

## Mega Lifesciences Pcl (MEGA TB) - SELL

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### Analyst Meeting

#### Neutral analyst meeting

- **Continued difficulties in Myanmar**
  - **But strength elsewhere**
  - **New plant plan evaluation**
  - **Put our numbers under review**
- MEGA held an analyst meeting last Friday. The business outlook in 2H25F remained subdued, despite strength in other key markets. Myanmar, MEGA's key market, continued to face import difficulties. We put our numbers under review.
- MEGA's earnings fell by 12.3% y-y in 1H25 due to a sharp drop in Myanmar sales, and a rising corporate tax rate amid the expiration of BOI tax incentive. This is despite the strength of food supplement and pharmaceutical branded business in other markets, Myanmar representing about 30% of EBIT in 2024.
- The negative impact in Myanmar has been more pronounced than we expected. MEGA sells its branded food supplement and pharmaceutical products and also distributes them for multinational companies selling products in Myanmar. MEGA expects to face difficulties in obtaining import licenses for food supplement and pharmaceutical products in 2H25 due to strict import restrictions by the Myanmar government in an effort to preserve the currency.
- MEGA is now considering building a factory in Myanmar to bypass the import license requirements. This is intended to sell its own branded products. It can also provide opportunities for MEGA to manufacture products for multinational pharmaceutical customers. That said, if the plans go forward, MEGA expects the completion of the factory not earlier than 2028-29.
- On the positive side, food supplement and pharmaceutical branded business (MEGA's largest business) grew over 10% y-y in volume in 1H25 in other markets. This is better than we expected despite the US tariffs.
- In all, 1H25 came in below our expectation and we put our numbers under review.

#### Key Valuations

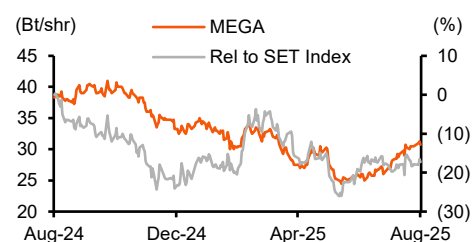
| Y/E Dec (Bt m)  | 2024A  | 2025F  | 2026F  | 2027F  |
|-----------------|--------|--------|--------|--------|
| Revenue         | 15,344 | 13,015 | 13,612 | 14,383 |
| Net profit      | 2,012  | 1,872  | 1,931  | 2,034  |
| Norm net profit | 2,201  | 1,872  | 1,931  | 2,034  |
| Norm EPS (Bt)   | 2.5    | 2.1    | 2.2    | 2.3    |
| Norm EPS gr (%) | (7.1)  | (14.9) | 3.1    | 5.3    |
| Norm PE (x)     | 12.2   | 14.3   | 13.9   | 13.2   |
| EV/EBITDA (x)   | 8.4    | 8.5    | 8.0    | 7.5    |
| P/BV (x)        | 2.7    | 2.6    | 2.4    | 2.3    |
| Div. yield (%)  | 5.2    | 4.8    | 5.0    | 5.3    |
| ROE (%)         | 22.9   | 18.5   | 18.0   | 17.9   |
| Net D/E (%)     | (35.8) | (41.3) | (41.4) | (41.7) |

Source: Thanachart estimates

#### Stock Data

|                             |             |
|-----------------------------|-------------|
| Closing price (Bt)          | 30.75       |
| Target price (Bt)           | 26.00       |
| Market cap (US\$ m)         | 827         |
| Avg daily turnover (US\$ m) | 1.0         |
| 12M H/L price (Bt)          | 41.00/24.50 |

#### Price Performance



Source: Bloomberg

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