

MEGA LIFESCIENCES

THAILAND / COMMERCE

MEGA TB

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB65.00
CLOSE	THB39.00
UP/DOWNSIDE	+66.7%
TP vs CONSENSUS	+26.3%

Strong 2Q23 core profit was in line

Highlights

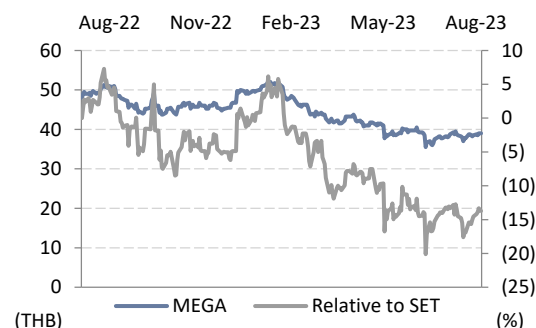
- In 2Q23, MEGA reported THB4.0b in sales revenue and a THB531m net profit, including non-recurring items (FX loss, net loss from new business, and income tax expense adjustment) that amounted to THB110m. Quite a large, mostly unrealised, FX loss was from the sharp depreciation in Naira since mid-June when the Central Bank of Nigeria announced new operational measures in the foreign exchange market.
- Overall operations in 2Q23 were still affected by the exit of one principal in Myanmar and the dual currency rate effect in Myanmar, which resulted in inflated sales, gross margin, and SG&A as in 1Q23. Though the dual currency effect did not materially impact the overall performance.
- In the following paragraphs, we refer to the numbers based on the company's estimates of the Kyat effect, which were different from the reported financial statement.
- Despite the fading Covid-related demand, MEGA's core profit of THB573m (adjusted for dual-currency effect) increased 3% y-y and 14% q-q, close to the average quarterly core profit of THB573m in the best year ever in 2022. This was reflected in the gross margin expansion. Its 2Q23 core profit was in line with our expectation.
- The adjusted-currency revenue of THB3.8b, up 7% q-q, was due to the product mix, while the y-y drop was mainly attributable to the exit of one principle in Myanmar that had a lower gross margin, which in turn pushed up its blended gross margin to as high as 46.1% in 2Q23, an increase of 175bps q-q and 350bps y-y.

Outlook

- The company's 1H23 core profit of THB1.1b accounts for 45% of our full-year estimate. It means MEGA would have to make an average of THB660m in profit in each quarter in 2H23, which is challenging as compared to the average quarterly profit of THB560m-570m during the past four quarters.

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 (%)	-	9.4	5.3	0.3
EBITDA	3,033	3,131	3,297	3,542
Recurring 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)	14.3	14.2	13.4	12.6
Dividend yield (%)	2.2	2.3	2.5	2.6
EV/EBITDA (x)	10.4	10.0	9.4	8.7
Price/book (x)	3.9	3.5	3.2	3.0
Net debt/Equity (%)	(27.0)	(27.6)	(28.6)	(27.5)
ROE (%)	28.4	25.9	24.9	24.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.0	(5.5)	(20.0)
Relative to country (%)	(0.6)	(3.5)	(15.5)
Mkt cap (USD m)	970		
3m avg. daily turnover (USD m)	2.4		
Free float (%)	40		
Major shareholder	Unistretch Co Ltd (50%)		
12m high/low (THB)	52.50/34.75		
Issued shares (m)	871.87		

Sources: Bloomberg consensus; FSSIA estimates


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Exhibit 1: MEGA – 2Q23 operations summary

Year to Dec 31	---- Adjusted dual currency effect in Myanmar ----									
	2Q22	3Q22	4Q22	1Q23	2Q23	1Q23	2Q23	----- Change -----		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	
Sales	3,930	4,052	3,884	3,728	3,992	3,573	3,809	6.6	(3.1)	
Cost of sales	(2,256)	(2,188)	(2,093)	(2,102)	(2,167)	(1,988)	(2,053)	3.3	(9.0)	
Gross profit	1,674	1,864	1,791	1,626	1,825	1,584	1,756	10.8	4.9	
Operating costs	(1,084)	(1,094)	(1,192)	(1,028)	(1,038)	(1,028)	(1,038)	1.0	(4.2)	
Operating profit	590	770	600	599	787	557	718	29.0	21.7	
Operating EBITDA	680	866	685	685	877	626	789	26.0	16.0	
Other income	22	27	17	18	19	18	19	9.2	(14.5)	
Interest expense	(6)	(8)	(9)	(9)	(9)	(9)	(9)	(2.5)	39.9	
Profit before tax	606	789	608	607	797	565	728	28.9	20.1	
Tax	(63)	(120)	(68)	(73)	(40)	(73)	(40)	(45.1)	(35.9)	
Reported net profit	570	658	400	453	531	411	462	12.4	(18.8)	
Extraordinaries										
- Net loss from new businesses	13	21	9	12	7	12	7			
- FX loss/(gain)	(26)	11	107	81	151	81	151			
- Normalised tax expense	0	0	0	0	(48)	0	(48)			
Core profit	557	690	516	546	641	504	573	13.6	2.8	
Reported EPS (THB)	0.70	0.76	0.46	0.52	0.61	0.47	0.53	12.4	(18.8)	
Core EPS (THB)	0.64	0.79	0.59	0.63	0.74	0.58	0.66	13.6	2.8	
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	
Gross margin	42.6	46.0	46.1	43.6	45.7	44.4	46.1	1.8	3.5	
Operating margin	15.6	19.7	15.9	16.5	20.2	16.1	19.4	3.3	3.8	
EBITDA margin	17.3	21.4	17.6	18.4	22.0	17.5	20.7	3.2	3.4	
Recurring net margin	14.2	17.0	13.3	14.6	16.1	14.1	15.0	0.9	0.9	
SG&A / Sales	27.6	27.0	30.7	27.6	26.0	28.8	27.3	(1.5)	(0.3)	
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	
Mega We Care branded business	2,004	2,034	2,062	1,953	2,019	1,953	2,019	3.4	0.8	
Maxxcare distribution business	1,852	1,928	1,752	1,717	1,876	1,561	1,693	8.5	(8.6)	
OEM business	74	90	71	59	97	59	97	64.3	31.4	
Gross margin by BU (%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	
Mega We Care branded business	66.9	67.0	65.2	64.6	65.8	64.6	65.8	1.2	(1.1)	
Maxxcare distribution business	16.3	24.5	23.5	20.4	24.5	19.8	23.1	3.3	6.8	
OEM business	41.7	31.9	49.2	24.6	37.6	24.6	37.6	13.0	(4.1)	

Sources: MEGA, FSSIA estimates

Exhibit 2: Revenue breakdown

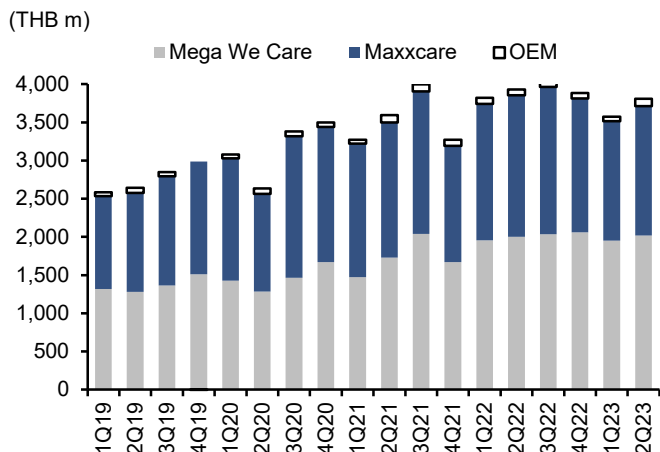
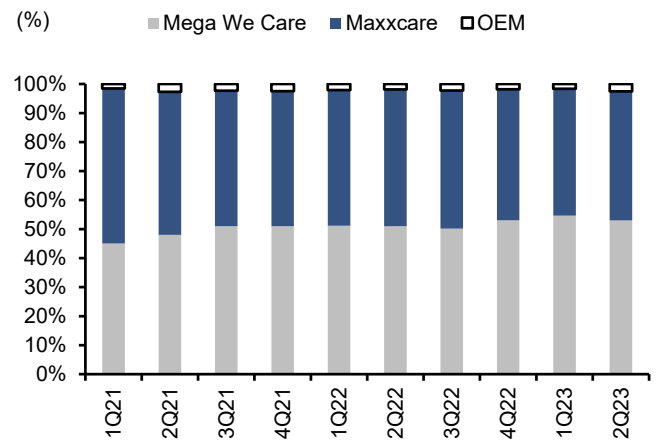
Note: 1Q23-2Q23 data is adjusted for the impact of the dual currency rate in Myanmar
Sources: MEGA, FSSIA estimates

Exhibit 3: Mega We Care business by region

Note: 1Q23-2Q23 data is adjusted for the impact of the dual currency rate in Myanmar
Sources: MEGA, 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	(8,225)	(8,647)	(9,642)	(10,329)	(11,161)
Gross profit	5,911	7,040	7,185	7,610	8,143
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 exc. depreciation (%)	43.8	46.6	44.4	44.1	43.8
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) *	18.6	14.3	14.2	13.4	12.6
Recurring P/E @ target price (x) *	31.0	23.8	23.6	22.4	21.0
Reported P/E (x)	17.5	15.2	14.2	13.4	12.6
Dividend yield (%)	2.2	2.2	2.3	2.5	2.6
Price/book (x)	4.2	3.9	3.5	3.2	3.0
Price/tangible book (x)	5.1	4.6	4.0	3.7	3.4
EV/EBITDA (x) **	12.9	10.4	10.0	9.4	8.7
EV/EBITDA @ target price (x) **	22.1	17.9	17.2	16.3	15.1
EV/invested capital (x)	5.2	4.8	4.3	4.0	3.6

* 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. FSSIA does not confirm nor certify the accuracy of such survey result.

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 **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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

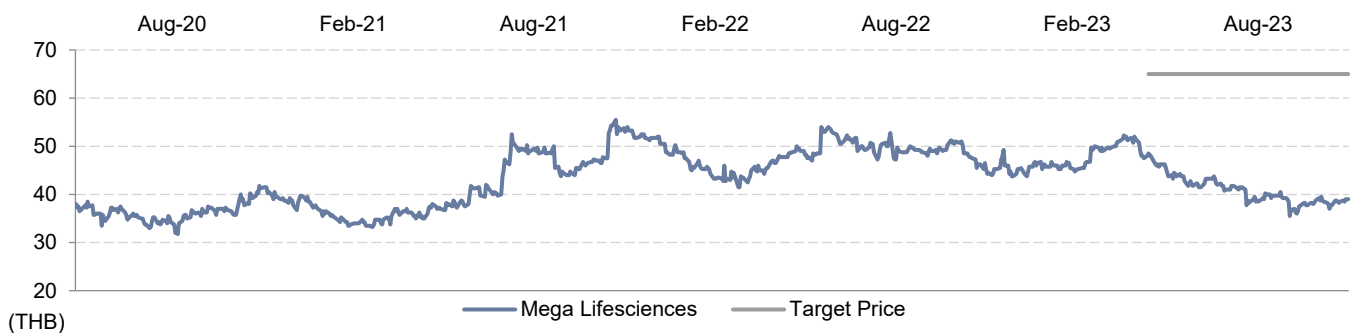
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History of change in investment rating and/or target price

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 39.00	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 11-Aug-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.