

Mega Lifesciences (MEGA TB) - BUY, Price Bt47.50, TP Bt56.00**Results Comment**

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Record 3Q21, stronger than expected

- MEGA reported record 3Q21 norm earnings of Bt534m, + 39% from 3Q20 and +14% from the previous record earnings in 2Q21. Earnings were slightly stronger than expected by 7%.
- Branded drugs and food supplements grew 36% y-y and 18% q-q. Sales grew across the markets due to rising health conscious trend since the COVID started in 2020.
- The distribution business was flat y-y but grew 5% q-q. This was despite 3Q20 was the abnormally strong quarter due to the pend-up demand after the overstocking in 2Q20 amid the COVID lockdown. This implies that despite the difficulties in MEGA's main market in Myanmar, demand of its distributed products was very strong in 3Q21.
- Gross margin jumped to 43.3% from 38.4% in 3Q20 and 41.9% in 2Q21 due to higher growth of the high-margin branded business.
- SG&A to sales was 27.0% in 3Q21 vs. 25.2% in 3Q20 and 26.5% in 2Q21. The branded businesses required higher selling expenses.
- Reaffirm BUY on MEGA.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	3,381	3,498	3,270	3,594	3,999	Revenue	11	18	74	14,624	15,853
Gross profit	1,298	1,460	1,256	1,507	1,732	Gross profit	15	33	78	5,743	6,289
SG&A	851	910	834	954	1,080	SG&A	13	27	79	3,624	3,906
Operating profit	447	550	422	553	652	Operating profit	18	46	77	2,119	2,384
EBITDA	510	618	490	621	721	EBITDA	16	41	78	2,362	2,657
Other income	7	7	8	9	9	Other income	(2)	34	79	34	36
Other expense	0	0	0	0	0	Other expense					
Interest expense	17	14	10	7	6	Interest expense	(20)	(66)	30	75	74
Profit before tax	437	543	420	555	656	Profit before tax	18	50	78	2,077	2,346
Income tax	55	94	69	89	125	Income tax	41	127	88	320	361
Equity & invest. income	2	(39)	2	2	2	Equity & invest. income	39	52	63	10	13
Minority interests	0	2	1	2	2	Minority interests	(4)	331	85	5	5
Extraordinary items	(42)	16	(20)	35	78	Extraordinary items	124	na	na	0	0
Net profit	342	427	334	504	613	Net profit	21	79	82	1,772	2,003
Normalized profit	384	411	354	469	535	Normalized profit	14	39	77	1,772	2,003
EPS (Bt)	0.39	0.49	0.38	0.58	0.70	EPS (Bt)	21	79	82	2.03	2.30
Normalized EPS (Bt)	0.44	0.47	0.41	0.54	0.61	Normalized EPS (Bt)	14	39	77	2.03	2.30
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	1,191	1,218	1,862	1,819	1,966	Sales growth	18.7	14.6	6.3	36.5	18.3
A/C receivable	2,704	2,684	2,188	2,535	2,963	Operating profit growth	32.3	14.4	9.8	80.6	46.0
Inventory	3,544	3,475	3,045	3,093	3,424	EBITDA growth	34.4	18.6	10.5	66.8	41.3
Other current assets	165	211	286	275	215	Norm profit growth	30.0	0.5	15.8	71.2	39.4
Investment	0	0	0	0	0	Norm EPS growth	30.0	0.5	15.8	71.2	39.4
Fixed assets	2,013	1,951	1,923	1,874	1,814	Gross margin	38.4	41.7	38.4	41.9	43.3
Other assets	2,077	2,019	2,128	2,139	2,166	Operating margin	13.2	15.7	12.9	15.4	16.3
Total assets	11,694	11,557	11,431	11,734	12,548	EBITDA margin	15.1	17.7	15.0	17.3	18.0
S-T debt	841	499	259	203	156	Norm net margin	11.3	11.8	10.8	13.1	13.4
A/C payable	3,019	2,794	2,395	2,844	3,328	D/E (x)	0.1	0.1	0.0	0.0	0.0
Other current liabilities	807	936	1,052	945	1,175	Net D/E (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
L-T debt	0	0	0	0	0	Interest coverage (x)	30.1	43.4	49.7	86.6	125.9
Other liabilities	371	349	404	403	395	Interest rate	6.9	8.5	10.4	12.4	12.7
Minority interest	22	21	21	21	25	Effective tax rate	12.6	17.3	16.4	16.0	19.1
Shareholders' equity	6,633	6,958	7,300	7,317	7,469	ROA	13.3	14.2	12.3	16.2	17.6
Working capital	3,229	3,365	2,838	2,783	3,059	ROE	23.4	24.2	19.9	25.7	28.9
Total debt	841	499	259	203	156						
Net debt	(350)	(718)	(1,602)	(1,615)	(1,809)						

Sources: Company data, Thanachart estimates

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