

Mega Lifesciences (MEGA TB) - HOLD, Price Bt46.00, TP Bt56.00**Results Comment**

Pattadol Bunnak | Email: pattadol.bun@thanachartsec.co.th

4Q21 slightly weaker than expected

- MEGA reported Bt470m norm earnings in 4Q21, increased 14% y-y but fell 12% from the record earnings in 3Q21. Earnings came in slightly lower than expected on revenue level.
- Branded drugs and food supplements sales were flat y-y but fell 18% q-q. We suspect the weakness was due to the already high base of drug consumption during the COVID outbreak.
- The distribution business of drugs and consumer products also fell 14% y-y and 19% q-q. We also believe the weakness was on the drug-related product due to the reason mentioned above.
- Gross margin was 43.3% vs. 41.7% in 4Q20 due to a higher mixed of branded products. The gross margin flat q-q.
- SG&A to sales was 27.5% vs. 26.0% in 4Q21 and 27.0% in 3Q21, also due to the changed in product mix.
- We see downside to numbers. And despite the share price having fallen, we maintain HOLD on MEGA.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	3,498	3,270	3,594	3,999	3,272	Revenue	(18)	(6)	95	14,136	15,988
Gross profit	1,460	1,256	1,507	1,732	1,416	Gross profit	(18)	(3)	95	5,911	6,763
SG&A	910	834	954	1,080	901	SG&A	(17)	(1)	94	3,769	4,336
Operating profit	550	422	553	652	515	Operating profit	(21)	(6)	95	2,141	2,426
EBITDA	618	490	621	721	585	EBITDA	(19)	(5)	97	2,416	2,700
Other income	7	8	9	9	10	Other income	8	46	107	37	37
Other expense	0	0	0	0	0	Other expense					
Interest expense	14	10	7	6	6	Interest expense	(4)	(61)	39	28	76
Profit before tax	543	420	555	656	520	Profit before tax	(21)	(4)	97	2,150	2,387
Income tax	94	69	89	125	53	Income tax	(58)	(43)	99	336	368
Equity & invest. income	(39)	2	2	2	2	Equity & invest. income	(11)	na	85	9	13
Minority interests	2	1	2	2	2	Minority interests	1	(13)	117	6	5
Extraordinary items	16	(20)	35	78	26	Extraordinary items	(67)	62	na	119	0
Net profit	427	334	504	613	496	Net profit	(19)	16	103	1,947	2,037
Normalized profit	411	354	469	535	470	Normalized profit	(12)	14	97	1,828	2,037
EPS (Bt)	0.49	0.38	0.58	0.70	0.57	EPS (Bt)	(19)	16	103	2.23	2.34
Normalized EPS (Bt)	0.47	0.41	0.54	0.61	0.54	Normalized EPS (Bt)	(12)	14	97	2.10	2.34

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	1,221	1,862	1,819	1,966	2,536	Sales growth	14.6	6.3	36.5	18.3	(6.5)
A/C receivable	2,684	2,188	2,535	2,963	2,808	Operating profit growth	14.4	9.8	80.6	46.0	(6.3)
Inventory	3,489	3,045	3,093	3,424	3,823	EBITDA growth	18.6	10.5	66.8	41.3	(5.4)
Other current assets	193	286	275	215	134	Norm profit growth	0.5	15.8	71.2	39.4	14.4
Investment	0	0	0	0	0	Norm EPS growth	0.5	15.8	71.2	39.4	14.4
Fixed assets	1,951	1,923	1,874	1,814	1,837	Gross margin	41.7	38.4	41.9	43.3	43.3
Other assets	2,019	2,128	2,139	2,166	2,134	Operating margin	15.7	12.9	15.4	16.3	15.7
Total assets	11,557	11,431	11,734	12,548	13,272	EBITDA margin	17.7	15.0	17.3	18.0	17.9
S-T debt	499	259	203	156	168	Norm net margin	11.8	10.8	13.1	13.4	14.4
A/C payable	2,794	2,395	2,844	3,328	3,533	D/E (x)	0.1	0.0	0.0	0.0	0.0
Other current liabilities	936	1,052	945	1,175	1,152	Net D/E (x)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
L-T debt	0	0	0	0	0	Interest coverage (x)	43.4	49.7	86.6	125.9	105.9
Other liabilities	349	404	403	395	393	Interest rate	8.5	10.4	12.4	12.7	13.6
Minority interest	21	21	21	25	22	Effective tax rate	17.3	16.4	16.0	19.1	10.2
Shareholders' equity	6,958	7,300	7,317	7,469	8,003	ROA	14.2	12.3	16.2	17.6	14.6
Working capital	3,379	2,838	2,783	3,059	3,098	ROE	24.2	19.9	25.7	28.9	24.3
Total debt	499	259	203	156	168						
Net debt	(722)	(1,602)	(1,615)	(1,809)	(2,368)						

Sources: Company data, Thanachart estimates

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