

Mega Lifesciences (MEGA TB) - BUY, Price Bt37.50, TP Bt45.00**Results Comment**

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Slightly Softer-than-expected 3Q24

- Net earnings reached Bt383m. Excluding FX loss, normalized earnings stood at Bt541m, increase by 5% y-y but fell by 1% q-q. Earnings slightly missed expectations at the gross margin level, impacted by a strong baht and rising SG&A aimed at stimulating demand in its key weak markets.
- The branded business grew by 6.6% y-y and 3.8% q-q. Despite soft consumer purchasing power, demand for pharmaceutical products remained resilient.
- Distribution of pharmaceutical and FMCG products increased by 2% y-y but declined by 1% q-q, reflecting challenges in importing FMCG goods due to Myanmar's strict import restrictions.
- Gross margin fell to 42.3% from 44.6% last quarter due to the impact of the strong baht.
- SG&A expenses relative to sales was relatively stable at 27.5%.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24	(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Revenue	3,803	4,158	3,733	3,954	4,001	Revenue	1	5	77	15,252	16,708
Gross profit	1,598	1,823	1,605	1,765	1,692	Gross profit	(4)	6	72	6,995	7,677
SG&A	1,021	1,104	1,066	1,140	1,099	SG&A	(4)	8	72	4,623	4,937
Operating profit	577	718	539	625	593	Operating profit	(5)	3	74	2,372	2,740
EBITDA	649	791	608	696	664	EBITDA	(5)	2	74	2,676	3,068
Other income	9	9	7	13	8	Other income	(40)	(6)	80	35	38
Other expense	0	0	0	0	0	Other expense					
Interest expense	8	5	5	9	10	Interest expense	12	24	57	44	85
Profit before tax	577	722	540	629	591	Profit before tax	(6)	2	74	2,363	2,694
Income tax	81	58	71	93	73	Income tax	(22)	(10)	87	272	310
Equity & invest. income	18	22	15	13	24	Equity & invest. income	81	29	522	10	13
Minority interests	0	(0)	0	(0)	(0)	Minority interests	na	na	na	5	5
Extraordinary items	21	(138)	(7)	(36)	(158)	Extraordinary items	na	na	na	0	0
Net profit	536	548	478	513	383	Net profit	(25)	(28)	65	2,106	2,402
Normalized profit	514	686	485	549	541	Normalized profit	(1)	5	75	2,106	2,402
EPS (Bt)	0.61	0.63	0.55	0.59	0.44	EPS (Bt)	(25)	(28)	65	2.42	2.76
Normalized EPS (Bt)	0.59	0.79	0.56	0.63	0.62	Normalized EPS (Bt)	(1)	5	75	2.42	2.76
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24	(%)	3Q23	4Q23	1Q24	2Q24	3Q24
Cash & ST investment	2,456	2,712	3,315	3,694	2,915	Sales grow th	(6.2)	7.0	0.1	(1.0)	5.2
A/C receivable	3,828	3,570	3,301	3,417	3,265	Operating profit grow th	(12.9)	26.8	(10.0)	(12.1)	2.8
Inventory	3,937	3,377	3,123	3,308	3,118	EBITDA grow th	(11.3)	24.7	(9.0)	(11.0)	2.3
Other current assets	334	330	350	281	274	Norm profit grow th	(8.4)	35.3	(9.2)	(13.4)	5.3
Investment	0	0	0	0	0	Norm EPS grow th	(8.4)	35.3	(9.2)	(13.4)	5.3
Fixed assets	1,964	1,974	1,975	1,990	1,933	Gross margin	42.0	43.8	43.0	44.6	42.3
Other assets	2,220	2,150	2,293	2,281	2,028	Operating margin	15.2	17.3	14.4	15.8	14.8
Total assets	14,739	14,115	14,357	14,971	13,533	EBITDA margin	17.1	19.0	16.3	17.6	16.6
S-T debt	81	76	93	177	169	Norm net margin	13.5	16.5	13.0	13.9	13.5
A/C payable	4,284	3,197	2,661	3,441	2,612	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	1,058	1,163	1,237	1,134	1,105	Net D/E (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)
L-T debt	0	0	0	0	0	Interest coverage (x)	77.3	171.6	118.7	74.7	63.9
Other liabilities	351	376	424	425	409	Interest rate	18.9	23.5	24.2	27.6	24.1
Minority interest	(0)	0	0	0	0	Effective tax rate	14.1	8.1	13.1	14.8	12.3
Shareholders' equity	8,965	9,302	9,943	9,795	9,238	ROA	14.0	19.0	13.6	15.0	15.2
Working capital	3,481	3,750	3,763	3,284	3,770	ROE	22.8	30.1	20.2	22.2	22.8
Total debt	81	76	93	177	169						
Net debt	(2,375)	(2,636)	(3,222)	(3,517)	(2,747)						

Sources: Company data, Thanachart estimates

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