

Date: 11<sup>th</sup> August 2022  
Subject: 1H22 Management Discussion and Analysis  
To: The President of the Stock Exchange of Thailand

## 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 1H22

### Consolidated Income Statement Summary:

- **Overall operating revenue** of THB 7,750mn in 1H22 (up by 12.9% YoY) and THB 3,930mn in 2Q22 (up by 9.3% YoY).
- **Gross profit** of THB 3,385mn in 1H22 representing 43.7% of operating revenue and THB 1,674mn in 2Q22 representing 42.6% of operating revenue.
- **SG&A expenses** of THB 2,073mn in 1H22, representing 26.7% of operating revenue and THB 1,084mn in 2Q22 representing 27.6% of operating revenue.
- **Reported net profit** came in at THB 1,182mn in 1H22 (up by 41.5% YoY) and THB 569mn in 2Q22 (up by 13.3% YoY). Adjusted net profit<sup>1</sup> came in at THB 1,191mn in 1H22 (up by 40.0% YoY) and THB 557mn in 2Q22 (up by 15.2% YoY).
- **Operating cash flow** of THB 826mn in 1H22 representing 70% of reported net profits.
- **Interim dividend** of 75 satang per share representing 55.3% of 1H22 net profits and growth of 44.2% YoY has been approved by Board of Directors.

### Key points:

- **Overall operating revenue** in 1H22 was THB 7,750mn, higher by 12.9% YoY and THB 3,930mn in 2Q22, higher by 9.3% YoY.
  - Mega We Care™ revenue was THB 3,957mn in 1H22 (up by 23.7% YoY) and THB 2,004mn in 2Q22 (up by 16.0% YoY), growth driven by Southeast Asia and Africa with continued stronger consumer demand and depreciation of Thai Baht to USD.

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 3,640mn in 1H22 (up by 3.5% YoY) and THB 1,852mn in 2Q22 (up by 4.6% YoY). Despite the challenges in Myanmar, we were still able to achieve in 1H22, similar performance as 1H21.
- **Overall gross margin** in 1H22 improved to 43.7% compared to 40.2% in 1H21. Improvement in 1H22 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 68.0%. The gross margins of Mega We Care™ business are influenced by revenue growth, product mix, country mix, depreciation of Thai Baht to USD and level of output amongst other factors. Maxxcare™ business gross margin remained steady at 17.5% and the net margins (EBITDA/gross profits) also remained steady at 48.7% in 1H22. Gross margins are influenced by principal and service mix amongst other factors.
- **Selling and administrative expenses (SG&A)** have remained stable at THB 2,073mn in 1H22, representing 26.7% of operating revenue and THB 1,084mn in 2Q22 representing 27.6% of operating revenue compared to 26.1% in 1H21 and 26.5% in 2Q21.
- **Reported net profit** in 1H22 came in at THB 1,182mn reflecting a growth of 41.5% YoY and THB 569mn in 2Q22 reflecting a growth of 13.3% YoY. Growth in 1H22 and 2Q22 was mainly a result of growth in Mega We Care revenue and better gross margins.
- **Adjusted net profit** in 1H22 came in at THB 1,191mn reflecting a growth of 40.0% YoY and THB 557mn in 2Q22 reflecting a growth of 15.2% YoY. Growth in 1H22 and 2Q22 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>	2Q21	1Q22	2Q22	YoY Gr.	1H21	1H22	YoY Gr.	Growth in Mega We Care revenue and better gross margins contributed to net profits growth
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%		
<b>Reported net profit</b>	<b>502.6</b>	<b>612.7</b>	<b>569.3</b>	<b>13.3%</b>	<b>835.2</b>	<b>1,182.1</b>	<b>41.5%</b>	
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%)	
<b>Net profit (Adjusted)</b>	<b>483.1</b>	<b>634.6</b>	<b>556.7</b>	<b>15.2%</b>	<b>850.9</b>	<b>1,191.3</b>	<b>40.0%</b>	

## 1. Overall Revenue

Overall operating revenue in 1H22 was THB 7,750mn, higher by 12.9% YoY, driven by growth in Mega We Care™ business of 23.7% YoY, while Maxxcare™ business revenue grew by 3.5% YoY.

Overall operating revenue in 2Q22 was THB 3,930mn, higher by 9.3% driven by growth in Mega We Care™ business of 16.0% YoY, while Maxxcare™ business revenue grew by 4.6% YoY.

Southeast Asia<sup>2</sup> and Indochina<sup>3</sup> contributed 87.5% and 78.9% of overall operating revenues in 1H22.

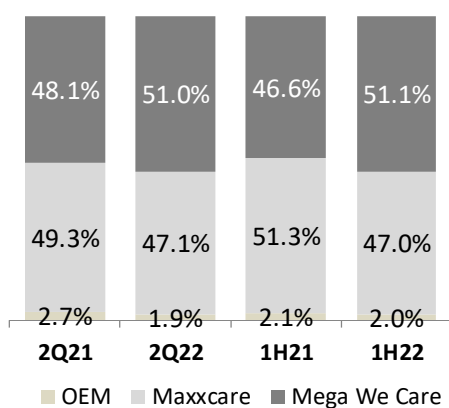
The following table represents the revenue generated under each operating segments.

### Revenue\* by Business Segment

<i>Figures in THBmn</i>	2Q21	1Q22	2Q22	YoY Gr.	1H21	1H22	YoY Gr.
Mega We Care™	1,727.2	1,953.7	2,003.6	16.0%	3,200.3	3,957.4	23.7%
Maxxcare™	1,770.7	1,787.4	1,852.3	4.6%	3,518.3	3,639.7	3.5%
OEM	96.6	78.6	73.9	(23.5%)	146.2	152.5	4.3%
<b>Total</b>	<b>3,594.5</b>	<b>3,819.7</b>	<b>3,929.8</b>	<b>9.3%</b>	<b>6,864.8</b>	<b>7,749.6</b>	<b>12.9%</b>

\*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 51.1% in 1H22 and 51.0% in 2Q22 and Maxxcare contributing 47.0% in 1H22 and 47.1% of total operating revenue in 2Q22. Mega We Care™ revenue contribution to overall revenue improved in 1H22 and 2Q22.

### Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 3,957mn in 1H22, an increase of THB 757mn or 23.7% YoY, the revenue in 2Q22 came in at THB 2,004mn reflecting a growth of 16.0% YoY, growth driven by Southeast Asia and Africa with continued stronger consumer demand and depreciation of Thai Baht to USD.

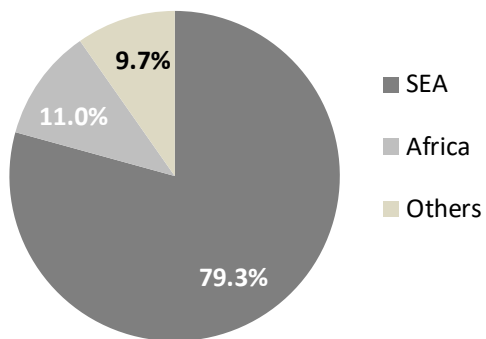
### Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	2Q21	1Q22	2Q22	YoY Gr.	1H21	1H22	YoY Gr.
Southeast Asia	1,362.8	1,512.4	1,625.3	19.3%	2,494.3	3,137.7	25.8%
Africa	180.0	218.3	216.5	20.3%	351.7	434.8	23.6%
Others	184.5	223.1	161.9	(12.3%)	354.4	384.9	8.6%
<b>Total</b>	<b>1,727.2</b>	<b>1,953.7</b>	<b>2,003.6</b>	<b>16.0%</b>	<b>3,200.3</b>	<b>3,957.4</b>	<b>23.7%</b>

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

3. Thailand, Myanmar, Vietnam and Cambodia.

Mega We Care™ Branded Products Revenue by Geography (1H22)



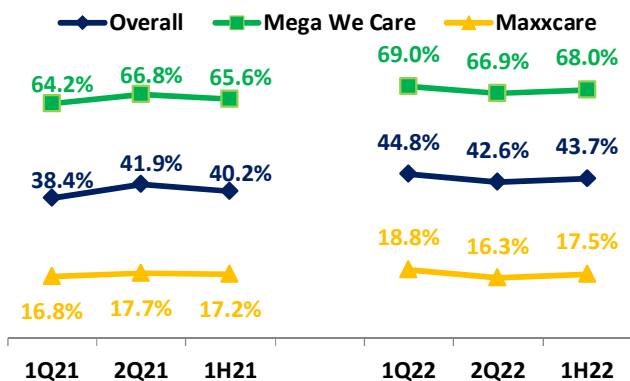
- Southeast Asia contributed 79.3%, while Indochina contributed 62.5% of the Mega We Care™ branded products business revenue.
- Africa, contributed 11.0% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

- Maxxcare™ distribution business revenue was THB 3,640mn in 1H22, an increase of THB 121mn or 3.5% YoY and Revenue in 2Q22 came in at THB 1,852mn reflecting a growth of 4.6% YoY. Despite the challenges in Myanmar, we were able to achieve in 1H22, similar performance as 1H21.

2. Gross Profits

Segmental gross profit (%) to segmental operating revenue



Overall gross margin in 1H22 was 43.7% compared to 40.2% in 1H21 and 42.6% in 2Q22 compared to 41.9% in 2Q21. Improvement in 1H22 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 68.0% in 1H22. Maxxcare gross margin was steady at 17.5% in 1H22 and the net margins (EBITDA/gross profits) for Maxxcare business was also steady at 48.7% in 1H22 similar to 49.8% in 1H21.

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 68.0% in 1H22 and 66.9% in 2Q22 compared to 65.6% in 1H21 and 66.8% in 2Q21. The gross margins are influenced by revenue growth, product mix, country mix, depreciation of Thai Baht to US and level of output amongst other factors.

Maxxcare™ Distribution Business Gross Profit

Maxxcare™ distribution business gross margin was 17.5% in 1H22 compared to 17.2% in 1H21 and 16.3% in 2Q22 compared to 17.7% in 2Q21. Gross margins are influenced by principal and service mix amongst other factors. Net margins (EBITDA/gross profits) were steady at 48.7% in 1H22 similar to 49.8% in 1H21.

**OEM Business**

OEM business contributed 2.0% to overall operating revenue in 1H22. OEM revenue came in at THB 152mn (up 4.3% YoY) in 1H22 and THB 74mn (down 23.5% YoY) in 2Q22. Gross margins came in at 37.3% in 1H22 compared to 39.5% in 1H21 and 41.7% in 2Q22 compared to 41.3% in 2Q21. Gross margins are influenced by customer mix amongst other factors.

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

Selling and administrative expenses (SG&A) have remained stable at THB 2,073mn in 1H22, representing 26.7% of operating revenue and THB 1,084mn in 2Q22 representing 27.6% of operating revenue compared to 26.1% in 1H21 and 26.5% in 2Q21.

**4. Consolidated Net Profit**

**Reported net profit** in 1H22 came in at THB 1,182mn reflecting a growth of 41.5% YoY and THB 569mn 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.

**Adjusted net profit** in 1H22 came in at THB 1,191mn reflecting a growth of 40.0% YoY and THB 557mn in 2Q22 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.

**5. Cash Flows**
**Operating Activities**

Operating cash inflow of THB 826mn in 1H22. Operating cash inflow represents 70% of net profits.

**Core working capital**

	Dec'21	Mar'22	Jun'22
Average receivable days	64	70	74
Average inventory days	160	174	166
Average payable days	(100)	(111)	(114)
<b>Cash cycle (days)</b>	<b>124</b>	<b>133</b>	<b>126</b>

Cash cycle days in June'22 was 126 days compared to 133 days in Mar'22 and 124 days in Dec'21.

**Investing Activities**

In 1H22, THB 187mn was invested in tangible assets<sup>4</sup> mainly driven by spending of THB 135mn towards Thailand manufacturing plant.

**Capex plan:** Besides regular improvement and maintenance capex which are incurred every year, an amount of THB 505mn is expected to be spent during 2022-23 towards below projects:

1. **Thailand :** THB 295mn 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 1H22, net cash outflow from financing activities was THB 783mn, mainly arising from dividend payout of THB 751mn.

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 2,455mn as at 30 June 2022, similar to cash and bank balance as at 31 December 2021.

Trade receivables were THB 3,522mn as at 30 June 2022, an increase of THB 964mn compared to THB 2,558mn as at 31 December 2021. Inventories were THB 3,864mn as at 30 June 2022, similar to 31 December 2021 levels. The increase in Trade receivable is mainly arising on account of growth in business.

As at 30 June 2022, Current ratio was at 1.8 times. The cash cycle days as at 30 June 2022 was 126 days compared to 124 days as at 31 December 2021.

### Non-current Assets

Non-current assets were THB 4,130mn as at 30 June 2022, an increase of THB 159mn or 4.0% from 31 December 2021 mainly on account of additions to tangible assets for Thailand manufacturing operations.

### Current Liabilities

Current liabilities were THB 5,590mn as at 30 June 2022, an increase of THB 737mn or 15.2% compared to 31 December 2021. The increase in current liabilities is mainly on account of increase in Trade payable due to growth in business and collections payable to customers.

Trade payables were THB 2,745mn as at 30 June 2022, an increase of THB 218mn from 31 December 2021 levels, increase mainly on account of growth in business.

### Non-current Liabilities

Non-current liabilities were THB 384mn as at 30 June 2022, similar to THB 393mn as at 31 December 2021.

As at 30 June 2022, net-debt to equity was (0.27) times, while debt to equity was 0.7 times and interest bearing debt to equity at 0.02 times.

### Shareholders' Equity

Shareholders' equity was THB 8,496mn as at 30 June 2022, an increase of THB 494mn compared to 31 December 2021, mainly driven by 1H22 net profits and dividend payouts.

**Consolidated Balance Sheet**

<i>Figures in THBmn</i>	30-Jun-22		31-Dec-21		Change	
	Amount	%	Amount	%	Amount	%
<b>Current Assets</b>						
Cash and bank balances <sup>5</sup>	2,455.4	17.0%	2,531.4	19.1%	(76.0)	(3.0%)
Trade accounts receivable	3,521.5	24.3%	2,557.3	19.3%	964.2	37.7%
Inventories	3,864.3	26.7%	3,822.9	28.8%	41.4	1.1%
Other current assets	499.5	3.5%	389.4	2.9%	110.2	28.3%
<b>Total Current Assets</b>	<b>10,340.7</b>	<b>71.5%</b>	<b>9,300.9</b>	<b>70.1%</b>	<b>1,039.8</b>	<b>11.2%</b>
<b>Non-Current Assets</b>						
Property, plant and equipment <sup>6</sup>	1,967.2	13.6%	1,873.5	14.1%	93.7	5.0%
Intangible assets <sup>7</sup>	1,363.5	9.4%	1,353.1	10.2%	10.4	0.8%
Deferred tax asset	268.3	1.9%	210.4	1.6%	57.9	27.5%
Right-of-use assets	263.1	1.8%	265.4	2.0%	(2.4)	(0.9%)
Other non-current assets	267.8	1.9%	268.3	2.0%	(0.5)	(0.2%)
<b>Total Non-Current Assets</b>	<b>4,129.9</b>	<b>28.5%</b>	<b>3,970.8</b>	<b>29.9%</b>	<b>159.0</b>	<b>4.0%</b>
<b>Total Assets</b>	<b>14,470.5</b>	<b>100.0%</b>	<b>13,271.7</b>	<b>100.0%</b>	<b>1,198.8</b>	<b>9.0%</b>
<b>Current Liabilities</b>						
Bank overdrafts & short-term Loans	187.5	1.3%	168.2	1.3%	19.3	11.5%
Trade accounts payable	2,745.0	19.0%	2,526.6	19.0%	218.4	8.6%
Other payables	1,569.6	10.8%	1,109.1	8.4%	460.5	41.5%
Current portion of lease liabilities	86.2	0.6%	56.2	0.4%	30.0	53.3%
Income tax payable	214.3	1.5%	185.9	1.4%	28.5	15.3%
Accrued expenses	787.8	5.4%	807.4	6.1%	(19.6)	(2.4%)
<b>Total Current Liabilities</b>	<b>5,590.4</b>	<b>38.6%</b>	<b>4,853.4</b>	<b>36.6%</b>	<b>737.1</b>	<b>15.2%</b>
<b>Non-Current Liabilities</b>						
Lease liabilities	105.5	0.7%	131.9	1.0%	(26.5)	(20%)
Deferred tax liability	-	0.0%	-	0.0%	-	-
Employees benefits obligation	278.2	1.9%	261.3	2.0%	16.9	6.5%
Other non-current liabilities	-	0.0%	-	0.0%	-	-
<b>Total Non-Current Liabilities</b>	<b>383.7</b>	<b>2.7%</b>	<b>393.2</b>	<b>3.0%</b>	<b>(9.6)</b>	<b>(2.4%)</b>
<b>Total Liabilities</b>	<b>5,974.1</b>	<b>41.3%</b>	<b>5,246.6</b>	<b>39.5%</b>	<b>727.5</b>	<b>13.9%</b>
<b>Equity</b>						
Issued and paid-up share capital	435.9	3.0%	435.9	3.3%	-	0.0%
Premium on ordinary shares	2,304.5	15.9%	2,304.5	17.4%	0.0	0.0%
Retained earnings:						
Appropriated	76.1	0.5%	76.1	0.6%	0.0	0.0%
Unappropriated	6,139.5	42.4%	5,692.2	42.9%	447.3	7.9%
Other components of equity	(459.8)	(3.2%)	(506.0)	(3.8%)	46.2	(9.1%)
<b>Owners Equity</b>	<b>8,496.3</b>	<b>58.7%</b>	<b>8,002.8</b>	<b>60.3%</b>	<b>493.5</b>	<b>6.2%</b>
Non-controlling interests	0.1	0.0%	22.3	0.2%	(22.2)	(99.4%)
<b>Total Equity</b>	<b>8,496.5</b>	<b>58.7%</b>	<b>8,025.1</b>	<b>60.5%</b>	<b>471.3</b>	<b>5.9%</b>
<b>Total Liabilities and Equity</b>	<b>14,470.5</b>	<b>100.0%</b>	<b>13,271.7</b>	<b>100.0%</b>	<b>1,198.8</b>	<b>9.0%</b>

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 June '22 and THB 36.2mn as at Dec'21. 7. Includes goodwill of THB 488.6mn as at June'22 and THB 476.2mn as at Dec'21.

**Consolidated Income Statement**

<i>Figures in THBmn</i>	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%
Other income	11.5	13.8	22.4	95.0%	21.7	36.2	66.6%
<b>Total Income</b>	<b>3,606.0</b>	<b>3,833.5</b>	<b>3,952.3</b>	<b>9.6%</b>	<b>6,886.5</b>	<b>7,785.8</b>	<b>13.1%</b>
Cost of goods sold	2,087.8	2,109.4	2,255.7	8.0%	4,102.1	4,365.1	6.4%
<b>Gross profits</b>	<b>1,506.7</b>	<b>1,710.4</b>	<b>1,674.2</b>	<b>11.1%</b>	<b>2,762.7</b>	<b>3,384.5</b>	<b>22.5%</b>
<i>Gross margin (%)</i>	41.9%	44.8%	42.6%		40.2%	43.7%	
Selling expense	572.8	607.6	622.7	8.7%	1,076.4	1,230.3	14.3%
Administrative expense	381.4	381.2	461.3	21.0%	712.1	842.5	18.3%
<b>Selling &amp; Administrative exp (SGA)</b>	<b>954.2</b>	<b>988.8</b>	<b>1,084.0</b>	<b>13.6%</b>	<b>1,788.5</b>	<b>2,072.8</b>	<b>15.9%</b>
<i>SGA (% to operating revenue)</i>	26.5%	25.9%	27.6%		26.1%	26.7%	
Net foreign exchange loss/(gain)	(34.9)	12.8	(25.7)	(26.3%)	(14.6)	(13.0)	(11.1%)
Depreciation & Amortization	68.1	66.8	67.7	(0.5%)	136.5	134.5	(1.5%)
Finance cost	7.2	5.9	6.4	(10.1%)	17.0	12.4	(27.5%)
Share of profit/(loss) from JV	(0.3)	(0.1)	(0.0)	(95.0%)	(0.5)	(0.1)	(86.6%)
Profit before tax	591.5	716.6	631.9	6.8%	993.0	1,348.5	35.8%
Tax expense	88.9	103.9	62.6	(29.6%)	157.8	166.4	5.5%
<b>Reported net profit</b>	<b>502.6</b>	<b>612.7</b>	<b>569.3</b>	<b>13.3%</b>	<b>835.2</b>	<b>1,182.1</b>	<b>41.5%</b>
Basic earning per share	0.58	0.70	0.65	13.3%	0.96	1.36	41.5%
Net losses from new businesses	15.5	9.1	13.1	na	30.3	22.2	(26.8%)
Net foreign exchange loss/(gain)	(34.9)	12.8	(25.7)	na	(14.6)	(13.0)	(11.1%)
<b>Net profit (Adjusted)</b>	<b>483.1</b>	<b>634.6</b>	<b>556.7</b>	<b>15.2%</b>	<b>850.9</b>	<b>1,191.3</b>	<b>40.0%</b>
<i>Net profit margin to operating revenue</i>	13.4%	16.6%	14.2%	na	12.4%	15.4%	na
<b>Basic earning per share</b>	<b>0.55</b>	<b>0.73</b>	<b>0.64</b>	<b>15.2%</b>	<b>0.98</b>	<b>1.37</b>	<b>40.0%</b>

**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.