

**Mega Lifesciences (MEGA TB) - SELL, Price Bt30.00, TP Bt26.00****Results Comment**

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**Weak 1Q25 slightly beat**

- Net earnings were Bt450m. Excluding FX loss, normalized earnings of Bt475m fell by 2% y-y and 24% q-q. The business difficulty in Myanmar was the key drag. Earnings beat slightly on the favorable product mix.
- The distribution business of pharmaceutical and FMCG products fell by 33% y-y. The Myanmar government, in an effort to preserve the country's weak currency, raised import restrictions on some pharmaceutical products.
- The branded business grew only 3% y-y, vs. the normal high-single-digit growth rate. MEGA mentioned that while other markets grew nicely, the Myanmar difficulties dragged overall business performance.
- EBIT margin increased to 16.9% vs. 14.4% last year and 19.7% in the previous quarter. The fluctuation was due to changes in business mix.
- MEGA, facing the end of the corporate tax rate incentive in Myanmar, will face a 20% corporate tax rate going forward, up from 15% in 1Q25.
- We maintain SELL, seeing the stock as expensive on 14x PE against the negative EPS growth outlook.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25
Revenue	3,733	3,954	4,001	3,657	3,208
<b>Gross profit</b>	<b>1,605</b>	<b>1,765</b>	<b>1,692</b>	<b>1,798</b>	<b>1,607</b>
SG&A	1,066	1,140	1,099	1,079	1,064
Operating profit	539	625	593	719	544
<b>EBITDA</b>	<b>608</b>	<b>696</b>	<b>664</b>	<b>791</b>	<b>614</b>
Other income	7	13	8	13	5
Other expense	0	0	0	0	0
Interest expense	5	9	10	14	9
<b>Profit before tax</b>	<b>540</b>	<b>629</b>	<b>591</b>	<b>718</b>	<b>540</b>
Income tax	71	93	73	103	83
Equity & invest. income	15	13	24	10	18
Minority interests	0	(0)	(0)	0	(0)
Extraordinary items	(7)	(36)	(158)	13	(25)
<b>Net profit</b>	<b>478</b>	<b>513</b>	<b>383</b>	<b>639</b>	<b>450</b>
<b>Normalized profit</b>	<b>485</b>	<b>549</b>	<b>541</b>	<b>625</b>	<b>475</b>
EPS (Bt)	0.55	0.59	0.44	0.73	0.52
Normalized EPS (Bt)	0.56	0.63	0.62	0.72	0.54

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25
Cash & ST investment	3,315	3,694	2,915	3,825	3,922
A/C receivable	3,301	3,417	3,265	3,264	3,116
Inventory	3,123	3,308	3,118	3,033	3,004
Other current assets	350	281	274	104	107
Investment	0	0	0	0	0
Fixed assets	1,975	1,990	1,933	1,947	1,953
Other assets	2,293	2,281	2,028	2,037	2,261
<b>Total assets</b>	<b>14,357</b>	<b>14,971</b>	<b>13,533</b>	<b>14,210</b>	<b>14,364</b>
S-T debt	93	177	169	288	268
A/C payable	2,661	3,441	2,612	2,416	2,091
Other current liabilities	1,237	1,134	1,105	1,210	1,251
L-T debt	0	0	0	0	0
Other liabilities	424	425	409	419	435
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>9,943</b>	<b>9,795</b>	<b>9,238</b>	<b>9,877</b>	<b>10,318</b>
Working capital	3,763	3,284	3,770	3,880	4,029
Total debt	93	177	169	288	268
<b>Net debt</b>	<b>(3,222)</b>	<b>(3,517)</b>	<b>(2,747)</b>	<b>(3,538)</b>	<b>(3,654)</b>

Sources: Company data, Thanachart estimates

Income Statement 3M as					
(Bt m)	q-q%	y-y%	% 2025F	2025F	2026F
Revenue	(12)	(14)	25	13,015	13,612
<b>Gross profit</b>	<b>(11)</b>	<b>0</b>	<b>24</b>	<b>6,782</b>	<b>7,097</b>
SG&A	(1)	(0)	24	4,441	4,653
Operating profit	(24)	1	23	2,341	2,444
<b>EBITDA</b>	<b>(22)</b>	<b>1</b>	<b>23</b>	<b>2,640</b>	<b>2,769</b>
Other income	(58)	(21)	21	26	27
Other expense					
Interest expense	(34)	76	16	58	105
<b>Profit before tax</b>	<b>(25)</b>	<b>(0)</b>	<b>23</b>	<b>2,309</b>	<b>2,366</b>
Income tax	(19)	17	18	462	473
Equity & invest. income	81	15	98	18	18
Minority interests	na	na	na	7	20
Extraordinary items	na	na	na	0	0
<b>Net profit</b>	<b>(30)</b>	<b>(6)</b>	<b>24</b>	<b>1,872</b>	<b>1,931</b>
<b>Normalized profit</b>	<b>(24)</b>	<b>(2)</b>	<b>25</b>	<b>1,872</b>	<b>1,931</b>
EPS (Bt)	(30)	(6)	24	2.15	2.21
Normalized EPS (Bt)	(24)	(2)	25	2.15	2.21

Financial Ratios					
(%)	1Q24	2Q24	3Q24	4Q24	1Q25
Sales growth	0.1	(1.0)	5.2	(12.0)	(14.1)
Operating profit growth	(10.0)	(12.1)	2.8	0.1	1.0
EBITDA growth	(9.0)	(11.0)	2.3	(0.1)	1.1
Norm profit growth	(9.2)	(13.4)	5.3	(8.9)	(2.1)
Norm EPS growth	(9.2)	(13.4)	5.3	(8.9)	(2.1)
Gross margin	43.0	44.6	42.3	49.2	50.1
Operating margin	14.4	15.8	14.8	19.7	16.9
EBITDA margin	16.3	17.6	16.6	21.6	19.2
Norm net margin	13.0	13.9	13.5	17.1	14.8
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.3)	(0.4)	(0.3)	(0.4)	(0.4)
Interest coverage (x)	118.7	74.7	63.9	57.9	68.3
Interest rate	24.2	27.6	24.1	23.9	12.9
Effective tax rate	13.1	14.8	12.3	14.3	15.4
ROA	13.6	15.0	15.2	18.0	13.3
ROE	20.2	22.2	22.8	26.2	18.8

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