

MEGA LIFESCIENCES

THAILAND / COMMERCE

MEGA TB

BUY

UNCHANGED

Target to double 2019 profit by 2025

- Management aims to double the company's 2019 net profit by 2025. The 2024 guidance is to grow revenue by mid-single digits.
- Contribution from Indonesian facility should be meaningful from 2026 onwards.
- Maintain BUY rating with TP of THB56.

TARGET PRICE	THB56.00
CLOSE	THB40.50
UP/DOWNSIDE	+38.3%
PRIOR TP	THB56.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+13.1%

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 (%)	-	(1.6)	(3.7)	(1.4)
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. (%)	-	-	-	-
EPS growth (%)	1.6	5.0	6.3	4.5
Core P/E (x)	15.2	14.4	13.6	13.0
Dividend yield (%)	4.0	3.8	4.0	4.2
EV/EBITDA (x)	10.0	10.2	9.6	9.1
Price/book (x)	3.8	3.6	3.4	3.3
Net debt/Equity (%)	(26.4)	(26.3)	(27.5)	(27.7)
ROE (%)	29.9	25.5	25.7	25.8

Industry saw slower growth in 2023 after the Covid benefits faded

Pharmaceutical companies that made a big jump in revenue and profit from the pandemic during 2020-22 eventually faced a steep decline in earnings growth in 2023. The combined revenue of four listed pharmaceutical companies grew 14-15% in 2020-22 and came down to 3% in 2023. The aggregate core profit of these companies soared 39% and 19% in 2021-22, respectively, but fell 2% in 2023. In 2023, approximately 20% of MEGA's total products were Covid-related products, which saw an almost 30% decrease in revenue. For this reason, MEGA reported flat revenue in 2023.

Target to double 2019 net profit by 2025

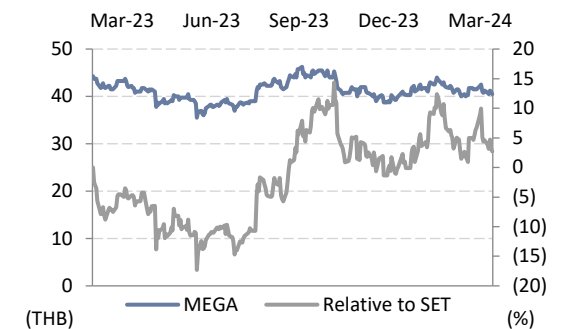
MEGA's management aims to double the company's 2019 net profit by 2025 after achieving their target of doubling the 2014 net profit within 2019. For 2024, management's guidance is to grow revenue by mid-single digits. The company has 43 products (14 consumer products and 29 pharmaceuticals) which are set to launch in 2024 and more than 50 products under development.

Indonesia set to be key growth driver in the medium to long term

The Indonesian manufacturing facility that MEGA acquired four years ago recently started to introduce some products into the domestic market. The company plans to invest THB250m in the Indonesian manufacturing plant for new dosage forms, a warehouse, and factory upgrading during 2024-25. Indonesia is set to be MEGA's medium- to long-term key growth driver, as Indonesia's pharmaceutical market is the largest market in Southeast Asia. MEGA's management expects its Indonesian facility to start contributing meaningfully from 2026 onwards. MEGA is also looking for opportunities in Vietnam, and should have some progress by 2Q24.

Maintain BUY with TP of THB56

Our profit growth forecast is 5%/6%/5% in 2024-26, in line with management's guidance of mid-single digit growth. Despite experiencing low growth, MEGA is a leading brand in the health and wellness industry, especially in underpenetrated markets. We maintain our BUY rating and DCF-based TP of THB56 (8.2% WACC, 3.5% LTG). This implies 20x 2024E P/E, close to its five-year average.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	0.6	(9.0)
Relative to country (%)	0.1	1.0	2.8
Mkt cap (USD m)	987		
3m avg. daily turnover (USD m)	1.3		
Free float (%)	40		
Major shareholder	Unistretch Co Ltd (50%)		
12m high/low (THB)	46.75/34.75		
Issued shares (m)	871.87		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amorntum

Fundamental Investment Analyst on Securities; License no. 014530
jitra.a@fssia.com, +66 2646 9966

Investment thesis

MEGA's management aims to double the company's 2019 net profit by 2025. For 2024, management's guidance is to grow revenue by mid-single digits (5-8%). To achieve the target, the company has 43 products to be launched in 2024 and more than 50 products under development. The Indonesian plant expansion is scheduled for completion in 2025. The contribution from the Indonesian plant should be meaningful from 2026 onwards.

Our profit growth forecast is 5%/6%/5% in 2024-26, in line with management's guidance. Despite experiencing low growth, MEGA is a leading brand in the health and wellness industry, especially in underpenetrated markets.

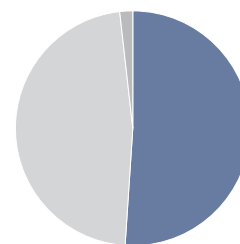
Company profile

MEGA is a leading manufacturer and distributor of pharmaceutical and 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)

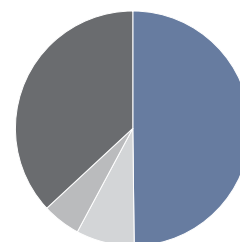
- Mega We Care - 51.0 %
- Maxxcare - 47.2 %
- OEM - 1.8 %



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
2 April 2024	Annual general meeting of shareholders
22 April 2024	Payment date of the dividend

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

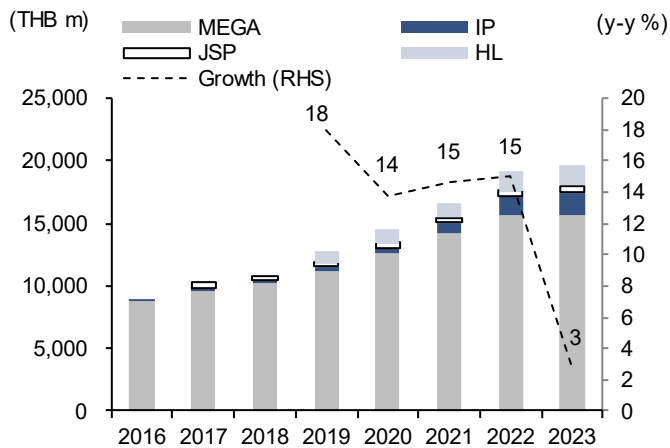
Industry saw slower growth in 2023

Pharmaceutical companies that made a big jump in revenue and profit from the pandemic during 2020-22 eventually faced a steep decline in earnings growth in 2023. The combined sales revenue of four listed pharmaceutical companies grew 14-15% in 2020-22. The combined revenue growth came down to only 3% in 2023. The aggregate core profit of these companies soared 39% and 19% in 2021-22, respectively, but fell 2% in 2023, down for all companies except MEGA, which posted a slight increase of 2%.

The overall pharmaceutical and nutraceutical markets in Thailand continue to grow every year. In 2023, the pharmaceuticals market rose 6%, roughly 82% of which came from the hospital channel, with the rest coming from drug stores, while the nutraceuticals market increased 8%, according to Marketeer Media. The growth was a result of the return of foreign patients and the rise of health-conscious consumers.

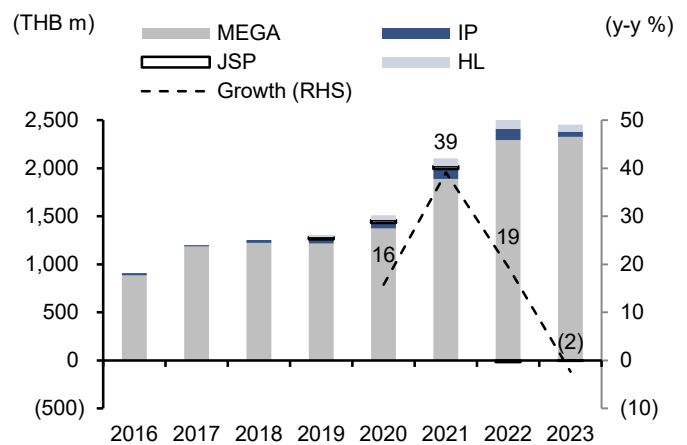
In 2023, approximately 20% of MEGA's total products were Covid-related products, which saw an almost 30% decrease in revenue. Despite the increase in revenue from other products, it was not enough to drive the company's total revenue upward. For this reason, MEGA reported flat revenue in 2023.

Exhibit 1: Revenue by companies



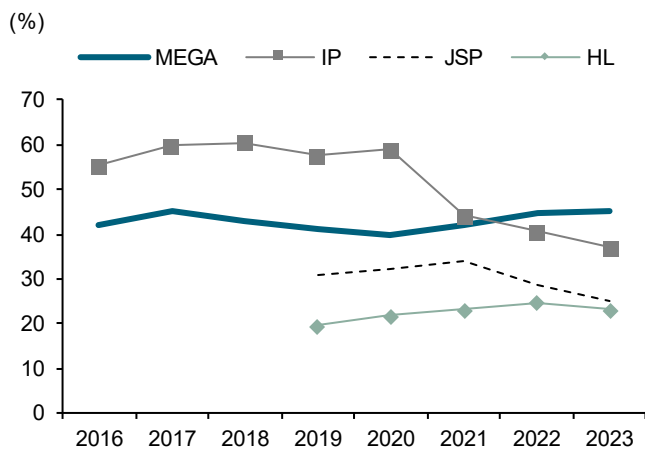
Sources: HL, IP, JSP, MEGA, FSSIA's compilation

Exhibit 2: Core profit by companies



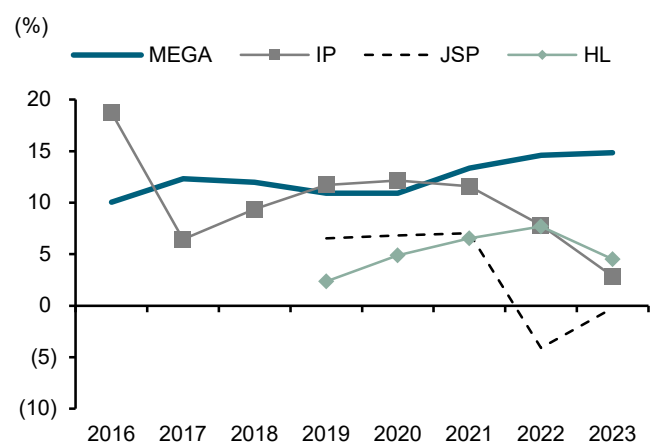
Sources: HL, IP, JSP, MEGA, FSSIA's compilation

Exhibit 3: Gross margin by operators

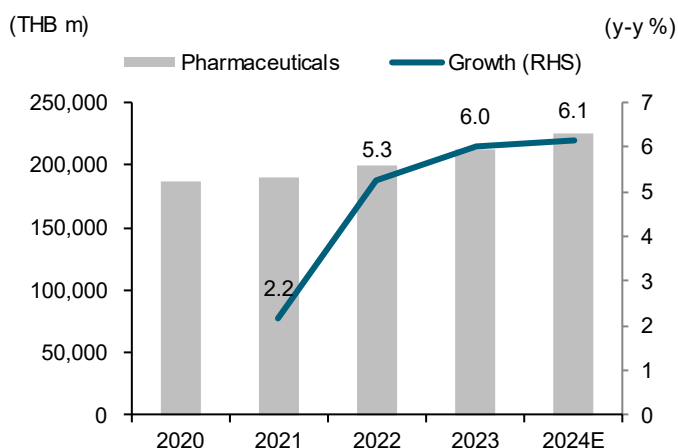


Sources: HL, IP, JSP, MEGA, FSSIA's compilation

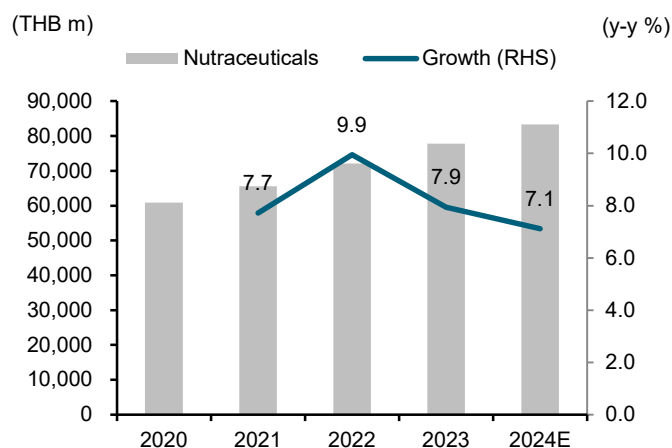
Exhibit 4: Core profit margin by operators



Sources: HL, IP, JSP, MEGA, FSSIA's compilation

Exhibit 5: Thailand's pharmaceutical market size

Sources: Marketeer Media's compilation

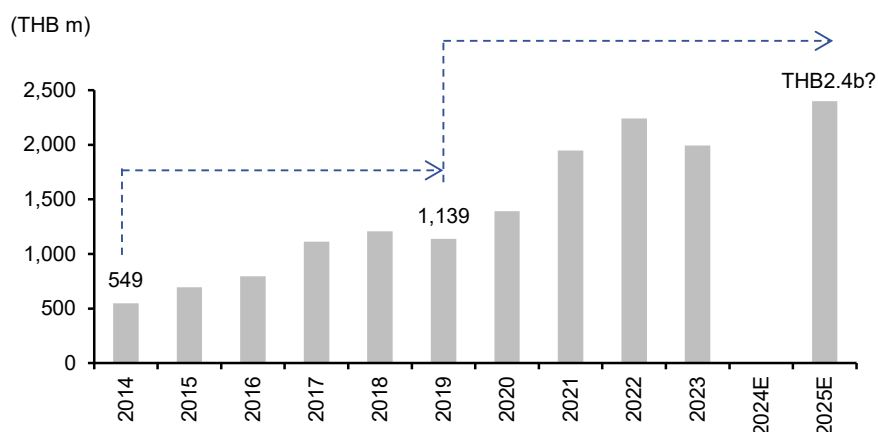
Exhibit 6: Thailand's nutraceutical market size

Sources: Marketeer Media's compilation

Target to double 2019 net profit by 2025

MEGA's management aims to double the company's 2019 net profit by 2025 after achieving their target of doubling the 2014 net profit within 2019. For 2024, management's guidance is to grow revenue by mid-single digits. In order to reach the target, the company has 43 products (14 consumer products and 29 pharmaceuticals) which are set to launch in 2024 and more than 50 products under development.

The Indonesian manufacturing facility that MEGA acquired four years ago recently started to introduce some products into the domestic pharmaceutical market. The company plans to invest THB250m in the Indonesian manufacturing plant for new dosage forms, a warehouse, and factory upgrading during 2024-25. The plant should be completed in late 3Q25. Indonesia is set to be MEGA's medium- to long-term key growth driver, as Indonesia's pharmaceutical market is the largest market in Southeast Asia with a market size of roughly USD7.6b in 2020 in terms of sales value, and is forecast to reach USD12.1b by 2025, according to US-based Fitch Ratings. MEGA's management expects its Indonesian facility to start contributing meaningfully from 2026 onwards.

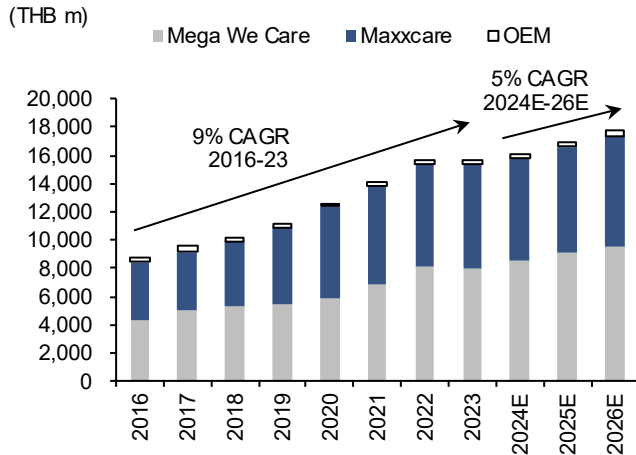
Exhibit 7: Revenue target in 2025

Source: MEGA

Projection maintained

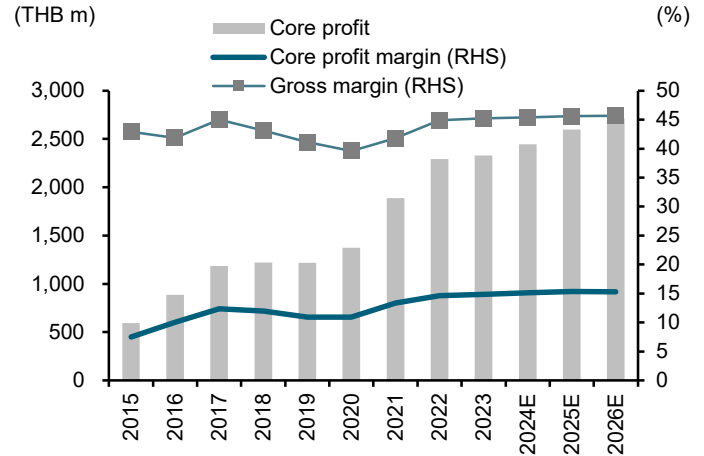
We maintain our revenue growth projection at 5% CAGR in 2024-26. The gross margin should be well-maintained at 45.4-45.6%, with the SG&A to sales ratio at 28%. We retain our core profit growth estimate at 5% CAGR during 2024-26, reaching new highs every year.

Exhibit 8: Revenue projection



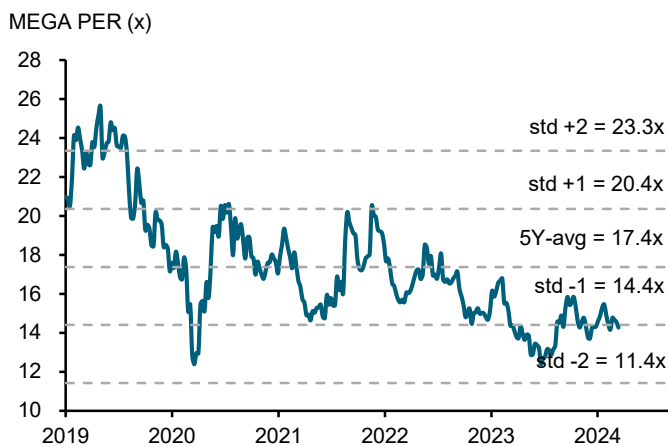
Sources: MEGA, FSSIA estimates

Exhibit 9: Core profit projection



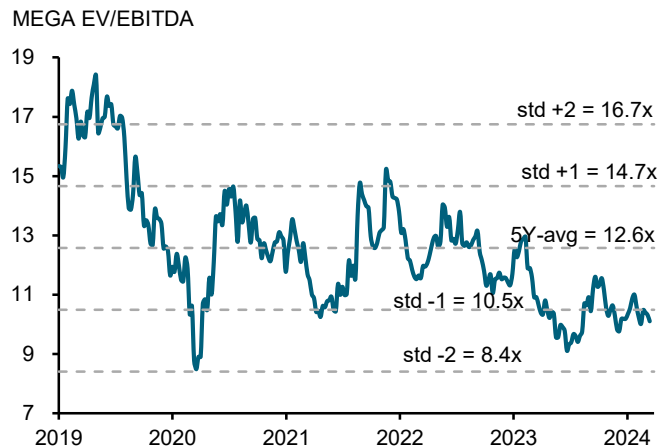
Sources: MEGA, FSSIA estimates

Exhibit 10: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 11: One-year rolling forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Exhibit 12: Peers comparison as of 15 March 2024

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/EBITDA	
			Current	Target	Upside		24E	25E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand														
Mega Lifesciences	MEGA TB	BUY	40.50	56.00	38	987	14.4	13.6	25.5	25.7	3.6	3.4	10.2	9.6
Healthlead	HL TB	n/a	11.30	n/a	n/a	86	36.5	30.5	8.4	9.7	n/a	n/a	16.2	14.1
Thailand average						1,073	25.4	22.1	16.9	17.7	3.6	3.4	13.2	11.8
Regional														
Herbalife Nutrition	HLF US	n/a	8.96	n/a	n/a	894	4.2	3.4	(22.0)	(33.1)	n/a	n/a	5.2	4.6
Abbott Laboratories	ABT US	n/a	115.49	n/a	n/a	200,396	25.0	22.7	19.2	20.5	5.0	4.8	19.2	17.7
Bellring Brands	BRBR US	n/a	59.99	n/a	n/a	7,857	36.2	31.1	(91.4)	205.8	n/a	n/a	22.0	19.8
Usana Health Sciences	USNA US	n/a	50.11	n/a	n/a	964	18.4	16.0	9.9	10.3	n/a	n/a	5.6	5.3
Natures Sunshine	NATR US	n/a	20.11	n/a	n/a	378	23.9	20.9	10.3	11.9	n/a	n/a	6.8	6.2
Pfizer	PFE US	n/a	27.94	n/a	n/a	157,771	12.7	10.1	13.7	16.9	1.8	1.9	9.6	8.6
Astrazeneca	AZN LN	n/a	10,294	n/a	n/a	203,127	16.2	14.3	27.2	26.7	4.8	4.3	12.3	11.0
Bayer AG	BAYN GR	n/a	26.18	n/a	n/a	27,993	4.8	4.4	11.7	12.7	0.7	0.7	5.7	5.5
Roche Holding	RO SW	n/a	242.60	n/a	n/a	212,685	13.6	12.4	40.6	39.8	5.3	4.6	9.5	8.7
Novartis	NOVN SW	n/a	85.64	n/a	n/a	220,612	13.8	12.6	24.9	27.9	4.3	4.2	12.4	11.5
JCR Pharmaceuticals	4552 JT	n/a	885.00	n/a	n/a	756	13.5	16.2	14.7	11.3	1.9	1.7	9.0	10.3
China Feihe	6186 HK	n/a	3.73	n/a	n/a	4,312	6.6	6.3	16.7	16.4	1.1	1.0	3.6	3.4
Health and Happiness	1112 HK	n/a	11.28	n/a	n/a	928	6.8	5.7	14.0	15.7	0.9	0.9	6.4	5.9
Huadong Medicine	000963 CH	n/a	33.79	n/a	n/a	8,143	16.7	13.8	14.9	15.6	2.4	2.1	11.5	9.8
Kalbe Farma	KLBF IJ	n/a	1,430.00	n/a	n/a	4,256	20.2	18.2	14.3	14.6	2.8	2.6	13.4	12.3
Dr.Reddy's Laboratories	DRRD IN	n/a	6,284.90	n/a	n/a	12,654	19.4	18.9	20.9	17.7	3.8	3.2	12.5	12.0
Glaxosmithkline Pharmaceuticals	GLXO IN	n/a	1,926.55	n/a	n/a	3,939	48.0	42.5	38.6	40.2	17.9	16.6	35.8	31.7
Regional average						1,067,666	17.7	15.9	10.6	27.0	4.1	3.7	11.8	10.8
Overall average						1,068,739	18.5	16.5	11.3	26.1	4.0	3.7	11.9	11.0

Sources: Bloomberg; FSSIA estimates

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)	59	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	(9.4)	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)					
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

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) *	15.4	15.2	14.4	13.6	13.0
Recurring P/E @ target price (x) *	21.3	21.0	20.0	18.8	18.0
Reported P/E (x)	15.8	17.7	14.4	13.6	13.0
Dividend yield (%)	4.0	4.0	3.8	4.0	4.2
Price/book (x)	4.0	3.8	3.6	3.4	3.3
Price/tangible book (x)	4.7	4.4	4.1	3.9	3.8
EV/EBITDA (x) **	10.9	10.0	10.2	9.6	9.1
EV/EBITDA @ target price (x) **	15.3	14.1	14.4	13.6	13.0
EV/invested capital (x)	5.0	4.6	4.3	4.2	4.0

* 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 13: 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 14: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		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](https://settrade.com); FSSIA's compilation

Exhibit 15: 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 16: 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 Sustainabilitys	The Sustainabilitys' 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">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></tr><tr><td>B</td><td>1.429-2.856</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
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																			
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

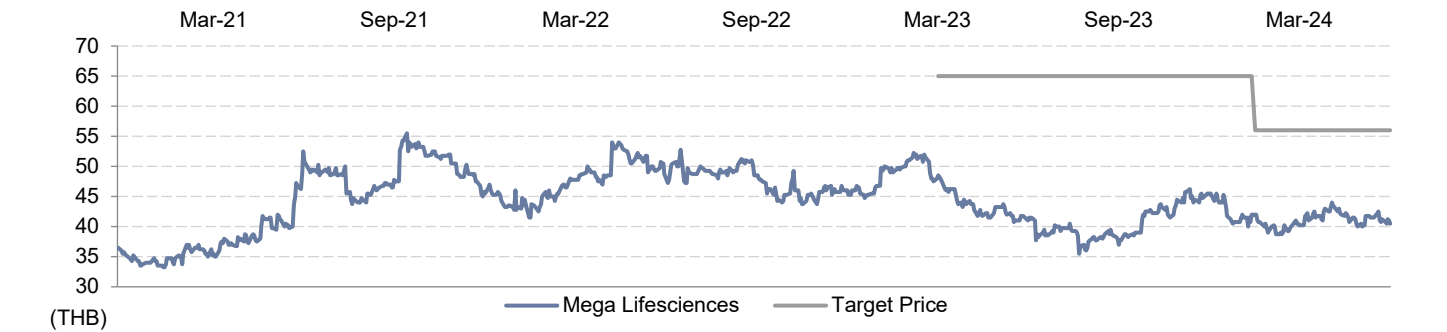
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

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

History of change in investment rating and/or target price

Mega Lifesciences (MEGA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Feb-2023	BUY	65.00	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 40.50	BUY	Downside risks to our DCF-based TP include 1) the delayed registration process in many countries; 2) more intensified competition; 3) failure in introducing new products; and 4) risks associated with doing business in Myanmar.

Source: FSSIA estimates

Additional Disclosures

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

All share prices are as at market close on 15-Mar-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.