

Mega Lifesciences (MEGA TB) - HOLD, Price Bt45.75, TP Bt54.00**Results Comment**

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Weaker-than-expected 3Q22 results

- MEGA's net earnings came in at Bt658m. Excluding FX gains, we estimate norm earnings of Bt552m, grew only 3% y-y and 2% q-q, despite the weak baht against US dollar. Earnings missed expectation on soft revenues.
- We maintain of our view that MEGA's business has passed its COVID-led peak and we expect for a continued slowdown.
- Branded drug and food supplement products' sales fell slightly by 0.3% from last year and increased by 1.5% from the previous quarter. The lack of growth was due to the high base impacts.
- Distribution sales grew 3% y-y and 4% q-q despite the difficulties in the main market in Myanmar.
- Normalized gross margin was stable at 43%.
- SG&A to sales was also relatively stable at 27%.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	3,999	3,272	3,820	3,930	4,052	Revenue	3	1	79	14,951	14,941
Gross profit	1,732	1,416	1,710	1,674	1,748	Gross profit	4	1	79	6,519	6,377
SG&A	1,080	901	989	1,084	1,094	SG&A	1	1	82	3,869	3,916
Operating profit	652	515	722	590	654	Operating profit	11	0	74	2,650	2,461
EBITDA	721	585	788	658	723	EBITDA	10	0	74	2,941	2,777
Other income	9	10	10	11	10	Other income	(9)	11	93	34	34
Other expense	0	0	0	0	0	Other expense					
Interest expense	6	6	6	6	8	Interest expense	17	32	69	29	28
Profit before tax	656	520	726	595	656	Profit before tax	10	0	74	2,656	2,468
Income tax	125	53	104	63	120	Income tax	92	(4)	69	415	386
Equity & invest. income	2	2	3	11	17	Equity & invest. income	51	573	313	10	13
Minority interests	2	2	1	0	0	Minority interests	(74)	(97)	29	5	5
Extraordinary items	78	26	(13)	26	106	Extraordinary items	310	35	na	0	0
Net profit	613	496	614	570	658	Net profit	16	7	82	2,256	2,100
Normalized profit	535	470	627	544	553	Normalized profit	2	3	76	2,256	2,100
EPS (Bt)	0.70	0.57	0.70	0.65	0.76	EPS (Bt)	16	7	82	2.59	2.41
Normalized EPS (Bt)	0.61	0.54	0.72	0.62	0.63	Normalized EPS (Bt)	2	3	76	2.59	2.41
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	1,966	2,536	2,581	2,460	1,963	Sales grow th	18.3	(6.5)	16.8	9.3	1.3
A/C receivable	2,963	2,808	3,186	3,883	3,781	Operating profit grow th	46.0	(6.3)	71.1	6.8	0.2
Inventory	3,424	3,823	3,728	3,864	3,984	EBITDA grow th	41.3	(5.4)	60.9	6.0	0.3
Other current assets	215	134	126	134	165	Norm profit grow th	39.4	14.4	77.1	15.9	3.4
Investment	0	0	0	0	0	Norm EPS grow th	39.4	14.4	77.1	15.9	3.4
Fixed assets	1,814	1,837	1,916	1,931	1,926	Gross margin	43.3	43.3	44.8	42.6	43.1
Other assets	2,166	2,134	2,104	2,199	2,255	Operating margin	16.3	15.7	18.9	15.0	16.1
Total assets	12,548	13,272	13,640	14,471	14,074	EBITDA margin	18.0	17.9	20.6	16.7	17.8
S-T debt	156	168	114	188	258	Norm net margin	13.4	14.4	16.4	13.8	13.6
A/C payable	3,328	3,533	3,325	4,194	3,645	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1,175	1,152	1,186	1,209	1,255	Net D/E (x)	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)
L-T debt	0	0	0	0	0	Interest coverage (x)	125.9	105.9	133.3	102.2	95.9
Other liabilities	395	393	395	384	387	Interest rate	12.7	13.6	16.8	17.1	13.5
Minority interest	25	22	20	0	0	Effective tax rate	19.1	10.2	14.3	10.5	18.3
Shareholders' equity	7,469	8,003	8,600	8,496	8,529	ROA	17.6	14.6	18.6	15.5	15.5
Working capital	3,059	3,098	3,589	3,553	4,120	ROE	28.9	24.3	30.2	25.4	26.0
Total debt	156	168	114	188	258						
Net debt	(1,809)	(2,368)	(2,467)	(2,273)	(1,705)						

Sources: Company data, Thanachart estimates

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