Small Cap Research

BUY (Unchanged) | **TP: Bt 47.00** (From: Bt 45.00)

Change in Numbers | **Upside: 40.3%** | **25 NOVEMBER 2024**

Mega Lifesciences Pcl (MEGA TB)

A bargain turnaround play

After two quarters of weakness, MEGA's earnings turned around in 3Q24, and the outlook is better. We estimate 15/11% EPS growth in 2025-26F. MEGA looks like a bargain to us as a pharmaceutical company, trading on 12x PE in 2025F (vs. its 21x five-year average). We are a BUYer of MEGA.

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Thanachart Securities

Turning around plus a bargain valuation

We reaffirm our BUY on MEGA with a DCF-based 12-month TP (2025F base year) of Bt47.0 (from Bt45.0). ***First***, after two quarters of earnings contraction, MEGA's performance started to turn around in 3Q24 with 5% y-y growth. ***Second***, we see this as the beginning of a longer-term turnaround with improving businesses in Myanmar while its resilient pharmaceutical business continues its organic growth. We project double-digit earnings growth of 15/11% in 2025-26F vs. -9% in 2024F. ***Third***, with its better business outlook, MEGA is reducing its marketing expenses. ***Lastly***, the stock now looks like a bargain in our view, trading at 2STD below its 10-year PE band at 12x 2025F PE. In this report, we fine-tune up our earnings estimates by 2-4% in 2024-26F to reflect its better-than-expected 3Q24 results.

Bottoming out in Myanmar

MEGA's earnings fell by 11% y-y in 1H24 due to a contraction of its distribution business in Myanmar. Myanmar distribution accounts for 15% of MEGA's EBIT. The distribution business saw some FMCG customers leaving the country. However, with FMCG now accounting for only 2% of MEGA's total EBIT and as the key pharmaceutical distribution business (14% of EBIT) posted marginal growth, distribution US$ EBIT stabilized in 3Q24. Total drug EBIT continued to grow by 8% y-y in 3Q24. MEGA foresees a stronger demand outlook in 4Q24F, and it plans to launch new drug SKUs next year. We estimate total drug EBIT growth of 16/12% and distribution EBIT growth of 6-8% in 2025-26F after an 8% p.a. decline in 2023-24F.

Cutting promotional expenses

During the weak demand period and challenges in Myanmar, MEGA increased sales promotions, raising its SG&A to sales to 29% in 9M24 compared with its three-year average of 26%. With demand improving, MEGA is scaling back promotions starting in 4Q24. We expect its EBIT margin to recover to 17% in 2025-26F, up from 16% in 2024F.

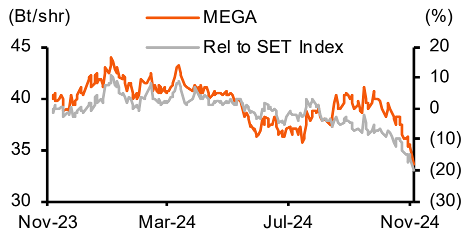
Indonesia to start next year

MEGA commenced its factory in Indonesia for product sampling in 2022, and it began producing and introducing products in 2023 with a target to break even by 2026. However, we conservatively have yet to factor in a profit since this is its first business in Indonesia. To recap, MEGA purchased a factory in Indonesia in 2020, and it later received a license for operation from the country's drug administration agency. Indonesia's drug market value is around US$9bn vs. US$6bn for Thailand.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	15,681	15,334	16,798	18,126
Net profit	1,993	2,150	2,475	2,734
Consensus NP	—	2,216	2,492	2,642
Diff frm cons (%)	—	*(3.0)*	*(0.6)*	*3.5*
Norm profit	2,369	2,150	2,475	2,734
Prev. Norm profit	—	2,106	2,402	2,655
Chg frm prev (%)	—	*2.1*	*3.0*	*3.0*
Norm EPS (Bt)	2.7	2.5	2.8	3.1
Norm EPS grw (%)	(0.5)	(9.2)	15.1	10.5
Norm PE (x)	12.3	13.6	11.8	10.7
EV/EBITDA (x)	9.2	9.4	8.0	7.0
P/BV (x)	3.1	2.9	2.7	2.5
Div yield (%)	4.8	5.2	5.9	6.6
ROE (%)	26.2	22.3	23.7	24.2
Net D/E (%)	(28.4)	(33.4)	(36.3)	(41.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 25-Nov-24 (Bt)	33.50
Market Cap (US$ m)	843.5
Listed Shares (m shares)	871.9
Free Float (%)	39.02
Avg Daily Turnover (US$ m)	1.10
12M Price H/L (Bt)	44.00/35.25
Sector	Commerce
Major Shareholder	Shah Family 50.1%

Sources: Bloomberg, Company data, Thanachart estimates

Bottoming out

Raising our earnings and reaffirming BUY

We reaffirm our BUY rating on Mega Lifesciences Pcl (MEGA) with a higher DCF-based 12-month TP (2025F base year) of Bt47/share (from Bt45).

Ex 1: Assumption Revisions

	2021	2022	2023	2024F	2025F	2026F
Sales (Bt m)						
- New	14,136	15,686	15,681	15,334	16,798	18,126
- Old				15,252	16,708	18,029
- Change (%)				*0.5*	*0.5*	*0.5*
Gross margin (%)						
- New	41.8	44.9	43.3	45.2	45.3	45.6
- Old				45.9	45.9	45.9
- Change (ppt)				*(0.7)*	*(0.6)*	*(0.4)*
SG&A to sales (%)						
- New	26.7	27.8	26.7	29.3	28.5	28.3
- Old				30.3	29.5	29.1
- Change (ppt)				*(1.0)*	*(1.1)*	*(0.8)*
Normalized profit (Bt m)						
- New	1,828	2,380	2,369	2,150	2,475	2,734
- Old				2,106	2,402	2,655
- Change (%)				*2.1*	*3.0*	*3.0*

Sources: Company data, Thanachart estimates

Ex 2: Our Assumptions

Growth (%)	2019	2020	2021	2022	2023	2024F	2025F	2026F
Total EBIT	**4.8**	**20.3**	**26.9**	**25.2**	**(2.8)**	**(6.4)**	**15.9**	**10.7**
Myanmar	**4.0**	**18.0**	**22.0**	**24.0**	**(8.4)**	**(8.0)**	**6.2**	**8.0**
- Branded	4.8	20.3	26.9	26.0	3.2	4.0	7.0	9.0
- Distribution of pharma	5.0	19.0	20.0	21.0	6.0	1.7	6.0	7.0
- Distribution of FMCG	3.0	10.0	15.0	16.0	(44.5)	(64.9)	0.0	0.0
Other key markets	**6.0**	**25.1**	**30.3**	**27.9**	**2.0**	**6.0**	**16.2**	**12.0**
Gross margin (%)	41.1	39.6	41.8	44.9	43.3	45.2	45.3	45.6
SG&A to sales (%)	28.5	26.2	26.7	27.8	26.7	29.3	28.5	28.3
EBIT (%)	12.6	13.4	15.1	17.1	16.6	15.9	16.8	17.2

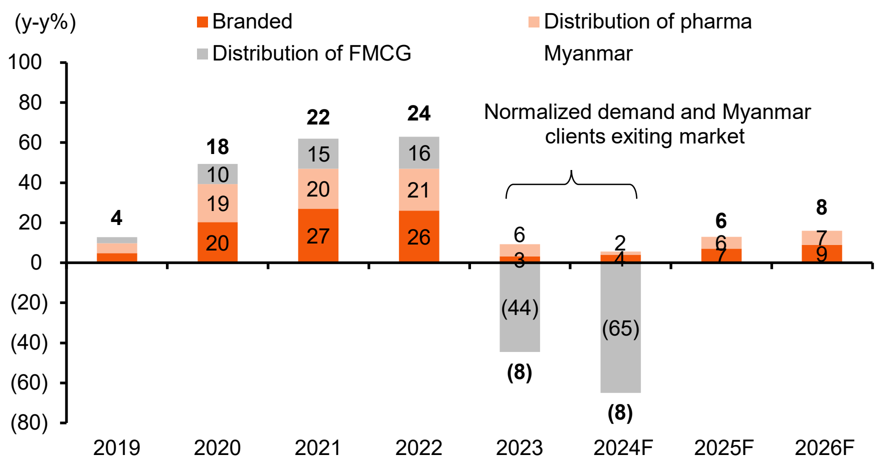
Sources: Company data, Thanachart estimates

MEGA's earnings fell by 11% y-y in 1H24 due to its multinational FMCG distribution clients exiting Myanmar amid the political turmoil in the country. MEGA's pharmaceutical customers, however, remain in Myanmar, supported by resilient demand for drugs.

Turnaround begins

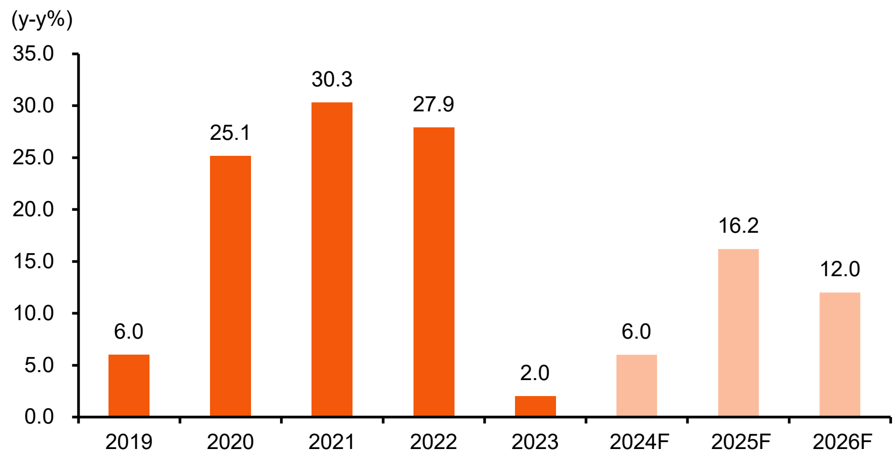
That said, its earnings recovered by 5% y-y in 3Q24. With some FMCG customers continuing to exit Myanmar, the FMCG business fell to only 2% of MEGA's total profits. Nevertheless, the pharmaceutical distribution business has stabilized in Myanmar, while the key branded business has grown everywhere, supported by resilient demand for drugs in Myanmar and in key markets such as Thailand, Vietnam, African countries, and elsewhere.

Ex 3: Myanmar EBIT Has Bottomed Out



Sources: Company data, Thanachart estimates

Ex 4: Branded EBIT Growth In Other Markets

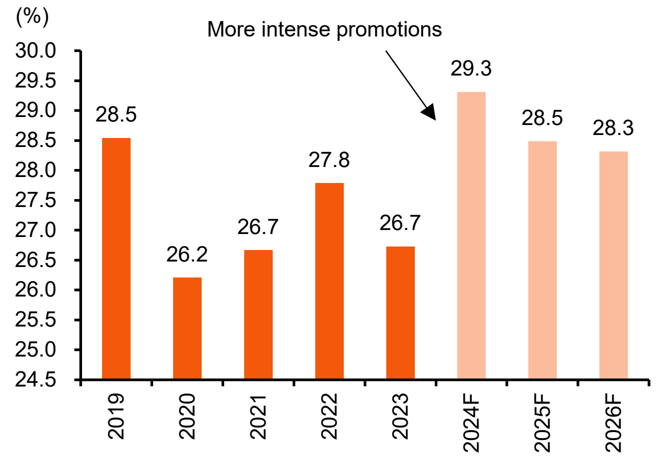


Sources: Company data, Thanachart estimates

Plans to lower promotional expenses

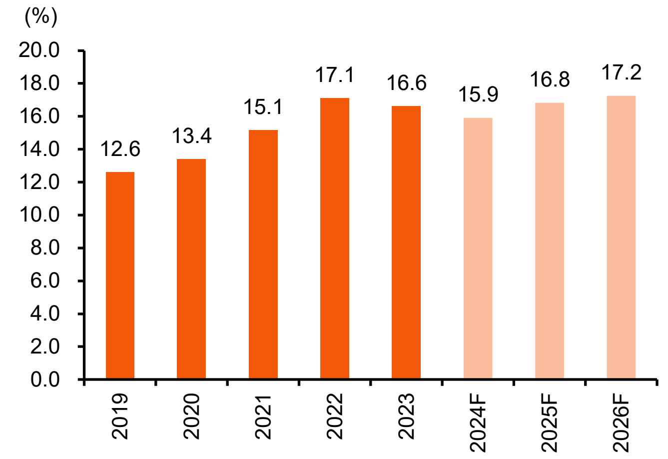
Looking ahead, MEGA foresees a better demand outlook. The company also expects better margins as it plans to lower promotional expenses that were necessary amid the risk of a global recession. MEGA's normalized SG&A to sales rose to over 29% in 9M24 vs. a five-year average of 27%. We expect MEGA's EBIT margin to rise to 16.8-17.2% in 2025-26F from 16.0% this year.

Ex 5: We Believe SG&A Has Peaked



Sources: Company data, Thanachart estimates

Ex 6: EBIT Margin To Recover



Sources: Company data, Thanachart estimates

We forecast the branded business to gradually return to its high-single-digit earnings growth with 6/8/8% growth in 2024-26F and distribution business growth of 5-7%.

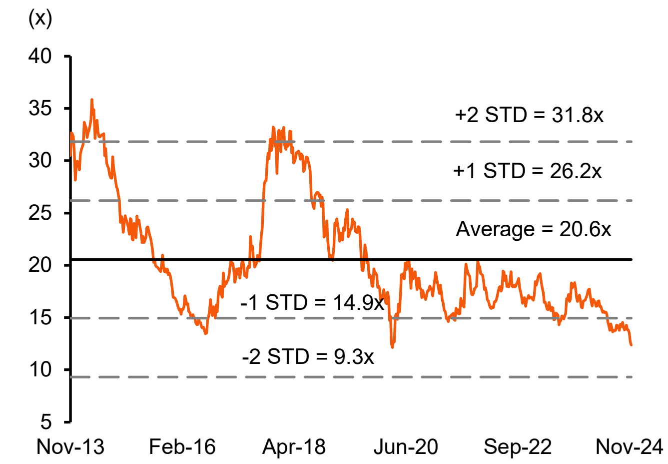
MEGA's valuation looks cheap to us

We view MEGA's share price, currently trading 36% below its 2022 peak, as undervalued at a 13x 2025F PE multiple, given its growth and its position as the leading food supplement company in Southeast Asia with a strong pharmaceutical presence in above-average-growth emerging markets.

Ex 7: Share Price Far Off Its Peak

Source: Bloomberg

Ex 8: Below-average PE

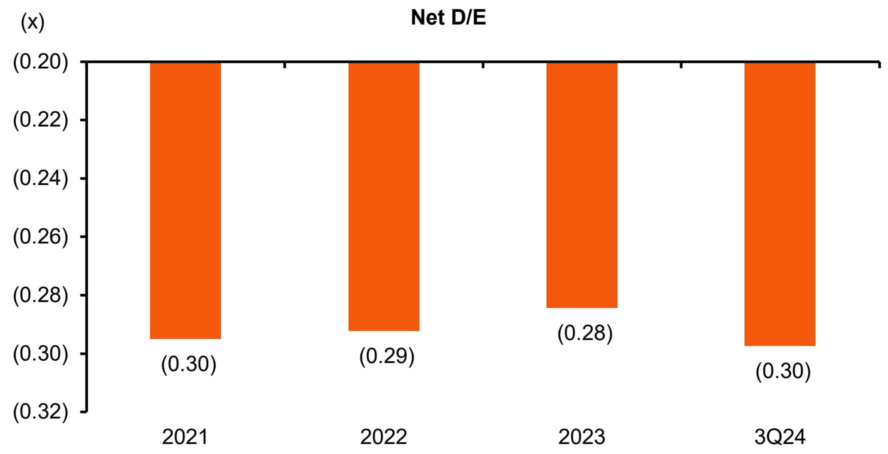


Sources: Bloomberg , Thanachart estimates

Good financial position maintained

Financially, MEGA remains a net cash company.

Ex 9: Remaining In A Net Cash Position



Source: Company data

Ex 10: 12-month DCF-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	3,153	3,468	3,881	4,155	4,371	4,531	4,666	4,697	4,840	4,943	4,924	—
Free cash flow	2,285	2,812	3,235	3,668	3,864	4,028	4,036	4,116	4,258	4,369	4,250	47,842
PV of free cash flow	2,279	2,322	2,427	2,500	2,392	2,205	1,999	1,843	1,724	1,600	1,340	15,084

Risk-free rate (%)	3.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	10.1
Terminal growth (%)	2.0
Enterprise value - add investments	37,714
Net debt (2024F)	(3,340)
Minority interest	(5)
Equity value	41,059
# of shares (m)	872
Equity value/share (Bt)	**47**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 11: Valuation Comparison With Peers

Name	BBG code	Country	EPS growth 24F (%)	EPS growth 25F (%)	PE 24F (x)	PE 25F (x)	P/BV 24F (x)	P/BV 25F (x)	EV/EBITDA 24F (x)	EV/EBITDA 25F (x)	Div yieldv 24F (%)	Div yieldv 25F (%)
Bristol-Myers Squibb	BMY US	US	(88.0)	683.4	65.3	8.3	5.1	4.5	15.8	7.5	4.1	4.2
Eli Lilly & Co	LLY US	US	108.6	72.3	56.7	32.9	38.7	21.9	45.3	27.8	0.7	0.8
Johnson & Johnson	JNJ US	US	0.4	5.7	15.6	14.7	5.1	4.7	12.8	11.9	3.1	3.3
Merck & Co Inc	MRK US	US	413.5	21.6	12.8	10.5	5.3	4.2	10.3	9.0	3.1	3.2
Pfizer Inc	PFE US	US	57.0	0.5	8.8	8.8	1.7	1.6	7.3	7.1	6.6	6.8
Abbott Laboratories	ABT US	US	5.3	10.4	25.2	22.8	5.1	4.9	19.7	18.1	1.9	2.0
Astellas Pharma Inc	4503 JP	Japan	451.4	73.9	41.4	20.8	1.8	1.8	11.0	9.0	4.7	5.0
Chugai Pharmaceutical	4519 JP	Japan	16.2	3.2	28.3	27.4	5.8	5.1	18.5	18.1	1.4	1.5
Daiichi Sankyo Co Ltd	4568 JP	Japan	13.3	17.3	38.5	32.0	5.2	4.8	25.2	21.6	1.3	1.6
Eisai Co Ltd	4523 JP	Japan	(2.0)	10.1	32.1	29.2	1.7	1.5	14.5	13.5	3.4	3.4
Otsuka Holdings Co Ltd	4578 JP	Japan	90.6	14.9	20.9	18.2	1.9	1.7	10.4	9.9	1.3	1.4
AstraZeneca	AZN LN	UK	113.7	14.4	16.1	14.0	4.8	4.3	12.5	11.1	2.3	2.5
GlaxoSmithKline	GSK LN	UK	28.0	7.8	8.6	8.0	3.6	3.0	6.8	6.1	4.5	4.7
Novartis AG	NOVN SW	Switzerland	6.2	8.1	13.8	12.8	4.5	4.2	12.2	11.6	3.7	3.9
Roche Holding AG	ROG SW	Switzerland	29.2	9.5	13.7	12.5	5.6	4.9	10.5	9.6	3.9	4.0
Novo Nordisk A/S	NOVOB DC	Denmark	23.2	24.4	32.7	26.3	23.1	17.2	23.6	19.4	1.5	1.9
Sanofi	SAN FP	France	(6.8)	12.3	12.3	11.0	1.5	1.5	9.4	8.7	4.1	4.3
Apex Healthcare	APEX MK	Malaysia	(75.7)	14.8	19.0	16.6	2.0	1.9	14.1	13.1	2.3	4.1
Kalbe Farma	KLBF IJ	Indonesia	14.7	10.0	21.9	19.9	3.0	2.8	14.2	13.0	2.2	2.4
Mega Lifesciences	MEGA TB*	Thailand	(9.2)	15.1	13.6	11.8	2.9	2.7	9.4	8.0	5.2	5.9
Average			**59.5**	**51.5**	**24.9**	**17.9**	**6.4**	**5.0**	**15.2**	**12.7**	**3.1**	**3.3**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

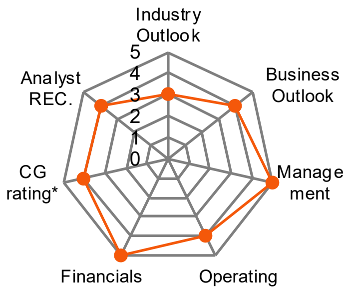
Based on 25 November 2024 closing price

COMPANY DESCRIPTION

Mega Lifesciences Pcl (MEGA) manufactures, markets, and distributes nutritional and herbal supplements, OTC products, and ethical drugs. The company makes products that treat internal issues and promote overall general health. MEGA operates in 33 countries.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	**5**
Strong	**4**
Good	**3**
Fair	**2**
Weak	**1**
None	**0**

Source: Thanachart; *CG rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Products have strong brand recognition.
- Has its own distribution networks.
- Strong market knowledge and business connections.

W — Weakness

- No exposure to large-value pharmaceutical markets in developed countries.
- Not keen on big-molecules medicines which are popular and offer high margins.

O — Opportunity

- Growing business along with decent GDP growth in its main markets.
- Penetrating untapped developing and less developed markets.
- New customers for its distribution services.

T — Threat

- Global pharmaceutical players entering MEGA's markets.
- Distribution customers can terminate contracts.
- Strong baht trend against other currencies, especially the US dollar.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	46.90	47.00	0%
Net profit 24F (Bt m)	2,216	2,150	-3%
Net profit 25F (Bt m)	2,492	2,475	-1%
Consensus REC	**BUY: 6**	**HOLD: 4**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit estimates are slightly lower than the Bloomberg consensus numbers, which we attribute to us being more conservative about factoring in further growth in Myanmar, MEGA's key market.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Failure to receive drug-license approval for new pharmaceutical, nutraceutical, and over-the-counter products would be the key downside risk to our call.
- Distribution clients terminating contracts represents a secondary downside risk.
- A stronger baht than our current expectation is another secondary downside risk to our call.

Source: Thanachart

MEGA

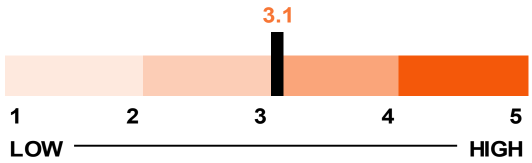
Mega Lifesciences Pcl.

Sector: Services | Commerce

ESG & Sustainability Report

MEGA is Southeast Asia's leading manufacturer and distributor of food supplements and drugs. Its factories and distribution-related vehicles release some greenhouse gases, and it has implemented measures to cut emissions. We assign an ESG score of 3.1. MEGA has clear emission reduction goals but has not provided concrete plans to achieve its objectives.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MEGA	YES	A	-	A	60.19	52.36	28.00	-	4.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" in the following back page.

Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ MEGA is Southeast Asia's leading manufacturer and distributor of food supplements and drugs, with one factory in Thailand and one in Australia. Its factories release certain amounts of greenhouse gases (GHG) and other pollutants. MEGA has set clear goals to reduce emissions but has yet to provide concrete plans. ▪ MEGA's plans are to improve in the following areas: 1) water neutrality (10% in 2023 to 50% in 2030), 2) renewable energy (8% to 40%), 3) waste circularity (25% to 50%), and 4) carbon neutrality (10% to 50%). ▪ MEGA uses solar panels and a circulating water system in its factories. ▪ MEGA is also changing office-related products, e.g., LED tubes, to be more environmentally friendly.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ MEGA provides employee training systems. It has set up an in-house academy called Mega We Share. Top management normally offers knowhow to employees while it occasionally brings in external experts to provide knowledge in related fields. ▪ MEGA also believes it provides appropriate remuneration and benefits, e.g., allowances, bonuses, incentives, awards based on years of service, diet planning and healthy living advice, and accident insurance. ▪ MEGA normally provides onsite trading courses related to the health of the community. It also provides free-of-charge online health educational videos.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ MEGA has a ten-member board of directors (BOD) which we consider an appropriate size for the size and variety of products of its business. Of the ten members, four are independent directors. There is one female board member. ▪ MEGA has highly diversified drugs and food supplements while it distributes drugs and consumer products. MEGA sells its products and provides services in various markets. ▪ MEGA has been active in developing automation to improve its operational efficiency.

Sources: Company data, Thanachart

MEGA has bottomd out in our view

A net cash company

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	15,686	15,681	15,334	16,798	18,126
Cost of sales	8,647	8,885	8,401	9,188	9,867
Gross profit	**7,040**	**6,796**	**6,933**	**7,611**	**8,259**
% gross margin	44.9%	43.3%	45.2%	45.3%	45.6%
Selling & administration expenses	4,359	4,191	4,494	4,785	5,132
Operating profit	**2,681**	**2,605**	**2,439**	**2,825**	**3,127**
% operating margin	17.1%	16.6%	15.9%	16.8%	17.2%
Depreciation & amortization	272	286	304	327	341
EBITDA	**2,953**	**2,891**	**2,742**	**3,153**	**3,468**
% EBITDA margin	18.8%	18.4%	17.9%	18.8%	19.1%
Non-operating income	41	34	31	34	36
Non-operating expenses	0	0	0	0	0
Interest expense	(29)	(31)	(43)	(82)	(104)
Pre-tax profit	**2,693**	**2,608**	**2,426**	**2,777**	**3,059**
Income tax	355	300	279	319	352
After-tax profit	**2,338**	**2,308**	**2,147**	**2,457**	**2,707**
% net margin	14.9%	14.7%	14.0%	14.6%	14.9%
Shares in affiliates' Earnings	40	61	(2)	13	22
Minority interests	1	0	5	5	5
Extraordinary items	(138)	(376)	0	0	0
NET PROFIT	**2,242**	**1,993**	**2,150**	**2,475**	**2,734**
Normalized profit	**2,380**	**2,369**	**2,150**	**2,475**	**2,734**
EPS (Bt)	2.6	2.3	2.5	2.8	3.1
Normalized EPS (Bt)	2.7	2.7	2.5	2.8	3.1

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	10,590	9,990	10,798	12,389	13,795
Cash & cash equivalent	2,793	2,722	3,800	4,800	5,700
Account receivables	3,382	3,570	3,491	3,778	4,027
Inventories	4,109	3,377	3,193	3,467	3,696
Others	306	321	314	344	371
Investments & loans	223	221	219	218	216
Net fixed assets	1,901	1,974	2,071	2,043	1,802
Other assets	1,932	1,929	2,015	2,104	2,198
Total assets	**14,646**	**14,115**	**15,103**	**16,754**	**18,011**
LIABILITIES:					
Current liabilities:	5,538	4,437	4,678	5,449	5,778
Account payables	3,972	3,197	3,023	3,306	3,551
Bank overdraft & ST loans	229	76	460	860	837
Current LT debt	0	0	0	0	0
Others current liabilities	1,337	1,163	1,194	1,283	1,390
Total LT debt	**0**	**0**	**0**	**0**	**0**
Others LT liabilities	332	376	428	452	474
Total liabilities	**5,870**	**4,813**	**5,106**	**5,901**	**6,252**
Minority interest	0	0	(5)	(5)	(10)
Preferreds shares	0	0	0	0	0
Paid-up capital	436	436	436	436	436
Share premium	2,305	2,305	2,305	2,305	2,305
Warrants	2	2	2	2	2
Surplus	(621)	(650)	(650)	(650)	(650)
Retained earnings	**6,655**	**7,210**	**7,910**	**8,766**	**9,677**
Shareholders' equity	8,777	9,302	10,002	10,859	11,770
Liabilities & equity	**14,646**	**14,115**	**15,103**	**16,754**	**18,011**

Sources: Company data, Thanachart estimates

Strong cash flows, based on our estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	2,693	2,608	2,426	2,777	3,059
Tax paid	(336)	(396)	(235)	(330)	(327)
Depreciation & amortization	272	286	304	327	341
Chg In working capital	(421)	(231)	89	(278)	(234)
Chg In other CA & CL / minorities	28	(16)	(8)	87	78
Cash flow from operations	**2,236**	**2,252**	**2,576**	**2,583**	**2,917**
Capex	(336)	(359)	(400)	(300)	(100)
Right of use	16	(2)	(2)	(2)	(2)
ST loans & investments	0	0	0	0	0
LT loans & investments	(8)	2	2	2	2
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(105)	(12)	(32)	(64)	(71)
Cash flow from investments	**(433)**	**(371)**	**(432)**	**(364)**	**(171)**
Debt financing	(77)	(485)	384	400	(23)
Capital increase	0	0	(0)	0	0
Dividends paid	(1,406)	(1,439)	(1,450)	(1,619)	(1,823)
Warrants & other surplus	(62)	(28)	0	0	0
Cash flow from financing	**(1,545)**	**(1,952)**	**(1,066)**	**(1,219)**	**(1,846)**
Free cash flow	**1,900**	**1,892**	**2,176**	**2,283**	**2,817**

2025F PE of 12x looks inexpensive, in our view

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	12.3	12.3	13.6	11.8	10.7
Normalized PE - at target price (x)	17.2	17.3	19.1	16.6	15.0
PE (x)	13.0	14.7	13.6	11.8	10.7
PE - at target price (x)	18.3	20.6	19.1	16.6	15.0
EV/EBITDA (x)	9.0	9.2	9.4	8.0	7.0
EV/EBITDA - at target price (x)	13.0	13.3	13.7	11.7	10.4
P/BV (x)	3.3	3.1	2.9	2.7	2.5
P/BV - at target price (x)	4.7	4.4	4.1	3.8	3.5
P/CFO (x)	13.1	13.0	11.3	11.3	10.0
Price/sales (x)	1.9	1.9	1.9	1.7	1.6
Dividend yield (%)	4.5	4.8	5.2	5.9	6.6
FCF Yield (%)	6.5	6.5	7.4	7.8	9.6
(Bt)					
Normalized EPS	2.7	2.7	2.5	2.8	3.1
EPS	2.6	2.3	2.5	2.8	3.1
DPS	1.5	1.6	1.7	2.0	2.2
BV/share	10.1	10.7	11.5	12.5	13.5
CFO/share	2.6	2.6	3.0	3.0	3.3
FCF/share	2.2	2.2	2.5	2.6	3.2

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	11.0	(0.0)	(2.2)	9.5	7.9
Net profit (%)	15.1	(11.1)	7.9	15.1	10.5
EPS (%)	15.1	(11.1)	7.9	15.1	10.5
Normalized profit (%)	30.2	(0.5)	(9.2)	15.1	10.5
Normalized EPS (%)	30.2	(0.5)	(9.2)	15.1	10.5
Dividend payout ratio (%)	58.3	70.0	70.0	70.0	70.0
Operating performance					
Gross margin (%)	44.9	43.3	45.2	45.3	45.6
Operating margin (%)	17.1	16.6	15.9	16.8	17.2
EBITDA margin (%)	18.8	18.4	17.9	18.8	19.1
Net margin (%)	14.9	14.7	14.0	14.6	14.9
D/E (incl. minor) (x)	0.0	0.0	0.0	0.1	0.1
Net D/E (incl. minor) (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Interest coverage - EBIT (x)	93.3	83.3	56.2	34.4	30.2
Interest coverage - EBITDA (x)	102.8	92.5	63.2	38.4	33.4
ROA - using norm profit (%)	17.0	16.5	14.7	15.5	15.7
ROE - using norm profit (%)	28.4	26.2	22.3	23.7	24.2
DuPont					
ROE - using after tax profit (%)	27.9	25.5	22.2	23.6	23.9
- asset turnover (x)	1.1	1.1	1.0	1.1	1.0
- operating margin (%)	17.4	16.8	16.1	17.0	17.4
- leverage (x)	1.7	1.6	1.5	1.5	1.5
- interest burden (%)	98.9	98.8	98.2	97.1	96.7
- tax burden (%)	86.8	88.5	88.5	88.5	88.5
WACC (%)	10.1	10.1	10.1	10.1	10.1
ROIC (%)	41.3	37.1	32.4	37.5	40.0
NOPAT (Bt m)	2,328	2,305	2,158	2,500	2,767
invested capital (Bt m)	6,212	6,656	6,662	6,919	6,906

We expect ROIC to surpass WACC

Sources: Company data, Thanachart estimates

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Investment Banking Relationship
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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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