

MEGA LIFESCIENCES

MEGA TB

THAILAND / COMMERCE

BUY

UNCHANGED

Slow growth after Covid fades

- Expect a 4Q23 core profit of THB576m, a rise of 9.5% q-q due to seasonal effect and 11.6% y-y from lower SG&A expenses.
- The high-growth era during Covid should be over. We expect MEGA to grow more slowly by 6.9%/6.0% in 2024-25.
- The valuation is undemanding. We maintain our BUY rating.

TARGET PRICE	THB56.00
CLOSE	THB42.00
UP/DOWNSIDE	+33.3%
PRIOR TP	THB56.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+8.2%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,686	15,505	16,139	16,927
Net profit	2,242	2,229	2,442	2,596
EPS (THB)	2.57	2.56	2.80	2.98
vs Consensus (%)	-	(1.4)	0.2	(2.1)
EBITDA	3,033	3,081	3,198	3,386
Recurring net profit	2,380	2,429	2,442	2,596
Core EPS (THB)	2.73	2.79	2.80	2.98
Chg. In EPS est. (%)	-	7.4	1.1	(0.1)
EPS growth (%)	30.2	2.1	0.5	6.3
Core P/E (x)	15.4	15.1	15.0	14.1
Dividend yield (%)	3.8	3.6	3.7	3.9
EV/EBITDA (x)	11.3	11.3	10.9	10.3
Price/book (x)	4.2	4.0	3.9	3.8
Net debt/Equity (%)	(27.0)	(21.4)	(18.5)	(19.3)
ROE (%)	28.4	27.1	26.4	27.4

Expect a rise of 9.5% q-q and 11.6% y-y in 4Q23 core profit

We expect MEGA to register a core profit of THB576m in 4Q23, an increase of 9.5% q-q due to its high season and 11.6% y-y from lower SG&A expenses. Although the consumption in Myanmar, one of MEGA's major markets, remained stagnant amid the internal conflicts and the loss of one principle since 1Q23, which affected the company's distribution business, this should be offset by the seasonal rise in the branded business. Therefore, its 4Q23 total revenue should increase by 4.7% q-q and 2.5% y-y to THB4.0b.

Expect full-year profit to be flat

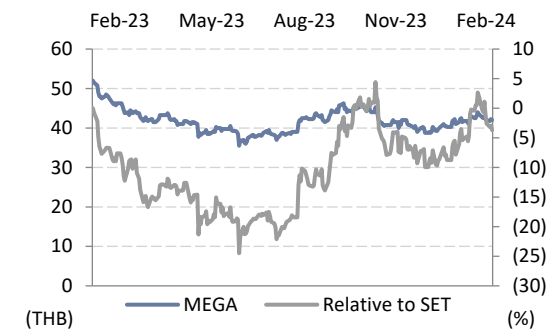
The company's gross margin in 9M23 was already ahead of our estimate and the trend should continue, particularly in the branded business. We expect a 30 bps q-q higher 4Q23 blended gross margin, compensating for the seasonally high SG&A expenses and reflecting the improved core profit. However, the firm may incur an FX loss due to the depreciation in Nigerian Naira, Myanmar Kyat, and Thai Baht during 4Q23. Following our 4Q23 earnings preview, we adjust our full-year profit forecast by revising it up by 7.4% to THB2.4b; lower growth after the Covid benefits have faded.

Slower growth after the Covid benefits fade

We also adjust our core profit forecast in 2024-25. Although the bottom line has not changed much, we cut our revenue expectation by 3%/4%, but revise up the expected gross margins in both years. We are still cautious about MEGA's revenue growth given the current situation in Myanmar, the high competition, and the slowdown in consumer spending in many countries. The high-growth era during Covid should be over. We expect MEGA to grow more slowly by 1%/6% in 2024-25.

Maintain BUY with the same TP of THB56

We maintain our 2024 TP of THB56 (8.2% WACC, 3.5% LTG). This implies 20x 2024E P/E, equal to its five-year average. We like the company as MEGA is a leading brand in the health and wellness industry in 36 developing countries, and its Mega We Care branded products are long-established and well-recognized in Southeast Asia and Africa. Its share price is undemanding with a low 2024E P/E of 15.0x. We maintain our BUY call.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.2	1.2	(17.2)
Relative to country (%)	2.3	1.8	(1.5)
Mkt cap (USD m)	1,029		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	40		
Major shareholder	Unistretch Co Ltd (50%)		
12m high/low (THB)	52.25/34.75		
Issued shares (m)	871.87		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We still have a cautious view about MEGA's revenue growth given the current situation in Myanmar, the high competition, and the slowdown in consumer spending in many countries. The high-growth era during the Covid pandemic should be over. We expect MEGA to grow more slowly by 6.9%/6.0% in 2024-25.

We like the company as MEGA is a leading brand in the health and wellness industry in 36 developing countries, and its Mega We Care branded products are long-established and well-recognized in Southeast Asia and Africa. Its share price is undemanding with a low 2024E P/E of 15.0x. We maintain our BUY call.

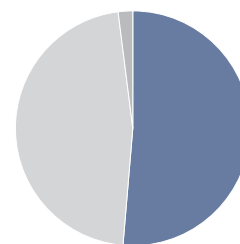
Company profile

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)

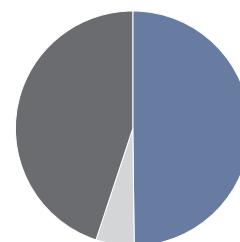
- Mega We Care - 51.3 %
- Maxxcare - 46.7 %
- OEM - 2.0 %



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) widespread medical events such as 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
22 February 2024	4Q23/2023 earnings announcement

Key assumptions

	(unit)	2023E	2024E	2025E
Mega We Care	(THB m)	8,021	8,502	9,097
<i>Growth</i>	(%)	(0.4)	6.0	7.0
Gross margin	(%)	65.0	64.6	64.6
Maxxcare	(THB m)	7,176	7,319	7,502
<i>Growth</i>	(%)	(2.0)	2.0	2.5
Gross margin	(%)	24.0	23.8	23.4
SG&A to sales (%)	(%)	27.8	27.8	27.8

Source: FSSIA estimates

Earnings sensitivity

- For every 5% change in branded revenue, we project MEGA's 2024 net profit to change by 6%, all else being equal.
- For every 5% change in distribution revenue, we project MEGA's 2024 net profit to change by 1%, all else being equal.
- For every 1% change in overall gross margin, we project MEGA's 2024 net profit to change by 6%, all else being equal.

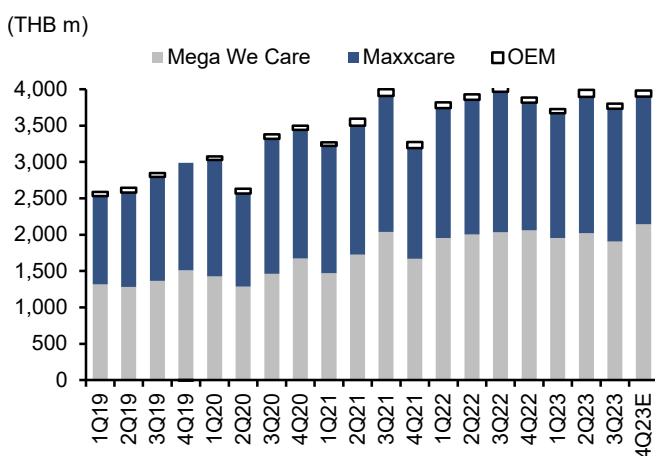
Source: FSSIA estimates

Exhibit 1: 4Q23/2023 earnings preview

Year to Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23E	----- 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	3,884	3,728	3,992	3,803	3,982	4.7	2.5	15,686	15,505	(1.2)
Cost of sales	(2,093)	(2,102)	(2,167)	(2,064)	(2,149)	4.1	2.7	(8,647)	(8,482)	(1.9)
Gross profit	1,791	1,626	1,825	1,739	1,833	5.4	2.3	7,040	7,023	(0.2)
Operating costs	(1,192)	(1,028)	(1,038)	(1,021)	(1,141)	11.8	(4.2)	(4,359)	(4,304)	(1.3)
Operating profit	600	599	787	718	692	(3.7)	15.4	11,398	11,327	(0.6)
Operating EBITDA	685	685	877	815	778	(4.6)	13.5	3,033	3,081	1.6
Other income	17	18	19	27	15	(43.1)	(11.4)	80	79	(1.7)
Interest expense	(9)	(9)	(9)	(8)	(9)	5.7	0.4	(29)	(36)	23.6
Profit before tax	608	607	797	737	698	(5.2)	14.8	2,733	2,762	1.1
Tax	(68)	(73)	(40)	(98)	(121)	23.7	78.0	(355)	(331)	(6.5)
Reported net profit	400	453	531	536	576	7.5	44.0	2,242	2,229	(0.5)
Extraordinaries										
- Net loss from new businesses	9	12	7	11	0	<i>nm</i>	<i>nm</i>	52	(7)	<i>nm</i>
- FX loss/(gain)	107	81	151	(38)	0	<i>nm</i>	<i>nm</i>	(3)	0	<i>nm</i>
- Normalized tax expense	0	0	(48)	17	0	<i>nm</i>	<i>nm</i>	0	0	<i>nm</i>
Core profit	516	546	641	526	576	9.5	11.6	2,291	2,429	6.0
Reported EPS (THB)	0.46	0.52	0.61	0.61	0.81	32.5	77.5	2.57	2.56	(0.5)
Core EPS (THB)	0.59	0.63	0.74	0.60	0.66	9.5	11.6	2.63	2.79	6.0
Key ratios (%)										
Gross margin	46.1	43.6	45.7	45.7	46.0	0.3	(0.1)	44.9	45.3	0.4
Operating margin	15.9	16.5	20.2	19.6	18.0	(1.6)	2.1	17.6	18.0	0.4
EBITDA margin	17.6	18.4	22.0	21.4	19.8	(1.6)	2.2	19.3	19.9	0.5
Recurring net margin	13.3	14.6	16.1	13.8	14.5	0.6	1.2	14.6	15.7	1.1
SG&A / Sales	30.7	27.6	26.0	26.8	28.4	1.6	(2.3)	27.8	27.8	(0.0)
Revenue breakdown										
Branded business	2,062	1,953	2,019	1,907	2,142	12.3	3.9	8,053	8,021	(0.4)
Distribution business	1,752	1,717	1,876	1,825	1,758	(3.6)	0.4	7,320	7,176	(2.0)
OEM business	71	59	97	71	81	15.0	14.2	314	308	(1.8)
Gross margin by BU (%)										
Branded business	65.2	64.6	65.8	65.3	64.3	(1.0)	(0.9)	67.0	65.0	(2.0)
Distribution business	23.5	20.4	24.5	25.9	25.0	(0.9)	1.5	20.8	24.0	3.2
OEM business	49.2	24.6	37.6	27.9	19.1	(8.8)	(30.2)	44.9	28.0	(16.9)

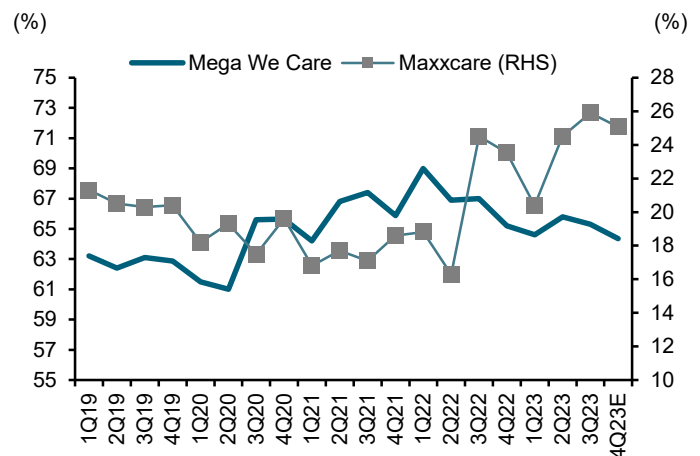
Sources: MEGA, FSSIA estimates

Exhibit 2: Revenue structure



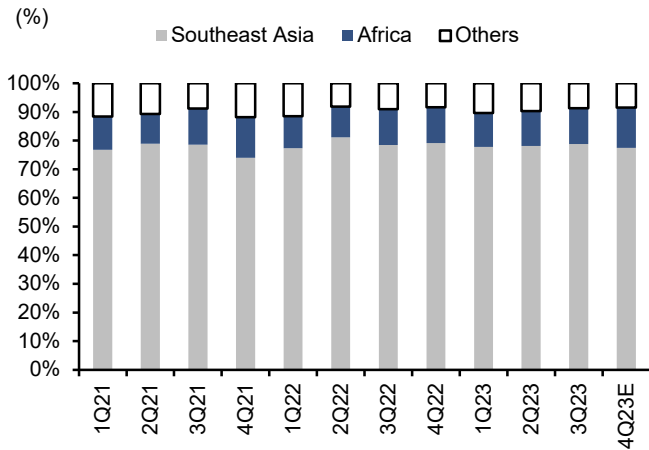
Sources: MEGA, FSSIA estimates

Exhibit 3: Gross margin by business unit



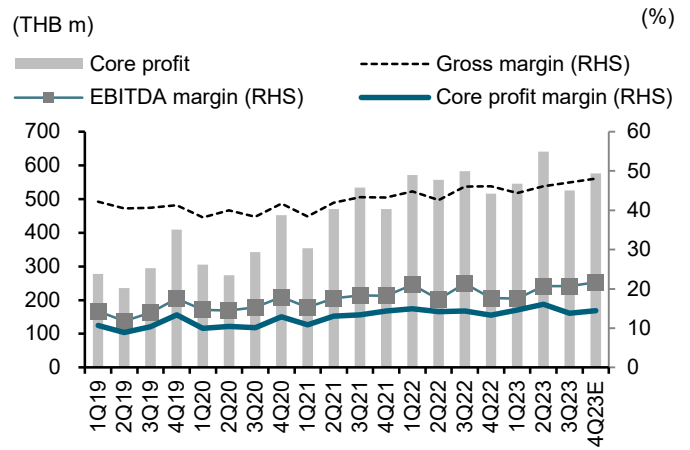
Sources: MEGA, FSSIA estimates

Exhibit 4: Mega We Care business breakdown by region



Sources: MEGA, FSSIA estimates

Exhibit 5: Core profit and margins



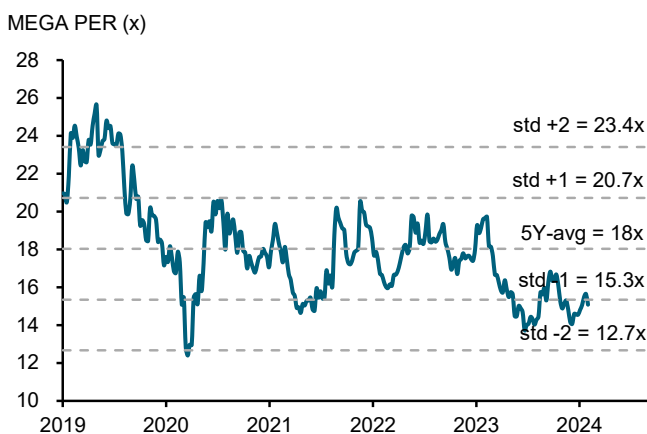
Sources: MEGA, FSSIA estimates

Exhibit 6: Key changes in assumptions

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	15,505	16,139	16,927	15,447	16,573	17,695	0.4	(2.6)	(4.3)
Mega We Care	8,021	8,502	9,097	7,931	8,534	9,097	1.1	(0.4)	0.0
Maxxcare	7,176	7,319	7,502	7,208	7,712	8,252	(0.4)	(5.1)	(9.1)
OEM	308	317	327	308	327	346	0.0	(2.8)	(5.6)
Cost of goods sold	8,482	8,816	9,206	8,538	9,334	9,948	(0.7)	(5.6)	(7.5)
Gross profit	7,023	7,323	7,720	6,909	7,239	7,748	1.7	1.2	(0.4)
EBITDA	3,081	3,198	3,386	2,982	3,129	3,350	3.3	2.2	1.1
Core profit	2,429	2,442	2,596	2,263	2,415	2,597	7.4	1.1	(0.1)
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	45.3	45.4	45.6	44.7	43.7	43.8	0.6	1.7	1.8
Mega We Care	65.0	64.6	64.6	64.8	63.2	63.2	0.2	1.4	1.4
Maxxcare	24.0	23.8	23.4	23.4	22.7	23.0	0.7	1.1	0.4
SG&A to sales	27.8	27.8	27.8	27.7	27.0	27.0	0.1	0.8	0.8
EBITDA margin	19.9	19.8	20.0	19.3	18.9	18.9	0.6	0.9	1.1
Core profit margin	15.7	15.1	15.3	14.6	14.6	14.7	1.0	0.6	0.7

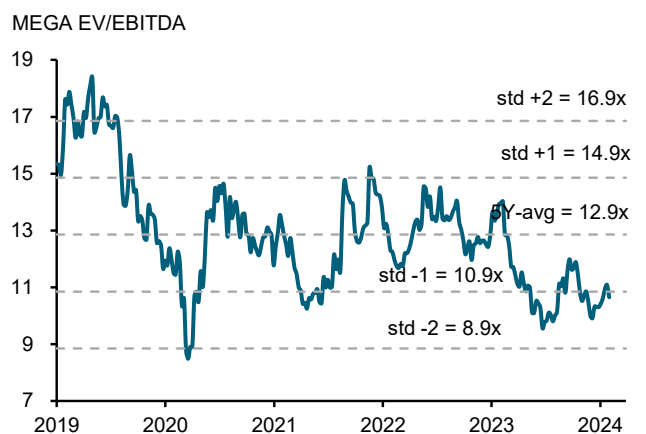
Sources: MEGA, FSSIA estimates

Exhibit 7: One-year rolling forward P/E band



Sources: FSSIA estimates, Bloomberg

Exhibit 8: One-year rolling forward EV/EBITDA band



Sources: FSSIA estimates, Bloomberg

Financial Statements

Mega Lifesciences

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	14,136	15,686	15,505	16,139	16,927
Cost of goods sold	(8,225)	(8,647)	(8,482)	(8,816)	(9,206)
Gross profit	5,911	7,040	7,023	7,323	7,720
Other operating income	47	80	79	65	68
Operating costs	(3,769)	(4,359)	(4,304)	(4,483)	(4,706)
Operating EBITDA	2,463	3,033	3,081	3,198	3,386
Depreciation	(274)	(272)	(283)	(294)	(304)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,188	2,761	2,798	2,904	3,082
Net financing costs	(28)	(29)	(36)	(28)	(26)
Associates	(2)	0	(1)	(1)	(1)
Recurring non-operating income	4	2	(2)	(3)	(2)
Non-recurring items	119	(138)	(200)	0	0
Profit before tax	2,283	2,596	2,561	2,873	3,054
Tax	(336)	(355)	(331)	(431)	(458)
Profit after tax	1,947	2,242	2,229	2,442	2,596
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,947	2,242	2,229	2,442	2,596
Non-recurring items & goodwill (net)	(119)	138	200	0	0
Recurring net profit	1,828	2,380	2,429	2,442	2,596
Per share (THB)					
Recurring EPS *	2.10	2.73	2.79	2.80	2.98
Reported EPS	2.23	2.57	2.56	2.80	2.98
DPS	0.86	1.60	1.50	1.54	1.64
Diluted shares (used to calculate per share data)	872	872	872	872	872
Growth					
Revenue (%)	12.3	11.0	(1.2)	4.1	4.9
Operating EBITDA (%)	24.4	23.2	1.6	3.8	5.9
Operating EBIT (%)	27.0	26.2	1.3	3.8	6.1
Recurring EPS (%)	33.0	30.2	2.1	0.5	6.3
Reported EPS (%)	39.8	15.1	(0.5)	9.5	6.3
Operating performance					
Gross margin inc. depreciation (%)	41.8	44.9	45.3	45.4	45.6
Gross margin exc. depreciation (%)	43.8	46.6	47.1	47.2	47.4
Operating EBITDA margin (%)	17.4	19.3	19.9	19.8	20.0
Operating EBIT margin (%)	15.5	17.6	18.0	18.0	18.2
Net margin (%)	12.9	15.2	15.7	15.1	15.3
Effective tax rate (%)	14.7	13.7	12.9	15.0	15.0
Dividend payout on recurring profit (%)	41.0	58.6	54.0	55.0	55.0
Interest cover (X)	77.5	96.2	78.7	102.5	118.3
Inventory days	167.5	172.8	176.8	169.0	168.5
Debtor days	70.9	72.0	82.3	84.8	84.5
Creditor days	145.1	163.5	160.8	139.5	135.6
Operating ROIC (%)	40.7	52.3	46.0	42.3	(10.7)
ROIC (%)	27.5	34.7	31.7	30.1	(7.7)
ROE (%)	24.4	28.4	27.1	26.4	27.4
ROA (%)	14.9	17.2	17.1	17.4	18.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
	2021	2022	2023E	2024E	2025E
Mega We Care	6,909	8,053	8,021	8,502	9,097
Maxxcare	6,906	7,320	7,176	7,319	7,502
OEM	320	314	308	317	327

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	2,429	2,442	2,596
Depreciation	274	272	283	294	304
Associates & minorities	2	0	1	1	1
Other non-cash items	461	474	(227)	(395)	(479)
Change in working capital	74	(989)	(968)	(980)	(547)
Cash flow from operations	2,639	2,136	1,517	1,361	1,875
Capex - maintenance	-	-	-	-	-
Capex - new investment	(151)	(305)	(363)	(210)	(300)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(113)	24	(21)	0	0
Cash flow from investing	(265)	(281)	(384)	(210)	(300)
Dividends paid	(923)	(1,406)	(1,311)	(1,343)	(1,428)
Equity finance	0	0	0	0	0
Debt finance	(363)	2	(157)	(13)	19
Other financing cash flows	(28)	(30)	(36)	(28)	(26)
Cash flow from financing	(1,314)	(1,433)	(1,503)	(1,384)	(1,435)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	253	0	0	0	0
Net other adjustments	253	(165)	(200)	0	0
Movement in cash	1,314	257	(570)	(233)	140
Free cash flow to firm (FCFF)	2,402.87	1,884.18	1,168.98	1,179.78	1,600.67
Free cash flow to equity (FCFE)	2,236.65	1,662.78	740.80	1,110.22	1,567.65

Per share (THB)

FCFF per share	2.76	2.16	1.34	1.35	1.84
FCFE per share	2.57	1.91	0.85	1.27	1.80
Recurring cash flow per share	2.94	3.58	2.85	2.69	2.78

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	3,845	4,062	4,425	4,635	4,935
Less: Accumulated depreciation	(2,008)	(2,161)	(2,444)	(2,738)	(3,042)
Tangible fixed assets (net)	1,837	1,901	1,982	1,897	1,893
Intangible fixed assets (net)	1,353	1,329	1,353	1,373	1,382
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	215	223	244	244	244
Cash & equivalents	2,531	2,789	2,219	1,986	2,126
A/C receivable	2,808	3,382	3,611	3,891	3,942
Inventories	3,823	4,109	3,834	4,058	4,162
Other current assets	139	310	177	184	193
Current assets	9,301	10,590	9,841	10,119	10,423
Other assets	566	603	616	599	601
Total assets	13,272	14,646	14,035	14,231	14,543
Common equity	8,003	8,777	9,139	9,383	9,596
Minorities etc.	22	0	0	0	0
Total shareholders' equity	8,025	8,777	9,139	9,383	9,596
Long term debt	132	109	116	105	126
Other long-term liabilities	261	223	287	299	313
Long-term liabilities	393	332	403	403	439
A/C payable	3,533	3,972	3,253	3,261	3,355
Short term debt	224	312	148	146	144
Other current liabilities	1,096	1,254	1,092	1,039	1,009
Current liabilities	4,853	5,538	4,494	4,445	4,508
Total liabilities and shareholders' equity	13,272	14,646	14,035	14,231	14,543
Net working capital	2,141	2,575	3,276	3,834	3,933
Invested capital	6,111	6,632	7,471	7,946	8,053

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

Per share (THB)

Book value per share	9.18	10.07	10.48	10.76	11.01
Tangible book value per share	7.63	8.54	8.93	9.19	9.42

Financial strength

Net debt/equity (%)	(27.1)	(27.0)	(21.4)	(18.5)	(19.3)
Net debt/total assets (%)	(16.4)	(16.2)	(13.9)	(12.2)	(12.8)
Current ratio (x)	1.9	1.9	2.2	2.3	2.3
CF interest cover (x)	85.5	69.5	32.1	47.7	72.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	20.0	15.4	15.1	15.0	14.1
Recurring P/E @ target price (x) *	26.7	20.5	20.1	20.0	18.8
Reported P/E (x)	18.8	16.3	16.4	15.0	14.1
Dividend yield (%)	2.0	3.8	3.6	3.7	3.9
Price/book (x)	4.6	4.2	4.0	3.9	3.8
Price/tangible book (x)	5.5	4.9	4.7	4.6	4.5
EV/EBITDA (x) **	14.0	11.3	11.3	10.9	10.3
EV/EBITDA @ target price (x) **	19.0	15.3	15.2	14.7	13.9
EV/invested capital (x)	5.6	5.2	4.6	4.4	4.3

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

Sources: Mega Lifesciences; FSSIA estimates

MEGA LIFESCIENCES PCL (MEGA TB)

FSSIA ESG rating

★ ★ ★

54.48 /100

Exhibit 9: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

Exhibit 10: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
COM7	61.78	--	Y	Y	5.00	5.00	Certified	Low	47.75	--	--	52.68	21.00	4.40	43.59
MEGA	54.48	--	Y	Y	4.00	4.00	Declared	Medium	66.56	--	--	58.59	24.00	2.39	--
BJC	71.33	Y	Y	Y	4.00	4.00	--	Medium	55.09	A	--	65.19	89.00	2.16	--
CRC	64.49	--	Y	Y	5.00	5.00	Certified	Medium	--	BBB	--	60.98	73.00	2.90	47.27

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 11: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	2.29	—
BESG environmental pillar score	—	1.86	—
BESG social pillar score	—	1.06	—
BESG governance pillar score	—	4.54	—
ESG disclosure score	44.34	53.36	—
Environmental disclosure score	29.84	44.22	—
Social disclosure score	19.44	32.16	—
Governance disclosure score	83.59	83.59	—
Environmental			
Emissions reduction initiatives	Yes	Yes	Yes
Climate change policy	Yes	Yes	No
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	No	No
GHG scope 1	—	—	633
GHG scope 2 location-based	—	—	6
GHG Scope 3	—	—	0
Carbon per unit of production	—	—	—
Biodiversity policy	No	No	No
Energy efficiency policy	Yes	Yes	Yes
Total energy consumption	24	24	23
Renewable energy use	1	1	1
Electricity used	12	13	12
Fuel used - natural gas	—	—	914

Sources: Bloomberg; FSSIA's compilation

Exhibit 12: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No
Waste reduction policy	Yes	Yes	Yes
Hazardous waste	—	—	0
Total waste	1	1	1
Waste recycled	0	0	—
Waste sent to landfills	—	—	—
Environmental supply chain management	Yes	Yes	No
Water policy	No	Yes	Yes
Water consumption	—	—	0
Social			
Human rights policy	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes
Gender pay gap breakout	No	No	No
Pct women in workforce	56	56	56
Pct disabled in workforce	—	—	—
Business ethics policy	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes
Health and safety policy	Yes	Yes	No
Lost time incident rate - employees	0	0	—
Total recordable incident rate - employees	—	—	—
Training policy	Yes	Yes	Yes
Fair remuneration policy	No	No	No
Number of employees – CSR	5,714	6,021	5,767
Employee turnover pct	—	19	—
Total hours spent by firm - employee training	70,551	79,892	70,826
Social supply chain management	Yes	Yes	Yes
Governance			
Board size	10	10	10
No. of independent directors (ID)	4	4	4
No. of women on board	1	1	1
No. of non-executive directors on board	8	8	8
Company conducts board evaluations	Yes	Yes	Yes
No. of board meetings for the year	6	5	7
Board meeting attendance pct	100	96	94
Board duration (years)	3	3	3
Director share ownership guidelines	No	No	No
Age of the youngest director	32	33	34
Age of the oldest director	80	81	82
No. of executives / company managers	6	6	6
No. of female executives	1	1	1
Executive share ownership guidelines	No	No	No
Size of audit committee	3	3	3
No. of ID on audit committee	3	3	3
Audit committee meetings	4	4	4
Audit meeting attendance %	100	100	100
Size of compensation committee	3	3	3
No. of ID on compensation committee	1	1	1
No. of compensation committee meetings	2	2	2
Compensation meeting attendance %	100	100	100
Size of nomination committee	3	3	3
No. of nomination committee meetings	2	2	3
Nomination meeting attendance %	100	100	100
Sustainability governance			
Verification type	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 10px;">AAA</td> <td>8.571-10.000</td> <td style="padding-right: 10px;">Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

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**; 2) **AGM Level**; 3) **Thai CAC**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

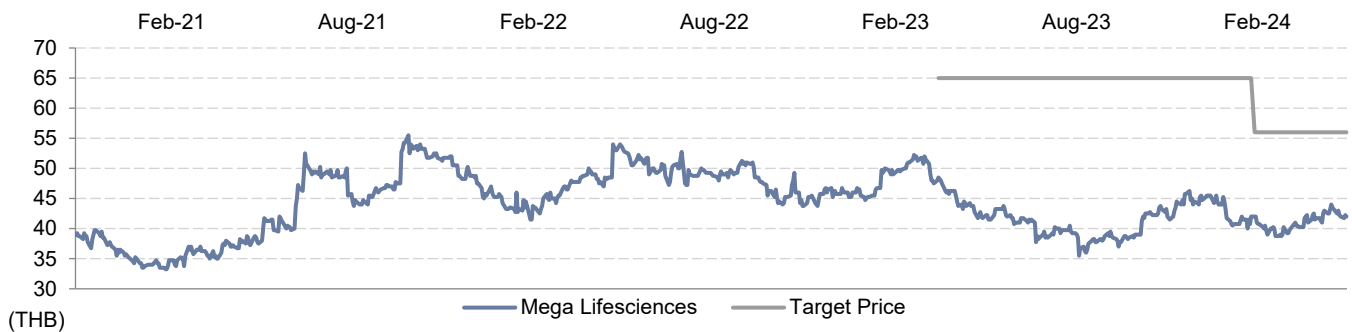
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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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	17-Nov-2023	BUY	56.00	-	-	-

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 42.00	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 Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 07-Feb-2024 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.