

MEGA Lifesciences Public Company Limited (MEGA)

SET opportunity day – Half Year 2022

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We care

Mega Lifesciences Public Company Limited (MEGA)

Half Year 2022

Your Wellness
Stay healthy as long as you live.

Disclaimer

The presentation contains forward-looking statements which are based on MEGAs' current expectations, estimates and projections about its industry, management's beliefs and certain assumptions.

These forward-looking statements are subject to various risks and uncertainties. No assurance is given that future events will occur or that our assumptions are correct. Actual results may differ materially from those projected.

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Agenda

1H22 Financial Highlights

Future Outlook

Q&A

Our key business segments..

Mega Lifesciences PCL

*



Branded Products Business

We develop, manufacture, market and sell our own brand of market leading nutraceutical products, prescription products and self medication products, mostly sold in developing countries with market leading presence in Southeast Asia and growing presence in Sub-Saharan Africa.



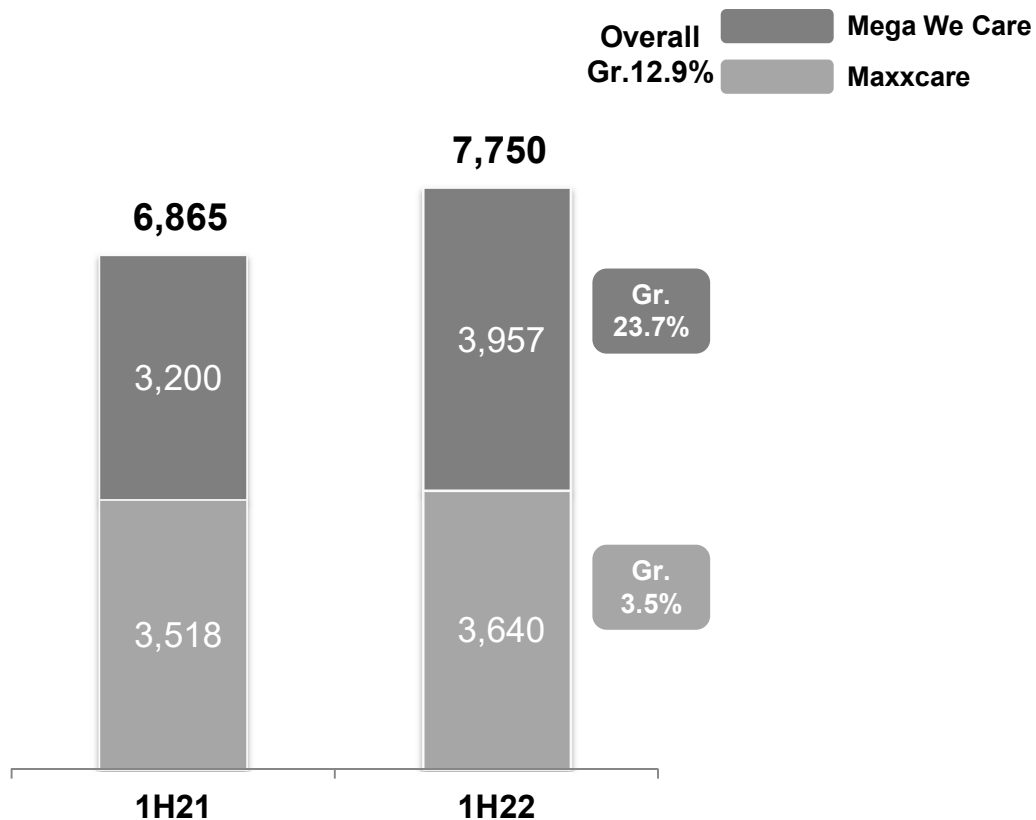
Distribution Business

We market, sell and distribute various branded prescription pharmaceutical products, OTC and consumer products in Myanmar, Vietnam and Cambodia. Our clients include leading domestic and international pharmaceutical and consumer goods companies. This business also includes products sold in other countries where MEGA has distribution rights for third party products.

* The information under this segment includes products where we own perpetual license to third party trademarks

Overall revenue grew by 12.9% YoY

Operating revenues (THBmn)

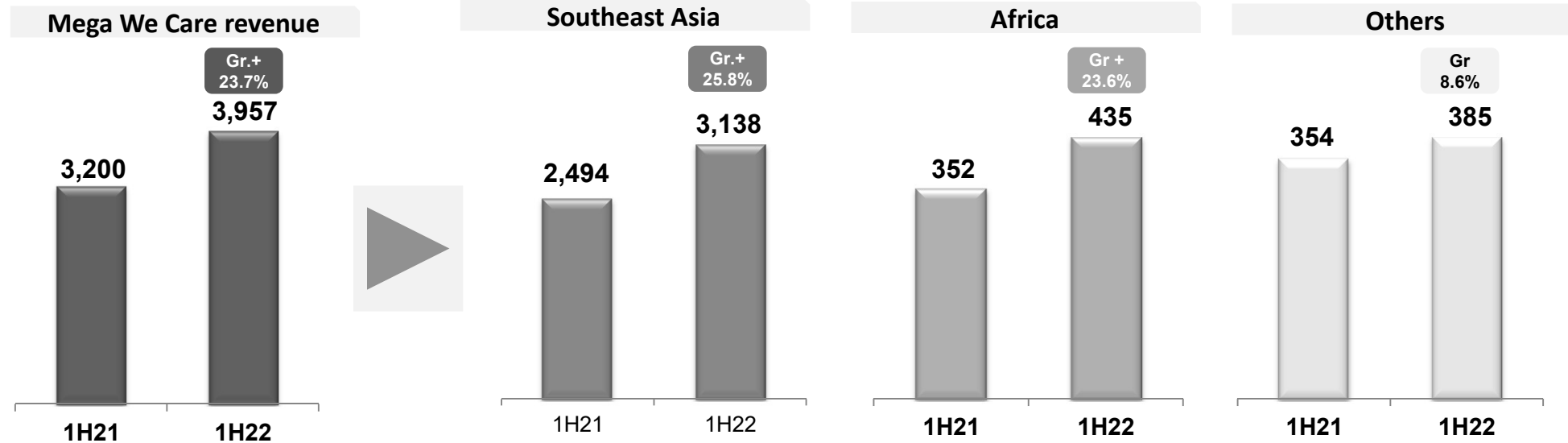


Overall revenue growth driven by Mega We Care.

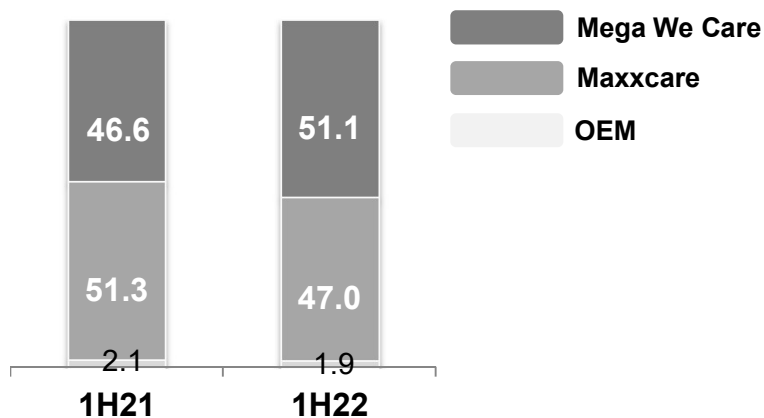
- **Mega We Care branded products revenue** grew by 23.7% YoY in 1H22, growth driven by Southeast Asia and Africa with continued strong consumer demand for Mega We care products.
- **Maxxcare distribution business revenue** grew by 3.5% YoY in 1H22. Despite the challenges in Myanmar, we were still able to achieve in 1H22, similar performance as 1H21

A closer look at Mega We Care revenue growth...

Mega We Care revenue by geography (THBmn)



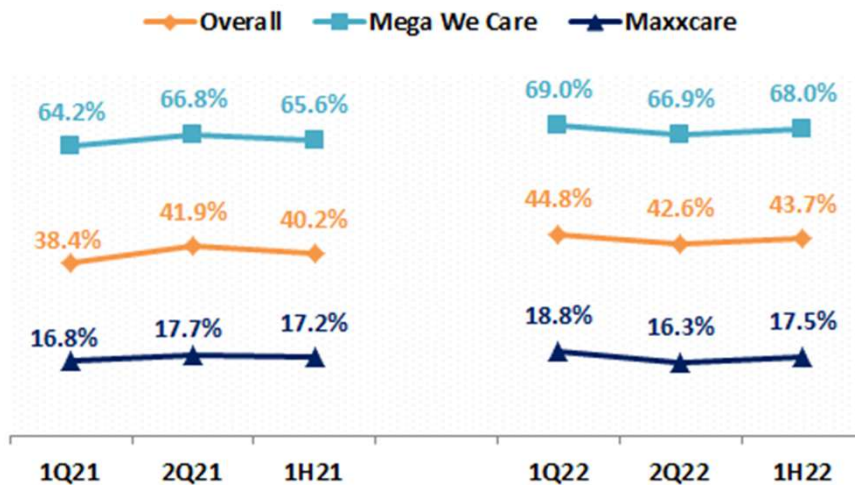
Revenue mix (%) across segments



- Southeast Asia contributed 79.3% of Mega We Care revenue while Indochina contributed 62.5% in 1H22.
- Mega We Care revenue grew by 23.7% YoY in 1H22. Southeast Asia and Africa contributed maximum.
- Mega We Care revenue as a proportion to overall operating revenue improved to 51.1% in 1H22 compared to 46.6% in 1H21 while Maxxcare revenue proportion decreased from 51.3% in 1H21 to 47.0% in 1H22.

Improved gross margins...

Overall gross margin (%)



Overall gross margins are influenced by segmental gross margins and revenue mix in the given period

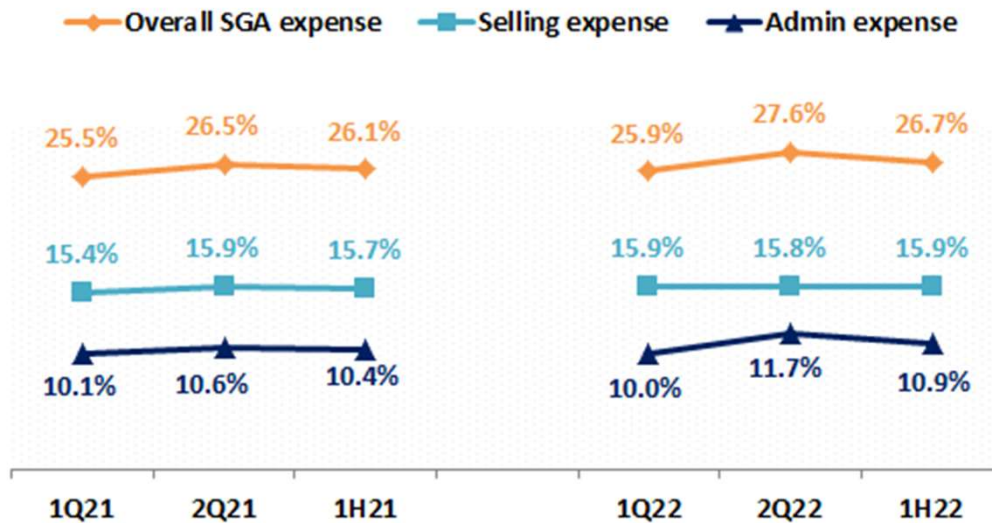
- Overall gross margin in 1H22 was 43.7% compared to 40.2% in 1H21. Improvement in 1H22 gross margin was mainly a result of growth in Mega We Care revenue and better segmental gross margins for Mega We Care business.

Looking by segments:

- Mega We Care branded products gross margin was 68.0% in 1H22 compared to 65.6% in 1H21. The gross margins are influenced by revenue growth, product mix, country mix, depreciation of Thai Baht to USD and level of output amongst other factors.
- Maxxcare distribution business gross margin remained steady at 17.5% in 1H22 compared to 17.2% in 1H21. Gross margins are influenced by principal and service mix amongst other factors. Net margins (EBITDA/gross profits) remained steady as well in 1H22 at 48.7% compared to 49.8% in 1H21.

SG&A expenses remained steady..

SG&A expenses as a percentage to revenue



Selling and administrative expenses (SG&A) was THB 2,073mn in 1H22, representing 26.7% of operating revenue compared to 26.1% in 1H21. SG&A has a percentage to revenue has remained steady in 1H22 compared to 1H21 and FY21

Strong growth in net profits...

Income Statement

Figures in THBmn

	2Q21	1Q22	2Q22	YoY Gr.	1H21	1H22	YoY Gr.
Operating revenue	3,594.5	3,819.7	3,929.8	9.3%	6,864.8	7,749.6	12.9%
Gross profits	1,506.7	1,710.4	1,674.2	11.1%	2,762.7	3,384.5	22.5%
Gross margin (%)	41.9%	44.8%	42.6%		40.2%	43.7%	
Selling and Admin. exp (SGA)	954.2	988.8	1,084.0	13.6%	1,788.5	2,072.8	15.9%
SGA (% to operating revenue)	26.5%	25.9%	27.6%		26.1%	26.7%	
Reported net profit	502.6	612.7	569.3	13.3%	835.2	1,182.1	41.5%
Net losses from new businesses	15.5	9.1	13.1	(15.3%)	30.3	22.2	(26.8%)
Net foreign exchange loss/(gain)	(34.9)	12.8	(25.7)	(26.3%)	(14.6)	(13.0)	(11.1%)
Net profit (Adjusted)	483.1	634.6	556.7	15.2%	850.9	1,191.3	40.0%

Growth in Mega We Care revenue and better gross margins of Mega We Care business contributed to net profits growth

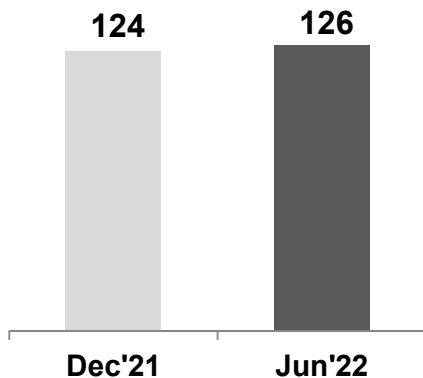
Reported net profit in 1H22 came in at THB 1,182mn reflecting a growth of 41.5% YoY and THB 569 mn in 2Q22 reflecting a growth of 13.3% YoY. Growth in 1H22 was mainly a result of growth in Mega We Care revenue and better gross margins of Mega We Care business.

Adjusted¹ net profit in 1H22 came in at THB 1,191mn reflecting a growth of 40.0% YoY and THB 557mn in 1H22 reflecting a growth of 15.2% YoY. Growth in 1H22 was mainly a result of growth in Mega We Care revenue and better gross margins of Mega We Care business.

1. Adjusted net profits are net profit adjusted for losses from newly started businesses including startups, net foreign exchange gains or losses and a non-recurring material income or expenses to reflect normal business performance.

Strong balance sheet and healthy cash flows

Cash cycle (days)



Cash cycle remained steady at 126 days in Jun'22 compared to 124 days in Dec'21.

Summary of Cash flows

- Operating cash inflow of THB 826mn in 1H22. Cash generated from Operations was at 70% of Net profits.
- Investment in 1H22 of THB 174mn in tangible assets, mainly driven by spending of THB 135mn towards consolidation of manufacturing operations in Thailand.
- Net cash outflow from financing activities in 1H22 was THB 783mn, mainly arising from dividend payout of THB 751mn consisting of FY21 final dividends.

Leverage ratios	Dec'21	Jun'22
IBD to equity (times)	0.02	0.02
Net-debt to equity (times)	(0.32)	(0.27)

Interest bearing debt to equity stood at 0.02 times and net-debt to equity at (0.27) times as at Jun'22.

Future Outlook...

The future of our past and present



After having doubled 2014 business within 2019, MEGA has a plan to double 2019 business within 5-7 years

Future Outlook...

Mega We Care™ branded products business

MEGA expects to grow by expansion of customer base in its existing underpenetrated developing markets, launching new products, strengthening product categories, acquisitions and entering new countries. Create significance in SEA and Sub-Saharan Africa.

- Emerging trends in consumer health care, disease prevention than struggling for cure is the way forward a sunrise industry.
- Market leading positions in Southeast Asia and growing presence in Sub-Saharan Africa.
- Healthy pipeline of drugs catering to niche therapeutic segments.
- Products sold in developing countries which are underpenetrated markets with significant growth opportunities.
- Manufacturing capacity adequate to meet growth requirements of ensuing 3-4 years.
- A strong balance sheet with net cash position and business generating healthy cash flows.
- Fundamental growth drivers in place to help deliver the expected growth

Notwithstanding tremendous future opportunity. Due to the nature of the industry and the markets we are in, growth may not be a straight line up but with occasional disruptions that may be caused by economic, political and other factors.

MEGA plans to invest THB 506mn during 2022-23 towards:

1. **Thailand manufacturing plant:** THB 295mn towards consolidation of manufacturing operations and capacity expansion and THB 46mn towards ESG.
2. **Indonesian manufacturing plant:** THB 165mn towards adding new dosage form, warehouse and plant up-gradation.

Improvement and maintenance capex to be spent separately on yearly basis.

Future Outlook...

Maxxcare™ distribution business

MEGA expects to capture the growth potential offered by Myanmar in the long term, given MEGA's leadership position as a distributor of pharma and consumer products and providing world class distribution service to our customers.

MYANMAR

- Largest market with significant historic growth and future opportunities....
- Pharma market size at 1/10 of Thailand.
- Leading multinational and regional companies as its principals.
- Contributed 78% to overall Maxxcare revenue in 2021.
- Infrastructure and capabilities in place to support future growth in business:
 - Coverage to more than 85% of geographical area.
 - Access to more than 45,000 outlets.
 - More than 1,800 employees.
 - Robust information system and market intelligence in place.

VIETNAM AND CAMBODIA TO GROW WITH INDUSTRY.

Notwithstanding tremendous future opportunity. Due to the nature of the industry and the markets we are in, growth may not be a straight line up but with occasional disruptions that may be caused by economic, political and other factors.

Strong fundamentals.....

	2016	2017	2018	2019	2020	2021	1H22
Strategic and balance sheet:							
Net cash/(debt) (THBmn)	547	662	174	567	718	2,363	2,268
Operating cash flow (THBmn)	1,250	927	910	1,495	1,629	2,727	826
Operating cash to net profits (%)	157.2	83.3	75.4	131.3	117.4	140.5	69.9
Return on equity (%)	17.6	22.4	22.0	19.1	21.1	25.9	25.8
Dividend per share (THB)	0.47	0.70	0.71	0.72	0.90	1.38	0.75
Dividend payout (% to net profits)	51.2	54.4	51.1	55.1	56.5	62.0	55.3
Cash cycle (days)	121	123	136	129	126	124	126
Efficiency:							
Net forex gain/loss to revenue	1.0%	0.8%	0.2%	0.7%	-0.1%	-0.8%	-0.2%
Bad debts to revenue	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for inventory to revenue	0.4%	0.3%	0.0%	0.3%	0.0%	0.3%	0.2%
Corporate tax rates to PBT	14.8%	14.3%	14.4%	12.3%	14.4%	14.8%	12.3%
Adjusted net profit (THBmn) ¹	899	1,210	1,186	1,293	1,462	1,882	1,191
Adjusted earning per share (THB)	1.04	1.40	1.37	1.49	1.68	2.16	1.37
Earning per share (THB)	0.92	1.29	1.39	1.31	1.59	2.23	1.36

¹ Adjusted net profits are net profit adjusted for impacts from newly started businesses (includes startups and projects with gestation) , net foreign exchange gains or losses and non-recurring income and expenses, to reflect normal business performance.

Indicators of strong fundamentals:

- ✓ Net cash
- ✓ Healthy operating cash flows averaging over 111% of net profits over 2016 to 1H22
- ✓ Steady return on equity
- ✓ Increased dividend payouts
- ✓ Steady cash cycle
- ✓ Well managed forex exposure
- ✓ Insignificant inventory and bad debts write-off
- ✓ Low effective tax rates
- ✓ Received best tax payer award
- ✓ Adjusted EPS CAGR of 15.8%
- ✓ Dividend payouts averaging over 55% of net profits

Forbes Asia BEST UNDER A BILLION 2022

Mega has been retained as part of the latest Forbes Best in Asia 2022 list of Companies which highlights 200 public companies in Asia Pacific amongst the universe of 20,000 publicly listed companies with a revenue under USD 1 billion.

Methodology used in selection included:

- *long-term sustainable performance across a variety of metrics,*
- *Aside from quantitative criteria, qualitative screens were used as well, such as including companies with good governance, unquestionable accounting, environmental friendly, no management issues or legal troubles,*
- *composite score incorporated overall track record in measures such as debt, sales and earnings-per-share growth over both the most recent fiscal one- and three-year periods, and the strongest one-and-five-year average returns on equity.*

Time for your questions..

If we aren't able to answer your question due to limited time at this forum or for some reason you couldn't ask your question, you are welcome to call us or send E-mail.