

MEGA LIFESCIENCES

THAILAND / COMMERCE

MEGA TB

BUY

UNCHANGED

Undemanding valuation

- Pharmaceutical drug demand is on the rise due to the need to treat chronic diseases.
- MEGA has 175 health products in the pipeline, most of which are pharmaceutical drugs awaiting registration.
- Maintain BUY, TP unchanged.

TARGET PRICE	THB65.00
CLOSE	THB41.75
UP/DOWNSIDE	+55.7%
PRIOR TP	THB65.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+14.7%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,686	16,827	17,939	19,304
Net profit	2,242	2,397	2,529	2,701
EPS (THB)	2.57	2.75	2.90	3.10
vs Consensus (%)	-	1.3	0.9	(6.3)
EBITDA	3,033	3,131	3,297	3,542
Core net profit	2,380	2,397	2,529	2,701
Core EPS (THB)	2.73	2.75	2.90	3.10
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	30.2	0.7	5.5	6.8
Core P/E (x)	15.3	15.2	14.4	13.5
Dividend yield (%)	2.0	2.2	2.3	2.4
EV/EBITDA (x)	11.2	10.8	10.1	9.4
Price/book (x)	4.1	3.7	3.4	3.2
Net debt/Equity (%)	(27.0)	(27.6)	(28.6)	(27.5)
ROE (%)	28.4	25.9	24.9	24.6

Demand for pharmaceutical drugs is on the rise

MEGA's share price slumped 20% from its latest high in February 2023 to hit a fresh one-year low, declining as the Covid outbreak subsides, like other pharma and Covid vaccine stocks globally. Its branded business segment was one of those names benefiting from the unusual spike in demand for immunity products during the pandemic. The branded business, which accounted for 51% of total revenue in 2022, consists of approximately 60% nutraceutical products and 40% pharmaceutical and over-the-counter products. Demand for nutraceutical products in 2023 may be soft, but pharmaceutical drug demand is on the rise due to the need to treat chronic diseases.

New non-Covid-related products awaiting launches

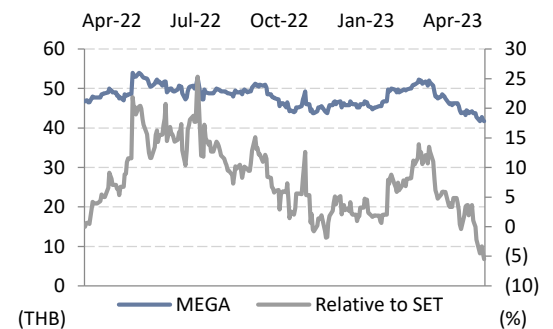
Currently, the company has 175 health products in the pipeline, most of which are pharmaceutical drugs, and more than 150 products awaiting registration. The company has scheduled market launches for roughly 23 new pharmaceuticals in 2023. In addition, its manufacturing plant in Indonesia – of which MEGA acquired an 83.3% stake in 2020 – can now register many medicines, including cancer drugs.

Projection maintained

After the 31% CAGR surge in core profit during 2020-22, we expect its revenue and profit to continue to rise, but at a softer CAGR of 7.1% and 6.1%, respectively, in 2023-25. MEGA made a net profit of THB540m in 4Q22, when the healthcare/policy situations in many countries returned to normal after the impact from Covid-19 diminished. Given that, we think our net profit forecast of THB2.4b in 2023, +7% y-y, should be achievable.

Maintain BUY, TP unchanged

MEGA's share price is currently trading at 15.2x 2023E P/E, falling from its peak of 19.1x in February 2023, and is the lowest among local and global peers. We maintain our forecast and DCF-based TP of THB65 (8.3% WACC, 3% LTG), implying 23.6x 2023E P/E, +0.5SD of its five-year average. We maintain our BUY call.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.2)	(10.7)	(8.2)
Relative to country (%)	(9.4)	(6.8)	(3.0)
Mkt cap (USD m)	1,065		
3m avg. daily turnover (USD m)	4.3		
Free float (%)	40		
Major shareholder	Unistretch Co Ltd (50%)		
12m high/low (THB)	55.25/41.50		
Issued shares (m)	871.87		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

MEGA's share price slumped 20% from its latest high in February 2023 to hit a fresh one-year low, declining as the Covid outbreak subsides, like other pharma and Covid vaccine stocks globally. Its branded business segment was one of those names benefiting from the unusual spike in demand for immunity products during the pandemic. Although demand for nutraceutical products in 2023 may be soft, pharmaceutical drug demand is on the rise due to the need to treat chronic diseases. MEGA made a net profit of THB540m in 4Q22, when the healthcare/policy situations in many countries returned to normal after the impact from Covid-19 diminished. Given that, we think our net profit forecast of THB2.4b in 2023, +7% y-y, should be achievable.

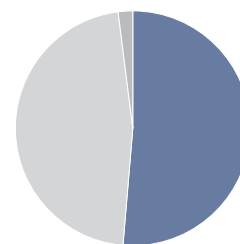
Company profile

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, 2022)

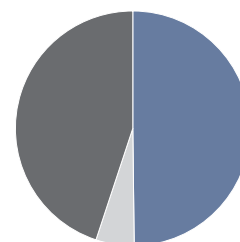
- Mega We Care - 51.3 %
- Maxxcare - 46.7 %
- OEM - 2.0 %



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) failure in introducing new products; and 4) risks associated with doing business in Myanmar.

Event calendar

Date	Event
5 April 2023	Annual General Meeting of shareholders
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Mega We Care	8,261	8,748	9,361
Growth	6.0	5.9	7.0
Gross margin	67.6	67.5	67.5
Maxxcare	8,218	8,818	9,541
Growth	11.0	7.3	8.2
Gross margin	18.0	17.9	17.7
SG&A to sales (%)	26.3	26.1	25.8

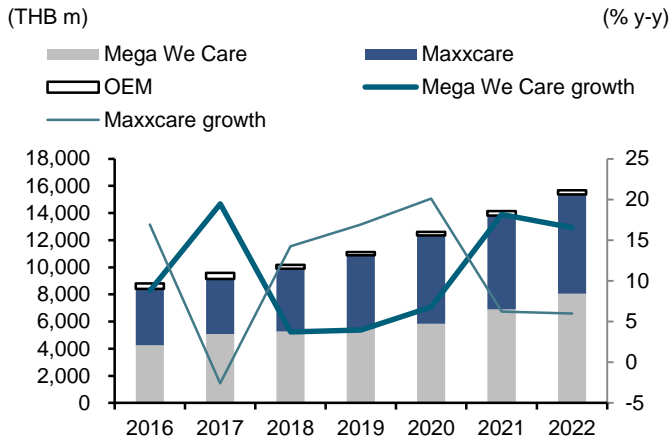
Source: FSSIA estimates

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.

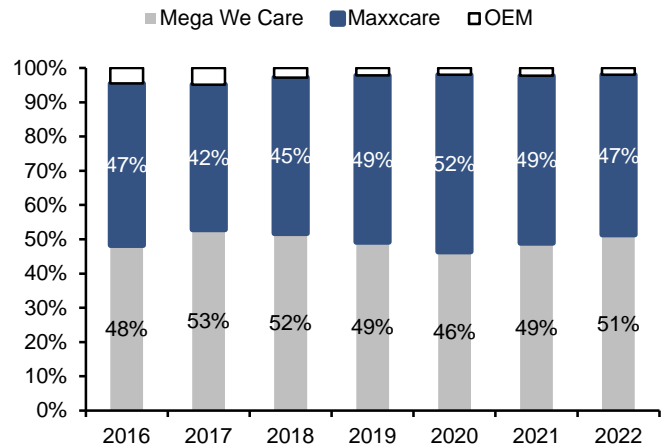
Source: FSSIA estimates

Exhibit 1: Revenue structure and growth



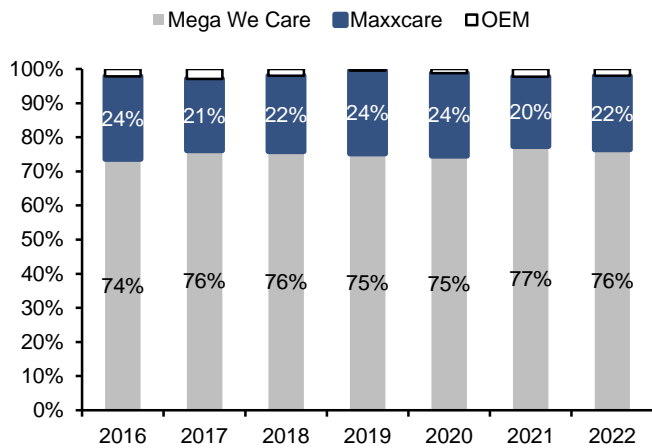
Sources: MEGA

Exhibit 2: Revenue proportion by product



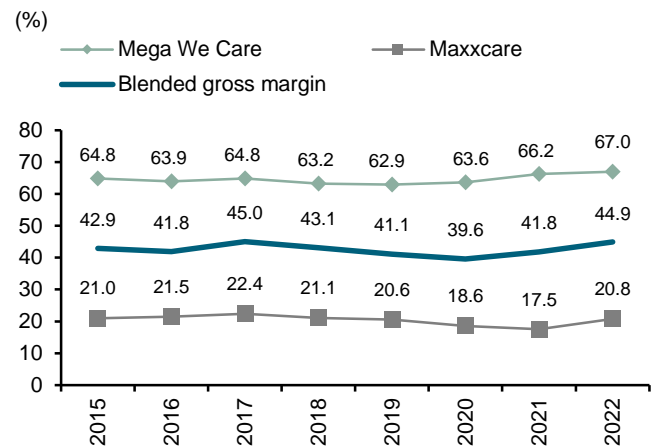
Sources: MEGA

Exhibit 3: Gross profit by product



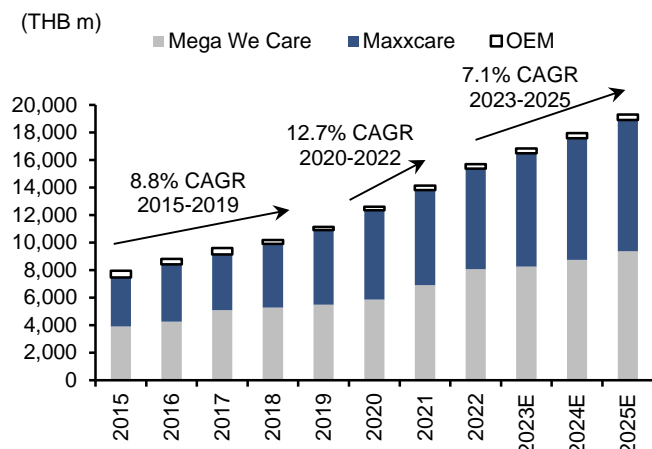
Sources: MEGA, FSSIA estimates

Exhibit 4: Gross margins



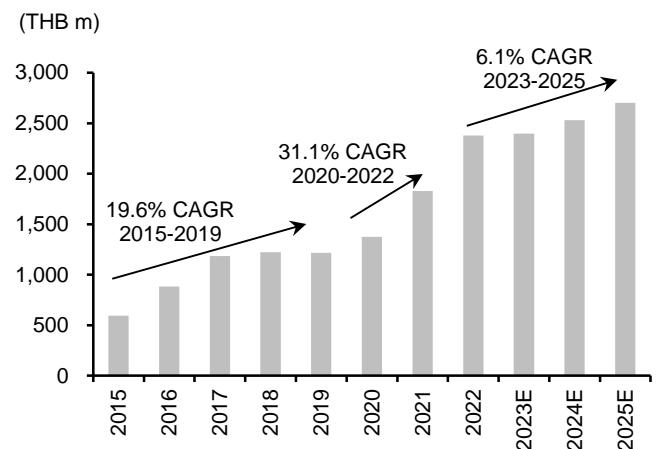
Sources: MEGA, FSSIA estimates

Exhibit 5: Revenue



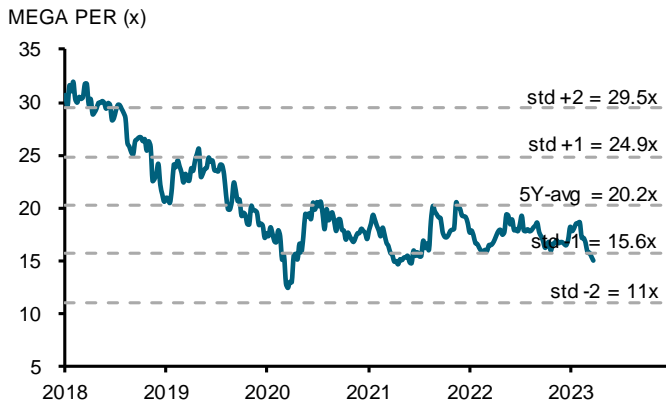
Sources: MEGA, FSSIA estimates

Exhibit 6: Core profit



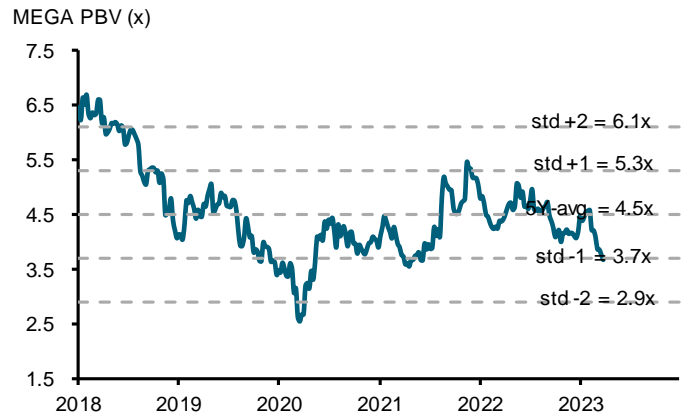
Sources: MEGA, FSSIA estimates

Exhibit 7: Historical P/E band



Sources: MEGA, FSSIA estimates

Exhibit 8: Historical P/BV band



Sources: MEGA, FSSIA estimates

Exhibit 9: Peer comparisons as of 31 March 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
Mega Lifesciences	MEGA TB	BUY	41.75	65.00	56	1,065	15.2	14.4	25.9	24.9	3.7	3.4	10.8	10.1
Healthlead	HL TB	n/a	21.30	n/a	n/a	169	40.2	28.8	14.7	18.6	n/a	n/a	26.1	19.2
Interpharma	IP TB	n/a	12.70	n/a	n/a	138	26.5	20.2	8.4	10.4	2.1	1.9	23.4	17.7
JSP Pharmaceutical	JSP TB	n/a	4.20	n/a	n/a	56	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Thailand average						1,428	27.3	21.1	16.3	18.0	2.9	2.7	20.1	15.7
Regional														
Herbalife Nutrition	HLF US	n/a	16.10	n/a	n/a	1,590	5.6	4.5	n/a	n/a	n/a	n/a	6.1	5.5
Abbott Laboratories	ABT US	n/a	101.26	n/a	n/a	175,984	23.0	21.0	19.4	20.1	3.9	3.8	17.8	16.1
Bellring Brands	BRBR US	n/a	34.00	n/a	n/a	4,570	27.9	23.3	(31.7)	(47.3)	n/a	n/a	17.2	15.5
Usana Health Sciences	USNA US	n/a	62.90	n/a	n/a	1,214	22.1	19.2	11.8	12.9	n/a	n/a	8.2	7.5
Beachbody	BODY US	n/a	0.48	n/a	n/a	151	n/a	n/a	(27.4)	n/a	0.8	0.9	n/a	11.9
Natures Sunshine	NATR US	n/a	10.21	n/a	n/a	195	36.5	17.0	3.8	9.1	1.3	n/a	3.8	3.8
Pfizer	PFE US	n/a	40.80	n/a	n/a	230,292	11.7	10.7	18.3	18.9	2.5	2.4	9.9	9.3
Astrazeneca	AZN LN	n/a	11,232.00	n/a	n/a	214,951	19.2	16.1	25.9	28.5	5.5	4.9	14.9	12.7
Bayer AG	BAYN GR	n/a	58.57	n/a	n/a	62,541	8.0	7.5	15.2	15.0	1.4	1.3	7.0	6.5
Roche Holding	RO SW	n/a	275.00	n/a	n/a	232,736	14.2	12.9	46.9	43.1	6.2	5.2	9.9	9.2
Novartis	NOVN SW	n/a	83.76	n/a	n/a	208,756	13.9	12.9	22.1	23.6	3.3	3.0	11.4	10.7
JCR Pharmaceuticals	4552 JT	n/a	1,413.00	n/a	n/a	1,405	21.1	22.2	16.1	13.7	3.1	2.8	13.5	14.4
China Feihe	6186 HK	n/a	5.89	n/a	n/a	6,827	8.0	7.3	22.0	21.6	1.7	1.5	5.2	4.7
Health and Happiness	1112 HK	n/a	13.14	n/a	n/a	1,041	8.6	6.9	12.7	14.8	1.1	1.0	7.1	6.5
Huadong Medicine	000963 CH	n/a	46.34	n/a	n/a	11,976	26.3	21.3	14.8	15.6	3.8	3.3	18.8	15.6
Blackmores	BKL AU	n/a	70.32	n/a	n/a	920	32.5	26.6	10.4	12.1	3.2	3.0	14.6	12.4
Kalbe Farma	KLBF IJ	n/a	2,100.00	n/a	n/a	6,512	24.8	21.9	17.3	17.7	4.2	3.8	16.8	15.1
Dr.Reddy's Laboratories	DRRD IN	n/a	4,622.75	n/a	n/a	9,374	19.5	18.0	18.5	17.2	3.4	2.9	12.4	11.4
Gloxosmithkline Pharmaceuticals	GLXO IN	n/a	1,324.75	n/a	n/a	2,733	35.8	34.9	27.2	33.4	10.7	9.8	26.0	25.3
Regional average						1,173,766	19.9	16.9	13.5	15.9	3.5	3.3	12.3	11.3
Overall average						1,175,193	21.0	17.5	13.9	16.2	3.4	3.2	13.4	11.9

Sources: Bloomberg; FSSIA estimates

Financial Statements

MEGA Lifesciences

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	14,136	15,686	16,827	17,939	19,304
Cost of goods sold	(7,950)	(8,375)	(9,354)	(10,028)	(10,850)
Gross profit	6,185	7,312	7,473	7,911	8,454
Other operating income	47	80	76	68	68
Operating costs	(3,769)	(4,359)	(4,417)	(4,682)	(4,980)
Operating EBITDA	2,463	3,033	3,131	3,297	3,542
Depreciation	(274)	(272)	(287)	(301)	(311)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,188	2,761	2,844	2,996	3,231
Net financing costs	(28)	(29)	(25)	(19)	(15)
Associates	(2)	0	0	0	0
Recurring non-operating income	4	2	0	(1)	0
Non-recurring items	119	(138)	0	0	0
Profit before tax	2,283	2,596	2,820	2,976	3,215
Tax	(336)	(355)	(423)	(447)	(514)
Profit after tax	1,947	2,242	2,397	2,529	2,701
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,947	2,242	2,397	2,529	2,701
Non-recurring items & goodwill (net)	(119)	138	0	0	0
Recurring net profit	1,828	2,380	2,397	2,529	2,701
Per share (THB)					
Recurring EPS *	2.10	2.73	2.75	2.90	3.10
Reported EPS	2.23	2.57	2.75	2.90	3.10
DPS	0.86	0.85	0.91	0.96	1.02
Diluted shares (used to calculate per share data)	872	872	872	872	872
Growth					
Revenue (%)	12.3	11.0	7.3	6.6	7.6
Operating EBITDA (%)	24.4	23.2	3.2	5.3	7.4
Operating EBIT (%)	27.0	26.2	3.0	5.3	7.8
Recurring EPS (%)	33.0	30.2	0.7	5.5	6.8
Reported EPS (%)	39.8	15.1	6.9	5.5	6.8
Operating performance					
Gross margin inc. depreciation (%)	41.8	44.9	42.7	42.4	42.2
Gross margin of key business (%)	41.8	44.9	42.7	42.4	42.2
Operating EBITDA margin (%)	17.4	19.3	18.6	18.4	18.3
Operating EBIT margin (%)	15.5	17.6	16.9	16.7	16.7
Net margin (%)	12.9	15.2	14.2	14.1	14.0
Effective tax rate (%)	14.7	13.7	15.0	15.0	16.0
Dividend payout on recurring profit (%)	41.0	31.1	33.0	33.0	33.0
Interest cover (X)	77.5	96.2	113.7	158.0	212.9
Inventory days	167.5	172.8	162.1	153.7	148.6
Debtor days	70.9	72.0	75.2	74.1	70.8
Creditor days	145.1	163.5	149.6	134.3	118.5
Operating ROIC (%)	40.7	52.3	47.2	44.5	(10.8)
ROIC (%)	27.5	34.7	32.7	31.9	(8.0)
ROE (%)	24.4	28.4	25.9	24.9	24.6
ROA (%)	14.9	17.2	16.2	16.4	16.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Mega We Care	6,909	8,053	8,261	8,748	9,361
Maxxcare	6,906	7,320	8,218	8,818	9,541
OEM	320	314	348	373	402

Sources: MEGA Lifesciences; FSSIA estimates

Financial Statements

MEGA Lifesciences

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,828	2,380	2,397	2,529	2,701
Depreciation	274	272	287	301	311
Associates & minorities	2	0	0	0	0
Other non-cash items	461	474	(167)	(366)	(437)
Change in working capital	74	(989)	(763)	(958)	(1,169)
Cash flow from operations	2,639	2,136	1,754	1,506	1,406
Capex - maintenance	-	-	-	-	-
Capex - new investment	(151)	(305)	(623)	(310)	(380)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(113)	24	0	0	0
Cash flow from investing	(265)	(281)	(623)	(310)	(380)
Dividends paid	(923)	(1,406)	(791)	(835)	(891)
Equity finance	0	0	0	0	0
Debt finance	(363)	2	(127)	(46)	(14)
Other financing cash flows	(28)	(30)	(25)	(19)	(15)
Cash flow from financing	(1,314)	(1,433)	(943)	(900)	(920)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	253	0	0	0	0
Net other adjustments	253	(165)	0	0	0
Movement in cash	1,314	257	188	296	105
Free cash flow to firm (FCFF)	2,402.87	1,884.18	1,155.65	1,215.05	1,040.75
Free cash flow to equity (FCFE)	2,236.65	1,662.78	978.48	1,131.18	996.45

Per share (THB)

FCFF per share	2.76	2.16	1.33	1.39	1.19
FCFE per share	2.57	1.91	1.12	1.30	1.14
Recurring cash flow per share	2.94	3.58	2.89	2.83	2.95

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	3,845	4,062	4,685	4,995	5,375
Less: Accumulated depreciation	(2,008)	(2,161)	(2,448)	(2,749)	(3,060)
Tangible fixed assets (net)	1,837	1,901	2,238	2,246	2,315
Intangible fixed assets (net)	1,353	1,329	1,307	1,291	1,277
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	215	223	223	223	223
Cash & equivalents	2,531	2,789	2,976	3,273	3,378
A/C receivable	2,808	3,382	3,550	3,735	3,755
Inventories	3,823	4,109	4,200	4,245	4,587
Other current assets	139	310	192	205	201
Current assets	9,301	10,590	10,918	11,457	11,920
Other assets	566	603	595	592	624
Total assets	13,272	14,646	15,281	15,810	16,360
Common equity	8,003	8,777	9,732	10,572	11,427
Minorities etc.	22	0	0	0	0
Total shareholders' equity	8,025	8,777	9,733	10,572	11,427
Long term debt	132	109	63	19	7
Other long-term liabilities	261	223	236	179	174
Long-term liabilities	393	332	298	198	181
A/C payable	3,533	3,972	3,698	3,679	3,363
Short term debt	224	312	231	229	227
Other current liabilities	1,096	1,254	1,321	1,132	1,162
Current liabilities	4,853	5,538	5,250	5,040	4,752
Total liabilities and shareholders' equity	13,272	14,646	15,281	15,810	16,360
Net working capital	2,141	2,575	2,923	3,374	4,017
Invested capital	6,111	6,632	7,285	7,727	8,456

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	9.18	10.07	11.16	12.13	13.11
Tangible book value per share	7.63	8.54	9.66	10.65	11.64

Financial strength

Net debt/equity (%)	(27.1)	(27.0)	(27.6)	(28.6)	(27.5)
Net debt/total assets (%)	(16.4)	(16.2)	(17.6)	(19.1)	(19.2)
Current ratio (x)	1.9	1.9	2.1	2.3	2.5
CF interest cover (x)	85.5	69.5	65.0	77.0	91.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	19.9	15.3	15.2	14.4	13.5
Recurring P/E @ target price (x) *	31.0	23.8	23.6	22.4	21.0
Reported P/E (x)	18.7	16.2	15.2	14.4	13.5
Dividend yield (%)	2.1	2.0	2.2	2.3	2.4
Price/book (x)	4.5	4.1	3.7	3.4	3.2
Price/tangible book (x)	5.5	4.9	4.3	3.9	3.6
EV/EBITDA (x) **	13.9	11.2	10.8	10.1	9.4
EV/EBITDA @ target price (x) **	22.1	17.9	17.2	16.3	15.1
EV/invested capital (x)	5.6	5.1	4.6	4.3	3.9

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: MEGA Lifesciences; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

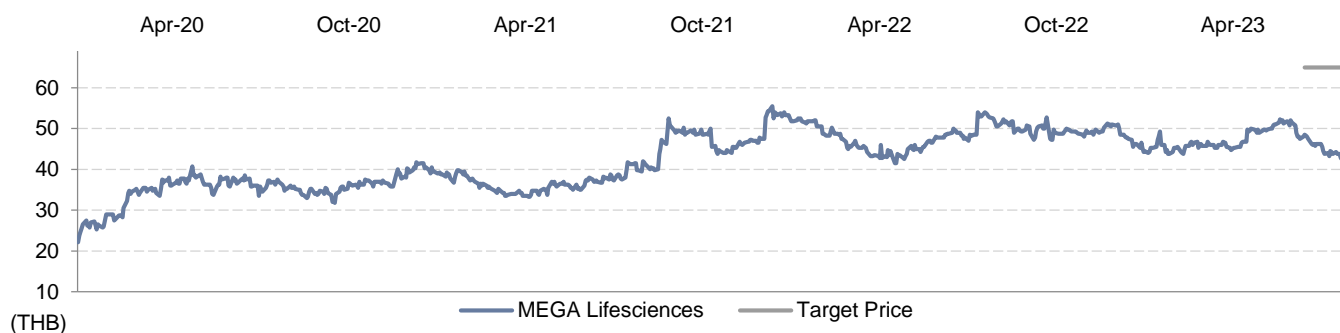
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History of change in investment rating and/or target price

MEGA Lifesciences (MEGA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Feb-2023	BUY	65.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 20-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MEGA Lifesciences	MEGA TB	THB 41.75	BUY	Downside risks to our DCF-based TP include 1) the delayed registration process in many countries; 2) more intensified competition; 3) failure 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 Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 31-Mar-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.