FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

EQUITY RESEARCH - COMPANY REPORT

MEGA LIFESCIENCES   MEGA TB
THAILAND / COMMERCE

BUY
UNCHANGED

TARGET PRICE	THB56.00
CLOSE	THB41.75
UP/DOWNSIDE	+34.1%
PRIOR TP	THB56.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+11.5%

กำไร 4Q23 ดีกว่าคาด รายได้ทำสถิติสูงสุด

- กำไรปกติ 4Q23 แข็งแกร่ง 621 ล้านบาท (+18.2% q-q, +20.4% y-y) จากรายได้ที่ทำสถิติสูงเป็นประวัติการณ์
- เราคาดกำไรเติบโตเฉลี่ย 5% CAGR ในปี 2024-26
- คงคำแนะนำซื้อและราคาเป้าหมาย 56 บาท

กำไรปกติ 4Q23 ดีกว่าคาดจากรายได้ที่ทำสถิติสูงสุดเป็นประวัติการณ์

MEGA รายงานกำไรสุทธิใน 4Q23 ที่ 473 ล้านบาท (-12% q-q, +18% y-y) หากไม่รวมรายการพิเศษเช่นผลขาดทุนจากอัตราแลกเปลี่ยนจำนวนมาก และรายการพิเศษอื่นจะเป็นกำไรปกติที่แข็งแกร่งมาก 621 ล้านบาท (+18.2% q-q, +20.4% y-y) เป็นไตรมาสที่ดีที่สุดเป็นอันดับ 2 ในรอบอย่างน้อย 10 ปี ดีกว่าเราคาด 8% และดีกว่า Bloomberg consensus คาด 16% เป็นผลมาจากรายได้ที่สูงเป็นประวัติการณ์ 4.2 พันล้านบาท (+9.3% q-q, +7.0% y-y) ซึ่งดีทั้งแบรนด์ Mega We Care และธุรกิจจัดจำหน่าย ส่วนอัตรากำไรขั้นต้นทรงตัวจากไตรมาสก่อนที่ 45.8% ค่าใช้จ่ายในการขายและบริหารควบคุมได้ดี ดอกเบี้ยจ่ายลดลงหลังชำระคืนหนี้ต่อเนื่อง ฐานะทางการเงินยังคงแข็งแกร่ง มี net D/E เพียง 0.3x และ IBD/E ต่ำเพียง 0.01x
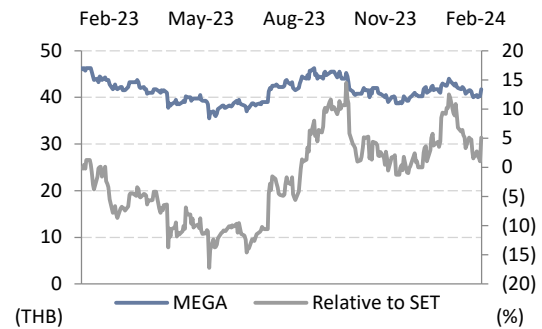
ผลประกอบการปี 2023 ทรงตัวจากฐานสูงในปี 2022

ภาพรวมทั้งปี 2023 กลับแตกต่าง รายได้ทรงตัวทั้งธุรกิจแบรนด์ Mega We Care และธุรกิจจัดจำหน่าย แม้ว่าปี 2022 จะเป็นปีที่ดีและฐานสูง แต่ในปี 2023 ที่บริษัทสูญเสียลูกค้า 1 รายในเมียนมาร์ตั้งแต่ 1Q23 และเศรษฐกิจทั่วโลกรวมถึงกำลังซื้อที่ฟื้นได้ไม่ดีนัก ก็ส่งผลกระทบต่อรายได้ แต่กำไรปกติที่สามารถเติบโตได้ 2% y-y มาจากอัตรากำไรขั้นต้นที่ดีขึ้น และค่าใช้จ่ายขายและบริหารที่ลดลง MEGA ประกาศจ่ายเงินปันผล 0.80 บาทต่อหุ้น คิดเป็นอัตราการจ่ายปันผลที่สูงถึง 70% ของกำไรสุทธิ สูงกว่านโยบายของบริษัทที่ไม่ต่ำกว่า 25% ของกำไรสุทธิ ชดเชยกำไรที่เติบโตต่ำ

คงประมาณการปี 2024-26

MEGA มีผลขาดทุนจากอัตราแลกเปลี่ยนสูงถึง 707 ล้านบาทในปี 2023 ประมาณ 70% มาจากการอ่อนค่าของค่าเงินไนร่าในไนจีเรีย ตั้งแต่ต้นปี 2024 ถึงปัจจุบันค่าเงินไนร่ายังอ่อนค่าต่ออีกเกือบ 80% ซึ่งอาจทำให้ 1Q24 เสี่ยงมีผลขาดทุนจากอัตราแลกเปลี่ยนอีกจำนวนมากแม้ว่าจะไม่ได้รับรู้จริงทั้งหมด อย่างไรก็ตาม เราชอบความแข็งแกร่งของแบรนด์ Mega We Care การกระจายตลาด และฐานการเงินที่แข็งแกร่ง เราคาดว่า MEGA สามารถสร้างกำไรเติบโตได้เฉลี่ย 5% CAGR ในปี 2024-26 โดยอัตรากำไรสุทธิดีขึ้นเป็น 15.1-15.3% สูงกว่าช่วงก่อนโควิดที่ 10.2-11.8%

คงคำแนะนำซื้อ

MEGA เหมาะสำหรับการลงทุนระยะยาวจากธุรกิจที่มีสเถียรภาพและไม่หวือหวา เราคงคำแนะนำซื้อ และราคาเป้าหมาย 56 บาท (8.2% WACC, 3.5% LTG) ซึ่งคิดเป็น P/E ปี 2024E ที่ 20 เท่าเท่ากับค่าเฉลี่ยในช่วง 5 ปีที่ผ่านมา

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	15,681	16,139	16,927	17,736
Net profit	1,993	2,444	2,598	2,715
EPS (THB)	2.29	2.80	2.98	3.11
vs Consensus (%)	-	5.7	6.7	2.6
EBITDA	3,285	3,201	3,389	3,535
Recurring net profit	2,327	2,444	2,598	2,715
Core EPS (THB)	2.67	2.80	2.98	3.11
Chg. In EPS est. (%)	nm	0.1	0.1	nm
EPS growth (%)	(11.1)	22.7	6.3	4.5
Core P/E (x)	15.6	14.9	14.0	13.4
Dividend yield (%)	3.8	3.7	3.9	4.1
EV/EBITDA (x)	10.3	10.6	9.9	9.5
Price/book (x)	3.9	3.7	3.5	3.4
Net debt/Equity (%)	(26.4)	(26.3)	(27.5)	(27.7)
ROE (%)	29.9	25.5	25.7	25.8

Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.8)	2.5	(13.0)
Relative to country (%)	(3.7)	3.6	3.2
Mkt cap (USD m)			1,008
3m avg. daily turnover (USD m)			1.4
Free float (%)			40
Major shareholder		Unistretch Co Ltd (50%)	
12m high/low (THB)			49.00/34.75
Issued shares (m)			871.87

Sources: Bloomberg consensus; FSSIA estimates

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 กุมภาพันธ์ 2024

Investment thesis

Although MEGA posted a very strong core profit of THB621m in 4Q23, the second-best quarter in at least ten years – beating our estimate by 8% and Bloomberg's consensus by 16% – the full-year core profit showed sluggish growth of only 1.6% y-y, with flat revenue. The high base in 2022 could explain the flat growth in 2023. The lack of panic buying in the midst of the pandemic, the economic slowdown in many countries, and the loss of a client would also be reasons, in our view.

The depreciation of the naira is another key short-term risk. However, we think MEGA shares are good for long-term investment due to its resilient business. We retain our BUY rating for MEGA with the same TP of THB56.

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.

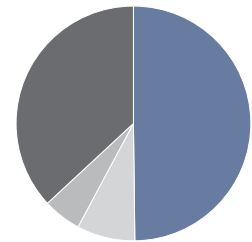www.megawecare.com

Principal activities (revenue, 2023)

- Mega We Care - 51.0 %
- Maxxcare - 47.2 %
- OEM - 1.8 %
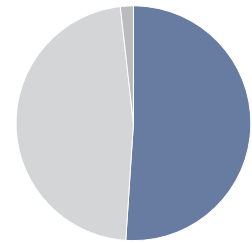
Source: Mega Lifesciences

Major shareholders

- Unistretch Co Ltd - 49.8 %
- Thai NVDR - 8.0 %
- Mr. Vivek Dhawan - 5.3 %
- Others - 36.9 %

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
6 March 2024	Ex-dividend date
22 April 2024	Payment date of the dividend
6 March 2024	Ex-meeting date
2 April 2024	Annual general meeting of shareholders

Key assumptions

	(unit)	2024E	2025E	2026E
Mega We Care	(THB m)	8,502	9,097	9,552
Growth	*(%)*	*6.2*	*7.0*	*5.0*
Gross margin	(%)	64.6	64.6	64.6
Maxxcare	(THB m)	7,319	7,502	7,847
Growth	*(%)*	*(1.0)*	*2.5*	*4.6*
Gross margin	(%)	23.8	23.4	23.4
SG&A to sales (%)	(%)	27.8	27.8	27.9

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.
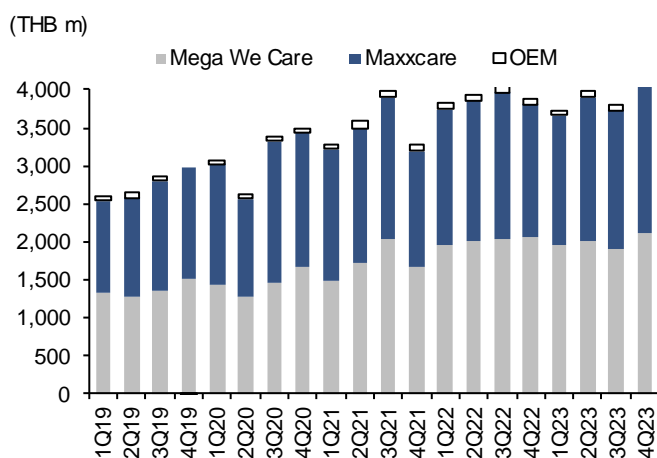
Source: FSSIA estimates

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Exhibit 1: MEGA – 4Q23/2023 earnings summary

| Year to Dec 31 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | ------Change------ | | 2022 | 2023 | 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	4,158	9.3	7.0	15,686	15,681	(0.0)
Cost of sales	(2,093)	(2,102)	(2,167)	(2,064)	(2,252)	9.1	7.6	(8,647)	(8,586)	(0.7)
Gross profit	1,791	1,626	1,825	1,739	1,905	9.6	6.4	7,040	7,095	0.8
Operating costs	(1,192)	(1,028)	(1,038)	(1,021)	(1,104)	8.2	(7.3)	(4,359)	(4,191)	(3.8)
Operating profit	600	599	787	718	801	11.6	33.6	11,398	11,286	(1.0)
Operating EBITDA	685	685	877	815	908	11.3	32.5	3,033	3,285	8.3
Other income	17	18	19	27	31	16.3	81.2	80	95	18.2
Interest expense	(9)	(9)	(9)	(8)	(5)	(45.1)	(47.8)	(29)	(31)	8.8
Profit before tax	608	607	797	737	828	12.4	36.1	2,733	2,968	8.6
Tax	(68)	(73)	(40)	(98)	(58)	(40.2)	(14.0)	(355)	(269)	(24.1)
Reported net profit	**400**	**453**	**531**	**536**	**473**	**(11.7)**	**18.3**	**2,242**	**1,993**	**(11.1)**
Extraordinaries										
- Net loss from new businesses	9	12	7	11	10	nm	nm	52	41	nm
- FX los/(gain)	107	81	151	(38)	138	nm	nm	(3)	325	nm
- Normalising tax expense	0	0	(48)	17	0	nm	nm	0	(31)	nm
Core profit	**516**	**546**	**641**	**526**	**621**	**18.2**	**20.4**	**2,291**	**2,327**	**1.6**
Reported EPS (THB)	0.46	0.52	0.61	0.61	0.54	(11.7)	18.3	2.57	2.29	(11.1)
Core EPS (THB)	0.59	0.63	0.74	0.60	0.71	18.2	20.4	2.63	2.67	1.6
Key ratios (%)	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(ppt)**	**(ppt)**	**(%)**	**(%)**	**(ppt)**
Gross margin	46.1	43.6	45.7	45.7	45.8	0.1	(0.3)	44.9	45.2	0.4
Operating margin	15.9	16.5	20.2	19.6	20.0	0.4	4.1	17.6	19.1	1.5
EBITDA margin	17.6	18.4	22.0	21.4	21.8	0.4	4.2	19.3	21.0	1.6
Recurring net margin	13.3	14.6	16.1	13.8	14.9	1.1	1.7	14.6	14.8	0.2
SG&A / Sales	30.7	27.6	26.0	26.8	26.6	(0.3)	(4.1)	27.8	26.7	(1.1)
Revenue breakdown	**(THB m)**	**(THB m)**	**(THB m)**	**(THB m)**	**(THB m)**	**(q-q %)**	**(y-y %)**	**(THB m)**	**(THB m)**	**(y-y %)**
Branded business	2,062	1,953	2,019	1,907	2,126	11.5	3.1	8,053	8,005	(0.6)
Distribution business	1,752	1,717	1,876	1,825	1,980	8.5	13.0	7,320	7,397	1.1
OEM business	71	59	97	71	53	(25.6)	(26.1)	314	280	(11.0)
Gross margin by BU (%)	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(ppt)**	**(ppt)**	**(%)**	**(%)**	**(ppt)**
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	26.6	0.7	3.1	20.8	24.5	3.7
OEM business	46.2	24.6	37.6	27.9	25.6	(2.3)	(20.6)	38.1	30.2	(7.9)

Sources: MEGA, FSSIA's compilation

Exhibit 2: Revenue structure by business unit
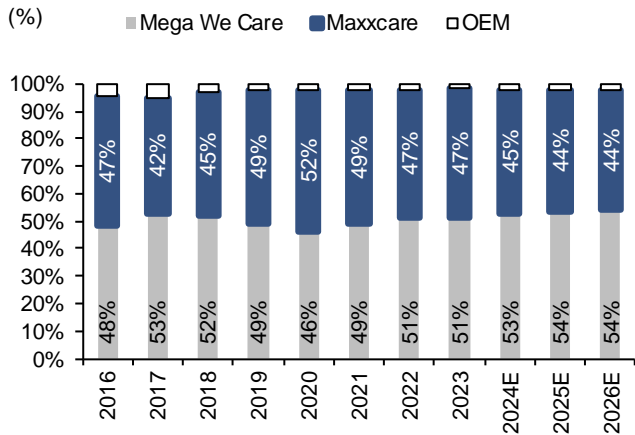

Sources: MEGA, FSSIA's compilation
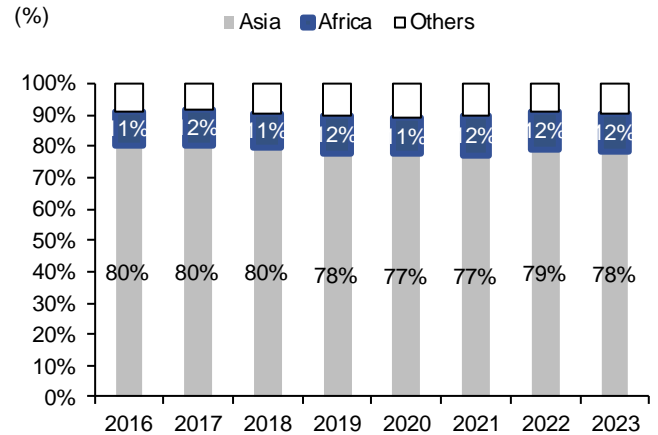
Exhibit 3: Margins and core profit

Sources: MEGA, FSSIA's compilation

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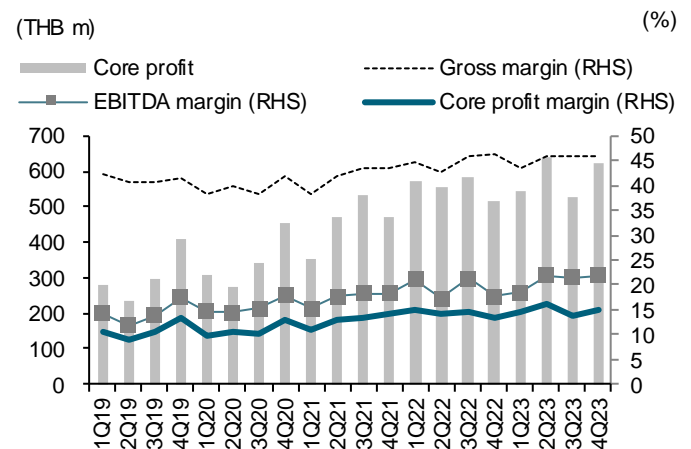
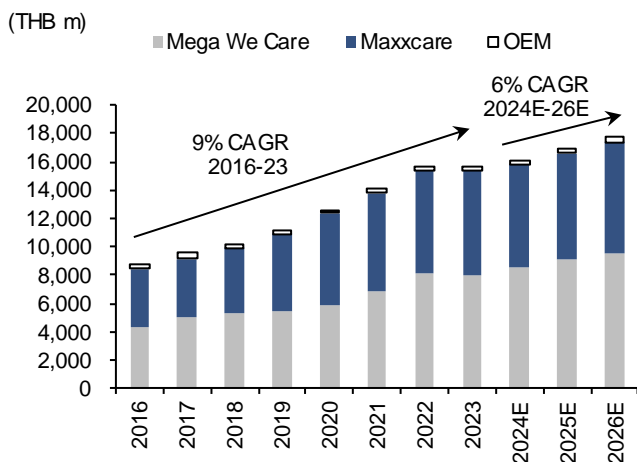**Exhibit 4: Revenue structure by business unit, yearly**

Sources: MEGA, FSSIA estimates

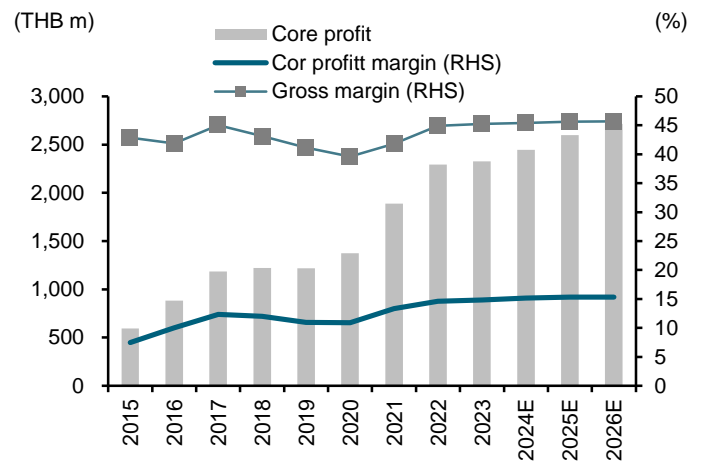**Exhibit 5: Revenue from branded business by region**

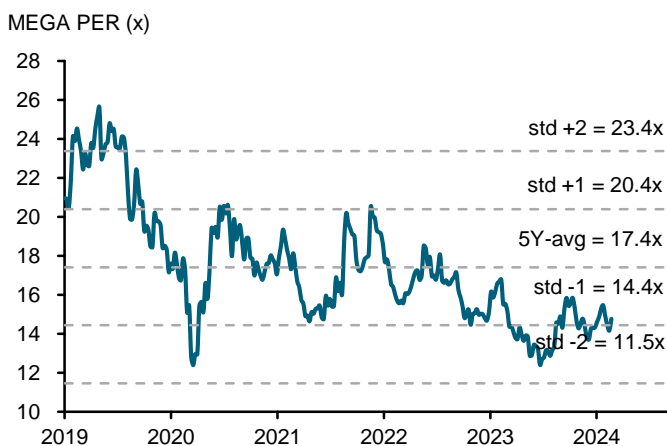Sources: MEGA, FSSIA's compilation

Exhibit 6: Revenue projection

Sources: MEGA, FSSIA estimates
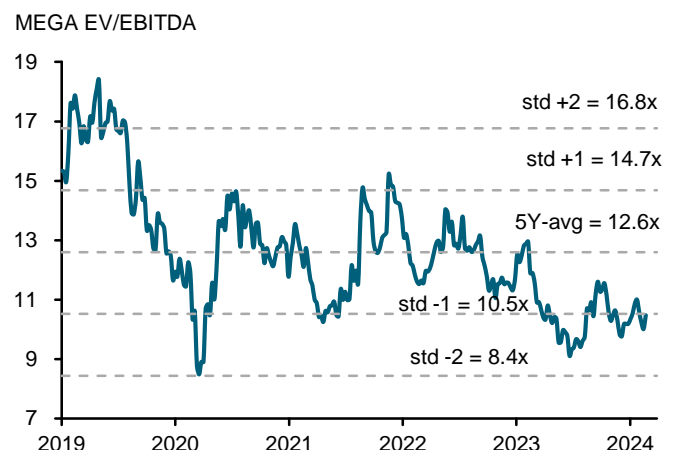
Exhibit 7: Margins and core profit

Sources: MEGA, FSSIA estimates

Exhibit 8: One-year rolling forward P/E band

Sources: FSSIA estimates, Bloomberg

Exhibit 9: One-year rolling forward EV/EBITDA band

Sources: FSSIA estimates, Bloomberg

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Financial Statements
Mega Lifesciences

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	15,686	15,681	16,139	16,927	17,736
Cost of goods sold	(8,647)	(8,586)	(8,816)	(9,206)	(9,640)
Gross profit	**7,040**	**7,095**	**7,323**	**7,720**	**8,097**
Other operating income	80	95	65	68	71
Operating costs	(4,359)	(4,191)	(4,483)	(4,706)	(4,948)
Operating EBITDA	**3,033**	**3,285**	**3,201**	**3,389**	**3,535**
Depreciation	(272)	(286)	(297)	(307)	(316)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**2,761**	**2,999**	**2,904**	**3,082**	**3,219**
Net financing costs	(29)	(31)	(27)	(25)	(25)
Associates	0	0	0	0	0
Recurring non-operating income	2	0	(1)	(1)	0
Non-recurring items	(138)	(707)	0	0	0
Profit before tax	**2,596**	**2,262**	**2,876**	**3,056**	**3,194**
Tax	(355)	(269)	(432)	(459)	(479)
Profit after tax	**2,242**	**1,993**	**2,444**	**2,598**	**2,715**
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	**2,242**	**1,993**	**2,444**	**2,598**	**2,715**
Non-recurring items & goodwill (net)	**50**	**335**	**0**	**0**	**0**
Recurring net profit	**2,291**	**2,327**	**2,444**	**2,598**	**2,715**
Per share (THB)					
Recurring EPS *	2.63	2.67	2.80	2.98	3.11
Reported EPS	2.57	2.29	2.80	2.98	3.11
DPS	1.60	1.60	1.54	1.64	1.71
Diluted shares (used to calculate per share data)	872	872	872	872	872
Growth					
Revenue (%)	11.0	0.0	2.9	4.9	4.8
Operating EBITDA (%)	23.2	8.3	(2.6)	5.9	4.3
Operating EBIT (%)	26.2	8.6	(3.2)	6.1	4.4
Recurring EPS (%)	21.4	1.6	5.0	6.3	4.5
Reported EPS (%)	15.1	(11.1)	22.7	6.3	4.5
Operating performance					
Gross margin inc. depreciation (%)	44.9	45.2	45.4	45.6	45.6
Gross margin exc. depreciation (%)	46.6	47.1	47.2	47.4	47.4
Operating EBITDA margin (%)	19.3	21.0	19.8	20.0	19.9
Operating EBIT margin (%)	17.6	19.1	18.0	18.2	18.1
Net margin (%)	15.2	17.2	15.1	15.3	15.3
Effective tax rate (%)	13.7	11.9	15.0	15.0	15.0
Dividend payout on recurring profit (%)	58.6	51.7	55.0	55.0	55.0
Interest cover (X)	96.2	96.0	106.7	121.0	131.2
Inventory days	172.8	164.6	150.0	150.8	150.6
Debtor days	72.0	80.9	82.9	83.0	82.1
Creditor days	163.5	157.6	138.4	135.7	132.9
Operating ROIC (%)	56.8	58.0	47.6	47.3	47.3
ROIC (%)	37.7	39.8	33.6	34.0	34.4
ROE (%)	28.4	29.9	25.5	25.7	25.8
ROA (%)	17.2	19.0	17.1	17.4	17.6
* Pre-exceptional, pre-goodwill and fully diluted					

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Mega We Care	8,053	8,005	8,502	9,097	9,552
Maxxcare	7,320	7,397	7,319	7,502	7,847
OEM	314	280	317	327	337

Sources: Mega Lifesciences; FSSIA estimates

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Financial Statements
Mega Lifesciences

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	2,380	2,699	2,444	2,598	2,715
Depreciation	272	286	297	307	316
Associates & minorities	0	0	0	0	0
Other non-cash items	474	671	(47)	(244)	(335)
Change in working capital	(989)	(1,023)	(845)	(663)	(723)
Cash flow from operations	**2,136**	**2,633**	**1,850**	**1,998**	**1,973**
Capex - maintenance	-	-	-	-	-
Capex - new investment	(305)	(294)	(330)	(300)	(340)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	24	44	0	0	0
Cash flow from investing	**(281)**	**(250)**	**(330)**	**(300)**	**(340)**
Dividends paid	(1,406)	(1,439)	(1,344)	(1,429)	(1,493)
Equity finance	0	0	0	0	0
Debt finance	2	(237)	(9)	23	(5)
Other financing cash flows	(30)	(32)	(27)	(25)	(25)
Cash flow from financing	**(1,433)**	**(1,708)**	**(1,380)**	**(1,431)**	**(1,523)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**(165)**	**(751)**	**0**	**0**	**0**
Movement in cash	**257**	**(76)**	**139**	**267**	**110**
Free cash flow to firm (FCFF)	1,884.18	2,414.24	1,546.77	1,723.07	1,657.35
Free cash flow to equity (FCFE)	1,662.78	1,362.98	1,483.56	1,695.36	1,603.49

Per share (THB)					
FCFF per share	2.16	2.77	1.77	1.98	1.90
FCFE per share	1.91	1.56	1.70	1.94	1.84
Recurring cash flow per share	3.58	4.19	3.09	3.05	3.09

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	4,062	4,309	4,639	4,939	5,279
Less: Accumulated depreciation	(2,161)	(2,334)	(2,631)	(2,938)	(3,254)
Tangible fixed assets (net)	**1,901**	**1,974**	**2,008**	**2,001**	**2,025**
Intangible fixed assets (net)	**1,329**	**1,318**	**1,344**	**1,353**	**1,343**
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	223	221	221	221	221
Cash & equivalents	2,789	2,712	2,851	3,118	3,228
A/C receivable	3,382	3,570	3,758	3,942	4,033
Inventories	4,109	3,377	3,623	3,733	3,962
Other current assets	310	330	345	333	344
Current assets	**10,590**	**9,990**	**10,578**	**11,126**	**11,567**
Other assets	603	611	592	593	594
Total assets	**14,646**	**14,115**	**14,743**	**15,294**	**15,750**
Common equity	8,777	9,302	9,902	10,351	10,723
Minorities etc.	0	0	0	0	0
Total shareholders' equity	**8,777**	**9,302**	**9,902**	**10,351**	**10,723**
Long term debt	109	132	125	151	148
Other long-term liabilities	223	244	299	313	328
Long-term liabilities	**332**	**376**	**424**	**464**	**476**
A/C payable	3,972	3,197	3,261	3,355	3,433
Short term debt	312	120	118	116	114
Other current liabilities	1,254	1,119	1,039	1,009	1,004
Current liabilities	**5,538**	**4,437**	**4,417**	**4,479**	**4,551**
Total liabilities and shareholders' equity	**14,646**	**14,115**	**14,743**	**15,294**	**15,750**
Net working capital	2,575	2,961	3,428	3,645	3,902
Invested capital	6,632	7,086	7,592	7,813	8,085
* Includes convertibles and preferred stock which is being treated as debt					

Per share (THB)					
Book value per share	10.07	10.67	11.36	11.87	12.30
Tangible book value per share	8.54	9.16	9.82	10.32	10.76
Financial strength					
Net debt/equity (%)	(27.0)	(26.4)	(26.3)	(27.5)	(27.7)
Net debt/total assets (%)	(16.2)	(17.4)	(17.7)	(18.6)	(18.8)
Current ratio (x)	1.9	2.3	2.4	2.5	2.5
CF interest cover (x)	69.5	54.0	67.6	79.4	80.2

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	**15.9**	**15.6**	**14.9**	**14.0**	**13.4**
Recurring P/E @ target price (x) *	**21.5**	**18.1**	**20.0**	**18.8**	**18.0**
Reported P/E (x)	16.2	18.3	14.9	14.0	13.4
Dividend yield (%)	3.8	3.8	3.7	3.9	4.1
Price/book (x)	4.1	3.9	3.7	3.5	3.4
Price/tangible book (x)	4.9	4.6	4.3	4.0	3.9
EV/EBITDA (x) **	11.2	10.3	10.6	9.9	9.5
EV/EBITDA @ target price (x) **	15.3	14.1	14.4	13.6	13.0
EV/invested capital (x)	5.1	4.8	4.5	4.3	4.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Mega Lifesciences; FSSIA estimates

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MEGA LIFESCIENCES PCL (MEGA TB)

Exhibit 10: 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 11: 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 12: 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 13:   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

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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%). (*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.*)	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. (*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.*)	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. *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.*

A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.

NEGL	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

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.

AAA	8.571-10.000		
AA	7.143-8.570	**Leader:**	leading its industry in managing the most significant ESG risks and opportunities
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	**Laggard:**	lagging its industry based on its high exposure and failure to manage significant ESG risks
CCC	0.000-1.428		

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. (*Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.*)

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

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GENERAL DISCLAIMER

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History of change in investment rating and/or target price

Mega Lifesciences (MEGA TB)
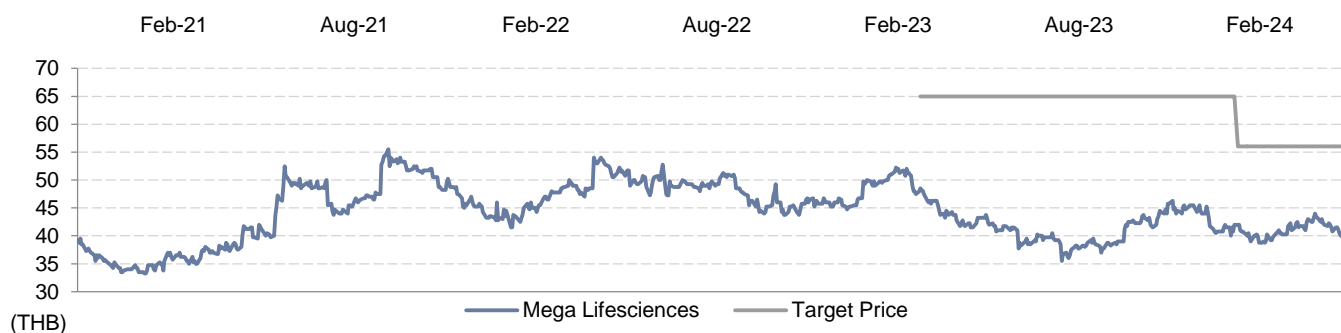
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Feb-2023	BUY	65.00	17-Nov-2023	BUY	56.00	-	-	-

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

Source: FSSIA estimates

Additional Disclosures

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

All share prices are as at market close on 23-Feb-2024 unless otherwise stated.

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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.

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