

Date: 13 May 2022
Subject: 1Q22 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 core business may be categorized into:

- 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 1Q22

Consolidated Income Statement Summary

- Overall operating revenue of THB 3,820mn in 1Q21 (up 16.8% YoY).
- Gross profit of THB 1,710mn in 1Q22 (up 36.2% YoY).
- SG&A expenses of THB 989mn in 1Q22 representing 25.9% of operating revenue remained steady compared to 25.5% of operating revenue in 1Q21.
- Reported net profit of THB 613mn in 1Q22 (up 84.2% YoY) and adjusted net profit¹ of THB 635mn in 1Q22 (up 72.6% YoY).

Key points:

- **Overall operating revenue** in 1Q22 was THB 3,820mn, higher by 16.8% YoY. The revenue growth in 1Q22 was driven by Mega We Care™ business.
 - Mega We Care™ revenue was THB 1,954mn in 1Q22 (up by 32.6% YoY). All regions performed well. To a limited extent, the growth in revenue is also on account of depreciation of Thai Baht to USD.
 - Maxxcare™ revenue was THB 1,787mn in 1Q22 (up by 2.3% YoY). To a limited extent, the growth in revenue is also on account of depreciation of Thai Baht to USD. The Maxxcare™ business would have remained flat without taking into consideration depreciation of Thai Baht to USD.
- **Overall gross margin** in 1Q22 improved to 44.8% compared to 38.4% in 1Q21. Improvement in 1Q22 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™ business gross margins remained healthy at 69.0%. The gross margins of Mega We Care™ business are influenced by revenue growth, product mix, country mix and level of output amongst other factors. To a limited extent, the improvement in gross margins for Mega We Care™ business is also driven by depreciation of Thai Baht to USD. Maxxcare™ business gross margin also improved to 18.8% and the net margins (EBITDA/gross profits) also improved to 55.1% in 1Q22. Gross margins are influenced by principal and service mix amongst other factors. Similar to Mega We Care™ business, Maxxcare™ business improvement in gross margins to

a limited extent is also driven by depreciation of Thai Baht to USD.

- **Selling and administrative expenses (SG&A)** was THB 989mn in 1Q22. SG&A expenses as a percentage to operating revenue remained steady at 25.9% in 1Q22 compared to 25.5% in 1Q21.
- **Reported net profit** in 1Q22 came in at THB 613mn reflecting a growth of 84.2% YoY. Growth in net profit in 1Q22 was mainly a result of growth in Mega We Care™ revenue and better gross margins.
- **Adjusted net profit¹** came in at THB 635mn reflecting a growth of 72.6% YoY, 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

Income Statement	1Q21	1Q22	YoY Gr.	Growth in Mega We Care revenue and better gross margins contributed to net profits growth.
<i>Figures in THBmn</i>				
Operating revenue	3,270.3	3,819.7	16.8%	
Gross profits	1,256.0	1,710.4	36.2%	
Gross margin (%)	38.4%	44.8%		
Selling and Admin. exp (SGA)	834.3	988.8	18.5%	
SGA (% to operating revenue)	25.5%	25.9%		
Reported net profit	332.6	612.7	84.2%	
Net losses from new businesses	14.8	9.1	na	
Net foreign exchange loss/(gain)	20.3	12.8	na	
Net profit (Adjusted)	367.7	634.6	72.6%	

1. Overall Revenue

Overall operating revenue in 1Q22 was THB 3,819.7mn, higher by 16.8% YoY, driven by growth in Mega We Care™ business revenue of 32.6% and Maxxcare™ business revenue had a marginal growth at 2.3% YoY. To a limited extent, the growth in revenue is also on account of depreciation of Thai Baht to USD for both Mega We Care™ business and Maxxcare™ business. The Maxxcare™ business would have remained flat without taking into consideration depreciation of Thai Baht to USD.

Southeast Asia² and Indochina³ contributed 86.4% and 76.9% of our operating revenues in 1Q22.

1. Adjusted net profit 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. For details, please see summarized income statement of this report.

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

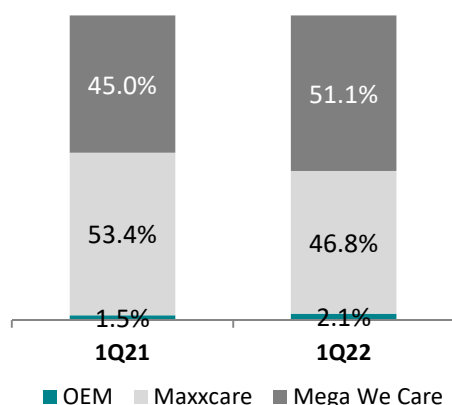
The following table represents the revenue generated under each operating segments.

Revenue* by Business Segment

<i>Figures in THBmn</i>	1Q21	1Q22	YoY Gr.
Mega We Care™	1,473.1	1,953.7	32.6%
Maxxcare™	1,747.5	1,787.4	2.3%
OEM	49.7	78.6	58.3%
Total	3,270.3	3,819.7	16.8%

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

Revenue mix by segments (%)



Proportion of Mega We Care™ business revenue to total operating revenue improved and was at 51.1% in 1Q22 compared to 45.0% in 1Q21. Maxxcare™ business revenue to total operating revenue was 46.8% in 1Q22 compared to 53.4% in 1Q21.

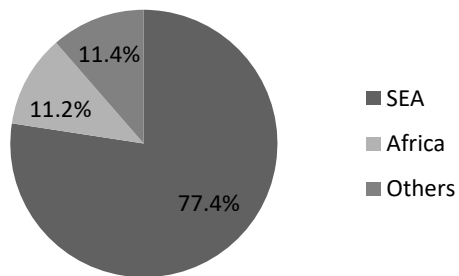
Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 1,953.7mn in 1Q22, an increase of THB 480.6mn or 32.6% YoY. Growth in 1Q22 was contributed by all regions but Southeast Asia contributed the most, growing at 33.7% YoY. To a limited extent, the growth in revenue is also on account of depreciation of Thai Baht to USD.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	1Q21	1Q22	YoY Gr.
Southeast Asia	1,131.5	1,512.4	33.7%
Africa	171.7	218.3	27.2%
Others	169.9	223.1	31.3%
Total	1,473.1	1,953.7	32.6%

Mega We Care™ Branded Products Revenue by Geography (1Q22)



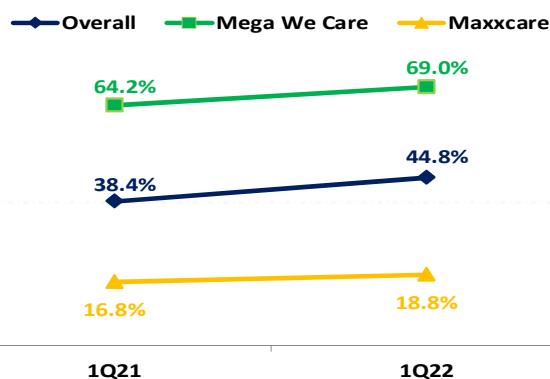
- Southeast Asia contributed 77.4%, while Indochina contributed 59.0% of Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 11.2% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 1,787.4mn in 1Q22, an increase of THB 39.9mn or 2.3% YoY. To a limited extent, the growth in revenue is also on account of depreciation of Thai Baht to USD. The Maxxcare™ business would have remained flat without taking into consideration depreciation of Thai Baht to USD.

2. Gross Profits

Segmental gross profit (%) to segmental operating revenue



Overall gross margin in 1Q22 was 44.8% compared to 38.4% in 1Q21. Improvement in 1Q22 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 69.0% in 1Q22. Maxxcare gross margin was 18.8% in 1Q22 and the net margins (EBITDA/gross profits) for Maxxcare business was 55.1% in 1Q22 compared to 50.6% in 1Q21.

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ business gross margins remained healthy at 69.0% in 1Q22 compared to 64.2% in 1Q21. The gross margins of Mega We Care™ business are influenced by revenue growth, product mix, country mix and level of output amongst other factors. To a limited extent, the improvement in gross margins for Mega We Care™ business is also driven by depreciation of Thai Baht to USD.

Maxxcare™ Distribution Business Gross Profit

Maxxcare™ business gross margin also improved to 18.8% in 1Q22 compared to 16.8% in 1Q21 and the net margins (EBITDA/gross profits) also improved to 55.1% in 1Q22 compared to 50.6% in 1Q21. Gross margins are influenced by principal and service mix amongst other factors. Similar to Mega We Care™ business, to a limited extent, Maxxcare™ business improved gross margin is also driven by depreciation of Thai Baht to USD.

OEM Business

OEM business contributed 2.1% to overall operating revenue in 1Q22. OEM revenue came in at THB 78.6mn (up by 58.3% YoY) in 1Q22. Gross margins came in at 33.1% in 1Q22 similar to 1Q21.

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

Selling and administrative expenses (SG&A) was THB 988.8mn in 1Q22. SG&A expenses as a percentage to operating revenue remained steady at 25.9% in 1Q22 compared to 25.5% in 1Q21.

4. Consolidated Net Profit

Reported net profit in 1Q22 came in at THB 612.7mn reflecting a growth of 84.2% YoY, mainly a result of growth in Mega We Care™ revenue and better gross margins.

Adjusted net profit came in at THB 634.6mn reflecting a growth of 72.6% YoY, mainly a result of growth in Mega We Care™ revenue and better gross margins.

5. Cash Flows

Operating Activities

Operating activities generated cash flows of THB 230.7mn in 1Q22. Increase in accounts receivables due to growth in Mega We Care™ business and reduction in Trade payables of distribution business are key factors for reduction in cash generated from operations during Jan-Mar'22 which is expected to normalize in due course.

Core working capital

	Dec'20	Dec'21	Mar'22
Average receivable days	72	64	70
Average inventory days	150	160	174
Average payable days	(96)	(100)	(111)
Cash cycle (days)	126	124	133

Cash cycle days in Mar'22 was 133 days from 124 days in Dec'21. The cash cycle is expected to normalize in due course.

Investing Activities

In 1Q22, THB 130.0 mn was invested in tangible assets⁴, mainly driven by spending towards Thailand manufacturing plant.

Capex plan: Besides regular improvement and maintenance capex which are incurred every year, an amount of THB 537mn is expected to be spent during 2022-23 towards below projects:

1. **Thailand** : THB 326mn towards consolidation of manufacturing operations and capacity expansion and THB 46mn towards ESG.
2. **Indonesia:** THB 165mn towards adding new dosage form, warehouse and plant up-gradation in newly acquired Indonesian manufacturing plant.

Financing Activities

In 1Q22, net cash outflow from financing activities was THB 75.0mn, mainly arising from repayment of working capital loans of THB 53.7mn and THB 14.0mn towards payment of lease liabilities.

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

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 2,576.1mn as at 31 March 2022, an increase of THB 44.8mn from 31 December 2021.

Trade receivables were THB 2,910.4mn as at 31 March 2022, an increase of THB 353.2mn compared to THB 2,557.3mn as at 31 December 2021. Increase in trade receivable is mainly due to growth in Mega We Care™ business. Inventories were THB 3,727.6mn as at 31 March 2022, a decrease of THB 95.3mn over 31 December 2021 levels.

As at 31 March 2021, Current ratio was at 2.1 times. The cash cycle days as at 31 March 2022 was 133 days compared to 124 days as at 31 December 2021.

Non-current Assets

Non-current assets were THB 4,019.4mn as at 31 March 2022, an increase of THB 48.6mn or 1.2% from 31 December 2021. The increase was mainly driven by spending towards property, plant and equipment as per plan.

Current Liabilities

Current liabilities were THB 4,624.5mn as at 31 March 2022, a decrease of THB 228.8mn or 4.7% compared to 31 December 2021. The decrease was mainly a result of payment of trade payables.

Trade payables were THB 2,526.6mn as at 31 March 2022, a reduction of THB 256.7mn from 31 December 2021 levels.

Non-current Liabilities

Non-current liabilities were THB 395.5mn as at 31 March 2022, an increase of THB 2.2mn compared to 31 December 2021.

As at 31 March 2021, net-debt to equity was (0.30) times, while debt to equity was 0.58 times and interest bearing debt to equity at 0.01 times.

Shareholders' Equity

Shareholders' equity was THB 8,599.6mn as at 31 March 2022, an increase of THB 596.7mn compared to 31 December 2021, mainly driven by 1Q22 net profits.

Consolidated Balance Sheet
Statement of financial position
Figures in THBmn

	31-Mar-22		31-Dec-21		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁵	2,576.1	18.9%	2,531.4	19.1%	44.8	1.8%
Trade accounts receivable	2,910.4	21.3%	2,557.3	19.3%	353.2	13.8%
Inventories	3,727.6	27.3%	3,822.9	28.8%	(95.3)	(2.5%)
Other current assets	406.2	3.0%	389.4	2.9%	16.8	4.3%
Total Current Assets	9,620.4	70.5%	9,300.9	70.1%	319.5	3.4%
Non-Current Assets						
Property, plant and equipment ⁶	1,953.0	14.3%	1,873.5	14.1%	79.4	4.2%
Intangible assets ⁷	1,348.8	9.9%	1,353.1	10.2%	(4.4)	(0.3%)
Deferred tax asset	211.9	1.6%	210.4	1.6%	1.5	0.7%
Right-of-use assets	258.3	1.9%	265.4	2.0%	(7.1)	(2.7%)
Other non-current assets	247.4	1.8%	268.3	2.0%	(20.9)	(7.8%)
Total Non-Current Assets	4,019.4	29.5%	3,970.8	29.9%	48.6	1.2%
Total Assets	13,639.8	100.0%	13,271.7	100.0%	368.1	2.8%
Current Liabilities						
Bank overdrafts & short-term Loans	113.6	0.8%	168.2	1.3%	(54.6)	(32.5%)
Trade accounts payable	2,269.9	16.6%	2,526.6	19.0%	(256.7)	(10.2%)
Other payables	1,168.6	8.6%	1,109.1	8.4%	59.6	5.4%
Current portion of lease liabilities	58.0	0.4%	56.2	0.4%	1.8	3.2%
Income tax payable	273.9	2.0%	185.9	1.4%	88.0	47.3%
Accrued expenses	740.5	5.4%	807.4	6.1%	(66.9)	(8.3%)
Total Current Liabilities	4,624.5	33.9%	4,853.4	36.6%	(228.8)	(4.7%)
Non-Current Liabilities						
Lease liabilities	126.1	0.9%	131.9	1.0%	(5.8)	(4%)
Deferred tax liability	-	0.0%	-	0.0%	-	-
Employees benefits obligation	269.4	2.0%	261.3	2.0%	8.1	3.1%
Other non-current liabilities	-	0.0%	-	0.0%	-	-
Total Non-Current Liabilities	395.5	2.9%	393.2	3.0%	2.2	0.6%
Total Liabilities	5,020.0	36.8%	5,246.6	39.5%	(226.6)	(4.3%)
Equity						
Issued and paid-up share capital	435.9	3.2%	435.9	3.3%	-	0.0%
Premium on ordinary shares	2,304.5	16.9%	2,304.5	17.4%	0.0	0.0%
Retained earnings:						
Appropriated	76.1	0.6%	76.1	0.6%	0.0	0.0%
Unappropriated	6,305.7	46.2%	5,692.2	42.9%	613.5	10.8%
Other components of equity	(522.7)	(3.8%)	(506.0)	(3.8%)	(16.8)	3.3%
Owners Equity	8,599.6	63.0%	8,002.8	60.3%	596.7	7.5%
Non-controlling interests	20.2	0.1%	22.3	0.2%	(2.1)	(9.2%)
Total Equity	8,619.8	63.2%	8,025.1	60.5%	594.7	7.4%
Total Liabilities and Equity	13,639.8	100.0%	13,271.7	100.0%	368.1	2.8%

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 37.2mn as at Mar '22 and THB 36.2mn as at Dec'21. 7. Includes goodwill of THB 480.2mn as at Mar'22 and THB 476.2mn as at Dec'21.

Consolidated Income Statement

<i>Figures in THBmn</i>	1Q21	1Q22	YoY Gr.
Operating Revenue	3,270.3	3,819.7	16.8%
Other income	10.2	13.8	34.5%
Total Income	3,280.5	3,833.5	16.9%
Cost of goods sold	2,014.3	2,109.4	4.7%
Gross profits	1,256.0	1,710.4	36.2%
<i>Gross margin (%)</i>	38.4%	44.8%	
Selling expense	503.6	607.6	20.6%
Administrative expense	330.7	381.2	15.3%
Selling & Administrative exp (SGA)	834.3	988.8	18.5%
<i>SGA (% to operating revenue)</i>	25.5%	25.9%	
Net foreign exchange loss/(gain)	20.3	12.8	(37.2%)
Depreciation & Amortization	68.4	66.8	(2.4%)
Finance cost	9.9	5.9	(40.1%)
Share of profit/(loss) from JV	(0.3)	(0.1)	(78.4%)
Profit before tax	401.4	716.6	78.5%
Tax expense	68.9	103.9	50.8%
Reported net profit	332.6	612.7	84.2%
Basic earning per share	0.38	0.70	84.2%
Net losses from new businesses	14.8	9.1	(38.7%)
Net foreign exchange loss/(gain)	20.3	12.8	(37.2%)
Net profit (Adjusted)	367.7	634.6	72.6%
<i>Net profit margin to operating revenue</i>	11.2%	16.6%	na
Basic earning per share	0.42	0.73	72.6%

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.