

Date: 23rd February 2022
 Subject: FY21 Management Discussion and Analysis
 To: The President of the Stock Exchange of Thailand

MEGA features in Forbes Asia's best 200 companies under 1USD billion in 2021 out of a universe of 20,000 public companies

Business Overview

Mega Lifesciences PCL (MEGA) is a leading participant in the health and wellness industry in developing countries. Our business may be categorized into below segments:

- Mega We Care™ branded products business:** We develop, manufacture, market and sell our own brand of market leading nutraceutical products, prescription pharmaceutical products and OTC products which are mostly sold in developing countries with market leading presence in Southeast Asia and growing reach in Sub-Saharan Africa. Our branded products include products where we own perpetual license to third party trademarks.
- Maxxcare™ distribution business:** We market, sell and distribute various branded prescription pharmaceutical products, OTC and consumer products. We operate our Maxxcare™ distribution business in three countries, namely, Myanmar, Vietnam and Cambodia. Our clients for this business segment include leading domestic and international pharmaceutical and consumer goods companies. This segment also includes business arising from markets other than aforementioned countries where MEGA has distribution rights for third party products.

Analysis of Financial Status and Performance FY21

Consolidated Income Statement Summary:

- Overall operating revenue of THB 14,136mn in FY21 (up by 12.3% YoY) and THB 3,272mn in 4Q21 (down by 6.5% YoY).
- Gross profit of THB 5,911mn in FY21 representing 41.8% of operating revenue and THB 1,416mn in 4Q21 representing 43.3% of operating revenue.
- SG&A expenses of THB 3,769mn in FY21, representing 26.7% of operating revenue and THB 901mn in 4Q21 representing 27.5% of operating revenue.
- Reported net profit came in at THB 1,941mn in FY21 (up by 39.8% YoY) and THB 495mn in 4Q21 (up by 16.3% YoY). Adjusted net profit¹ came in at THB 1,882mn in FY21 (up by 28.8% YoY) and THB 485mn in 4Q21 (up by 3.9% YoY).
- Operating cash flow of THB 2,727mn in FY21 representing 141% of reported net profits.
- Board of Directors proposed for shareholders' approval a final dividend of 86 satang per share taking the total dividends for FY21 to THB 1.38 per share, representing 62% of FY21 net profits or growth of 53.3% YoY.

Key points:

- Overall operating revenue in FY21 was THB 14,136mn, higher by 12.3% YoY and THB 3,272mn in 4Q21, down by 6.5% YoY.
 - Mega We Care™ revenue was THB 6,909mn in FY21 (up by 18.2% YoY) and THB 1,669mn in 4Q21 (flat YoY). Adjusted for change in business model in Philippines (which resulted in higher sales and higher SG&A expenses in FY21 with no impact on bottom line), the revenue growth in FY21 would be 15% YoY. All regions performed well.

1. Adjusted net profits are net profit adjusted for losses from newly started businesses including startups, net foreign exchange gains or losses and non-recurring material income or expenses to reflect normal business performance. For details, please see summarized income statement on page 2 of this report.

- Maxxcare™ revenue was THB 6,906mn in FY21 (up by 6.2% YoY) and THB 1,521mn in 4Q21 (down by 13.9% YoY). The sluggishness in 4Q21 was partly impacted by Kyat depreciation in 3Q21 causing stocking up by trade in Myanmar which seems to have corrected in 4Q21.
- **Overall gross margin** in FY21 was 41.8% compared to 39.6% in FY20 and 43.3% in 4Q21 compared to 41.7% in 4Q20. Improvement in FY21 gross margin was mainly a result of growth in Mega We Care revenue causing favourable revenue mix and better segmental gross margins. Mega We Care gross margins were healthier at 66.2% in FY21. Maxxcare gross margin was 17.5% in FY21 and the net margins (EBITDA/gross profits) for Maxxcare business was 48% in FY21 compared to 43.6% in FY20.
- **Selling and administrative expenses (SG&A)** was THB 3,769mn in FY21, representing 26.7% of operating revenue and THB 901mn in 4Q21 representing 27.5% of operating revenue compared to 26.2% in FY20 and 26% in 4Q20. In absolute terms, the SGA in FY21 grew by 14.2% YoY and remained flat YoY in 4Q21. Adjusted for change in business model in Philippines (which resulted in higher sales and higher SG&A expenses in FY21 with no impact on bottom line), the SGA expenses in FY21 grew by 8.6% YoY.
- **Reported net profit** in FY21 came in at THB 1,941mn reflecting a growth of 39.8% YoY and THB 495mn in 4Q21 reflecting a growth of 16.3% YoY. Growth in FY21 was mainly a result of growth in Mega We Care revenue and better gross margins.

Adjusted net profit in FY21 came in at THB 1,882mn reflecting a growth of 28.8% YoY and THB 485mn in 4Q21 reflecting a growth of 3.9% YoY. Growth in FY21 was mainly a result of growth in Mega We Care revenue and better gross margins.

MEGA remains focused on further cementing its leadership position in Southeast Asia and deepening our presence in the Sub-Saharan African countries, driven by our market leading brands, healthy pipeline of new products, underlying potential of Southeast Asia and Sub-Saharan African regions, strategic tie-ups, partnerships, joint ventures and acquisitions. MEGA has a strategy and fundamentals in place to double its 2019 business in 5-7 years. Notwithstanding tremendous future opportunity, due to the nature of the industry, the markets we are in and our long term approach to value creation; growth may not be a straight line up but with occasional impacts that may be caused by economic, political and other factors.

Summarized Income Statement*

<i>Figures in THBmn</i>	4Q20	3Q21	4Q21	YoY Gr.	FY20	FY21	YoY Gr.	Growth in Mega We Care revenue and better gross margins contributed to net profits growth.
Operating revenue	3,497.8	3,998.7	3,272.1	(6.5%)	12,589.4	14,135.7	12.3%	
Gross profits	1,460.0	1,732.4	1,415.7	(3.0%)	4,986.3	5,910.8	18.5%	
Gross margin (%)	41.7%	43.3%	43.3%		39.6%	41.8%		
Selling and Admin. exp (SGA)	910.1	1,080.3	900.6	(1.0%)	3,299.4	3,769.4	14.2%	
SGA (% to operating revenue)	26.0%	27.0%	27.5%		26.2%	26.7%		
Reported net profit	425.4	611.0	494.7	16.3%	1,388.4	1,940.9	39.8%	
Net losses from new businesses	15.9	13.6	15.7	na	91.2	59.7	na	
Net foreign exchange loss/(gain)	24.9	(78.0)	(25.9)	na	(18.1)	(118.5)	na	
Net profit (Adjusted)	466.2	546.6	484.6	3.9%	1,461.5	1,882.1	28.8%	

*Previous period numbers are reclassified to meet the requirements of TFRS and better presentation of financial information.

1. Overall Revenue

Overall operating revenue in FY21 was THB 14,135.7mn, higher by 12.3% YoY, driven by growth in Mega We Care business of 18.2% YoY and Maxxcare business growth of 6.2% YoY.

Overall operating revenue in 4Q21 was THB 3,272.1mn, down by 6.5%. Mega We Care business was flat YoY in 4Q21. Maxxcare business declined by 13.9% YoY in 4Q21; the sluggishness in 4Q21 was partly impacted by Kyat depreciation in

3Q21 causing stocking up by trade in Myanmar which seems to have corrected in 4Q21.

Southeast Asia² and Indochina³ contributed 86.7% and 78.5% of our operating revenues in FY21.

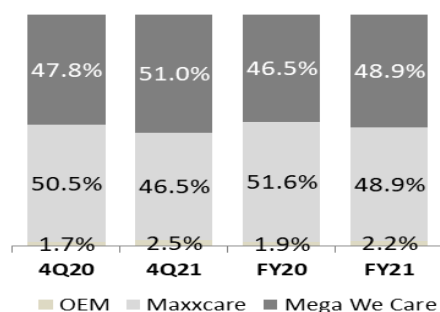
The following table represents the revenue generated under each operating segments.

Revenue* by Business Segment

<i>Figures in THBmn</i>	4Q20	3Q21	4Q21	YoY Gr.	FY20	FY21	YoY Gr.
Mega We Care™	1,671.6	2,039.2	1,669.5	(0.1%)	5,847.6	6,909.0	18.2%
Maxxcare™	1,767.4	1,866.7	1,521.2	(13.9%)	6,502.4	6,906.2	6.2%
OEM	58.8	92.8	81.4	38.5%	239.5	320.5	33.8%
Total	3,497.8	3,998.7	3,272.1	(6.5%)	12,589.4	14,135.7	12.3%

*Revenue is net of inter segment charges & eliminations relating to consolidation.

Revenue mix by segments (%)



Proportion of Mega We Care revenue to total operating revenue was 48.9% in FY21 and 51% in 4Q21 compared to Maxxcare contributing 48.9% in FY21 and 46.5% of total operating revenue in 4Q21.

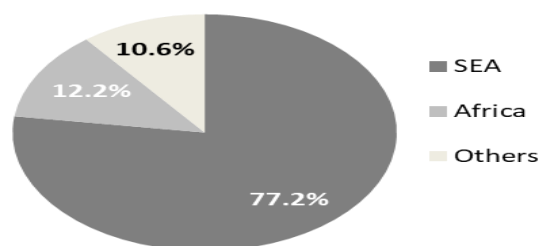
Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 6,909mn in FY21, an increase of THB 1,061.5mn or 18.2% YoY, the revenue in 4Q21 came in at THB 1,669.5mn, flat YoY. Growth in FY21 was contributed by all regions but Southeast Asia contributed the most, growing at 17.8% YoY. Adjusting for change in business model in Philippines (which resulted in higher sales and higher SG&A expenses in FY21 with no impact on bottom line), the revenue growth in FY21 would be 15% YoY.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	4Q20	3Q21	4Q21	YoY Gr.	FY20	FY21	YoY Gr.
Southeast Asia	1,310.5	1,602.4	1,236.4	(5.7%)	4,528.4	5,333.1	17.8%
Africa	169.5	257.6	235.9	39.2%	670.5	845.2	26.1%
Others	191.6	179.2	197.1	2.9%	648.7	730.7	12.6%
Total	1,671.6	2,039.2	1,669.5	(0.1%)	5,847.6	6,909.0	18.2%

Mega We Care™ Branded Products Revenue by Geography (FY21)



- Southeast Asia contributed 77%, while Indochina contributed 61% of the Mega We Care™ branded products business revenue.

- Africa, contributed 12% of the Mega We Care™ branded products business revenue.

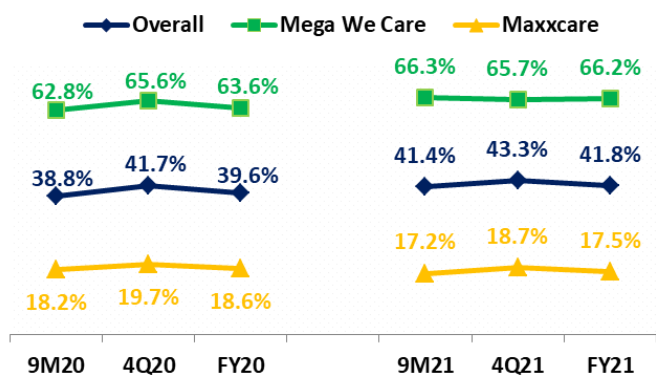
2. Thailand, Myanmar, Vietnam, Cambodia, Malaysia, Philippines, Indonesia and Singapore. 3. Thailand, Myanmar, Vietnam and Cambodia.

Maxxcare™ Distribution Revenue

Maxxcare revenue was THB 6,906.2mn in FY21 reflecting a 6.2% YoY growth and THB 1,521mn in 4Q21, reflecting a decline of 13.9% YoY. The sluggishness in 4Q21 was partly impacted by Kyat depreciation in 3Q21 causing stocking up by trade in Myanmar which seems to have corrected in 4Q21.

2. Gross Profits

Segmental gross profit (%) to segmental operating revenue



Overall gross margin in FY21 was 41.8% compared to 39.6% in FY20 and 43.3% in 4Q21 compared to 41.7% in 4Q20. Improvement in FY21 gross margin was mainly a result of growth in Mega We Care revenue causing favourable revenue mix and better segmental gross margins. Mega We Care gross margins were healthier at 66.2% in FY21. Maxxcare gross margin was 17.5% in FY21 and the net margins (EBITDA/gross profits) for Maxxcare business was 48% in FY21 compared to 43.6% in FY20.

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 66.2% in FY21 and 65.7% in 4Q21 compared to 63.6% in FY20 and 65.6% in 4Q20. The gross margins are influenced by revenue growth, product mix, country mix and level of output amongst other factors.

Maxxcare™ Distribution Business Gross Profit

Maxxcare™ distribution business gross margin was 17.5% in FY21 compared to 18.6% in FY20 and 18.7% in 4Q21 compared to 19.7% in 4Q20. Gross margins are influenced by principal and service mix amongst other factors. Net margins (EBITDA/gross profits) was 48% in FY21 compared to 43.6% in FY20.

OEM Business

OEM business contributed 2.2% to overall operating revenue in FY21. OEM revenue came in at THB 320.5mn (up 33.8% YoY) in FY21 and THB 81.4mn (up 38.5% YoY) in 4Q21. Gross margins came in at 40.7% in FY21 compared to 23.4% in FY20 and 41.7% in 4Q21 compared to 26.6% in 4Q20. Gross margins are influenced by revenue growth and customer mix amongst other factors.

3. Consolidated Selling and Administration Expenses (SG&A)

Selling and administrative expenses (SG&A) was THB 3,769.4mn in FY21, representing 26.7% of operating revenue and THB 900.6mn in 4Q21 representing 27.5% of operating revenue compared to 26.2% in FY20 and 26% in 4Q20. In absolute terms, the SGA in FY21 grew by 14.2% YoY and remained flat YoY in 4Q21. Adjusted for change in business model in Philippines (which resulted in higher sales and higher SG&A expenses in FY21 with no impact on bottom line), the SGA expenses in FY21 grew by 8.6% YoY.

4. Consolidated Net Profit

Reported net profit in FY21 came in at THB 1,940.9mn reflecting a growth of 39.8% YoY and THB 494.7mn in 4Q21 reflecting a growth of 16.3% YoY. Growth in FY21 was mainly a result of growth in Mega We Care revenue and better gross margins.

Adjusted net profit in FY21 came in at THB 1,882.1mn reflecting a growth of 28.8% YoY and THB 484.6mn in 4Q21 reflecting a growth of 3.9% YoY. Growth in FY21 was mainly a result of growth in Mega We Care revenue and better gross

margins.

5. Cash Flows

Operating Activities

Operating cash flow of THB 2,726.8mn in FY21. Higher operating cash flows were mainly a result of growth in net profits and efficient management of working capital.

Core working capital

	Dec'20	Dec'21
Average receivable days	72	64
Average inventory days	150	160
Average payable days	(96)	(100)
Cash cycle (days)	126	124

Cash cycle days in Dec'21 was 124 days compared to 126 days in Dec'20.

Investing Activities

In FY21, THB 140mn was invested in tangible assets⁴ mainly driven by spending of THB 73mn towards Thailand manufacturing plant.

Capex plan:

Besides regular improvement and maintenance capex which are incurred every year, an amount of THB 625mn is expected to be spent during 2022-23 towards below projects:

- Thailand** : THB 414mn towards consolidation of manufacturing operations and capacity expansion and THB 46mn towards ESG.
- Indonesia**: THB 165mn towards adding new dosage form, warehouse and plant up-gradation in newly acquired Indonesian manufacturing plant.

Financing Activities

In FY21, net cash outflow from financing activities was THB 1,313.9mn, mainly arising from dividend payout of THB 922.9mn consisting of FY20 final dividends and 1H21 interim dividend besides reduction in working capital loan amounting to THB 309.5mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 2,531.4mn as at 31 December 2021, an increase of THB 1,313.8mn from 31 December 2020. Increase in cash and bank balance was mainly a result of growth in profits and efficient management of working capital.

Trade receivables were THB 2,557.3mn as at 31 December 2021, an increase of THB 50.5mn compared to THB 2,506.8mn as at 31 December 2020. Inventories were THB 3,822.9mn as at 31 December 2021, an increase of THB 333.8mn over 31 December 2020 levels.

As at 31 December 2021, Current ratio was at 1.9 times. The cash cycle days as at 31 December 2021 was 124 days compared to 126 days as at 31 December 2020.

4. Capital advances are not considered as cash outflow towards acquisition of tangible assets in this report.

Non-current Assets

Non-current assets were THB 3,970.8mn as at 31 December 2021, almost similar to the levels of 31 December 2020.

Current Liabilities

Current liabilities were THB 4,853.4mn as at 31 December 2021, an increase of THB 624.6mn or 14.8% compared to 31 December 2020. The increase was mainly driven by trade payables.

Trade payables were THB 2,526.6mn as at 31 December 2021, an increase of THB 478.9mn from 31 December 2020 levels towards procurement of inventories in the normal course of business.

Non-current Liabilities

Non-current liabilities were THB 393.2mn as at 31 December 2021, an increase of THB 44.1mn compared to 31 December 2020, caused by increase in long-term lease liability arising from renewals of lease contracts and increased long-term employee benefit obligation, a result of accruals during FY21.

As at 31 December 2021, net-debt to equity was (0.32) times, while debt to equity was 0.65 times and interest bearing debt to equity at 0.02 times.

Shareholders' Equity

Shareholders' equity was THB 8,025.1mn as at 31 December 2021, an increase of THB 1,046.2mn compared to 31 December 2020, mainly driven by FY21 net profits and dividend payouts.

Consolidated Balance Sheet

Figures in THBmn	31-Dec-21		31-Dec-20		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁵	2,531.4	19.1%	1,217.5	10.5%	1,313.8	107.9%
Trade accounts receivable	2,557.3	19.3%	2,506.8	21.7%	50.5	2.0%
Inventories	3,822.9	28.8%	3,489.1	30.2%	333.8	9.6%
Other current assets	389.4	2.9%	373.6	3.2%	15.8	4.2%
Total Current Assets	9,300.9	70.1%	7,586.9	65.6%	1,713.9	22.6%
Non-Current Assets						
Property, plant and equipment ⁶	1,873.5	14.1%	1,985.2	17.2%	(111.7)	(5.6%)
Intangible assets ⁷	1,353.1	10.2%	1,312.3	11.4%	40.8	3.1%
Deferred tax asset	210.4	1.6%	175.0	1.5%	35.4	20.2%
Right-of-use assets	265.4	2.0%	262.8	2.3%	2.6	1.0%
Other non-current assets	268.3	2.0%	234.5	2.0%	33.8	14.4%
Total Non-Current Assets	3,970.8	29.9%	3,969.9	34.4%	0.9	0.0%
Total Assets	13,271.7	100.0%	11,556.8	100.0%	1,714.9	14.8%
Current Liabilities						
Bank overdrafts & short-term Loans	168.2	1.3%	499.5	4.3%	(331.3)	(66.3%)
Trade accounts payable	2,526.6	19.0%	2,047.8	17.7%	478.9	23.4%
Other payables	1,109.1	8.4%	824.5	7.1%	284.6	34.5%
Current portion of lease liabilities	56.2	0.4%	36.7	0.3%	19.5	53.3%
Income tax payable	185.9	1.4%	160.7	1.4%	25.1	15.6%
Accrued expenses	807.4	6.1%	659.6	5.7%	147.8	22.4%
Total Current Liabilities	4,853.4	36.6%	4,228.8	36.6%	624.6	14.8%
Non-Current Liabilities						
Lease liabilities	131.9	1.0%	111.3	1.0%	20.6	19%
Deferred tax liability	-	0.0%	1.0	0.0%	(1.0)	(100.0%)
Employees benefits obligation	261.3	2.0%	236.5	2.0%	24.8	10.5%
Other non-current liabilities	-	0.0%	0.3	0.0%	(0.3)	(100.0%)
Total Non-Current Liabilities	393.2	3.0%	349.1	3.0%	44.1	12.6%
Total Liabilities	5,246.6	39.5%	4,577.9	39.6%	668.7	14.6%
Equity						
Issued and paid-up share capital	435.9	3.3%	435.9	3.8%	-	0.0%
Premium on ordinary shares	2,304.5	17.4%	2,304.5	19.9%	-	0.0%
Retained earnings:						
Appropriated	76.1	0.6%	76.1	0.7%	0.0	0.1%
Unappropriated	5,692.2	42.9%	4,677.6	40.5%	1,014.7	21.7%
Other components of equity	(506.0)	(3.8%)	(536.5)	(4.6%)	30.5	(5.7%)
Owners Equity	8,002.8	60.3%	6,957.6	60.2%	1,045.2	15.0%
Non-controlling interests	22.3	0.2%	21.3	0.2%	1.0	na
Total Equity	8,025.1	60.5%	6,978.9	60.4%	1,046.2	15.0%
Total Liabilities and Equity	13,271.7	100.0%	11,556.8	100.0%	1,714.9	14.8%

5. Cash and bank balances as at balance sheet dates include non-restricted term deposits with banks. 6. Includes asset classified as investment property of THB 36.2mn as at Dec '21 and THB 34.2mn as at Dec'20. 7. Includes goodwill of THB 476.3mn as at Dec'21 and THB 437.3mn as at Dec'20.

Consolidated Income Statement

<i>Figures in THBmn</i>	4Q20	3Q21	4Q21	YoY Gr.	FY20	FY21	YoY Gr.
Operating Revenue	3,497.8	3,998.7	3,272.1	(6.5%)	12,589.4	14,135.7	12.3%
Other income	8.0	12.2	12.7	58.7%	35.5	46.7	31.4%
Total Income	3,505.8	4,011.0	3,284.8	(6.3%)	12,625.0	14,182.4	12.3%
Cost of goods sold	2,037.8	2,266.4	1,856.4	(8.9%)	7,603.1	8,224.9	8.2%
Gross profits	1,460.0	1,732.4	1,415.7	(3.0%)	4,986.3	5,910.8	18.5%
<i>Gross margin (%)</i>	41.7%	43.3%	43.3%		39.6%	41.8%	
Selling expense	603.1	605.7	636.6	5.6%	2,077.7	2,318.8	11.6%
Administrative expense	306.9	474.5	264.0	(14.0%)	1,221.6	1,450.6	18.7%
Selling & Administrative exp (SGA)	910.1	1,080.3	900.6	(1.0%)	3,299.4	3,769.4	14.2%
<i>SGA (% to operating revenue)</i>	26.0%	27.0%	27.5%		26.2%	26.7%	
Net foreign exchange loss/(gain)	24.9	(78.0)	(25.9)	na	(18.1)	(118.5)	na
Depreciation & Amortization	67.9	68.4	69.5	2.4%	256.3	274.4	7.1%
Finance cost	14.2	5.7	5.5	(61.2%)	72.3	28.3	(60.9%)
Share of profit/(loss) from JV	0.3	(0.5)	(0.5)	na	(45.5)	(1.5)	na
Profit before tax	519.1	736.2	547.7	5.5%	1,622.8	2,276.9	40.3%
Tax expense	93.7	125.2	53.0	(43.4%)	234.3	336.0	43.4%
Reported net profit	425.4	611.0	494.7	16.3%	1,388.4	1,940.9	39.8%
Basic earning per share	0.49	0.70	0.57	16.3%	1.59	2.23	39.8%
Net losses from new businesses	15.9	13.6	15.7	na	91.2	59.7	na
Net foreign exchange loss/(gain)	24.9	(78.0)	(25.9)	na	(18.1)	(118.5)	na
Net profit (Adjusted)	466.2	546.6	484.6	3.9%	1,461.5	1,882.1	28.8%
<i>Net profit margin to operating revenue</i>	13.3%	13.7%	14.8%	na	11.6%	13.3%	na
Basic earning per share	0.53	0.63	0.56	3.9%	1.68	2.16	28.8%

Disclaimer

The information contained in our analysis is intended solely for your personal reference only. In addition, any forward- looking statements reflect our current views with respect to future events and financial performance.

These views are based on assumptions 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.