

**Mega Lifesciences (MEGA TB) - BUY, Price Bt40.00, TP Bt52.00****Results Comment**

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**Very strong 2Q21 results beat expectation**

- MEGA reported very strong norm earnings of Bt469m in 2Q21, + 71% y-y, 33% q-q and 99% from 2Q19. Though our numbers were ahead of consensus', 2Q21 earnings beat our numbers by 30%.
- Positive surprise was very strong branded pharmaceutical and food supplement business (48% of sales) at +34% y-y and 17% q-q. Growth was seen across the product lines. MEGA believes growth came from real demand as there was no sign of consumers' abnormally inventory stocked during the quarter.
- Distribution business (49% of sales) grew 38% y-y but flat q-q. 2Q20 was a low base quarter after people abnormally stocked up MEGA's distributed products in 1Q20.
- Gross margin increased to 42% in 2Q21 from 40% in 2Q20 and 38% in 1Q21 mainly due to a changed of the product mixed toward branded products which generates higher margin.
- SG&A to sales was 26.5% vs. 28.4% in 2Q20 and 25.5% in 1Q20.
- So far, MEGA's business continue to grow nicely despite the Covid-led lockdowns in its main markets of Myanmar, Vietnam and Thailand.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	2,633	3,381	3,498	3,270	3,594	Revenue	10	37	48	14,301	15,542
<b>Gross profit</b>	<b>1,053</b>	<b>1,298</b>	<b>1,460</b>	<b>1,256</b>	<b>1,507</b>	<b>Gross profit</b>	<b>20</b>	<b>43</b>	<b>50</b>	<b>5,561</b>	<b>6,062</b>
SG&A	747	851	910	834	954	SG&A	14	28	50	3,547	3,834
Operating profit	306	447	550	422	553	Operating profit	31	81	48	2,014	2,227
<b>EBITDA</b>	<b>372</b>	<b>510</b>	<b>618</b>	<b>490</b>	<b>621</b>	<b>EBITDA</b>	<b>27</b>	<b>67</b>	<b>49</b>	<b>2,258</b>	<b>2,501</b>
Other income	5	7	7	8	9	Other income	19	100	53	33	36
Other expense	0	0	0	0	0	Other expense					
Interest expense	19	17	14	10	7	Interest expense	(27)	(62)	23	76	81
<b>Profit before tax</b>	<b>292</b>	<b>437</b>	<b>543</b>	<b>420</b>	<b>555</b>	<b>Profit before tax</b>	<b>32</b>	<b>90</b>	<b>49</b>	<b>1,971</b>	<b>2,182</b>
Income tax	24	55	94	69	89	Income tax	29	274	52	304	336
Equity & invest. income	3	2	(39)	2	2	Equity & invest. income	(10)	(43)	38	10	13
Minority interests	3	0	2	1	2	Minority interests	76	(43)	53	5	5
Extraordinary items	29	(42)	16	(20)	35	Extraordinary items	na	20	na	0	0
<b>Net profit</b>	<b>303</b>	<b>342</b>	<b>427</b>	<b>334</b>	<b>504</b>	<b>Net profit</b>	<b>51</b>	<b>66</b>	<b>50</b>	<b>1,683</b>	<b>1,864</b>
<b>Normalized profit</b>	<b>274</b>	<b>384</b>	<b>411</b>	<b>354</b>	<b>469</b>	<b>Normalized profit</b>	<b>33</b>	<b>71</b>	<b>49</b>	<b>1,683</b>	<b>1,864</b>
EPS (Bt)	0.35	0.39	0.49	0.38	0.58	EPS (Bt)	51	66	50	1.93	2.14
Normalized EPS (Bt)	0.31	0.44	0.47	0.41	0.54	Normalized EPS (Bt)	33	71	49	1.93	2.14
Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	1,250	1,191	1,218	1,862	1,819	Sales grow th	(0.4)	18.7	14.6	6.3	36.5
A/C receivable	2,748	2,704	2,684	2,188	2,535	Operating profit grow th	17.5	32.3	14.4	9.8	80.6
Inventory	3,144	3,544	3,475	3,045	3,093	EBITDA grow th	23.7	34.4	18.6	10.5	66.8
Other current assets	177	165	244	286	275	Norm profit grow th	16.4	30.0	0.5	15.8	71.2
Investment	0	0	0	0	0	Norm EPS grow th	16.4	30.0	0.5	15.8	71.2
Fixed assets	1,905	2,013	1,951	1,923	1,874	Gross margin	40.0	38.4	41.7	38.4	41.9
Other assets	2,102	2,077	2,019	2,128	2,139	Operating margin	11.6	13.2	15.7	12.9	15.4
<b>Total assets</b>	<b>11,326</b>	<b>11,694</b>	<b>11,590</b>	<b>11,431</b>	<b>11,734</b>	EBITDA margin	14.1	15.1	17.7	15.0	17.3
S-T debt	1,129	841	499	259	203	Norm net margin	10.4	11.3	11.8	10.8	13.1
A/C payable	2,639	3,019	2,788	2,395	2,844	D/E (x)	0.2	0.1	0.1	0.0	0.0
Other current liabilities	688	807	974	1,052	945	Net D/E (x)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)
L-T debt	0	0	0	0	0	Interest coverage (x)	19.7	30.1	43.4	49.7	86.6
Other liabilities	364	371	349	404	403	Interest rate	7.7	6.9	8.5	10.4	12.4
Minority interest	24	22	21	21	21	Effective tax rate	8.2	12.6	17.3	16.4	16.0
<b>Shareholders' equity</b>	<b>6,482</b>	<b>6,633</b>	<b>6,958</b>	<b>7,300</b>	<b>7,317</b>	ROA	9.7	13.3	14.1	12.3	16.2
Working capital	3,253	3,229	3,370	2,838	2,783	ROE	17.2	23.4	24.2	19.9	25.7
Total debt	1,129	841	499	259	203						
<b>Net debt</b>	<b>(121)</b>	<b>(350)</b>	<b>(718)</b>	<b>(1,602)</b>	<b>(1,615)</b>						

Sources: Company data, Thanachart estimates

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