

# MEGA LIFESCIENCES

THAILAND / COMMERCE

# MEGA TB

## BUY

UNCHANGED

## Expect flat y-y growth in 1Q24

- Expect 3.3% y-y core profit growth in 1Q24, aligning with a projected rise of 1.0% y-y in total revenue.
- Maintain our 2024-2026E mid-single-digit profit growth. Beyond 2026, Indonesia is worth watching.
- Retain our BUY call on cheap valuations.

TARGET PRICE	THB56.00
CLOSE	THB41.00
UP/DOWNSIDE	+36.6%
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	2,699	2,444	2,598	2,715
Core EPS (THB)	3.10	2.80	2.98	3.11
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	13.4	(9.4)	6.3	4.5
Core P/E (x)	13.2	14.6	13.8	13.2
Dividend yield (%)	3.9	3.8	4.0	4.2
EV/EBITDA (x)	10.1	10.4	9.7	9.3
Price/book (x)	3.8	3.6	3.5	3.3
Net debt/Equity (%)	(26.4)	(26.3)	(27.5)	(27.7)
ROE (%)	29.9	25.5	25.7	25.8

## Expect flat y-y growth in 1Q24 core profit

We expect MEGA to post a total operating revenue of THB3.8b in 1Q24, marginally up 1.0% y-y and slightly below the average quarterly revenue of THB3.9b in 2022-23. The gross margin of both branded and distribution businesses should remain unchanged. Also, we project a blended gross margin of 44.8%, higher than 43.6% in 1Q23, due to a gradually higher sale proportion of high-margin branded business.

## Sizable FX loss should fade

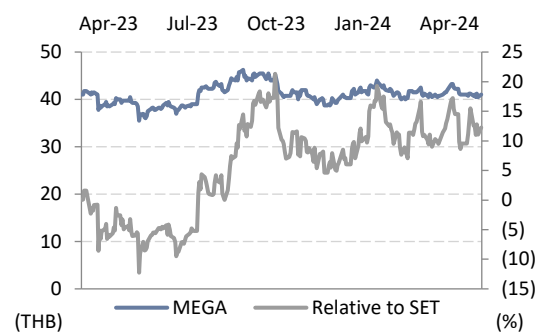
The SG&A expenses-to-sales ratio should be close to 1Q23 at 27.6% due to the usual muted marketing activities in the first quarter. The material impact of forex loss on the company's bottom line during 2Q23-4Q23 should decrease since the Baht strength should partially offset continued depreciation in the Nigerian Naira and Myanmar Kyat. Following our assumptions, we project a 1Q24 core profit of THB564m (-9.2% q-q, +3.3% y-y).

## Indonesia to be MEGA's medium-to-long-term growth

The projected 1Q24 profit accounts for 23% of our full-year forecast. We maintain our 2024-2026E mid-single-digit core profit growth of 5%/6%/5% after pandemic benefits fade. Beyond 2026, MEGA's Indonesia manufacturing facility should play a significant role. It is set to be MEGA's crucial medium-to-long-term growth driver since Indonesia's pharmaceutical market is the largest in Southeast Asia. MEGA's management expects its Indonesian facility to start contributing meaningfully from 2026 onwards. Also, it is looking for opportunities in Vietnam and should have some progress by 2Q24.

## Maintain a BUY call with our TP of THB56

Despite experiencing low growth, MEGA is a leading brand in the health and wellness industry, especially in underpenetrated markets. We retain 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, while MEGA trades at only 14.6x 2024E P/E and 10.4x 2024E EV/EBITDA.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.4)	(4.1)	0.0
Relative to country (%)	(1.2)	(3.1)	12.3
Mkt cap (USD m)	965		
3m avg. daily turnover (USD m)	1.2		
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


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### 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 digit (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.

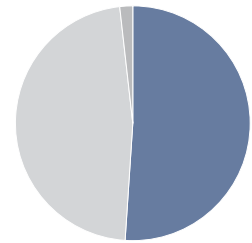
### Company profile

MEGA is a leading manufacturer and distributor of pharmaceutical, 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 the Mega We Care brand through its distribution network and third-party distributors in 36 countries across the world.

[www.megawecare.com](http://www.megawecare.com)

### Principal activities (revenue, 2023)

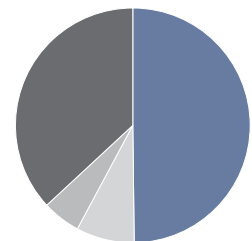
- Mega We Care - 51.0 %
- Maxxcare - 47.2 %
- OEM - 1.8 %



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) 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
13 May 2024	1Q24 earnings announcement

### 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.

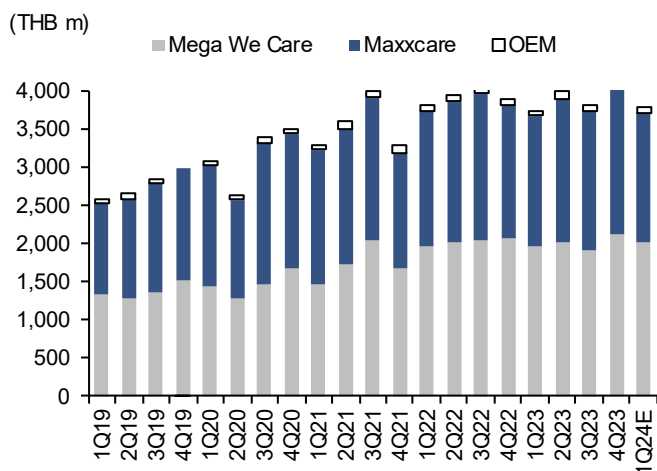
Source: FSSIA estimates

**Exhibit 1: MEGA - 1Q24 earnings preview**

Year to Dec 31	1Q23	2Q23	3Q23	4Q23	1Q24E	Change		2024E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)	2024E
Sales	3,728	3,992	3,803	4,158	3,767	(9.4)	1.0	16,139	2.9	23.3
Cost of sales	(2,102)	(2,167)	(2,064)	(2,252)	(2,078)	(7.7)	(1.2)	(8,816)	2.7	23.6
Gross profit	1,626	1,825	1,739	1,905	1,690	(11.3)	3.9	7,323	3.2	23.1
Operating costs	(1,028)	(1,038)	(1,021)	(1,104)	(1,040)	(5.8)	1.2	(4,483)	7.0	23.2
Operating profit	599	787	718	801	650	(18.9)	8.6	11,807	4.6	5.5
Operating EBITDA	685	877	815	908	749	(17.5)	9.3	3,201	(2.6)	23.4
Other income	18	19	27	31	19	(40.0)	7.2	65	(32.1)	29.2
Interest expense	(9)	(9)	(8)	(5)	(5)	4.1	(48.0)	(27)	(12.9)	17.6
Profit before tax	607	797	737	828	664	(19.8)	9.4	2,877	(3.1)	23.1
Tax	(73)	(40)	(98)	(58)	(100)	70.5	36.5	(432)	60.4	23.1
<b>Reported net profit</b>	<b>453</b>	<b>531</b>	<b>536</b>	<b>473</b>	<b>564</b>	<b>19.2</b>	<b>24.5</b>	<b>2,444</b>	<b>22.7</b>	<b>23.1</b>
<b>Extraordinaries</b>										
- Net loss from new businesses	12	7	11	10	0					
- FX los/(gain)	81	151	(38)	138	0					
- Normalising tax expense	0	(48)	17	0	0					
<b>Core profit</b>	<b>546</b>	<b>641</b>	<b>526</b>	<b>621</b>	<b>564</b>	<b>(9.2)</b>	<b>3.3</b>	<b>2,444</b>	<b>5.0</b>	<b>23.1</b>
Reported EPS (THB)	0.52	0.61	0.61	0.54	0.65	19.3	24.4	2.80	22.7	23.1
Core EPS (THB)	0.63	0.74	0.60	0.71	0.65	(9.2)	3.3	2.80	5.0	23.1
<b>Key Ratios (%)</b>										
Gross margin	43.6	45.7	45.7	45.8	44.8	(1.0)	1.2	45.4	0.1	
Operating margin	16.5	20.2	19.6	20.0	17.7	(2.3)	1.2	18.0	(1.1)	
EBITDA margin	18.4	22.0	21.4	21.8	19.9	(2.0)	1.5	19.8	(1.1)	
Recurring net margin	14.6	16.1	13.8	14.9	15.0	0.0	0.3	15.1	0.3	
SG&A / Sales	27.6	26.0	26.8	26.6	27.6	1.0	0.0	27.8	1.1	
<b>Revenue breakdown</b>										
Branded business	1,953	2,019	1,907	2,126	2,010	(5.4)	2.9	8,502	6.2	
Distribution business	1,717	1,876	1,825	1,980	1,699	(14.1)	(1.0)	7,319	(1.0)	
OEM business	59	97	71	53	58	10.3	(1.9)	317	13.6	
<b>Gross margin by BU (%)</b>										
Branded business	64.6	65.8	65.3	64.3	64.4	0.1	(0.2)	64.6	(0.4)	
Distribution business	20.4	24.5	25.9	26.6	22.4	(4.2)	2.0	23.8	(0.7)	
OEM business	24.6	37.6	27.9	25.6	0.0	(25.6)	(24.6)	28.0	(2.2)	

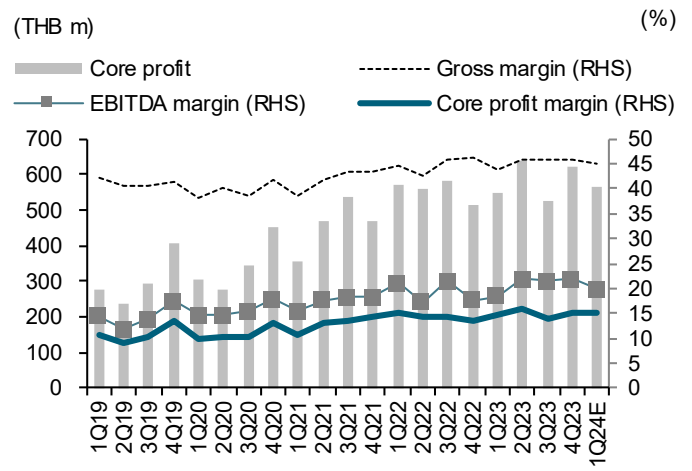
Sources: MEGA, FSSIA estimates

**Exhibit 2: Revenue structure by business unit**



Sources: MEGA, FSSIA estimates

**Exhibit 3: Margins and core profit**



Sources: MEGA, 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)
<b>Gross profit</b>	<b>7,040</b>	<b>7,095</b>	<b>7,323</b>	<b>7,720</b>	<b>8,097</b>
Other operating income	80	95	65	68	71
Operating costs	(4,359)	(4,191)	(4,483)	(4,706)	(4,948)
<b>Operating EBITDA</b>	<b>3,033</b>	<b>3,285</b>	<b>3,201</b>	<b>3,389</b>	<b>3,535</b>
Depreciation	(272)	(286)	(297)	(307)	(316)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,761</b>	<b>2,999</b>	<b>2,904</b>	<b>3,082</b>	<b>3,219</b>
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
<b>Profit before tax</b>	<b>2,596</b>	<b>2,262</b>	<b>2,876</b>	<b>3,056</b>	<b>3,194</b>
Tax	(355)	(269)	(432)	(459)	(479)
<b>Profit after tax</b>	<b>2,242</b>	<b>1,993</b>	<b>2,444</b>	<b>2,598</b>	<b>2,715</b>
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,242</b>	<b>1,993</b>	<b>2,444</b>	<b>2,598</b>	<b>2,715</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>138</b>	<b>707</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>2,380</b>	<b>2,699</b>	<b>2,444</b>	<b>2,598</b>	<b>2,715</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.73	3.10	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
<b>Growth</b>					
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 (%)	30.2	13.4	(9.4)	6.3	4.5
Reported EPS (%)	15.1	(11.1)	22.7	6.3	4.5
<b>Operating performance</b>					
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					
<b>Revenue by Division (THB m)</b>					
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)
<b>Cash flow from operations</b>	<b>2,136</b>	<b>2,633</b>	<b>1,850</b>	<b>1,998</b>	<b>1,973</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(305)	(294)	(330)	(300)	(340)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	24	44	0	0	0
<b>Cash flow from investing</b>	<b>(281)</b>	<b>(250)</b>	<b>(330)</b>	<b>(300)</b>	<b>(340)</b>
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)
<b>Cash flow from financing</b>	<b>(1,433)</b>	<b>(1,708)</b>	<b>(1,380)</b>	<b>(1,431)</b>	<b>(1,523)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>(165)</b>	<b>(751)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>257</b>	<b>(76)</b>	<b>139</b>	<b>267</b>	<b>110</b>
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)
<b>Tangible fixed assets (net)</b>	<b>1,901</b>	<b>1,974</b>	<b>2,008</b>	<b>2,001</b>	<b>2,025</b>
<b>Intangible fixed assets (net)</b>	<b>1,329</b>	<b>1,318</b>	<b>1,344</b>	<b>1,353</b>	<b>1,343</b>
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
<b>Current assets</b>	<b>10,590</b>	<b>9,990</b>	<b>10,578</b>	<b>11,126</b>	<b>11,567</b>
Other assets	603	611	592	593	594
<b>Total assets</b>	<b>14,646</b>	<b>14,115</b>	<b>14,743</b>	<b>15,294</b>	<b>15,750</b>
Common equity	8,777	9,302	9,902	10,351	10,723
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>8,777</b>	<b>9,302</b>	<b>9,902</b>	<b>10,351</b>	<b>10,723</b>
Long term debt	109	132	125	151	148
Other long-term liabilities	223	244	299	313	328
<b>Long-term liabilities</b>	<b>332</b>	<b>376</b>	<b>424</b>	<b>464</b>	<b>476</b>
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
<b>Current liabilities</b>	<b>5,538</b>	<b>4,437</b>	<b>4,417</b>	<b>4,479</b>	<b>4,551</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,646</b>	<b>14,115</b>	<b>14,743</b>	<b>15,294</b>	<b>15,750</b>
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
<b>Recurring P/E (x) *</b>	<b>15.0</b>	<b>13.2</b>	<b>14.6</b>	<b>13.8</b>	<b>13.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>20.5</b>	<b>18.1</b>	<b>20.0</b>	<b>18.8</b>	<b>18.0</b>
Reported P/E (x)	15.9	17.9	14.6	13.8	13.2
Dividend yield (%)	3.9	3.9	3.8	4.0	4.2
Price/book (x)	4.1	3.8	3.6	3.5	3.3
Price/tangible book (x)	4.8	4.5	4.2	4.0	3.8
EV/EBITDA (x) **	11.0	10.1	10.4	9.7	9.3
EV/EBITDA @ target price (x) **	15.3	14.1	14.4	13.6	13.0
EV/invested capital (x)	5.0	4.7	4.4	4.2	4.1

\* 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 4: 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.
★★★	<b>&gt;39-59</b>	<b>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.</b>
★★	>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 5: 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](http://SETTRADE.com); FSSIA's compilation

## Exhibit 6: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>—</b>	<b>2.29</b>	<b>—</b>
BESG environmental pillar score	—	1.86	—
BESG social pillar score	—	1.06	—
BESG governance pillar score	—	4.54	—
<b>ESG disclosure score</b>	<b>44.34</b>	<b>53.36</b>	<b>—</b>
Environmental disclosure score	29.84	44.22	—
Social disclosure score	19.44	32.16	—
Governance disclosure score	83.59	83.59	—
<b>Environmental</b>			
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 7: 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
<b>Social</b>			
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
<b>Governance</b>			
<b>Board size</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>
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
<b>No. of executives / company managers</b>	<b>6</b>	<b>6</b>	<b>6</b>
No. of female executives	1	1	1
Executive share ownership guidelines	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3
Audit committee meetings	4	4	4
Audit meeting attendance %	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	1	1	1
No. of compensation committee meetings	2	2	2
Compensation meeting attendance %	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	2	2	3
Nomination meeting attendance %	100	100	100
<b>Sustainability governance</b>			
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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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.																											
<b>CG Score</b> 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 (50-59), 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%).																											
<b>AGM level</b> 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&amp;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.																											
<b>Thai CAC</b> 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.																											
<b>Morningstar Sustainalytics</b>	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 &amp; 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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<b>ESG Book</b>	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.																											
<b>MSCI</b>	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="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	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.																												
<b>Refinitiv ESG rating</b>	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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
<b>S&amp;P Global</b>	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.																												
<b>Bloomberg</b>	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

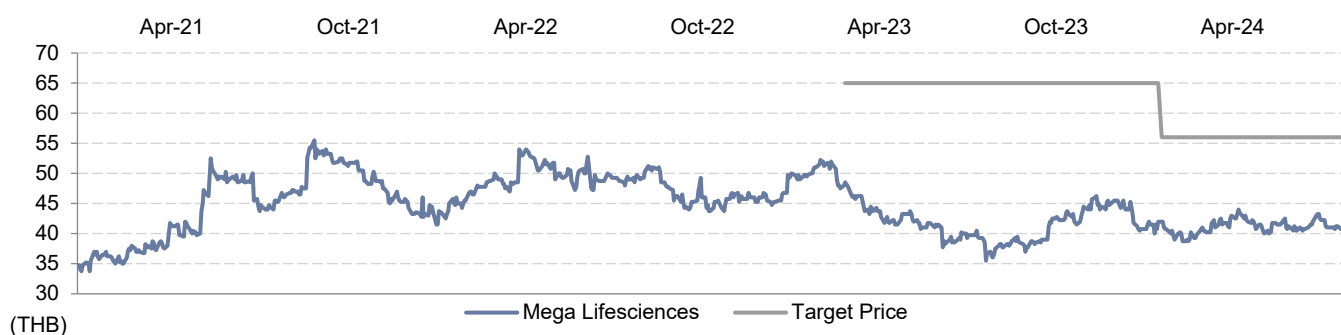
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#### History of change in investment rating and/or target price

##### 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 41.00	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 29-Apr-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.