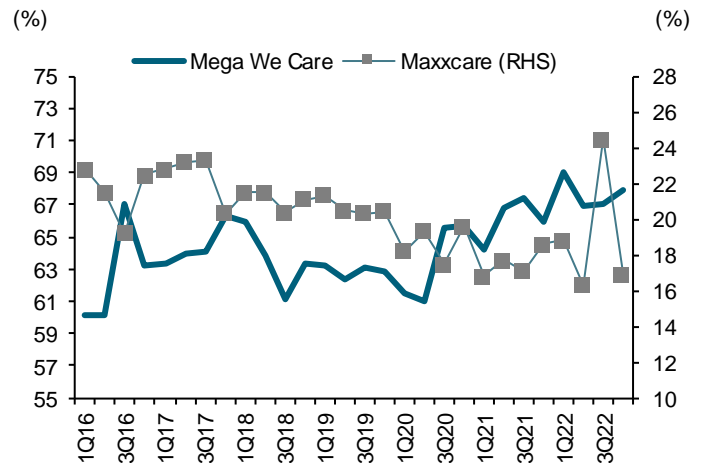
Sources: MEGA, FSSIA estimates

Exhibit 9: Revenue by business



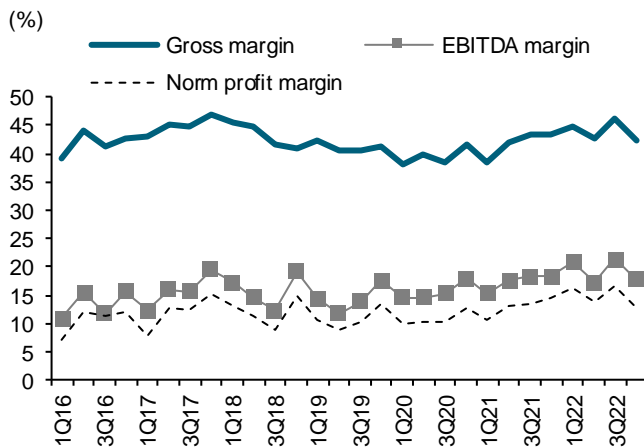
Sources: MEGA, FSSIA estimates

Exhibit 10: Gross margin by business



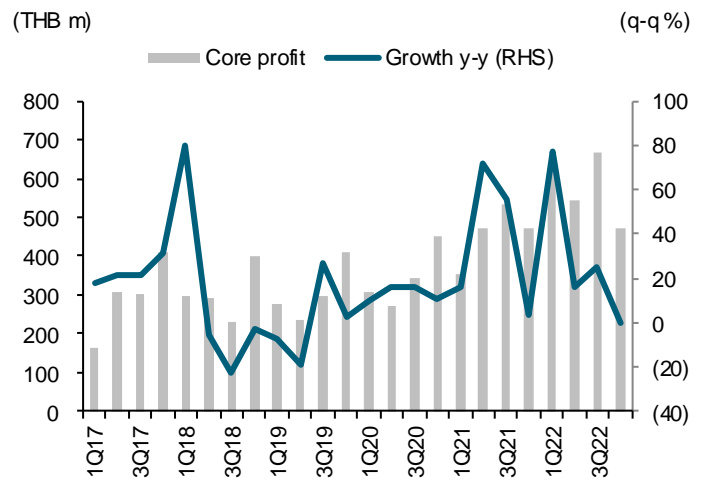
Sources: MEGA, FSSIA estimates

Exhibit 11: Margins



Sources: MEGA, FSSIA estimates

Exhibit 12: Core profit and growth

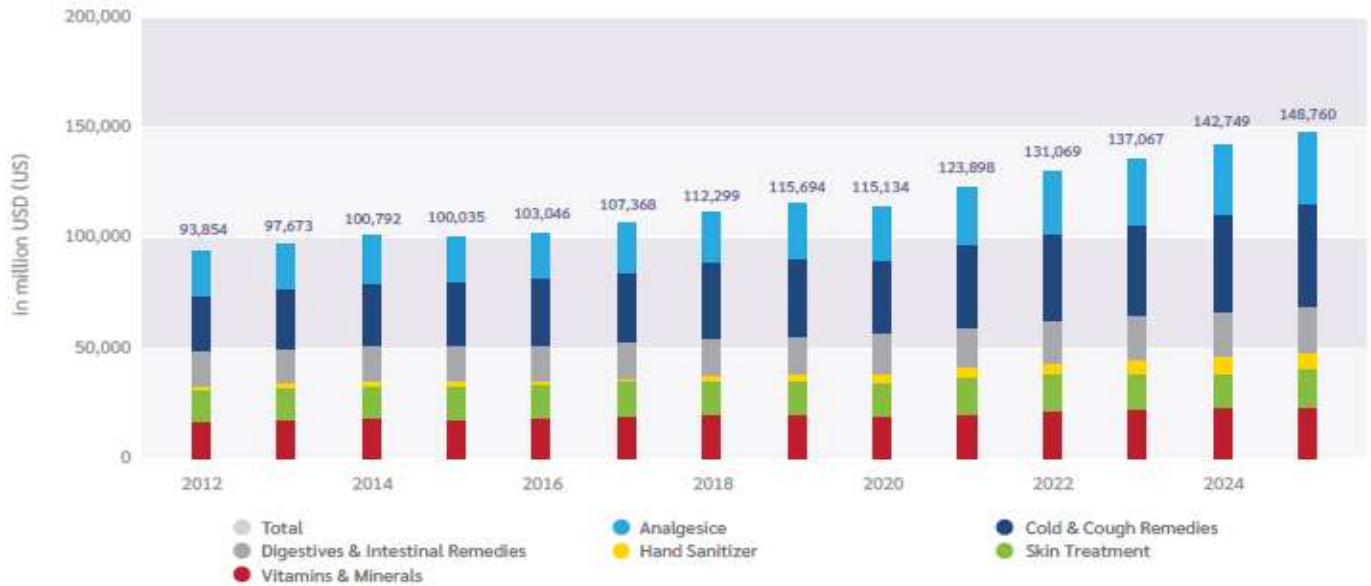


Sources: MEGA, FSSIA estimates

Growth to continue at a more moderate pace

Covid-19 has changed human behaviour and the consumer mindset in many aspects. During the pandemic, sales of vitamins and dietary supplements spiked worldwide. After the pandemic, we think growth will continue due to expanding demographics, increased health awareness, the rise of non-communicable diseases, and the growth of e-commerce or e-pharmacy channels. According to Statista, the industry is expected to grow at a 4.3% CAGR in 2022-25.

Exhibit 13: Global pharmaceutical market growth



Sources: Statista, MEGA

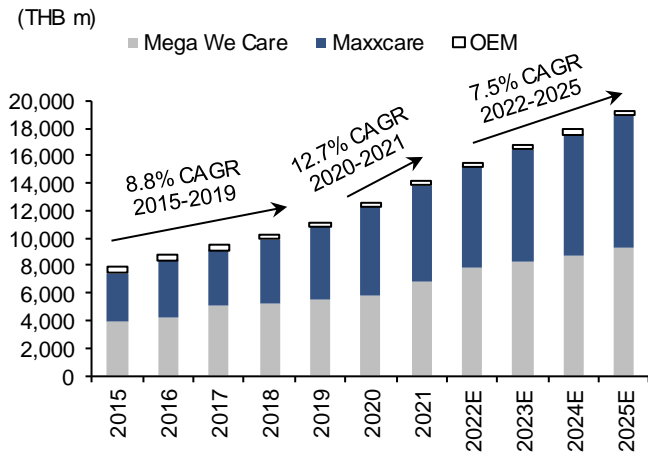
During 2015-19, MEGA’s sales revenue expanded at a moderate 8.8% CAGR, before surging to a 12.7% CAGR during the pandemic in 2020-21. After doubling its 2014 profit in 2019, management targets doubling its 2019 revenue and profit in 2025, implying THB22.3b in revenue and THB2.3b in profit, through aggressive expansion in Southeast Asia and Sub-Saharan Africa. We think Covid-19 has expedited its efforts, and our forecast sees the company reaching its profit goal in 2022.

MEGA now has more than 170 drugs in the pipeline awaiting registration and has scheduled market launches for roughly 20 new pharmaceuticals, vitamins, and supplements every year. In addition, its manufacturing plant in Indonesia – of which MEGA acquired an 83.3% stake in 2020 – can now register many medicines, including cancer drugs.

Indonesia’s pharmaceutical market is the largest in Southeast Asia with sales valued at USD7.6b in 2020. Indonesia is also one of the region’s fastest growing countries with over 278m people. Management targets sales from Indonesia of about USD30m-50m in the next 2-3 years.

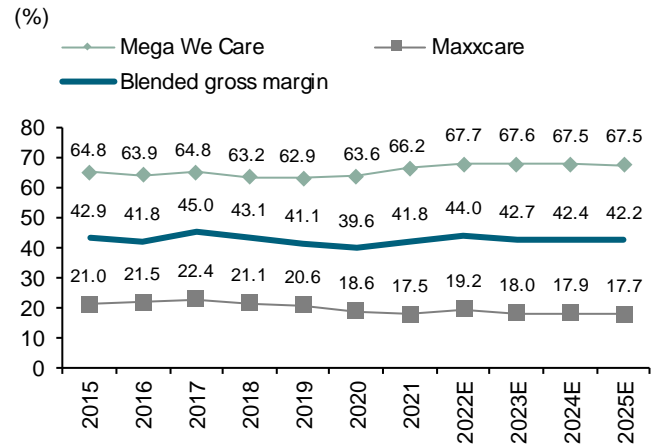
Post-pandemic, we expect its revenue to continue to rise but at a softer CAGR of 7.5% in 2022-25, owing to the high base during the Covid outbreak and a decline in stocking. We believe that the split between its branded and distribution businesses will likely be the same as in previous years, roughly 49:49, since their growth profile has been similar. We expect its gross margin to stay in a range of 42%-43% and forecast net profit to rise 3.8% y-y in 2023 and 5.5% in 2024, for a 5.4% CAGR during 2022-25.

Exhibit 14: Projected revenue



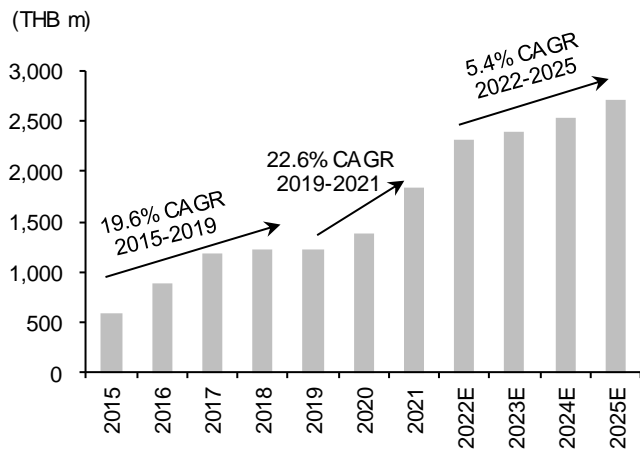
Sources: MEGA, FSSIA estimates

Exhibit 15: Gross margin by business



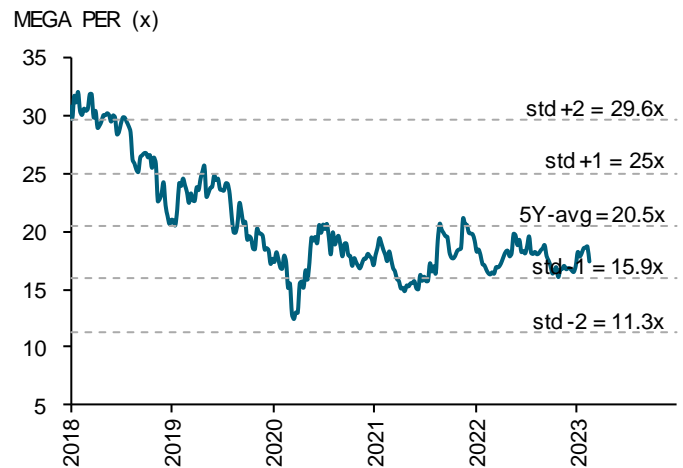
Sources: MEGA, FSSIA estimates

Exhibit 16: Core profit projection



Sources: MEGA, FSSIA estimates

Exhibit 17: Rolling one-year forward P/E band



Source: Bloomberg

Valuation

We initiate our coverage of MEGA with a BUY rating and a DCF-based TP of THB65 (8.3% WACC, 3% LTG), implying 23.6x 2023E P/E, +0.5SD of its five-year average. Its share price, currently trading at 17.3x 2023E P/E, is the lowest among its local and global peers despite the hidden value of its client-loyal brand. Although its high growth era is temporarily over, we think MEGA's long-term outlook is promising with its strong brand, diversified markets, and healthy financial status.

Exhibit 18: DCF-based valuation

| Cost of equity assumption | | (%) | Cost of debt assumption | | (%) |
|-------------------------------------|--|----------------|-------------------------|--|------|
| Risk free rate | | 3.0 | Pre-tax cost of debt | | 4.0 |
| Market risk premium | | 8.5 | Tax rate | | 20.0 |
| Stock beta | | 0.9 | | | |
| Cost of equity, Ke | | 10.9 | Cost of debt, Kd | | 1.1 |
| Weight applied | | 65.9 | Weight applied | | 34.1 |
| WACC | | 8.3 | | | |
| Terminal growth | | 3.00 | | | |
| | | (THB m) | | | |
| Sum of PV of FCF | | 17,692 | | | |
| PV of Terminal value | | 40,635 | | | |
| Enterprise value | | 58,326 | | | |
| Net debt | | (2,007) | | | |
| Equity value | | 56,620 | | | |
| No. of shares (m) | | 872 | | | |
| Equity value per share (THB) | | 64.94 | | | |

Sources: MEGA, FSSIA estimates

Exhibit 19: Peers comparison

| Company | BBG | Rec | Share price | | | Market Cap (USD m) | PE | | ROE | | PBV | | EV/EBITDA | |
|---------------------------------|-----------|-----|---------------|--------------|------------|--------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current (LCY) | Target (LCY) | Upside (%) | | 22E (x) | 23E (x) | 22E (%) | 23E (%) | 22E (x) | 23E (x) | 22E (x) | 23E (x) |
| Thailand | | | | | | | | | | | | | | |
| Mega Lifesciences | MEGA TB | BUY | 47.50 | 65.00 | 37 | 1,196 | 17.9 | 17.3 | 26.6 | 24.2 | 4.4 | 4.0 | 13.1 | 12.5 |
| Healthlead | HL TB | n/a | 25.00 | n/a | n/a | 197 | 59.3 | 47.0 | 12.7 | 14.7 | n/a | n/a | 37.1 | 30.6 |
| Interpharma | IP TB | n/a | 13.80 | n/a | n/a | 150 | 38.6 | 24.0 | 10.2 | 11.1 | 2.7 | 2.5 | 28.7 | 18.1 |
| JSP Pharmaceutical | JSP TB | n/a | 3.76 | n/a | n/a | 51 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Thailand average | | | | | | 1,594 | 38.6 | 29.4 | 16.5 | 16.7 | 3.6 | 3.2 | 26.3 | 20.4 |
| Regional | | | | | | | | | | | | | | |
| Herbalife Nutrition | HLF US | n/a | 20.43 | n/a | n/a | 2,001 | 6.2 | 6.7 | n/a | n/a | n/a | n/a | 6.4 | 6.6 |
| Abbott Laboratories | ABT US | n/a | 106.74 | n/a | n/a | 185,508 | 20.4 | 24.3 | 25.3 | 20.3 | 5.2 | 3.9 | 15.6 | 18.5 |
| Bellring Brands | BRBR US | n/a | 30.91 | n/a | n/a | 4,155 | 28.0 | 25.4 | (22.9) | (31.7) | n/a | n/a | 19.0 | 16.0 |
| Usana Health Sciences | USNA US | n/a | 62.28 | n/a | n/a | 1,196 | 19.0 | 21.9 | 15.3 | 11.8 | n/a | n/a | 7.4 | 8.0 |
| Beachbody | BODY US | n/a | 0.69 | n/a | n/a | 216 | n/a | n/a | (51.5) | n/a | 1.0 | 1.2 | n/a | n/a |
| Nature's Sunshine | NATR US | n/a | 9.88 | n/a | n/a | 189 | n/a | 54.9 | (1.3) | 2.7 | n/a | n/a | 4.7 | 5.5 |
| Pfizer | PFE US | n/a | 43.21 | n/a | n/a | 242,551 | 6.6 | 11.7 | 40.4 | 20.8 | 2.5 | 2.6 | 5.6 | 9.3 |
| AstraZeneca | AZN LN | n/a | 11,486 | n/a | n/a | 214,024 | 20.8 | 19.1 | 26.4 | 25.8 | 5.7 | 5.5 | 18.5 | 15.0 |
| Bayer AG | BAYN GR | n/a | 59.33 | n/a | n/a | 61,676 | 7.6 | 7.7 | 17.7 | 16.8 | 1.6 | 1.5 | 7.0 | 7.1 |
| Roche Holding | RO SW | n/a | 295.60 | n/a | n/a | 246,675 | 14.4 | 15.0 | 53.8 | 46.4 | 7.2 | 6.3 | 9.8 | 10.3 |
| Novartis | NOVN SW | n/a | 80.29 | n/a | n/a | 207,913 | 14.4 | 13.2 | 20.6 | 21.7 | 3.1 | 3.1 | 12.6 | 11.4 |
| JCR Pharmaceuticals | 4552 JT | n/a | 1,557.00 | n/a | n/a | 1,505 | 11.6 | 20.3 | 36.3 | 18.2 | 3.8 | 3.3 | 8.3 | 13.6 |
| China Feihe | 6186 HK | n/a | 6.68 | n/a | n/a | 7,732 | 9.7 | 8.5 | 23.6 | 23.8 | 2.2 | 1.9 | 5.9 | 5.2 |
| Health and Happiness | 1112 HK | n/a | 13.24 | n/a | n/a | 1,091 | 9.2 | 8.0 | 12.9 | 13.5 | 1.1 | 1.0 | 7.8 | 7.1 |
| Huadong Medicine | 000963 CH | n/a | 49.88 | n/a | n/a | 12,753 | 33.1 | 27.7 | 14.2 | 14.9 | 4.6 | 4.0 | 23.3 | 19.8 |
| Blackmores | BKL AU | n/a | 85.54 | n/a | n/a | 1,148 | 53.8 | 40.3 | 7.9 | 10.1 | 4.2 | 3.9 | 19.2 | 16.5 |
| Kalbe Farma | KLBF IJ | n/a | 2,300.00 | n/a | n/a | 7,111 | 31.0 | 26.9 | 16.7 | 17.4 | 5.1 | 4.6 | 21.2 | 18.5 |
| Dr.Reddy's Laboratories | DRRD IN | n/a | 4,510.35 | n/a | n/a | 9,026 | 26.1 | 19.1 | 15.3 | 18.4 | 3.8 | 3.3 | 15.7 | 11.9 |
| Glaxosmithkline Pharmaceuticals | GLXO IN | n/a | 1,242.10 | n/a | n/a | 2,603 | 34.7 | 34.2 | 34.6 | 27.4 | 8.3 | 10.3 | 24.8 | 24.5 |
| Regional average | | | | | | 1,209,073 | 20.4 | 21.4 | 15.9 | 16.4 | 3.9 | 3.8 | 12.9 | 12.5 |
| Overall average | | | | | | 1,210,667 | 23.1 | 22.5 | 15.9 | 16.4 | 3.9 | 3.7 | 14.8 | 13.6 |

Share price as of 17 Feb 2023

Sources: Bloomberg, FSSIA estimates

Corporate Governance – MEGA

Board structure

| Independent Directors (ID) | 4 of 10 board members, none is female |
|------------------------------------|----------------------------------------------------------|
| Percentage of IDs on the board | 40% |
| ID attendance at board meetings | 100% |
| ID in audit/remuneration committee | 3/3 in audit committee and 1/3 in remuneration committee |
| ID terms | Nine years and eligible for re-appointment |

Based on 2021 One Report

Additional information: Chairman of the board is an independent director

Compensation and remuneration

| | |
|-----------------------------------------------------------|---------------------------------------------|
| Directors' remuneration vs earnings/ROE/share performance | In 2021, THB9.6m vs net profit of THB1,947m |
| Changes/stability in senior management | One independent director changed in 2021 |
| Incidents of termination of senior management | None |
| Track record on insider sales | None |

Additional information:

Audit Practices

| Auditor | KPMG Phoomchai Audit Ltd. |
|--------------------------------|------------------------------------------------------------------|
| Length of service | More than five years |
| Reporting incidents | None |
| Fee track record | THB4.68m during 2020-2022 with non-audit fee of cTHB1m each year |
| Policy on change of audit firm | To review every five years |

Additional information: None

Shareholders' rights

| Practice | Activity |
|-----------------------------------------------------------|-------------------------------------------------------------------------------|
| Communication - shareholder participation in AGMs/EGMs | AGM once annually, EGM when appropriate and in accordance with SEC guidelines |
| Related party transactions | In accordance with SEC guidelines |
| Voting issues - policies, incidents of rejected proposals | None |

Additional information: None

ESG and sustainability management

MEGA is in a growing industry. Its business plays a crucial role in helping patients and communities. The company has a well-established presence and focuses on fast-growing markets in developing countries. Its success in building a strong market position in Southeast Asia and Africa demonstrates its ability to develop suitable products and effective marketing strategies.

Its revenue and profit growth, post-pandemic, is likely to slow compared with its record-shattering performance in 2020-2021. However, we think its longer-term outlook is still promising based on its strong brand, diversified markets, and healthy financial status.

| Materiality issues | Activities and practice |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operating risk | <p>Risk associated with doing business in Myanmar. Since November 1997, Myanmar was governed by the State Peace and Development Council, formerly known as the State Law and Order Restoration Council, a military-dominated regime that previously governed Myanmar from 1988 to November 1997. Although the government of Myanmar has in recent years instituted certain market-based economic and financial reforms, much of the economy remains state dominated as a result of past socialist economic initiatives. Should such reforms by the Myanmar government fail, the occurrence of such events may negatively affect MEGA's business, results of operations, financial condition and commercial opportunities in a material manner.</p> <p>The company may not be successful in introducing new products. The ongoing success and sustainable growth of our Mega We Care branded products business is its ability to develop and introduce new products into our portfolio, particularly branded generic products, through a combination of both in-house product development and procurement from third parties. As such, the success of new product candidates is highly dependent on the ability to identify reference products that provide a suitable basis for the development of a generic formulation of existing drugs, to develop these drugs in a cost-effective and timely basis, and to commercialize them successfully.</p> |
| Regulatory risk | <p>If MEGA is unable to protect its intellectual property, trademarks, and trade secrets, its business, results of operations, financial condition and commercial opportunities could be negatively affected in a material manner. As of December 31, 2021, the company had 3,407 trademark registrations. However, the process of seeking trademark protection can be lengthy and expensive, and it cannot assure that its pending trademark applications, or any trademark applications it may make in the future in respect of other products, will result in an issued trademark, or that any trademark registrations issued in the future will be able to provide with meaningful protection or commercial benefits. The scope of protection for registered trademarks may also vary across different jurisdictions.</p> <p>The company's ability to set its prices solely in accordance with market forces is restricted in Vietnam by government price limits. Prices of pharmaceutical products in Vietnam are subject to the regulation and approval of the government. Relevant government agencies in Vietnam are empowered to "inspect" and "control" prices for pharmaceutical products. The company must publicly declare the prices of its pharmaceutical products (import prices, wholesale and retail prices) prior to distribution, and submit one price dossier for approval to the Drug Administration of Vietnam ("DAV") and another for filing. If any changes in pricing are proposed to be made, the process must be re-started and a new approval obtained.</p> |

Additional information: None

Financial Statements

MEGA Lifesciences

| Profit and Loss (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 12,589 | 14,136 | 15,525 | 16,827 | 17,939 |
| Cost of goods sold | (7,347) | (7,950) | (8,425) | (9,343) | (10,012) |
| Gross profit | 5,243 | 6,185 | 7,100 | 7,484 | 7,927 |
| Other operating income | 36 | 47 | 85 | 76 | 68 |
| Operating costs | (3,299) | (3,769) | (4,177) | (4,417) | (4,682) |
| Operating EBITDA | 1,979 | 2,463 | 3,008 | 3,142 | 3,313 |
| Depreciation | (256) | (274) | (273) | (298) | (317) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 1,722 | 2,188 | 2,735 | 2,844 | 2,996 |
| Net financing costs | (72) | (28) | (28) | (23) | (17) |
| Associates | (46) | (2) | 0 | 0 | 0 |
| Recurring non-operating income | (41) | 4 | 2 | 1 | (1) |
| Non-recurring items | 18 | 119 | 2 | 0 | 0 |
| Profit before tax | 1,627 | 2,283 | 2,711 | 2,822 | 2,979 |
| Tax | (234) | (336) | (398) | (423) | (447) |
| Profit after tax | 1,393 | 1,947 | 2,313 | 2,399 | 2,532 |
| Minority interests | - | - | - | - | - |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 1,393 | 1,947 | 2,313 | 2,399 | 2,532 |
| Non-recurring items & goodwill (net) | (18) | (119) | (2) | 0 | 0 |
| Recurring net profit | 1,375 | 1,828 | 2,311 | 2,399 | 2,532 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.58 | 2.10 | 2.65 | 2.75 | 2.90 |
| Reported EPS | 1.60 | 2.23 | 2.65 | 2.75 | 2.90 |
| DPS | 0.54 | 0.86 | 1.02 | 1.06 | 1.12 |
| Diluted shares (used to calculate per share data) | 872 | 872 | 872 | 872 | 872 |
| Growth | | | | | |
| Revenue (%) | 13.1 | 12.3 | 9.8 | 8.4 | 6.6 |
| Operating EBITDA (%) | 22.6 | 24.4 | 22.2 | 4.5 | 5.4 |
| Operating EBIT (%) | 18.7 | 27.0 | 25.0 | 4.0 | 5.3 |
| Recurring EPS (%) | 13.0 | 33.0 | 26.4 | 3.8 | 5.5 |
| Reported EPS (%) | 22.3 | 39.8 | 18.8 | 3.7 | 5.5 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 39.6 | 41.8 | 44.0 | 42.7 | 42.4 |
| Gross margin of key business (%) | 39.6 | 41.8 | 44.0 | 42.7 | 42.4 |
| Operating EBITDA margin (%) | 15.7 | 17.4 | 19.4 | 18.7 | 18.5 |
| Operating EBIT margin (%) | 13.7 | 15.5 | 17.6 | 16.9 | 16.7 |
| Net margin (%) | 10.9 | 12.9 | 14.9 | 14.3 | 14.1 |
| Effective tax rate (%) | 14.4 | 14.7 | 14.7 | 15.0 | 15.0 |
| Dividend payout on recurring profit (%) | 34.3 | 41.0 | 38.5 | 38.5 | 38.5 |
| Interest cover (X) | 23.3 | 77.5 | 97.8 | 124.9 | 180.4 |
| Inventory days | 157.3 | 167.5 | 168.0 | 158.8 | 153.9 |
| Debtor days | 78.3 | 70.9 | 73.0 | 75.4 | 74.1 |
| Creditor days | 131.6 | 145.1 | 147.8 | 126.2 | 109.4 |
| Operating ROIC (%) | 30.9 | 40.7 | 46.6 | 39.5 | 37.0 |
| ROIC (%) | 21.6 | 27.5 | 31.8 | 28.4 | 27.4 |
| ROE (%) | 20.9 | 24.4 | 26.6 | 24.2 | 23.4 |
| ROA (%) | 12.9 | 14.9 | 17.0 | 16.5 | 16.9 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Mega We Care | 5,848 | 6,909 | 7,793 | 8,261 | 8,748 |
| Maxxcare | 6,502 | 6,906 | 7,403 | 8,218 | 8,818 |
| OEM | 239 | 320 | 329 | 348 | 373 |

Sources: MEGA Lifesciences; FSSIA estimates

Financial Statements

MEGA Lifesciences

| Cash Flow (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|--------------------------------------------------------------------------------------------------------------------------|----------------|----------------|---------------|----------------|----------------|
| Recurring net profit | 1,375 | 1,828 | 2,311 | 2,399 | 2,532 |
| Depreciation | 256 | 274 | 273 | 298 | 317 |
| Associates & minorities | 46 | 2 | 0 | 0 | 0 |
| Other non-cash items | 364 | 252 | 276 | (19) | (307) |
| Change in working capital | (405) | 210 | (1,587) | (1,005) | (1,252) |
| Cash flow from operations | 1,635 | 2,566 | 1,273 | 1,672 | 1,290 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (234) | (161) | (552) | (410) | (310) |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | (416) | (22) | 0 | 0 | 0 |
| Cash flow from investing | (650) | (183) | (552) | (410) | (310) |
| Dividends paid | (670) | (750) | (890) | (924) | (975) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | (488) | (291) | 44 | (149) | (27) |
| Other financing cash flows | (65) | (28) | (28) | (23) | (17) |
| Cash flow from financing | (1,222) | (1,069) | (875) | (1,096) | (1,018) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 3 | 0 | 0 |
| Net other adjustments | 0 | 0 | 3 | 0 | 0 |
| Movement in cash | (238) | 1,314 | (151) | 167 | (39) |
| Free cash flow to firm (FCFF) | 1,057.14 | 2,411.31 | 748.65 | 1,285.15 | 996.41 |
| Free cash flow to equity (FCFE) | 432.67 | 2,063.62 | 739.30 | 1,090.40 | 936.00 |
| Per share (THB) | | | | | |
| FCFF per share | 1.21 | 2.77 | 0.86 | 1.47 | 1.14 |
| FCFE per share | 0.50 | 2.37 | 0.85 | 1.25 | 1.07 |
| Recurring cash flow per share | 2.34 | 2.70 | 3.28 | 3.07 | 2.92 |
| Balance Sheet (THB m) Year Ending Dec | | | | | |
| Tangible fixed assets (gross) | 3,731 | 3,845 | 4,397 | 4,807 | 5,117 |
| Less: Accumulated depreciation | (1,780) | (2,008) | (2,281) | (2,579) | (2,897) |
| Tangible fixed assets (net) | 1,951 | 1,837 | 2,116 | 2,228 | 2,221 |
| Intangible fixed assets (net) | 1,312 | 1,353 | 1,437 | 1,498 | 1,456 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 194 | 215 | 215 | 215 | 215 |
| Cash & equivalents | 1,218 | 2,531 | 2,381 | 2,547 | 2,509 |
| A/C receivable | 2,684 | 2,808 | 3,403 | 3,550 | 3,735 |
| Inventories | 3,475 | 3,823 | 3,932 | 4,200 | 4,245 |
| Other current assets | 244 | 139 | 177 | 192 | 205 |
| Current assets | 7,620 | 9,301 | 9,893 | 10,489 | 10,693 |
| Other assets | 512 | 566 | 580 | 590 | 587 |
| Total assets | 11,590 | 13,272 | 14,241 | 15,020 | 15,172 |
| Common equity | 6,958 | 8,003 | 9,367 | 10,442 | 11,179 |
| Minorities etc. | 21 | 22 | 23 | 23 | 24 |
| Total shareholders' equity | 6,979 | 8,025 | 9,390 | 10,466 | 11,203 |
| Long term debt | 111 | 132 | 96 | 79 | 63 |
| Other long-term liabilities | 238 | 261 | 233 | 236 | 179 |
| Long-term liabilities | 349 | 393 | 329 | 314 | 243 |
| A/C payable | 2,788 | 3,533 | 3,289 | 3,170 | 2,830 |
| Short term debt | 536 | 224 | 304 | 172 | 160 |
| Other current liabilities | 937 | 1,096 | 929 | 898 | 736 |
| Current liabilities | 4,262 | 4,853 | 4,522 | 4,240 | 3,726 |
| Total liabilities and shareholders' equity | 11,590 | 13,272 | 14,241 | 15,020 | 15,172 |
| Net working capital | 2,677 | 2,141 | 3,294 | 3,874 | 4,619 |
| Invested capital | 6,647 | 6,111 | 7,642 | 8,405 | 9,097 |
| * Includes convertibles and preferred stock which is being treated as debt | | | | | |
| Per share (THB) | | | | | |
| Book value per share | 7.98 | 9.18 | 10.74 | 11.98 | 12.82 |
| Tangible book value per share | 6.47 | 7.63 | 9.10 | 10.26 | 11.15 |
| Financial strength | | | | | |
| Net debt/equity (%) | (8.2) | (27.1) | (21.1) | (21.9) | (20.4) |
| Net debt/total assets (%) | (4.9) | (16.4) | (13.9) | (15.3) | (15.1) |
| Current ratio (x) | 1.8 | 1.9 | 2.2 | 2.5 | 2.9 |
| CF interest cover (x) | 10.2 | 79.7 | 47.2 | 66.9 | 76.1 |
| Valuation | | | | | |
| Recurring P/E (x) * | 30.1 | 22.7 | 17.9 | 17.3 | 16.4 |
| Recurring P/E @ target price (x) * | 41.2 | 31.0 | 24.5 | 23.6 | 22.4 |
| Reported P/E (x) | 29.7 | 21.3 | 17.9 | 17.3 | 16.4 |
| Dividend yield (%) | 1.1 | 1.8 | 2.2 | 2.2 | 2.4 |
| Price/book (x) | 6.0 | 5.2 | 4.4 | 4.0 | 3.7 |
| Price/tangible book (x) | 7.3 | 6.2 | 5.2 | 4.6 | 4.3 |
| EV/EBITDA (x) ** | 20.7 | 15.9 | 13.1 | 12.5 | 11.8 |
| EV/EBITDA @ target price (x) ** | 28.4 | 22.1 | 18.2 | 17.3 | 16.4 |
| EV/invested capital (x) | 6.1 | 6.4 | 5.2 | 4.7 | 4.3 |
| * Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income | | | | | |

Sources: MEGA Lifesciences; FSSIA estimates

Corporate Governance report of Thai listed companies 2022

| EXCELLENT LEVEL – Score range 90-100 | | | | | | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
| AAV | BAM | CIMBT | ECL | HENG | LALIN | NEP | PRG | SCC | SPRC | THRE | TTW |
| ADVANC | BANPU | CK | EE | HMPRO | LANNA | NER | PRM | SCCC | SPVI | THREL | TU |
| AF | BAY | CKP | EGCO | ICC | LHFG | NKI | PSH | SCG | SSC | TIPCO | TVDH |
| AH | BBIK | CM | EPG | ICHI | LIT | NOBLE | PSL | SCGP | SSSC | TISCO | TVI |
| AIRA | BBL | CNT | ETC | III | LOXLEY | NSI | PTG | SCM | SST | TK | TVO |
| AJ | BCP | COLOR | ETE | ILINK | LPN | NVD | PTT | SCN | STA | TKN | TWPC |
| AKP | BCPG | COM7 | FN | ILM | LRH | NYT | PTTEP | SDC | STEC | TKS | UAC |
| AKR | BDM5 | COMAN | FNS | IND | LST | OISHI | PTTGC | SEAFCO | STGT | TKT | UBIS |
| ALLA | BEM | COTTO | FPI | INTUCH | MACO | OR | PYLON | SEAOIL | STI | TMILL | UPOIC |
| ALT | BEYOND | CPALL | FPT | IP | MAJOR | ORI | Q-CON | SE-ED | SUN | TMT | UV |
| AMA | BGC | CPF | FSMART | IRC | MAKRO | OSP | QH | SELIC | SUSCO | TNDT | VCOM |
| AMARIN | BGRIM | CPI | FVC | IRPC | MALEE | OTO | QTC | SENA | SUTHA | TNITY | VGI |
| AMATA | BIZ | CPN | GC | ITEL | MBK | PAP | RABBIT | SENAJ | TOA | TOA | VIH |
| AMATAV | BKI | CRC | GEL | IVL | MC | PCSGH | RATCH | SGF | SYMC | TOP | WACOAL |
| ANAN | BOL | CSS | GFPT | JTS | MCOT | PDG | RBF | SHR | SYNTEC | TPBI | WAVE |
| AOT | BPP | DDD | GGC | JWD | METCO | PDJ | RS | SICT | TACC | TQM | WHA |
| AP | BRR | DELTA | GLAND | K | MFEC | PG | S | SIRI | TASCO | TRC | WHAUP |
| APURE | BTS | DEMCO | GLOBAL | KBANK | MINT | PHOL | S&J | SIS | TCAP | TRUE | WICE |
| ARIP | BTW | DOHOME | GPI | KCE | MONO | PLANB | SAM | SITHAI | TEAMG | TSC | WINNER |
| ASP | BWG | DRT | GPSC | KEX | MOONG | PLANET | SABINA | SMPC | TFMAMA | TSR | XPG |
| ASW | CENDEL | DTAC | GRAMMY | KGI | MSC | PLAT | SAMART | SNC | THANA | TSTE | ZEN |
| AUCT | CFRESH | DUSIT | GULF | KKP | MST | PORT | SAMTEL | SONIC | THANI | TSTH | |
| AWC | CGH | EA | GUNKUL | KSL | MTC | PPS | SAT | SORKON | THCOM | TTA | |
| AYUD | CHEWA | EASTW | HANA | KTB | MVP | PR9 | SC | SPALI | TTB | TTB | |
| BAFS | CHO | ECF | HARN | KTC | NCL | PREB | SCB | SPI | THIP | TTCL | |

| VERY GOOD LEVEL – Score range 80-89 | | | | | | | | | | | |
|-------------------------------------|--------|--------|-------|--------|--------|--------|-------|--------|--------|-------|--------|
| 2S | ASIMAR | CHOTI | ESSO | INSURE | LH | NRF | PROEN | SCI | SR | TMC | UMI |
| 7UP | ASK | CHOW | ESTAR | IRCP | LHK | NTV | PROS | SCP | SRICHA | TMD | UOBKH |
| ABM | ASN | CI | FE | IT | M | NUSA | PROUD | SE | SSF | TMI | UP |
| ACE | ATP30 | CIG | FLOYD | ITD | MATCH | NWR | PSG | SECURE | SSP | TNL | UPF |
| ACG | B | CITY | FORTH | J | MBAX | OCC | PSTC | SFLEX | STANLY | TNP | UTP |
| ADB | BA | CIVIL | FSS | JAS | MEGA | OGC | PT | SFP | STC | TNR | VIBHA |
| ADD | BC | CMC | FTE | JCK | META | ONEE | PTC | SFT | STPI | TOG | VL |
| AEONTS | BCH | CPL | GBX | JCKH | MFC | PACO | QLT | SGP | SUC | TPA | VPO |
| AGE | BE8 | CPW | GCAP | JMT | MGT | PATO | RCL | SIAM | SVOA | TPAC | VRANDA |
| AHC | BEC | CRANE | GENCO | JR | MICRO | PB | RICHY | SINGER | SVT | TPCS | WGE |
| AIE | BH | CRD | GJS | KBS | MILL | PICO | RJH | SKE | SWC | TPIPL | WIK |
| AIT | BIG | CSC | GTB | KCAR | MITSIB | PIMO | ROJNA | SKN | SYNEX | TPIPP | WIN |
| ALUCON | BJC | CSP | GYT | KGEN | MK | PIN | RPC | SKR | TAE | TPLAS | WINMED |
| AMANAH | BJCHI | CV | HEMP | KIAT | MODERN | PJW | RT | SKY | TAKUNI | TPS | WORK |
| AMR | BLA | CWT | HPT | KISS | MTI | PL | RWI | SLP | TCC | TQR | WP |
| APCO | BR | DCC | HTC | KK | NATION | PLE | S11 | SMART | TCMC | TRITN | XO |
| APCS | BRI | DHOUSE | HUMAN | KOOL | NCAP | PM | SA | SMD | TFG | TRT | YUASA |
| AQUA | BROOK | DITTO | HYDRO | KTIS | NCH | PMTA | SABUY | SMT | TFI | TRU | ZIGA |
| ARIN | BSM | DMT | ICN | KUMWEL | NDR | PPP | SAK | SMT | TFM | TRV | |
| ARROW | BYD | DOD | IFS | KUN | NETBAY | PPPM | SALEE | SNNP | TGH | TSE | |
| AS | CBG | DPAINT | IIG | KWC | NEX | PRAPAT | SAMCO | SNP | TIDLOR | TVT | |
| ASAP | CEN | DV8 | IMH | KWM | NINE | PRECHA | SANKO | SO | TIGER | TWP | |
| ASEFA | CHARAN | EASON | INET | L&E | NNCL | PRIME | SAPPE | SPA | TIPH | UBE | |
| ASIA | CHAYO | EFORL | INGRS | LDC | NOVA | PRIN | SAWAD | SPC | TITLE | UEC | |
| ASIAN | CHG | ERW | INSET | LEO | NPK | PRINC | SCAP | SPCG | TM | UKEM | |

| GOOD LEVEL – Score range 70-79 | | | | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|-------|--------|-------|-------|-------|------|
| A | BEAUTY | CMAN | EMC | HL | KWI | MORE | PF | RSP | SUPER | TOPP | VARO |
| A5 | BGT | CMO | EP | HTECH | KYE | MPIC | PK | SIMAT | TC | TPCH | W |
| AI | BLAND | CMR | EVER | IHL | LEE | MUD | PPM | SISB | TCCC | TPOLY | WFX |
| ALL | BM | CPANEL | F&D | INOX | LPH | NC | PRAKIT | SK | TCJ | TRUBB | WPH |
| ALPHAX | BROCK | CPT | FMT | JAK | MATI | NEWS | PTECH | SOLAR | TEAM | TTI | YGG |
| AMC | BSBM | CSR | GIFT | JMART | M-CHAI | NFC | PTL | SPACK | THE | TYCN | |
| APP | BTNC | CTW | GLOCON | JSP | MCS | NSL | RAM | SPG | THMUI | UMS | |
| AQ | CAZ | D | GLORY | JUBILE | MDX | NV | ROCK | SQ | TKC | UNIQ | |
| AU | CCP | DCON | GREEN | KASET | MENA | PAF | RP | STARK | TNH | UPA | |
| B52 | CGD | EKH | GSC | KCM | MJD | PEACE | RPH | STECH | TNPC | UREKA | |

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|
| 2S | BCPG | CPI | GCAP | JR | MCOT | PHOL | RABBIT | SNC | THANI | TTCL |
| 7UP | BE8 | CPL | GEL | K | META | PK | RATCH | SNP | THCOM | TU |
| ADVANC | BEC | CPN | GFPT | KASET | MFC | PL | RML | SORKON | THIP | TVDH |
| AF | BEYOND | CRC | GGC | KBANK | MFEC | PLANB | RWI | SPACK | THRE | TVI |
| AI | BGC | CSC | GJS | KBS | MILL | PLANET | S&J | SPALI | THREL | TVO |
| AIE | BGRIM | DCC | GPI | KCAR | MINT | PLAT | SAAM | SPC | TIDLOR | TWPC |
| AIRA | BKI | DELTA | GPSC | KCE | MONO | PM | SABINA | SPI | TIPCO | UBE |
| AJ | BLA | DEMCO | GSTEEL | KGEN | MOONG | PPP | SAPPE | SPRC | TISCO | UBIS |
| AKP | BPP | DIMET | GULF | KGI | MSC | PPPM | SAT | SRICHA | TKS | UEC |
| AMA | BROOK | DRT | GUNKUL | KKP | MST | PPS | SC | SSF | TKT | UKEM |
| AMANAHA | BRR | DTAC | HANA | KSL | MTC | PR9 | SCB | SSP | TMILL | UOBKH |
| AMATA | BSBM | DUSIT | HARN | KTB | MTI | PREB | SCC | SSSC | TMT | UPF |
| AMATAV | BTS | EA | HEMP | KTC | NEP | PRG | SCCC | SST | TNITY | UV |
| AP | BWG | EASTW | HENG | KWI | NINE | PRINC | SCG | STA | TNL | VGI |
| APCS | CEN | EGCO | HMPRO | L&E | NKI | PRM | SCGP | STGT | TNP | VIH |
| AS | CENTEL | EP | HTC | LANNA | NOBLE | PROS | SCM | STOWER | TNR | WACOAL |
| ASIAN | CFRESH | EPG | ICC | LH | NOK | PSH | SCN | SUSCO | TOG | WHA |
| ASK | CGH | ERW | ICHI | LHFG | NSI | PSL | SEAOIL | SVI | TOP | WHAUP |
| ASP | CHEWA | ESTAR | IFS | LHK | NWR | PSTC | SE-ED | SYMC | TOPP | WICE |
| AWC | CHOTI | ETE | III | LPN | OCC | PT | SELIC | SYNTEC | TPA | WIIK |
| AYUD | CHOW | FE | ILINK | LRH | OGC | PTG | SENA | TAE | TPCS | XO |
| B | CIG | FNS | INET | M | ORI | PTT | SGP | TAKUNI | TPP | YUASA |
| BAFS | CIMBT | FPI | INSURE | MAJOR | PAP | PTTEP | SINGER | TASCO | TRU | ZEN |
| BAM | CM | FPT | INTUCH | MAKRO | PATO | PTTGC | SIRI | TCAP | TRUE | ZIGA |
| BANPU | CMC | FSMART | IRC | MALEE | PB | PYLON | SITHAI | TCMC | TSC | |
| BAY | COM7 | FSS | IRPC | MATCH | PCSGH | Q-CON | SKR | TFG | TSTE | |
| BBL | COTTO | FTE | ITEL | MBAX | PDG | QH | SMIT | TFI | TSTH | |
| BCH | CPALL | GBX | IVL | MBK | PDJ | QLT | SMK | TFMAMA | TTA | |
| BCP | CPF | GC | JKN | MC | PG | QTC | SMPC | TGH | TTB | |
| DECLARED | | | | | | | | | | |
| AH | CHG | DHOUSE | EVER | J | KUMWEL | NRF | RS | SUPER | TQM | VIBHA |
| ALT | CI | DOHOME | FLOYD | JMART | LDC | NUSA | SAK | SVT | TRT | W |
| APCO | CPR | ECF | GLOBAL | JMT | MEGA | OR | SIS | TKN | TSI | WIN |
| ASW | CPW | EKH | ILM | JTS | NCAP | PIMO | SSS | TMD | VARO | |
| B52 | DDD | ETC | INOX | KEX | NOVA | PLE | STECH | TMI | VCOM | |

| Level | |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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| Company | Ticker | Price | Rating | Valuation & Risks |
|-------------------|---------|-----------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MEGA Lifesciences | MEGA TB | THB 47.50 | BUY | Downside risks to our DCF-based TP include 1) registration process delays in many countries; 2) more intense competition; 3) failures in introducing new products; and 4) risks associated with doing business in Myanmar. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 17-Feb-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.