# Mega Lifesciences (MEGA TB) - HOLD, Price Bt48.50, TP Bt47.00

**Results Comment**

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## Far-stronger-than-expected results

- MEGA reported record norm earnings of Bt627m, +77% y-y and 33% q-q. Earnings beat our expectation on revenues fromfor branded business.
- Branded sales jumped 33% y-y with sales surged from all markets.
- Distribution business grew only 33% y-y.
- Gross margin was 44.8% vs. 38.4% in 1Q21 and 43.3% in 4Q21 on operating leverage impact and higher contribution from high-margin branded business.
- SG&A to sales was 26% vs. 25% in 1Q21 and 28% in 4Q21. Branded business required higher selling and marketing expenses.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Revenue | 3,270 | 3,594 | 3,999 | 3,272 | 3,820 |
| **Gross profit** | **1,256** | **1,507** | **1,732** | **1,416** | **1,710** |
| SG&A | 834 | 954 | 1,080 | 901 | 989 |
| Operating profit | 422 | 553 | 652 | 515 | 722 |
| **EBITDA** | **490** | **621** | **721** | **585** | **788** |
| Other income | 8 | 9 | 9 | 10 | 10 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 10 | 7 | 6 | 6 | 6 |
| **Profit before tax** | **420** | **555** | **656** | **520** | **726** |
| Income tax | 69 | 89 | 125 | 53 | 104 |
| Equity & invest. income | 2 | 2 | 2 | 2 | 3 |
| Minority interests | 1 | 2 | 2 | 2 | 1 |
| Extraordinary items | (20) | 35 | 78 | 26 | (13) |
| **Net profit** | **334** | **504** | **613** | **496** | **614** |
| **Normalized profit** | **354** | **469** | **535** | **470** | **627** |
| EPS (Bt) | 0.38 | 0.58 | 0.70 | 0.57 | 0.70 |
| Normalized EPS (Bt) | 0.41 | 0.54 | 0.61 | 0.54 | 0.72 |

| Income Statement | | | 3M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2022F | 2022F | 2023F |
| Revenue | 17 | 17 | 26 | 14,667 | 15,547 |
| **Gross profit** | **21** | **36** | **28** | **6,166** | **6,516** |
| SG&A | 10 | 19 | 25 | 3,914 | 4,128 |
| Operating profit | 40 | 71 | 32 | 2,252 | 2,388 |
| **EBITDA** | **35** | **61** | **31** | **2,544** | **2,705** |
| Other income | 4 | 31 | 31 | 34 | 36 |
| Other expense | | | | | |
| Interest expense | 7 | (40) | 20 | 29 | 30 |
| **Profit before tax** | **40** | **73** | **32** | **2,257** | **2,394** |
| Income tax | 96 | 51 | 29 | 353 | 374 |
| Equity & invest. income | 49 | 65 | 33 | 10 | 13 |
| Minority interests | (25) | 28 | 24 | 5 | 5 |
| Extraordinary items | na | na | na | 0 | 0 |
| **Net profit** | **24** | **84** | **32** | **1,919** | **2,038** |
| **Normalized profit** | **33** | **77** | **33** | **1,919** | **2,038** |
| EPS (Bt) | 24 | 84 | 32 | 2.20 | 2.34 |
| Normalized EPS (Bt) | 33 | 77 | 33 | 2.20 | 2.34 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Cash & ST investment | 1,862 | 1,819 | 1,966 | 2,536 | 2,581 |
| A/C receivable | 2,188 | 2,535 | 2,963 | 2,808 | 3,186 |
| Inventory | 3,045 | 3,093 | 3,424 | 3,823 | 3,728 |
| Other current assets | 286 | 275 | 215 | 134 | 126 |
| Investment | 0 | 0 | 0 | 0 | 0 |
| Fixed assets | 1,923 | 1,874 | 1,814 | 1,837 | 1,916 |
| Other assets | 2,128 | 2,139 | 2,166 | 2,134 | 2,104 |
| **Total assets** | **11,431** | **11,734** | **12,548** | **13,272** | **13,640** |
| S-T debt | 259 | 203 | 156 | 168 | 114 |
| A/C payable | 2,395 | 2,844 | 3,328 | 3,533 | 3,325 |
| Other current liabilities | 1,052 | 945 | 1,175 | 1,152 | 1,186 |
| L-T debt | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 404 | 403 | 395 | 393 | 395 |
| Minority interest | 21 | 21 | 25 | 22 | 20 |
| **Shareholders' equity** | **7,300** | **7,317** | **7,469** | **8,003** | **8,600** |
| Working capital | 2,838 | 2,783 | 3,059 | 3,098 | 3,589 |
| Total debt | 259 | 203 | 156 | 168 | 114 |
| **Net debt** | **(1,602)** | **(1,615)** | **(1,809)** | **(2,368)** | **(2,467)** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Sales growth | 6.3 | 36.5 | 18.3 | (6.5) | 16.8 |
| Operating profit growth | 9.8 | 80.6 | 46.0 | (6.3) | 71.1 |
| EBITDA growth | 10.5 | 66.8 | 41.3 | (5.4) | 60.9 |
| Norm profit growth | 15.8 | 71.2 | 39.4 | 14.4 | 77.1 |
| Norm EPS growth | 15.8 | 71.2 | 39.4 | 14.4 | 77.1 |
| Gross margin | 38.4 | 41.9 | 43.3 | 43.3 | 44.8 |
| Operating margin | 12.9 | 15.4 | 16.3 | 15.7 | 18.9 |
| EBITDA margin | 15.0 | 17.3 | 18.0 | 17.9 | 20.6 |
| Norm net margin | 10.8 | 13.1 | 13.4 | 14.4 | 16.4 |
| D/E (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net D/E (x) | (0.2) | (0.2) | (0.2) | (0.3) | (0.3) |
| Interest coverage (x) | 49.7 | 86.6 | 125.9 | 105.9 | 133.3 |
| Interest rate | 10.4 | 12.4 | 12.7 | 13.6 | 16.8 |
| Effective tax rate | 16.4 | 16.0 | 19.1 | 10.2 | 14.3 |
| ROA | 12.3 | 16.2 | 17.6 | 14.6 | 18.6 |
| ROE | 19.9 | 25.7 | 28.9 | 24.3 | 30.2 |

Sources: Company data, Thanachart estimates

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