

MEGA LIFESCIENCES  
THAILAND / COMMERCE

## MEGA TB

BUY  
UNCHANGED

## เริ่ม 1Q23 ได้ไม่ตื๋นคตามคาด

- กำไรปกติ 1Q23 ที่ 534 ลบ. (-1% q-q, -15% y-y) ได้รับแรงกดดันจากยอดขายที่อ่อนแอและอัตรากำไรขั้นต้นที่ลดลง
- กำไรปกติ 1Q23 คิดเป็น 22% ของประมาณการเต็มปีของเราที่ 2.4 พัน ลบ. (ทรงตัว y-y)
- คงแนะนำซื้อจากการประเมินมูลค่าที่อยู่ในระดับต่ำ (15.1x ของค่า 2023E P/E)

TARGET PRICE	THB65.00
CLOSE	THB41.50
UP/DOWNSIDE	+56.6%
TP vs CONSENSUS	+21.5%

## 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 (%)	-	6.6	3.8	(1.1)
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
EPS growth (%)	30.2	0.7	5.5	6.8
Core P/E (x)	15.2	15.1	14.3	13.4
Dividend yield (%)	2.0	2.2	2.3	2.5
EV/EBITDA (x)	11.1	10.7	10.1	9.3
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

## ยอดขายที่อ่อนแอและอัตรากำไรขั้นต้นกดดันกำไร

เมื่อหักผลขาดทุนจากอัตราแลกเปลี่ยน 81 ลบ. MEGA รายงานกำไรปกติ 1Q23 ที่ 534 ลบ. (-1% q-q, -15% y-y) ต่ำกว่าที่เราคาด 2% ตัวเลขลดลงตามรายได้และอัตรากำไรขั้นต้นที่ลดลงใน 1Q23 รายได้อยู่ที่ 3.7 พัน ลบ. (-4% q-q, -2% y-y) ลดลงในทุกธุรกิจโดยเฉพาะอย่างยิ่ง OEM อัตรากำไรขั้นต้นรวมอยู่ที่ 43.6% (-250bps q-q, -120bps y-y) แม้ว่าจะต่ำกว่าที่เราคาด อัตรากำไรขั้นต้นรวมกลับเป็นตัวเลขระดับปกติก่อนโรคระบาด หมายเหตุอัตรากำไรขั้นต้นของ Mega We Care ที่ 69.0% in 1Q22 และอัตรากำไรขั้นต้นของ Maxxcare ที่ 23.5% ใน 4Q22 สูงผิดปกติ

## การซื้อจากต้นตระหนักที่เกิดในช่วงโรคระบาดสิ้นสุดลง

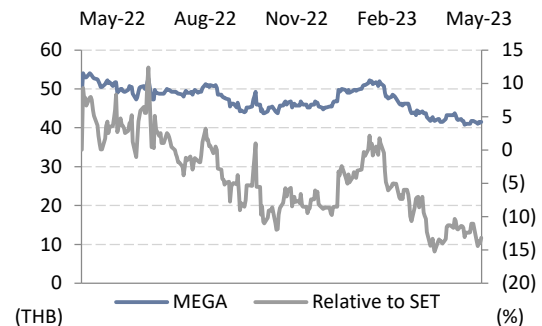
ใน 1Q23 รายได้จาก Mega We Care (52% ของรายได้รวมใน 1Q23) หดตัว 5% q-q และ 0.1% y-y ตัวเลขลดลง q-q จากตลาดแอฟริกา (-11% q-q) และเอเชียตะวันออกเฉียงใต้ (-7% q-q) รายได้จาก Maxxcare หดตัว 2% q-q และ 4% y-y โดยยังได้รับผลกระทบจากผลขาดทุนของลูกค้ารายหนึ่งในพม่าและอัตราแลกเปลี่ยนเงินจัตของพม่าที่กลับเป็นปกติ อัตรากำไรขั้นต้นของ Maxxcare ลดลงจากที่สูงผิดปกติใน 4Q22 แต่ยังทรงตัวในระดับสูงที่ 20.4% ค่าใช้จ่ายการขายและบริหารอยู่ในระดับที่จัดการได้ซึ่งทำให้ EBITDA ทรงตัว q-q แต่ลดลง 15% y-y สอดคล้องกับอัตรากำไรขั้นต้นที่ลดลง

## ยังเร็วเกินไปที่จะปรับประมาณการ

กำไรปกติ 1Q23 ของ MEGA คิดเป็น 22% ของประมาณการเต็มปีของเราที่ 2.4 พัน ลบ. (ทรงตัว y-y) ซึ่งหมายความว่าบริษัท จะต้องทำกำไรประมาณ 600 ลบ. ต่อไตรมาสใน 3 ไตรมาสข้างหน้าซึ่งอาจจะเป็นเรื่องท้าทายเมื่อเทียบกับกำไรไตรมาสเฉลี่ยที่ 560 ลบ. ในปี 2022 อย่างไรก็ตามปัจจุบัน MEGA มียามากกว่า 170 ตำรับที่อยู่ระหว่างการขอขึ้นทะเบียน

## คงแนะนำซื้อจากการประเมินมูลค่าที่อยู่ในระดับต่ำ

เราคงประมาณการและราคาเป้าหมายที่ 65 บาท (DCF, 8.3% WACC, 3% LTG) คิดเป็น 23.6x ของค่า 2023E P/E, +0.5SD ของค่าเฉลี่ย 5 ปีย้อนหลัง ราคาหุ้นที่ปรับตัวลดลงแรงถึง 20% สะท้อนการสิ้นสุดของการซื้อจากต้นตระหนักในช่วงโควิด ปัจจุบันหุ้นมีการซื้อขายที่ 15.1x ของค่า 2023E P/E ต่ำที่สุดเมื่อเทียบกับคู่แข่งในประเทศและต่างประเทศ เราคงแนะนำซื้อ MEGA



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.0)	(19.4)	(14.0)
Relative to country (%)	(2.1)	(15.0)	(12.7)
Mkt cap (USD m)	1,065		
3m avg. daily turnover (USD m)	3.6		
Free float (%)	40		
Major shareholder	Unistretch Co Ltd (50%)		
12m high/low (THB)	55.25/40.00		
Issued shares (m)	871.87		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

jitra.a@fssia.com

+66 2646 9966

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

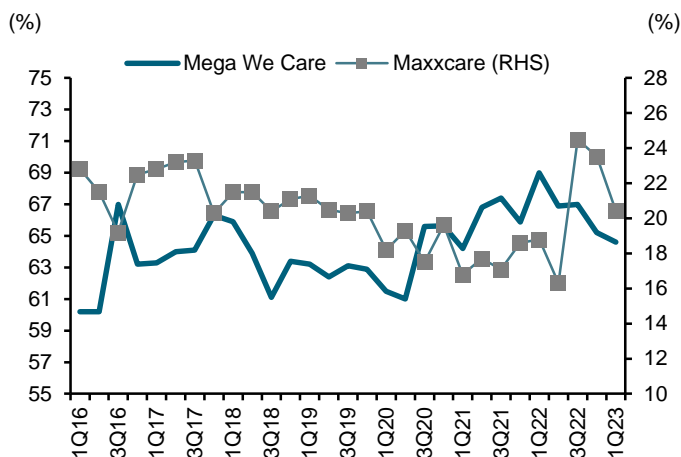
บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 15 พฤษภาคม 2023

Exhibit 1: 1Q23 results review

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23	-----Change-----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	3,820	3,930	4,052	3,884	3,728	(4.0)	(2.4)	15,686	16,827	7.3
Cost of sales	(2,109)	0	(2,188)	(2,093)	(2,102)	0.4	(0.3)	(8,647)	(9,642)	11.5
Gross profit	1,710	0	1,864	1,791	1,626	(9.2)	(4.9)	7,040	7,185	2.1
Operating costs	(989)	(1,084)	(1,094)	(1,192)	(1,028)	(13.8)	3.9	(4,359)	(4,417)	1.3
Operating profit	2,699	1,084	2,958	2,983	2,654	(11.0)	(1.7)	11,398	11,603	1.8
Operating EBITDA	802	680	866	685	685	0.1	(14.6)	3,033	3,131	3.2
Other income	14	22	27	17	18	1.5	27.7	80	76	(5.9)
Interest expense	(6)	(6)	(8)	(9)	(9)	4.4	56.2	(29)	(25)	(13.0)
Profit before tax	729	606	789	608	607	(0.2)	(16.8)	2,733	2,819	3.2
Tax	(104)	(63)	(120)	(68)	(73)	7.5	(29.8)	(355)	(423)	19.2
<b>Reported net profit</b>	<b>614</b>	<b>570</b>	<b>658</b>	<b>400</b>	<b>453</b>	<b>13.3</b>	<b>(26.2)</b>	<b>2,242</b>	<b>2,397</b>	<b>6.9</b>
<b>Core profit</b>	<b>627</b>	<b>544</b>	<b>669</b>	<b>540</b>	<b>534</b>	<b>(1.2)</b>	<b>(14.8)</b>	<b>2,380</b>	<b>2,397</b>	<b>0.7</b>
Reported EPS (THB)	0.70	0.70	0.76	0.46	0.52	13.4	(25.7)	2.57	2.75	6.9
Core EPS (THB)	0.72	0.62	0.77	0.62	0.61	(1.2)	(14.8)	2.73	2.75	0.7
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	44.8	42.6	46.0	46.1	43.6	(2.5)	(1.2)	44.9	42.7	(2.2)
Operating margin	19.3	15.6	19.7	15.9	16.5	0.6	(2.7)	17.6	16.9	(0.7)
EBITDA margin	21.0	17.3	21.4	17.6	18.4	0.8	(2.6)	19.3	18.6	(0.7)
Recurring net margin	16.4	13.8	16.5	13.9	14.3	0.4	(2.1)	15.2	14.2	(0.9)
SG&A / Sales	25.9	27.6	27.0	30.7	27.6	(3.1)	1.7	27.8	26.3	(1.5)
<b>Operating Statistics</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q %)</b>	<b>(y-y %)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>
Mega We Care branded business	1,954	2,004	2,034	2,062	1,953	(5.3)	(0.1)	8,053	8,261	2.6
Maxxcare distribution business	1,787	1,852	1,928	1,752	1,717	(2.0)	(4.0)	7,320	8,218	12.3
OEM business	79	74	90	71	59	(17.0)	(24.8)	314	348	10.9
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Mega We Care branded business	69.0	66.9	67.0	65.2	64.6	(0.6)	(4.4)	67.0	67.6	0.6
Maxxcare distribution business	18.8	16.3	24.5	23.5	20.4	(3.1)	1.6	20.8	18.0	(2.8)
OEM business	66.6	63.1	31.9	49.2	1.6	(47.6)	(65.0)	44.9	35.0	(9.9)

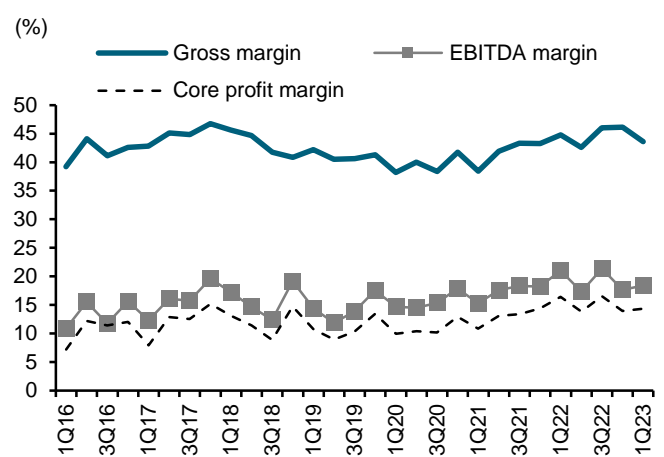
Source: MEGA; FSSIA estimates

Exhibit 2: Gross margins by business unit



Source: MEGA

Exhibit 3: Margins



Source: MEGA

## 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)
<b>Gross profit</b>	<b>6,185</b>	<b>7,312</b>	<b>7,473</b>	<b>7,911</b>	<b>8,454</b>
Other operating income	47	80	76	68	68
Operating costs	(3,769)	(4,359)	(4,417)	(4,682)	(4,980)
<b>Operating EBITDA</b>	<b>2,463</b>	<b>3,033</b>	<b>3,131</b>	<b>3,297</b>	<b>3,542</b>
Depreciation	(274)	(272)	(287)	(301)	(311)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,188</b>	<b>2,761</b>	<b>2,844</b>	<b>2,996</b>	<b>3,231</b>
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
<b>Profit before tax</b>	<b>2,283</b>	<b>2,596</b>	<b>2,820</b>	<b>2,976</b>	<b>3,215</b>
Tax	(336)	(355)	(423)	(447)	(514)
<b>Profit after tax</b>	<b>1,947</b>	<b>2,242</b>	<b>2,397</b>	<b>2,529</b>	<b>2,701</b>
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,947</b>	<b>2,242</b>	<b>2,397</b>	<b>2,529</b>	<b>2,701</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(119)</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,828</b>	<b>2,380</b>	<b>2,397</b>	<b>2,529</b>	<b>2,701</b>
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
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)
<b>Cash flow from operations</b>	<b>2,639</b>	<b>2,136</b>	<b>1,754</b>	<b>1,506</b>	<b>1,406</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(151)	(305)	(623)	(310)	(380)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(113)	24	0	0	0
<b>Cash flow from investing</b>	<b>(265)</b>	<b>(281)</b>	<b>(623)</b>	<b>(310)</b>	<b>(380)</b>
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)
<b>Cash flow from financing</b>	<b>(1,314)</b>	<b>(1,433)</b>	<b>(943)</b>	<b>(900)</b>	<b>(920)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	253	0	0	0	0
<b>Net other adjustments</b>	<b>253</b>	<b>(165)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>1,314</b>	<b>257</b>	<b>188</b>	<b>296</b>	<b>105</b>
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)
<b>Tangible fixed assets (net)</b>	<b>1,837</b>	<b>1,901</b>	<b>2,238</b>	<b>2,246</b>	<b>2,315</b>
<b>Intangible fixed assets (net)</b>	<b>1,353</b>	<b>1,329</b>	<b>1,307</b>	<b>1,291</b>	<b>1,277</b>
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
<b>Current assets</b>	<b>9,301</b>	<b>10,590</b>	<b>10,918</b>	<b>11,457</b>	<b>11,920</b>
Other assets	566	603	595	592	624
<b>Total assets</b>	<b>13,272</b>	<b>14,646</b>	<b>15,281</b>	<b>15,810</b>	<b>16,360</b>
Common equity	8,003	8,777	9,732	10,572	11,427
Minorities etc.	22	0	0	0	0
<b>Total shareholders' equity</b>	<b>8,025</b>	<b>8,777</b>	<b>9,733</b>	<b>10,572</b>	<b>11,427</b>
Long term debt	132	109	63	19	7
Other long-term liabilities	261	223	236	179	174
<b>Long-term liabilities</b>	<b>393</b>	<b>332</b>	<b>298</b>	<b>198</b>	<b>181</b>
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
<b>Current liabilities</b>	<b>4,853</b>	<b>5,538</b>	<b>5,250</b>	<b>5,040</b>	<b>4,752</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,272</b>	<b>14,646</b>	<b>15,281</b>	<b>15,810</b>	<b>16,360</b>
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
<b>Recurring P/E (x) *</b>	<b>19.8</b>	<b>15.2</b>	<b>15.1</b>	<b>14.3</b>	<b>13.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>31.0</b>	<b>23.8</b>	<b>23.6</b>	<b>22.4</b>	<b>21.0</b>
Reported P/E (x)	18.6	16.1	15.1	14.3	13.4
Dividend yield (%)	2.1	2.0	2.2	2.3	2.5
Price/book (x)	4.5	4.1	3.7	3.4	3.2
Price/tangible book (x)	5.4	4.9	4.3	3.9	3.6
EV/EBITDA (x) **	13.8	11.1	10.7	10.1	9.3
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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> 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 >150 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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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

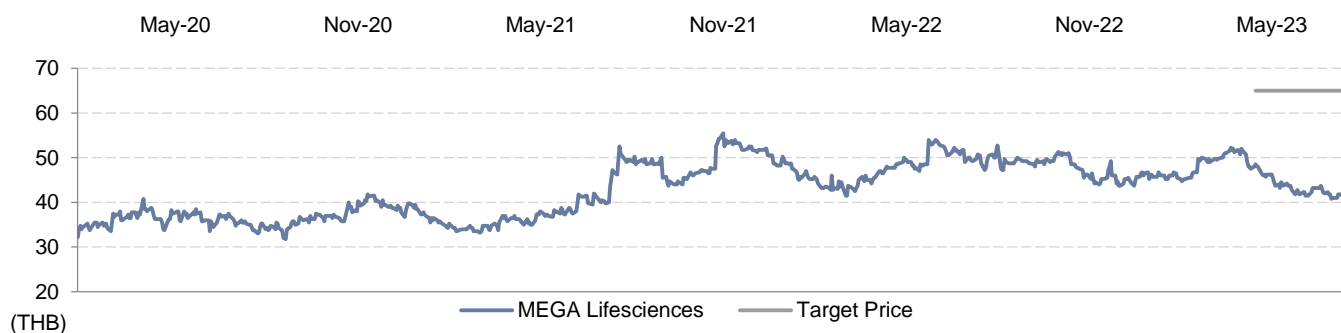
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

### 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 41.50	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 12-May-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.