Mega Lifesciences Pcl (MEGA TB) - SELL

Earnings Preview

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4Q25F preview

- **Earnings likely beat but still fall y-y**
- **Less Myanmar pressure for now**
- **Decent branded business continues**
- **Strong baht pressured**

We expect MEGA to report Bt557m earnings in 4Q25F, falling by 8% y-y but improving by 8% q-q due to seasonal impact. Earnings likely beat our previous expectations on the easing of Myanmar import restrictions, and we see near-term positive momentum on MEGA's share price. However, we maintain SELL for now as we remain cautious on the sustainability of this easing.

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- We expect MEGA's US$ revenue to grow by 11% y-y. We forecast MEGA's EBIT margin to stay flat at 19%, despite rising sales, due to strong baht impact. The reason we forecast earnings to fall y-y is the rising corporate tax rate to 20% from 15% last year due to expiration of the BoI tax incentive for MEGA's factory.
- Of the total 11% US$ sales growth, we forecast branded pharmaceutical products to grow by 9% y-y. This is MEGA's normal growth level and exceeds GDP growth in MEGA's focused markets of Thailand, Vietnam, Myanmar, and Sub-Saharan Africa, driven by increasing health consciousness in these markets.
- Distribution business likely grew 12% y-y from a very low base. The weak distribution sales have been MEGA's overhang factors over the previous two years. MEGA's 9M25 distribution sales fell to 65% of the peak in 2022. We estimate Myanmar accounted for about 49% of MEGA EBIT in 2020 before the import restriction began. It fell to about 25% in 9M25, on our estimate. We recap that Myanmar faced sanctions from many large markets after the military coup, causing weak local currency. The government implemented import restrictions and license reductions on many foreign products, including MEGA's branded and distributed pharmaceutical and FMCG products. However, the government began easing restrictions on essential products like pharmaceuticals, benefiting MEGA. We believe this reflects the military government positioning itself ahead of the planned general election.
- However, we are cautious on the continuity of this easing after the election, whether the military wins and pulls back the easing, or if it loses and another coup follows.

Key Valuations

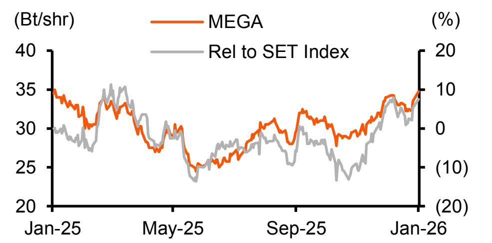
Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Revenue	15,344	13,015	13,612	14,383
Net profit	2,012	1,872	1,931	2,034
Norm net profit	2,201	1,872	1,931	2,034
Norm EPS (Bt)	2.5	2.1	2.2	2.3
Norm EPS gr (%)	(7.1)	(14.9)	3.1	5.3
Norm PE (x)	13.8	16.2	15.7	14.9
EV/EBITDA (x)	9.7	9.9	9.3	8.6
P/BV (x)	3.1	2.9	2.8	2.6
Div. yield (%)	4.6	4.3	4.4	4.7
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)	34.75
Target price (Bt)	26.00
Market cap (US$ m)	967
Avg daily turnover (US$ m)	0.7
12M H/L price (Bt)	35.00/24.50

Price Performance



Source: Bloomberg

- As for currency impact, we estimate each 1% change in baht against US dollar impacts our earnings forecast for MEGA by 1%. Our house view assumes a weaker baht environment at Bt33.0/US$ in 2026F vs. Bt31.3/US$ currently.
- Therefore, we maintain our SELL rating on MEGA despite seeing upside to our earnings growth forecast of -15% in 2025F.

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